ASEAN
CATALYST

CIMB
FINANCIAL STATEMENTS **2016**

PG **8**

OUR PERFORMANCE

Net profit up 4.5% to RM3.6 billion on record revenues of RM16.1 billion.

PG **18**

TIGHTER COST CONTROL

Operating expenses grew by only 1.0% YoY, despite 4.4% YoY revenue growth.

PG **8**

LOWER COST TO INCOME RATIO

Cost-to-Income ratio improving to 53.9% for FY16 from 55.6% in 2015.

ASEAN CATALYST

THE COVER SHOWS OUR ENTREPRENEURS CONSULTING WITH A TRUSTED FINANCIAL ADVISOR AS THEY PLAN TO TAKE THEIR BUSINESS FORWARD TO THE NEXT LEVEL.


Beat Banking
Beat Banking
plug n pay
CIMB FastSaver
CIMB FastSaver
Plug n Pay
Touch 'n GO
Touch 'n Go
CIMB PAY MALAYSIA
CIMB Pay
CIMB Eva Enhanced Virtual Assistant
CIMB EVA
CIMB NIAGA Digital Lounge
Digital Lounge

60th Annual General Meeting of CIMB Group Holdings Berhad

WHERE

Grand Ballroom, Level 3A
Connexion @ Nexus, No. 7
Jalan Kerinchi
Bangsar South City
59200 Kuala Lumpur
Malaysia.

WHEN

Friday, 28 April 2017

TIME

9.00 a.m.

INSIDE THIS REPORT

OUR PERFORMANCE

FINANCIAL STATEMENTS

BASEL II PILLAR 3 DISCLOSURES

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

Key Highlights	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012* RM'000
	Financial Year Ended 31 December				
Consolidated Statement of Income					
Net interest income	**9,825,926**	9,336,744	8,655,548	7,954,146	7,395,880
Net non-interest income and income from Islamic banking operations	**6,239,329**	6,059,046	5,490,376	6,717,689	6,098,945
Operating income	**16,065,255**	15,395,790	14,145,924	14,671,835	13,494,825
Overheads	**8,651,690**	9,248,978	8,291,963	8,457,870	7,612,099
Profit before allowances	**7,413,565**	6,146,812	5,853,961	6,213,965	5,882,726
Allowance for impairment losses on loans, advances and financing	**2,408,883**	2,168,624	1,522,068	660,607	329,098
Profit before taxation and zakat^	**4,884,144**	3,913,993	4,276,423	5,849,229	5,677,893
Net profit for the financial year	**3,564,190**	2,849,509	3,106,808	4,540,403	4,344,776
Consolidated Statement of Financial Position					
Gross loans, advances and financing	**323,719,559**	297,822,144	264,644,089	234,557,542	208,343,039
Total assets	**485,766,887**	461,577,143	414,156,356	370,912,797	336,461,160
Deposits from customers^^	**338,530,629**	320,509,026	284,714,019	265,408,979	247,295,039
Total liabilities	**438,687,729**	419,344,515	375,765,233	339,684,237	307,194,841
Shareholders' funds	**45,308,175**	41,050,778	37,360,436	30,271,098	28,292,994
Commitments and contingencies	**817,569,941**	883,583,439	702,740,799	526,572,598	460,550,153
Financial Ratios (%)					
Common equity tier 1 ratio (CIMB Bank)#	**11.5**	11.5	11.2	9.6	n/a
Tier 1 ratio (CIMB Bank)#	**13.1**	12.7	12.6	11.6	n/a
Total capital ratio (CIMB Bank)#	**16.2**	15.8	14.7	12.9	n/a
Core capital ratio (CIMB Bank)#	**n/a**	n/a	n/a	n/a	12.4
Risk-weighted capital ratio (CIMB Bank)#	**n/a**	n/a	n/a	n/a	15.5
Return on average equity	**8.3**	7.3	9.2	15.5	16.0
Return on average total assets	**0.75**	0.65	0.79	1.28	1.37
Net interest margin	**2.63**	2.66	2.80	2.85	3.07
Cost to income ratio	**53.9**	60.1	58.6	57.6	56.4
Gross impaired/non-performing loans to gross loans	**3.3**	3.0	3.1	3.2	3.8
Allowance coverage ratio	**79.8**	84.7	82.7	84.8	82.8
Loan loss charge	**0.74**	0.73	0.58	0.28	0.16
Loan deposit ratio	**95.6**	92.9	93.0	88.4	84.2
Net tangible assets per share (RM)	**3.92**	3.63	3.28	2.67	2.47
Book value per share (RM)	**5.11**	4.81	4.44	3.92	3.81
CASA ratio	**35.6**	34.1	34.7	34.3	34.7
Other Information					
Earnings per share (sen)					
– basic	**41.0**	33.6	37.5	60.0	58.5
Gross dividend per share (sen)	**20.00**	14.00	15.00	23.15^^^	23.38
Dividend payout ratio (%)	**49**	42	40	40	40
Number of shares in issue ('000)	**8,868,384**	8,527,272	8,423,751	7,729,346	7,432,775
Weighted average number of shares in issue ('000)	**8,689,362**	8,475,522	8,288,256	7,570,924	7,432,772
Non Financial Highlights					
Share price at year-end (RM)	**4.51**	4.54	5.56	7.62	7.63
Number of employees	**38,952**	40,545	41,669	40,804	41,993

For financial years 2013 to 2016, CIMB Bank's capital adequacy ratios are based on revised guideline on capital adequacy framework issued by BNM on 28 November 2012, which took effect beginning 1 January 2013. The revised guideline is in compliance with BASEL III. The comparative capital adequacy ratios were based on capital adequacy framework which was in compliance with Basel II.

* The comparatives have been restated to reflect the adoption of MFRS10, MFRS 11 and MFRS 119

^ Profit before taxation is inclusive of discontinuing operations

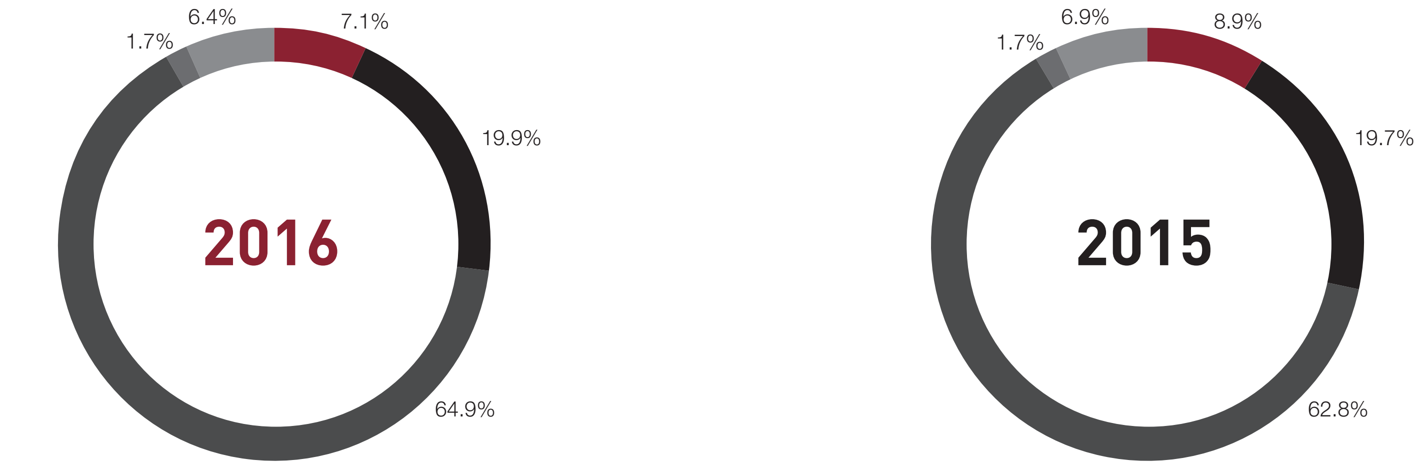
^^ Include structured investments classified as "Financial liabilities designated as fair value" and "Investment accounts of customers"

^^^ Based on the enlarged 8,229,341,531 ordinary shares, arising from the issuance of 500 million new ordinary shares pursuant to the private placement exercise completed in January 2014

\# The capital ratio computed has not taken into account the effect of reinvestment of excess cash into CIMB Bank, pursuant to DRS implementation by CIMBGH on the proposed second interim dividend for financial years ended 31 December 2012 to 31 December 2016

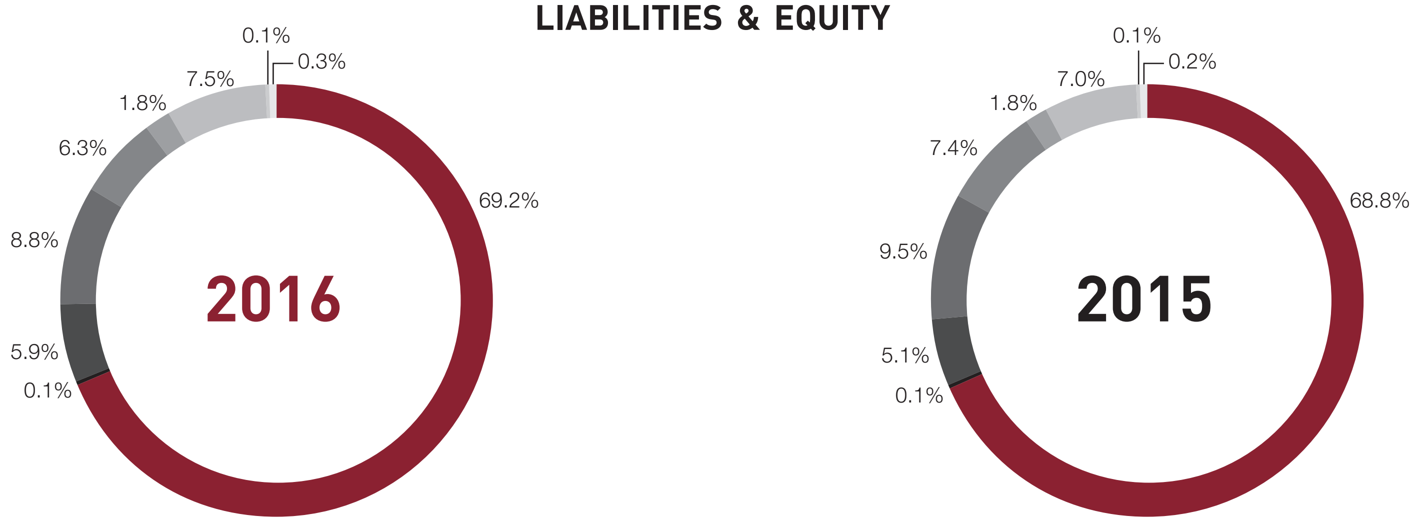
SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

ASSETS



- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

LIABILITIES & EQUITY



- Deposits from customers
- Investment accounts of customers
- Deposits and placements of banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Share capital
- Reserves
- Perpetual preference shares
- Non-controlling interests

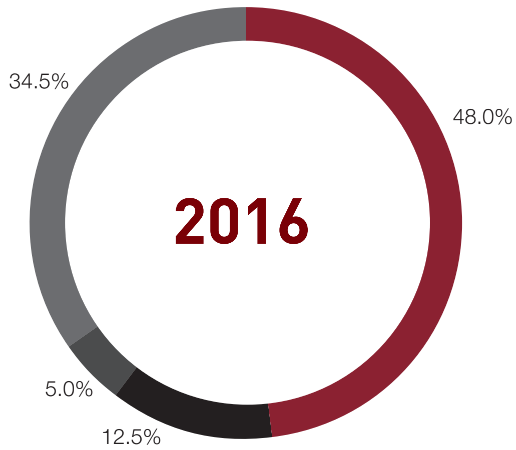
KEY INTEREST BEARING ASSETS AND LIABILITIES

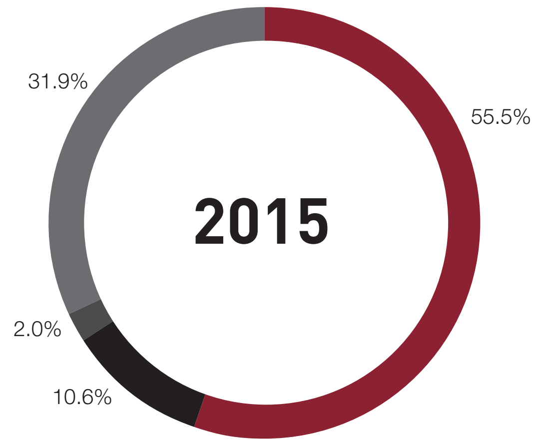
	Financial Year Ended 31 December 2016		
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	**29,018**	**2.15**	**859**
Financial assets held for trading	**22,769**	**2.35**	**563**
Financial investments available-for-sale	**31,530**	**3.93**	**1,266**
Financial investments held-to-maturity	**30,381**	**4.04**	**1,137**
Loans, advances and financing	**315,373**	**6.13**	**17,944**
Interest bearing liabilities:			
Total deposits*	**369,604**	**1.77**	**8,873**
Bonds, Sukuk, debentures and other borrowings	**16,926**	**3.46**	**661**
Subordinated obligations	**13,725**	**5.65**	**801**

	Financial Year Ended 31 December 2015		
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	31,148	1.98	757
Financial assets held for trading	20,680	2.69	612
Financial investments available-for-sale	32,768	4.03	1,458
Financial investments held-to-maturity	25,759	4.05	845
Loans, advances and financing	290,296	6.32	17,116
Interest bearing liabilities:			
Total deposits*	346,301	2.03	8,641
Bonds, Sukuk, debentures and other borrowings	20,314	3.64	682
Subordinated obligations	13,695	5.47	695

* Total deposits include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions and financial liabilities designated at fair value.

VALUE ADDED STATEMENTS





To Employees:
Personnel costs

To the Government:
Taxation and zakat

To Providers of Capital:
Cash dividends paid to shareholders
Dividend-in-specie to shareholders
Non-controlling interests

To Reinvest to the Group:
Dividend reinvestment plan
Depreciation
Retained earnings

	2016 RM'000	2015 RM'000
Value added		
Net interest income	**9,825,926**	9,336,744
Income from Islamic banking operations	**1,704,043**	1,569,017
Non-interest income	**4,535,286**	4,490,029
Overheads excluding personnel costs and depreciation	**(3,505,157)**	(3,573,006)
Allowance for impairment losses on loans, advances and financing	**(2,408,883)**	(2,168,624)
Other allowances made	**(236,226)**	(149,829)
Share of results of joint ventures	**4,236**	(9,863)
Share of results of associates	**111,452**	95,497
Value added available for distribution	**10,030,677**	9,589,965
Distribution of Value Added		
To employees:		
Personnel costs	**4,820,659**	5,321,958
To the Government:		
Taxation and zakat	**1,251,187**	1,018,048
To providers of capital:		
Cash dividends paid to shareholders	**223,334**	141,085
Dividend-in-specie to shareholders	**205,048**	–
Non-controlling interests	**68,767**	46,436
To reinvest to the Group:		
Dividend reinvestment plan	**1,412,974**	534,795
Depreciation	**325,874**	354,014
Retained earnings	**1,722,834**	2,173,628
Value added available for distribution	**10,030,677**	9,589,965

QUARTERLY FINANCIAL PERFORMANCE

RM'000	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Operating revenue	**3,725,318**	**3,903,071**	**4,123,742**	**4,313,124**
Net interest income	**2,383,825**	**2,351,977**	**2,445,309**	**2,644,815**
Net non-interest income and income from Islamic Banking operations	**1,341,493**	**1,551,094**	**1,678,433**	**1,668,309**
Overheads	**(2,136,885)**	**(2,090,874)**	**(2,192,978)**	**(2,230,953)**
Profit before taxation and zakat	**1,123,129**	**1,188,611**	**1,360,750**	**1,211,654**
Net profit attributable to equity holders of the Company	**813,804**	**872,826**	**1,023,175**	**854,385**
Earning per share (sen)	**9.54**	**10.07**	**11.74**	**9.67**
Dividend per share (sen)	**–**	**8.00**	**–**	**12.00**

RM'000	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Operating revenue	3,680,327	3,833,427	3,840,473	4,041,563
Net interest income	2,190,953	2,268,700	2,416,069	2,461,022
Net non-interest income and income from Islamic Banking operations	1,489,374	1,564,727	1,424,404	1,580,541
Overheads	(2,338,298)	(2,438,805)	(2,260,509)	(2,211,366)
Profit before taxation and zakat	823,580	883,744	1,074,508	1,132,161
Net profit attributable to equity holders of the Company	580,124	639,754	803,892	825,739
Earning per share (sen)	6.89	7.55	9.52	9.72
Dividend per share (sen)	–	3.00	–	11.00

ANALYSIS OF FINANCIAL STATEMENTS

Analysis of Statement of Income

	2016 RM'million	2015 RM'million	Increase/ (Decrease)
Net interest income^	**11,263**	10,695	5.3%
Net non-interest income^	**4,802**	4,700	2.2%
Operating income	**16,065**	15,395	4.4%
Overheads expenses	**(8,651)**	(9,249)	(6.5%)
Pre-provision operating profit	**7,414**	6,146	20.6%
Allowance for impairment losses on loans, advances and financing	**(2,409)**	(2,168)	11.1%
Other allowances made	**(236)**	(150)	57.3%
Share of results of joint ventures and associates	**115**	86	33.7%
PBT	**4,884**	3,914	24.8%
Net profit	**3,564**	2,850	25.1%
EPS (sen)	**41.0**	33.6	22.0%

^ inclusive of income from Islamic banking operations

Net interest income

The Group's Net interest income (NII) was 5.3% higher Y-o-Y at RM11.263 billion in FY16 from RM10.695 billion in FY15. The improvement was due to an 8.7% Y-o-Y expansion in gross loans (excluding the bad bank) – or 6.4% excluding foreign exchange fluctuations – partially offset by a 3bps contraction in NIMs. The growth in loans was evident across all operating jurisdictions but underpinned by a 10.5% increase in Malaysia. From a segmental perspective, consumer and wholesale banking loans expanded by 8.9% and 9.7% respectively during the year.

Net non-interest income

Total net non-interest income (NOII) grew by RM102 million (or 2.2% Y-o-Y) to RM4.802 billion compared to RM4.700 billion in FY15. Fee-based income expanded from improvement in transaction banking operations in consumer and commercial banking, a more buoyant capital market in 2H16 and a RM150 million gain from the sale of the Group's 51% interest in PT CIMB SunLife during the year.

Overheads expenses

The Group's total overhead expenses dropped by RM598 million or 6.5% Y-o-Y to RM8.651 billion, from RM9.249 billion in FY15. The decline was attributed to the one-off restructuring and reorganisation expenses arising from the rationalisation of the Investment Banking platform and Mutual Separation Scheme undertaken in FY15. Excluding these expenses, the Group's BAU costs was 1.0% higher Y-o-Y. The BAU expenses would have been 1.7% lower Y-o-Y after excluding foreign exchange fluctuations. This was achieved via various cost management initiatives and improved cost discipline. The Group's BAU cost to income ratio was lower at 53.9% compared to 55.6% in FY15.

Allowance for impairment losses on loans, advances and financing

Total net impairment allowances for losses on loans, advances and financing of RM2.409 billion in FY16 was 11.1% higher than the RM2.168 billion in FY15. The increase was largely attributed to the higher amount of Commercial banking loan provisions in Thailand and Singapore during the year, as well as lower bad bank loan recoveries during the year. For FY16, the Group's total credit charge was 0.74% with a gross impairment ratio of 3.3% and an allowance coverage of 79.8%.

Net profit

For the 12-month period in 2016, the Group recorded a net profit of RM3.564 billion, representing a 25.1% Y-o-Y increase. The increase in net profit was predominantly due to the improved operating income and the lower operating expenses for the year, partially offset by an increase in allowances for impairment losses. The Group's reported net EPS came in at 41.0 sen compared to 33.6 sen in FY15.

Significant movement in Statement of Financial Position

	2016 RM'million	2015 RM'million	Increase/ (Decrease)
Assets			
Cash and short-term funds	**26,710**	29,319	(8.9%)
Deposits and placements with banks and other financial institutions	**2,308**	1,829	26.2%
Financial investment portfolio	**84,680**	79,207	6.9%
Loans, advances and financing	**315,373**	290,296	8.6%
Other assets (including intangible assets)	**56,696**	60,926	(6.9%)
Total assets	**485,767**	461,577	
Liabilities			
Deposits from customers^	**336,500**	317,657	5.9%
Deposits and placements of banks and other financial institutions	**28,736**	23,692	21.3%
Other borrowings	**9,290**	9,037	2.8%
Bonds, Sukuk and debentures	**7,636**	11,277	(32.3%)
Subordinated obligations	**13,725**	13,695	0.2%
Other liabilities	**42,801**	43,987	(2.7%)
Total liabilities	**438,688**	419,345	

^ Inclusive of investment accounts of customers

Total assets

As at 31 December 2016, CIMB Group's total assets rose RM24.2 billion or 5.2% higher at RM485.8 billion. The increase was predominantly attributed to a RM25.1 billion or 8.6% growth in loans, advances and financing as well as a 6.9% or RM5.5 billion growth in financial investment portfolio. This was partially offset by a 8.9% reduction in cash and short-term funds and 6.9% reduction in other assets.

Total Loans, Advances and Financing

The Group's loans, advances and financing stood at RM315.4 billion as at 31 December 2016, expanding by RM25.1 billion or 8.6% Y-o-Y. This was underpinned by a 10.5% growth in Malaysian loans and 4.9% Y-o-Y increase in loans from Singapore. Loans from Indonesia were 1.6% higher in Rupiah terms, and Thailand loans were higher by 2.1% in Thai Baht terms Y-o-Y. The Group's gross impaired loans ratio rose to 3.3% as at end-2016 compared to 3.0% as at a year previously. Retail loans increased 8.9% while wholesale and commercial banking loans grew 9.7% and 5.5% respectively.

Other assets (including intangible assets)

The total amount of other assets reduced by 6.9% Y-o-Y or RM4.2 billion to RM56.7 billion as at 31 December 2016 compared to RM60.9 billion in FY15. The reduction was from a combination of decreases in reverse purchase agreements, derivative financial instruments, structured financing products and collateral pledged for derivative transactions, partially offset by an increase in statutory deposits with central banks.

Total Liabilities

As at 31 December 2016, the Group's total liabilities grew by RM19.3 billion or 4.6% Y-o-Y at RM438.7 billion, with the increase largely attributed to the RM18.8 billion or 5.9% growth in deposit from customers and, a RM5.1 billion or 21.2% Y-o-Y increase in deposits and placements of banks and other institutions, partially offset by a 32.3% Y-o-Y or RM3.6 billion decline in bonds, Sukuk and debentures. The Group has continued to adopt a cautious asset liability management strategy towards a stable funding structure by reducing dependency on shorter-term deposit products and increasing longer-term sources of funding in line with regulatory requirements.

Deposits from Customers

Total Group deposits from customers was RM336.5 billion as at 31 December 2016, representing a 5.9% Y-o-Y growth or an increase of RM18.8 billion. The expansion was driven by a 12.5% and 7.0% expansion in retail and commercial banking deposits respectively. Wholesale deposits were 1.3% lower Y-o-Y. Geographically, deposit growth was strongest in Malaysia at 8.5%, while Thailand and Indonesia deposits (in local currency terms) expanded by 7.9% and 1.1%, respectively. In Singapore, total customer deposits were 4.9% lower Y-o-Y. The Group's CASA ratio stood at 35.6% from 34.1% last year while overall Group net interest margin was lower at 2.63% from 2.66% in FY15.

Other liabilities

The total amount of other liabilities dropped by 2.7% Y-o-Y or RM1.2 billion to RM42.8 billion as at 31 December 2016 compared to RM44.0 billion in FY15. The lower amount resulted from a decrease in repurchase agreements, offset by increase in bills and acceptance payables and recourse obligation on loans and financing sold to Cagamas.

CAPITAL MANAGEMENT

OVERVIEW

Capital management at CIMB Group ("Group") remains focused on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Group are designed to meet the requirements of the Group's shareholders, customers, regulators and external rating agencies. Guided by CIMB Group's Capital Management Framework, the objectives of capital management are as follows:

(1) To maintain a strong and efficient capital base for the Group and its entities to (a) always meet regulatory capital requirements; (b) realise returns to shareholders through sustainable return on equity and stable dividend payout; and (c) be able to withstand stressed economic and market conditions.

(2) To allocate capital efficiently across the business units and subsidiaries to (a) support the organic growth of the Group's business units and subsidiaries; (b) take advantage of strategic acquisitions and new businesses when opportunities arise; and (c) optimise the return on capital for the Group.

(3) To maintain capital at optimal levels to meet the requirements of other stakeholders of the Group, including rating agencies and customers.

The Group's regulated banking entities have always maintained a set of internal capital targets which provide a strong buffer above the minimum regulatory requirements. The table below shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks under the Basel III framework.

	Common Equity Tier 1 Capital		Tier 1 Capital		Total Capital	
Capital Ratios (After Proposed Dividend)	As at 31 December 2016	Minimum Regulatory Ratio	As at 31 December 2016	Minimum Regulatory Ratio	As at 31 December 2016	Minimum Regulatory Ratio
CIMB Bank	11.55%	4.50%	13.05%	6.00%	16.18%	8.00%
CIMB Islamic	14.71%	4.50%	15.53%	6.00%	18.02%	8.00%
CIMB Investment Bank	35.69%	4.50%	35.69%	6.00%	35.69%	8.00%
CIMB Niaga	16.32%	4.50%	16.32%	6.00%	17.71%	8.00%
CIMB Thai	10.16%	4.50%	10.16%	6.00%	15.58%	8.50%

KEY INITIATIVES

Our goal is to continuously build capital towards full implementation of Basel III requirements, whilst optimising its use fully. Tools that are employed to achieve this include:

(1) liability management to address capital instruments that are no longer compliant with the new Basel III guidelines;

(2) new Basel III instruments issuance;

(3) dividend reinvestment scheme (DRS);

(4) risk-weighted assets (RWA) optimisation; and

(5) Group-wide stress testing and impact assessment.

Key capital management initiatives that were undertaken during the 2016 financial year include as follows:

(1) The DRS was continued with a reinvestment rate averaging 86.3% in the year, reflecting investor confidence in the Group and generating an additional RM1.4 billion of capital.

(2) CIMB Group issued RM1.0 billion Basel III AT1 Capital Securities on 25 May 2016 and RM0.4 billion Basel III AT1 Capital Securities on 16 December 2016.

(3) The continuing RWA optimisation initiatives during the year, largely through active loan portfolio rebalancing, system and data enhancements and parameter and methodology recalibrations.

CAPITAL DISTRIBUTION

On 30 August 2016, CIMB Group completed a special interim dividend-in-specie distribution of 1,366,988,057 existing CIMB Niaga Class B shares, representing approximately 5.44% equity interest in CIMB Niaga, to the shareholders of CIMB Group on a ratio of 1 CIMB Niaga share for approximately every 6.39 CIMB shares. The entitled shareholders were provided a monetisation option to receive cash instead of the dividend shares. The dividend-in-specie was successfully completed to meet the required minimum of 7.5% of total issued and paid-up shares held by public shareholders in order for CIMB Niaga to remain listed on the Indonesian Stock Exchange.

FINANCIAL CALENDAR

25 FEBRUARY 2016 | THURSDAY

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2015

14 MARCH 2016 | MONDAY

Notice of book closure for single tier second interim dividend of 11.00 sen per share for the financial year ended 31 December 2015

21 MARCH 2016 | MONDAY

Notice of 59th Annual General Meeting

21 MARCH 2016 | MONDAY

Issuance of Annual Report for the financial year ended 31 December 2015

28 MARCH 2016 | MONDAY

Date of entitlement for the single tier second interim dividend of 11.00 sen per share for the financial year ended 31 December 2015

30 MARCH 2016 | WEDNESDAY

Notice of election in relation to the dividend reinvestment scheme. Scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of RM1.00 each

18 APRIL 2016 | MONDAY

59th Annual General Meeting

25 APRIL 2016 | MONDAY

Payment of the single tier interim dividend of 11.00 sen per share for the financial year ended 31 December 2015

25 APRIL 2016 | MONDAY

Additional listing of 201,588,194 new ordinary shares of RM1.00 each, via the Dividend Reinvestment Scheme

26 MAY 2016 | THURSDAY

Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2016

27 JULY 2016 | WEDNESDAY

Notice of book closure for the Special interim dividend-in-specie by way of distributing 1,366,988,057 existing Class B ordinary shares of par value IDR50 Each in PT Bank CIMB Niaga Tbk, a 97.94% indirect subsidiary of CIMB, to entitled shareholders of the Company

9 AUGUST 2016 | TUESDAY

Date of entitlement for the Special interim dividend-in-specie which are allocated on the basis of 1 Niaga share for approximately every 6.39 CIMB shares held as at 9 August 2016 for the financial year ending 31 December 2016

9 AUGUST 2016 | TUESDAY

Notice of election in relation to the monetisation option that provides the shareholders of CIMB the option to sell their entitlements to the dividend shares at a price of IDR504 per entitlement

29 AUGUST 2016 | MONDAY

Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2016

30 AUGUST 2016 | TUESDAY

Payment for the Special interim dividend-in-specie which are allocated on the basis of 1 Niaga share for approximately every 6.39 CIMB shares held as at 9 August 2016 for the financial year ending 31 December 2016

14 SEPTEMBER 2016 | WEDNESDAY

Notice of book closure for the single tier first interim dividend of 8.00 sen per share for the financial year ending 31 December 2016

29 SEPTEMBER 2016 | THURSDAY

Date of entitlement for the single tier interim dividend of 8.00 sen per share for the financial year ending 31 December 2016

4 OCTOBER 2016 | TUESDAY

Notice of election in relation to the dividend reinvestment scheme. Scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of RM1.00 each

28 OCTOBER 2016 | FRIDAY

Payment of the single tier interim dividend of 8.00 sen per share for the financial year ending 31 December 2016

28 OCTOBER 2016 | FRIDAY

Additional listing of 139,523,744 new ordinary shares of RM1.00 each, via the dividend reinvestment scheme

16 NOVEMBER 2016 | WEDNESDAY

Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2016

TENTATIVE DATES

24 MAY 2017 | FRIDAY

1Q17 Results Announcement

28 AUGUST 2017 | FRIDAY

2Q17 Results Announcement

21 NOVEMBER 2017 | FRIDAY

3Q17 Results Announcement

FEBRUARY 2018 | FRIDAY

4Q17 Results Announcement

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in relation to Financial Statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the financial year then ended.

The Directors consider that, in preparing the annual audited financial statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

for the financial year ended 31 December 2016

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 12 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, management of unit trust funds and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	3,564,190	1,356,215
– Non-controlling interests	68,767	–
	3,632,957	1,356,215

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Dividend on 8,527,267,430 ordinary shares, paid on 25 April 2016	
– single tier second interim dividend of 11.00 sen per ordinary share, consists of cash portion of 1.45 sen per ordinary shares and an electable portion of 9.55 sen per ordinary shares which was reinvested in new ordinary shares	937,999
In respect of the financial year ended 31 December 2016:	
Special interim dividend-in-specie, paid on 30 August 2016	
– distribution of 1,366,988,057 CIMB Niaga shares on the basis of 1 CIMB Niaga share for approximately every 6.39 ordinary shares, equivalent to 2.00 sen per ordinary shares	205,048
Dividend on 8,728,855,524 ordinary shares, paid on 28 October 2016:	
– single tier first interim dividend of 8.00 sen per ordinary shares, consists of cash portion of 1.60 sen per ordinary shares and an electable portion of 6.40 sen per ordinary shares which was reinvested in new ordinary shares	698,309

The Directors have proposed a single tier second interim dividend of 12.00 sen per ordinary share under the Dividend Reinvestment Scheme ("DRS") as disclosed in Note 30(b), on 8,868,379,268 ordinary shares amounting to RM1,064 million in respect of the financial year ended 31 December 2016. The single tier second interim dividend was approved by the Board of Directors on 26 January 2017.

DIRECTORS' REPORT

DIVIDENDS (CONTINUED)

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2016.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the financial year other than those disclosed in the Financial Statements and Notes to the Financial Statements.

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up capital by RM341,111,938 via:

(a) Issuance of 201,588,194 new ordinary shares of RM1.00 each arising from the DRS relating to electable portion of the second interim dividend of 11.00 sen in respect of financial year ended 31 December 2015, as disclosed in Note 43(a) to the Financial Statements;

(b) Issuance of 139,523,744 new ordinary shares of RM1.00 each arising from the DRS relating to electable portion of the first interim dividend of 8.00 sen in respect of financial year ended 31 December 2016, as disclosed in Note 43(c) to the Financial Statements.

SHARE BUY-BACK AND CANCELLATION

The shareholders of the Company, had via an ordinary resolution passed at the Annual General Meeting held on 18 April 2016, approved the Company's plan and mandate to authorise the Directors of the Company to buy back up to 10% of its existing paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company bought back 100 shares, as stated in Note 33(b) to the Financial Statements, at an average price (including transaction costs) of RM4.34 per share from the open market using internally generated funds. As at 31 December 2016, there were 4,908 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2016 was 8,868,379,268 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 45 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

Before the Financial Statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the Financial Statements of the Group and of the Company, inadequate to any substantial extent.

CURRENT ASSETS

Before the Financial Statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the Financial Statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this Report, there does not exist:

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability in the Group or the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Company, that would render any amount stated in the Financial Statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 50 to the Financial Statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this Report is made.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company who have held office since the date of the last report and at the date of this report are as follows:

Dato' Sri Mohamed Nazir bin Abdul Razak
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Glenn Muhammad Surya Yusuf
Robert Neil Coombe
Watanan Petersik
Datuk Joseph Dominic Silva
Teoh Su Yin
Datuk Mohd Nasir Ahmad
Dato' Lee Kok Kwan
Hiroaki Demizu
Mohamed Ross bin Mohd Din (appointed on 19 April 2016)
Dato' Zainal Abidin bin Putih (resigned on 18 April 2016)

In accordance with Article 76 of the Articles of Association, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Robert Neil Coombe
Datuk Joseph Dominic Silva
Teoh Su Yin
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

In accordance with Article 83 of the Articles of Association, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Mohamed Ross bin Mohd Din

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the Company and its related corporations during the financial year are as follows:

	No. of ordinary shares of RM1 each			
	As at 1 January	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December**
CIMB Group Holdings Berhad				
Direct interest				
*Dato' Lee Kok Kwan	2,656,166	123,199 (b)	–	2,779,365
^Dato' Sri Mohamed Nazir bin Abdul Razak	52,778,437	887,746 (c)	(7,160,423)	46,505,760
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	453,254	737,663 (a)	(150,585) (d)	1,040,332
**Teoh Su Yin	108,696	5,041 (b)	–	113,737

Note: Includes shareholding of spouse/child, details of which are as follows:

	No. of ordinary shares of RM1 each			
	As at 1 January	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December**
*Datin Rosemary Yvonne Fong	77,361	3,587 (b)	–	80,948
^Dato' Azlina binti Abdul Aziz	4,160,423	–	(4,160,423)	–
**Stephen John Watson Hagger	108,696	5,041 (b)	–	113,737

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

According to the Register of Directors' Shareholdings, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the Company and its related corporations during the financial year are as follows (Continued):

(a) *Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")*
(b) *Shares acquired by way of the exercise of DRS*
(c) *Shares acquired from open market and acquired by way of the exercise of DRS*
(d) *shares released from EOP account and transferred into Director's account*

		No. of shares Held		
	As at 1 January	Granted	Disposed	As at 31 December
PT Bank CIMB Niaga Tbk				
Direct interest				
^Dato' Sri Mohamed Nazir bin Abdul Razak	–	7,490,371 (e)	–	7,490,371
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	60,031 (e)	–	60,031
*Dato' Lee Kok Kwan	–	427,305 (e)	–	427,305
**Teoh Su Yin	–	17,486 (f)	–	17,486

Note: Includes shareholding of spouse/child, details of which are as follows:

		No. of shares held		
	As at 1 January	Granted	Disposed	As at 31 December
^Dato' Azlina binti Abdul Aziz	–	338,342 (e)	–	338,342
*Datin Rosemary Yvonne Fong	–	12,445 (e)	–	12,445
**Stephen John Watson Hagger	–	17,486 (f)	–	17,486

(e) *Shares granted under the exercise of Special Interim Dividend-In-Specie and registered under the name of CIMB Securities (Singapore) Pte Ltd A/C Client – Trust.*
(f) *Shares granted under the exercise of Special Interim Dividend-In-Specie and registered under the name of HSBC Nominees (Asing) Sdn Bhd.*

		Debentures held		
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	–	RM2,000,000	(RM1,000,000)	RM1,000,000
CIMB-Principal Asset Management Berhad				
– Private Equity Fund - CA SEASAF				
Dato' Lee Kok Kwan	RM142,703	–	–	RM142,703
PT Bank CIMB Niaga Tbk				
– Subordinated Notes				
Dato' Sri Mohamed Nazir bin Abdul Razak	IDR4,500,000,000	–	–	IDR4,500,000,000
Dato' Lee Kok Kwan	IDR5,000,000,000	–	–	IDR5,000,000,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, options over shares and debentures in the Company, or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 40 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Management Equity Scheme and Equity Ownership Plan (see Note 45 to the Financial Statements) as disclosed in this Report.

2016 BUSINESS PLAN AND STRATEGY

Regional and global events dictated the direction of the Malaysian and regional economic and financial industry performance in 2016. External events like Brexit, the US Presidential elections and the China economic deceleration provided significant influence on the business environment globally. Whilst the Malaysian economy remained relatively steady through the year, domestic attention was largely on the continued weakness of the Ringgit and volatile commodity prices. The Group's 2016 theme was "Recharged #teamCIMB", focussed on the implementation and execution of the T18 initiatives – many of which are firmly in place. These include various operational and productivity initiatives, the recalibration of the Thai consumer and Indonesian micro finance operations as well as capital and RWA optimisation.

There has been significant progress in cost management, as the Group saw a 4% reduction in headcount over 2016 with focussed attention in containing cost inflation across all segments. The inclusion of risk-adjusted return KPIs across all businesses ensured strict attention to capital utilisation on top of profitability. The Group's capital position continued to strengthen through the year. Asset quality remains a priority with risk management and compliance playing a crucial role in ensuring high standards of analysis and assessment of the balance sheet risk exposures. The Group continued to adopt a cautious stance towards asset and liability growth in 2016.

The Group posted a 4.4% year on year (Y-o-Y) growth in revenue to RM16.1 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) expanded by 5.3% Y-o-Y to RM11.3 billion supported by loans and credit growth, and partially offset by some net interest margins (NIM) contraction. Non-interest income grew 2.2% Y-o-Y as the capital market revenues at Treasury & Markets and Investment Banking remained volatile through the year.

The Group's profit before tax (PBT) of RM4.9 billion was 24.8% higher Y-o-Y from a combination of revenue growth as well as a 6.5% Y-o-Y decrease in operating costs, which was attributed to the restructuring and MSS costs in 2015, partially offset by increased loan provisions in 2016. This translated to a net return on equity (ROE) of 8.3%.

The regional Consumer PBT was 35.0% higher Y-o-Y at RM2.3 billion on a BAU basis. The larger Malaysian Consumer operations grew 7.4% Y-o-Y, while Indonesia expanded by 115.5% off a relatively low base. The Thailand Consumer operations turned around to profitability for the first time in 2016, while Singapore profit was weaker in line with the slower economic conditions.

The BAU PBT for regional Wholesale Banking improved by 11.3% Y-o-Y to RM2.0 billion as all business units posted improved performances. Corporate Banking grew on the back of loans growth and lower corporate provisions, Investment Banking had a better year from a pick-up in capital market activity, while Treasury & Markets benefitted from the favourable markets environment.

The regional Commercial Banking BAU PBT reduced by 55.3% Y-o-Y on the back of increased provisions from Thailand and Singapore, although growth in Malaysia and Indonesia remain solid.

CIMB Niaga's BAU PBT expanded by 166.7% Y-o-Y to IDR2,850 billion driven by the growth in non-interest income, a Y-o-Y decline in operating expenses and lower loan provisions. CIMB Thai posted a THB775 million pre-tax loss mainly due to a 66.6% increase in provisions during the year. CIMB Singapore's BAU PBT declined 36.2% to RM241 million on the back of the slower economic conditions in 2016.

2016 BUSINESS PLAN AND STRATEGY (CONTINUED)

Excluding the bad bank, the Group's total gross loans expanded 8.7% Y-o-Y. After adjusting for foreign exchange fluctuations, the Group's total gross loans increased by 6.4% Y-o-Y. Wholesale banking loans increased 9.7% while retail loans and commercial loans grew 8.9% and 5.5% respectively. Total Group deposits grew by 5.6% Y-o-Y but were 3.7% higher Y-o-Y after excluding foreign exchange fluctuations. The Group's CASA ratio stood at 35.6% from 34.1% last year while overall net interest margin was lower at 2.63% from 2.66% in FY15.

The Group's cost to income ratio was lower at 53.9% compared to 55.6% in FY15 on a BAU basis, from improved revenues and as the Group's cost management initiatives bear fruit. The Group's allowances for impairment losses were 11.1% higher at RM2.409 billion in FY16 compared to RM2.168 billion in FY15. The Group's total credit charge was 0.74%. The Group's gross impairment ratio stood at 3.3% for FY16 from 3.0% as at FY15, with an allowance coverage of 79.8%.

The Group announced a 49.5% dividend payout for FY16 by declaring total dividends amounting to RM1.762 billion or 20.00 sen per share. This was paid in two interim dividend payouts of 8.00 sen (paid in October 2016) and 12.00 sen, to be paid by May 2017 via the option of either cash or via a DRS.

OUTLOOK FOR 2017

The Group is optimistic for 2017, on the back of sustainable loan growth, continued cost controls and expected improvement in provisions. The Group's T18 Strategy will see the Consumer Banking proposition in Malaysia and Indonesia driven by steady growth with a focus on digital offerings. Wholesale and Commercial Banking operations are expected to benefit from on-going efforts and improved processes.

The Group will further embed 5C's – capital, cost, culture, customer experience and compliance – across all its T18 programmes in continuing to implement the T18 Strategy in 2017, as the Group believes the fulfilment of these goals will ensure a stronger, more resilient CIMB for the years ahead. The Group will continue to instill cost discipline across all businesses to achieve its T18 target CIR of 50% by end-2018. With its refreshed Group brand promise just recently launched based on the theme "Forward", the Group is also determined to enhance its Customer Experience, to help cement CIMB's position as a leading ASEAN universal bank.

RATING BY EXTERNAL RATING AGENCY

Details of the rating of Company and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service (Moody's)	October 2016	Long-term Issuer Rating Short-term Issuer Rating	Baa1 P-2	Stable
Malaysian Rating Corporation Berhad (MARC)	November 2016	Long-term Corporate Credit Rating Short-term Corporate Credit Rating RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme	AA+ MARC-1 AA	Stable
RAM Rating Services Berhad (RAM)	December 2016	Long-term Corporate Credit Rating Short-term Corporate Credit Rating RM6.0 billion Conventional/Islamic Commercial Papers/Medium-term Notes Programme RM3.0 billion Subordinated Notes Programme RM6.0 billion Conventional and Islamic Commercial Paper Programme RM10.0 billion Additional Tier I Capital Securities Programme	AA_1 P1 AA_1/P1 AA_3 P1 A_1	Stable

DIRECTORS' REPORT

BOARD SHARIAH COMMITTEE

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and now as enshrined in the recently effective Islamic Financial Services Act 2013, the Board of Directors (the "Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group Holdings Berhad that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the CIMB Group Holdings Berhad. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to the Islamic banking business of CIMB Group Holding Berhad shall be made based on the decisions, views and opinions of the Board Shariah Committee. If the Board disagrees with any decisions, views, and opinions of the Board Shariah Committee on any Shariah matter, the former shall refer back the matter to the latter for a second or third review before final decision is made. All and any final decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the Board Shariah Committee. All decisions of the Board and the Board Shariah Committee on Shariah matters shall at all times be subordinated to the decision of the Shariah Advisory Council of the relevant Malaysian financial regulators and shall take into consideration the relevant authority on Shariah matters in the relevant jurisdiction it is doing business.

The Board Shariah Committee shall at all times assist the Board to ensure that the Group's Islamic banking and finance business does not have elements/activities which are not permissible under Shariah.

The members of the Board Shariah Committee are as follows:

1. Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil
2. Sheikh Professor Dr. Mohammad Hashim Kamali
3. Sheikh Dr. Nedham Mohamed Saleh Yaqoobi
4. Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar
5. Sheikh Associate Professor Dr. Shafaai bin Musa
6. Sheikh Dr. Yousef Abdullah Al Shubaily
7. Professor Dato' Dr. Noor Inayah Yaakub (Contract of appointment expired on 31 December 2016)
8. Sheikh Professor Dato' Dr. Sudin Haron (Contract of appointment expired on 31 December 2016)

The Board hereby affirms based on advice of the Board Shariah Committee that the Group's Islamic banking and finance operations has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

ZAKAT OBLIGATIONS

The obligation and responsibility for payment of zakat lies with the Muslim shareholders of the Group. For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of zakat on deposits and investments received from their customers lies with their respective Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the Financial Statements of the Group is reflective of this.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 50 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

Subsequent events after the financial year are disclosed in Note 51 to the Financial Statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

Dato' Sri Mohamed Nazir bin Abdul Razak
Chairman

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
6 March 2017

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Sri Mohamed Nazir bin Abdul Razak and Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 31 to 298 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

Dato' Sri Mohamed Nazir bin Abdul Razak
Chairman

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
6 March 2017

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Shahnaz Farouque bin Jammal Ahmad, being the officer primarily responsible for the financial management of CIMB Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 31 to 298 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Shahnaz Farouque bin Jammal Ahmad

Subscribed and solemnly declared by the abovenamed Shahnaz Farouque bin Jammal Ahmad at Kuala Lumpur before me, on 6 March 2017.

Commissioner for Oaths

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN
BIN TENGKU SULAIMAN
MALAYSIA

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

BOARD SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Most Beneficent, the Most Merciful.

We, the members of the CIMB Group Board Shariah Committee as established under CIMB Islamic Bank Berhad ("CIMB Islamic"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Group's Islamic banking and finance businesses does not have elements/activities which are not permissible under Shariah. In undertaking our duties we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the Bank) in the relevant jurisdiction that the Group is doing business.

As members of the Board Shariah Committee, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Islamic banking and finance business of CIMB Group have been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by relevant financial regulators in the relevant jurisdictions that the Group's Islamic banking and finance businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board's affirmation of the same in the Director's Report herein before.

In making our independent assessment and confirmation, we have always recognised the importance of CIMB Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its Islamic banking and finance businesses. In this regard we have developed and maintained a system of monitoring and reporting which provides the necessary internal controls to ensure that any new Islamic financial transactions are properly authorised and transacted in accordance to the requirements of Shariah; the group's assets and liabilities under its statements of financial position of Islamic banking and finance are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its Islamic banking and finance operations does not contradict Shariah principles.

The system is augmented by written policies and procedures, the careful selection and training of Shariah qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility by Management and the communication of Shariah policies and guidelines of business conduct to all staff of the Group.

Firstly, the system of internal control for effective Shariah governance is supported by a professional staff of Shariah researchers that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. Secondly, the Management has a Shariah review framework that operates on a front to back basis comprising of self-assessment/self-reporting mechanism and periodic independent review undertaken by Group Compliance Department under the General Counsel Division. Thirdly, the system is also augmented by a Shariah risk management framework covering the first; second and; third line of defenses. Lastly, there is also a strong team of internal auditors who conduct periodic Shariah audits of all the Group's Islamic banking and finance operations on a scheduled and periodic basis.

All in all, the Management of the Group is responsible and accountable to the Board to ensure that the Islamic banking and finance businesses of CIMB Group are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Group has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us with the exception of the following incidences of Shariah non-compliance within CIMB Group as follows:

(1) Within CIMB Islamic Trustee Berhad, due to the usage of Shariah non-compliant terminologies in Islamic mandate letters and improper treatment of gharamah (penalty) from late payment charges received. A total of RM1,553.70 from the gharamah was classified as a Shariah non-compliant incomes which needs to be channeled to the charitable organisation.

(2) Within CIMB Islamic Bank, due to the creation of fixed deposit for Islamic financing account involving Takaful claim proceed.

BOARD SHARIAH COMMITTEE'S REPORT (CONT'D.)

Various rectification and control measures were instituted to ensure the non-recurrence of such Shariah non-compliance activities including but not limited to the following:

1. Removed any Shariah non-compliant terminologies in CIMB Islamic documentation.
2. Conducting series of Shariah Governance Framework Workshop and in-house Shariah awareness trainings to elevate awareness and knowledge of Shariah among the staff.
3. Reviewed the Policies & Procedures to reflect the Shariah requirements applicable to the Islamic business and approved by the Board Shariah Committee.

Over and above these specific measures, we have also directed the Management to undertake more training sessions, courses and briefings aimed at building stronger and deeper understanding amongst the Group's employee on Shariah application in the financial activities undertaken by the Group and its subsidiaries as well as to infuse the right culture for Shariah compliance amongst them.

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the financial year ended 31 December 2016 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Group. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Group for the financial year ended 31 December 2016 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee

Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil
Chairman

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Kuala Lumpur
6 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIMB GROUP HOLDINGS BERHAD

Company No: 50841-W
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the Financial Statements of CIMB Group Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the Financial Statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 45 to 297.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the Financial Statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIMB GROUP HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>
Assessment of the carrying value of loans, advances and financing and its impairment
Refer to accounting policy I(a) and Notes 8, 38 and 54(b) of the Financial Statements.
We focused on this area due to the size of the carrying value of loans, advances and financing, which represented 65% of total assets. The Group made assessments on whether the loans, advances and financing are impaired based on objective evidence and the estimation of the amount of any such impairment loss.
Where the loans, advances and financing are individually assessed for impairment, the Group made subjective judgements on the timing of recognition of impairment and the estimation of the impairment loss.
Where the loans, advances and financing are impaired on a portfolio basis, the Group made subjective judgements on the assumptions used in the loss models.
</td><td>
We performed the following audit procedures:
Individual impairment

Understood and tested the relevant controls over identification of objective evidence of impairment of loans, advances and financing and the calculation of the impairment loss.
Examined a sample of loans, advances and financing which had not been identified by the Group as potentially impaired with focus on borrowers related to the oil and gas industry, and formed our own judgement as to whether there was any objective evidence of impairment. We also discussed the Group's exposure to the oil and gas sector with the Group Audit Committee and management.
Where objective evidence of impairment had been identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation and considered whether the estimates made were reasonable given the borrower's circumstances. Calculations of the discounted cash flows were also re-performed.

For selected loans, we assessed from the procedures we performed that the quantum of impairment required was different from that determined by management. Management had assessed that these differences were not material in the context of the overall Financial Statements.
Portfolio impairment

Understood and tested the relevant controls over the collection of historical data which formed the basis of assumptions used in the loss models in deriving the loss given default rate and probability of default of a portfolio of loans, advances and financing with similar credit characteristics.
Tested the completeness and accuracy of historical data which formed the basis of assumptions used in the loss models, particularly recoveries data used to derive the loss given default rate; and the customer arrears data used to derive the probability of default.
Understood the basis used by the management to determine the assumptions used in the loss models in deriving the loss given default rate and probability of default.
Re-performed on a sample basis, the calculation of portfolio impairment.

Based on the procedures performed, we did not find any material exceptions to the Group's assessment on whether loans, advances and financing are impaired.
</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group (continued)

Key audit matters	How our audit addressed the key audit matters
Accounting and valuation for complex financial instruments Refer to accounting policy Q and Notes 54(d), 57.4.1 and 57.4.3 of the Financial Statements. We focused on this area as the accounting and valuation for certain financial instruments, particularly complex derivatives were based on significant judgements and estimates made by the Group. The fair value of these complex derivatives are determined using a variety of valuation methodologies that use observable market data where possible. Where observable market data are not available, management exercised judgement in establishing fair values.	We performed the following audit procedures: • Examined a sample of complex financial instruments to understand the contractual terms of these instruments. We read and discussed with management the relevant analyses the contractual terms and accounting treatment proposed by the management, including the reasons for entering into these complex financial instruments. • Checked that the accounting recognition and measurement for these complex financial instruments are consistent with the accounting standard and relevant disclosures have been made in the Financial Statements. • Compared the key inputs used by the Group to measure the complex derivatives against observable market data. • Performed an independent valuation of a sample of complex derivatives. Based on the procedures performed, we did not find any material exception in the accounting for estimates used in the valuation of these complex financial instruments.
Assessment of the carrying value of goodwill and its impairment Refer to accounting policy M(a), V and Notes 18 and 54(c) of the Financial Statements. The Group recorded goodwill of RM8,472 million as at 31 December 2016 which has arisen from a number of historical acquisitions. For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each cash generating unit ("CGU") with allocated goodwill based on the higher of the value-in-use ("VIU") and fair value less cost of disposal. The Group determined that the recoverable amount of all CGUs were based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the goodwill resulted in this matter being identified as an area of audit focus. An impairment charge of RM56.3 million has been recognised in the Financial Statements for the year ended 31 December 2016 on the Financial Advisories, Underwriting and Other Fees CGU as disclosed in Note 18 of the Financial Statements.	We performed the following audit procedures: • Compared the cash flow projection of each CGU to the approved budget for the respective CGU. • Compared previous cash flow projections to actual results of each CGU to assess the reasonableness of assumptions used in the cash flow projections. • Independently computed discount rates which reflect the specific risks relating to each CGU based on publicly available information. • Assessed the reasonableness of the terminal growth rates based on historical results, economic outlook and industry forecasts. • Independently performed a sensitivity analysis over terminal growth rates and discount rates used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the procedures performed, we did not find any material exceptions to the conclusions made by the Group on the impairment assessment of goodwill as at 31 December 2016.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIMB GROUP HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Company

Key audit matters	How our audit addressed the key audit matters
Assessment of the carrying value of investment in subsidiaries and its impairment Refer to accounting policy V and Note 12 of the Financial Statements. For a subsidiary that has impairment indicators, the Company has assessed the recoverable amount of the investment in subsidiary based on the higher of the value-in-use ("VIU") and fair value less cost of disposal. The Group determined that the recoverable amount was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the investment in subsidiary resulted in this matter being identified as an area of audit focus. An impairment charge of RM150.3 million has been recognised in the Financial Statements for the year ended 31 December 2016 on its investment in CIMB Securities International Pte. Ltd. as disclosed in Note 12 of the Financial Statements.	We performed the following audit procedures: • Compared the cash flow projections used to the approved budgets for the subsidiary. We also compared previous cash flow projections to actual results to assess the reasonableness of assumptions used in the cash flow projections. • Independently computed the discount rates which reflects the specific risk relating to the investments in subsidiaries based on publicly available information. • Assessed the reasonableness of terminal growth rate based on historical results, economic outlook and industry forecasts. • Independently performed a sensitivity analysis over terminal growth rate and discount rate used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of the investment in subsidiary. Based on the procedures performed, we did not find any material exceptions to the conclusion made by th Group on the impairment assesment of investment in subsidiary.

Information other than the Financial Statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises

- Statement of Directors' Responsibilities;
- Directors' Report;
- Board Shariah Committee's Report;

which we obtained prior to the date of this auditors' report, and the 2016 Annual Report, which is expected to be made available to us after that date. Other information does not include the Financial Statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the Financial Statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the Financial Statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Company, including the disclosures, and whether the Financial Statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIMB GROUP HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the Financial Statements (Continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the Financial Statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the Financial Statements.

(c) We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Company's Financial Statements are in form and content appropriate and proper for the purposes of the preparation of the Financial Statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the Financial Statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 60 on page 298 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the Financial Statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Sridharan Nair
(2656/05/18(J))
Chartered Accountant

Kuala Lumpur
6 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Cash and short-term funds	2	**26,709,687**	29,318,830
Reverse repurchase agreements		**5,315,287**	9,714,112
Deposits and placements with banks and other financial institutions	3	**2,307,968**	1,829,482
Financial assets held for trading	4	**22,768,648**	20,680,266
Derivative financial instruments	7	**12,006,184**	11,708,849
Financial investments available-for-sale	5	**31,530,263**	32,767,548
Financial investments held-to-maturity	6	**30,381,305**	25,759,169
Loans, advances and financing	8	**315,372,898**	290,295,664
Other assets	9	**16,525,138**	17,666,142
Tax recoverable		**64,338**	70,042
Deferred tax assets	10	**387,306**	366,653
Statutory deposits with central banks	11	**8,484,387**	7,699,821
Investment in associates	13	**77,661**	858,840
Investment in joint ventures	14	**173,680**	178,608
Property, plant and equipment	15	**2,140,479**	2,403,016
Investment properties	16	**–**	1,120
Prepaid lease payments	17	**113,929**	125,402
Goodwill	18	**8,472,340**	8,297,486
Intangible assets	19	**2,036,600**	1,820,593
		484,868,098	461,561,643
Non-current assets held for sale	55	**898,789**	15,500
Total assets		**485,766,887**	461,577,143
Liabilities			
Deposits from customers	20	**336,245,542**	317,423,581
Investment accounts of customers	21	**254,408**	232,716
Deposits and placements of banks and other financial institutions	22	**28,736,111**	23,691,950
Repurchase agreements		**4,397,454**	8,527,463
Financial liabilities designated at fair value	23	**4,367,577**	4,952,771
Derivative financial instruments	7	**12,137,592**	12,139,849
Bills and acceptances payable		**3,661,743**	2,328,959
Other liabilities	24	**13,339,945**	13,984,681
Recourse obligation on loans and financing sold to Cagamas	25	**4,498,369**	1,817,816
Current tax liabilities		**341,487**	213,278
Deferred tax liabilities	10	**56,556**	22,260
Bonds, Sukuk and debentures	27	**7,635,784**	11,277,176
Other borrowings	28	**9,289,859**	9,037,124
Subordinated obligations	29	**13,725,302**	13,694,891
Total liabilities		**438,687,729**	419,344,515

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2016 RM'000	2015 RM'000
Equity			
Capital and reserves attributable to owners of the Parent			
Share capital	30	**8,868,384**	8,527,272
Reserves	32	**36,440,397**	32,524,112
Less: Shares held under trust	33(a)	**(563)**	(563)
Treasury shares, at cost	33(b)	**(43)**	(43)
		45,308,175	41,050,778
Perpetual preference shares	31(c)	**200,000**	200,000
Non-controlling interests		**1,570,983**	981,850
Total equity		**47,079,158**	42,232,628
Total equity and liabilities		**485,766,887**	461,577,143
Commitments and contingencies	48	**817,569,941**	883,583,439
Net assets per share attributable to owners of the Parent (RM)		**5.11**	4.81

CONSOLIDATED STATEMENT OF INCOME

for the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Interest income	34	**18,826,017**	18,098,619
Interest expense	35	**(9,000,091)**	(8,761,875)
Net interest income		**9,825,926**	9,336,744
Income from Islamic banking operations	58	**1,704,043**	1,569,017
Net non-interest income	36	**4,535,286**	4,490,029
		16,065,255	15,395,790
Overheads	37	**(8,651,690)**	(9,248,978)
Profit before allowances		**7,413,565**	6,146,812
Allowance made for impairment losses on loans, advances and financing	38	**(2,408,883)**	(2,168,624)
Allowance made for impairment losses on other receivables		**(87,160)**	(30,215)
Allowance made for commitments and contingencies	24	**(30,461)**	(9,935)
Allowance made for other impairment losses	39	**(118,605)**	(109,679)
		4,768,456	3,828,359
Share of results of joint ventures	14	**4,236**	(9,863)
Share of results of associates	13	**111,452**	95,497
Profit before taxation and zakat		**4,884,144**	3,913,993
Taxation and zakat			
– Company and subsidiaries	41	**(1,251,187)**	(1,018,048)
Profit for the year		**3,632,957**	2,895,945
Profit attributable to:			
Owners of the Parent		**3,564,190**	2,849,509
Non-controlling interests		**68,767**	46,436
		3,632,957	2,895,945
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic	42	**41.0**	33.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Profit for the financial year	**3,632,957**	2,895,945
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation		
– Actuarial loss	**(28,134)**	(834)
– Income tax effects	**7,269**	2,519
– Currency translation difference	**(1,524)**	(1,889)
	(22,389)	(204)
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve-financial investments available-for-sale	**299,400**	(297,279)
– Net gain/(loss) from change in fair value	**528,612**	(121,825)
– Realised gain transferred to statement of income on disposal and impairment	**(175,175)**	(174,608)
– Income tax effects	**(30,712)**	6,676
– Currency translation difference	**(23,325)**	(7,522)
Net investment hedge	**(228,739)**	(1,012,280)
Hedging reserve – cash flow hedge	**13,767**	(14,151)
– Net gain/(loss) from change in fair value	**19,698**	(19,429)
– Income tax effects	**(5,931)**	5,278
Exchange fluctuation reserve	**1,426,527**	2,316,600
Share of other comprehensive (expense)/income of		
– Associates	**(1,946)**	851
– Joint ventures	**1,087**	(9,807)
	1,510,096	983,934
Other comprehensive income during the financial year, net of tax	**1,487,707**	983,730
Total comprehensive income for the financial year	**5,120,664**	3,879,675
Total comprehensive income attributable to:		
Owners of the Parent	**4,977,320**	3,795,179
Non-controlling interests	**143,344**	84,496
	5,120,664	3,879,675

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Cash and short-term funds	2	**587,828**	59,573
Derivative financial instruments	7	**–**	74
Financial investments available-for-sale	5	**1,432,249**	–
Financial investments held-to-maturity	6	**2,012,667**	2,002,540
Other assets	9	**632**	440
Tax recoverable		**37,921**	35,687
Amount owing by subsidiaries net of allowance for doubtful debts of RM775,424 (2015: RM775,424)	44	**1**	–
Investment in subsidiaries	12	**27,173,351**	27,400,205
Investment in associates	13	**3,834**	3,834
Property, plant and equipment	15	**1,491**	1,629
Investment properties	16	**435**	453
		31,250,409	29,504,435
Non-current assets held for sale	55	**7,862**	10,925
Total assets		**31,258,271**	29,515,360
Liabilities			
Other liabilities	24	**2,070**	7,196
Amount owing to subsidiaries	44	**–**	6
Deferred tax liabilities	10	**353**	277
Other borrowings	28	**4,060,493**	4,672,609
Subordinated obligations	29	**5,399,121**	3,992,277
Total liabilities		**9,462,037**	8,672,365
Equity			
Share capital	30	**8,868,384**	8,527,272
Reserves	32	**12,927,893**	12,315,766
Less: Treasury shares, at cost	33(b)	**(43)**	(43)
Total equity		**21,796,234**	20,842,995
Total equity and liabilities		**31,258,271**	29,515,360
Commitments and contingencies	48	**–**	500,000

COMPANY STATEMENT OF INCOME

for the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Interest income	34	**153,609**	39,947
Interest expense	35	**(436,832)**	(311,275)
Net interest expense		**(283,223)**	(271,328)
Net non-interest income	36	**1,804,543**	1,587,666
		1,521,320	1,316,338
Overheads	37	**(10,777)**	(15,493)
Profit before allowances		**1,510,543**	1,300,845
Allowance for other impairment losses	39	**(150,310)**	–
Profit before taxation		**1,360,233**	1,300,845
Taxation	41	**(4,018)**	(11,378)
Profit for the financial year		**1,356,215**	1,289,467

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Profit for the financial year	**1,356,215**	1,289,467
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve-financial investments available-for-sale	**25,406**	–
– Net gain from change in fair value	**25,406**	–
Other comprehensive income, net of tax	**25,406**	–
Total comprehensive income for the financial year	**1,381,621**	1,289,467

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

		← Attributable to owners of the Parent →															
The Group	Note	Share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve– financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2016		8,527,272	10,404,339	6,440,445	137,104	1,085,258	(563)	(43)	(152,566)	(1,519,721)	91,985	1,021,683	15,015,585	41,050,778	200,000	981,850	42,232,628
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,564,190	3,564,190	-	68,767	3,632,957
Other comprehensive income (net of tax)		-	-	479	-	1,361,794	-	-	286,813	(237,361)	1,405	-	-	1,413,130	-	74,577	1,487,707
Financial investments available-for-sale		-	-	-	-	-	-	-	289,137	-	-	-	-	289,137	-	10,263	299,400
Net investment hedge		-	-	-	-	-	-	-	-	(228,739)	-	-	-	(228,739)	-	-	(228,739)
Hedging reserve – cash flow hedge		-	-	-	-	-	-	-	-	13,767	-	-	-	13,767	-	-	13,767
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	(22,389)	-	-	-	(22,389)	-	-	(22,389)
Currency translation difference		-	-	479	-	1,360,329	-	-	-	-	1,405	-	-	1,362,213	-	64,314	1,426,527
Share of other comprehensive income of																	
– Associate		-	-	-	-	-	-	-	(1,946)	-	-	-	-	(1,946)	-	-	(1,946)
– Joint venture		-	-	-	-	1,465	-	-	(378)	-	-	-	-	1,087	-	-	1,087
Total comprehensive income for the financial year		-	-	479	-	1,361,794	-	-	286,813	(237,361)	1,405	-	3,564,190	4,977,320	-	143,344	5,120,664
Second interim dividend for the financial year ended 31 December 2015	43	-	-	-	-	-	-	-	-	-	-	-	(937,999)	(937,999)	-	-	(937,999)
Special interim dividend for the financial year ended 31 December 2016	43	-	-	-	-	-	-	-	-	-	-	-	(205,048)	(205,048)	-	-	(205,048)
First interim dividend for the financial year ended 31 December 2016	43	-	-	-	-	-	-	-	-	-	-	-	(698,309)	(698,309)	-	-	(698,309)
Non-controlling interest share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,574)	(21,574)
Transfer to statutory reserve		-	-	135,800	-	-	-	-	-	-	-	-	(135,800)	-	-	-	-
Transfer from regulatory reserve		-	-	-	-	-	-	-	-	-	-	299,957	(299,957)	-	-	-	-
Issuance of shares arising from:																	
– dividend reinvestment scheme	30	341,112	1,071,862	-	-	-	-	-	-	-	-	-	-	1,412,974	-	-	1,412,974
Purchase of treasury shares	33(b)	-	-	-	-	-	-	*	-	-	-	-	-	-	-	-	*
Share-based payment expense	45	-	-	-	-	-	-	-	-	-	55,104	-	-	55,104	-	-	55,104
Purchase of shares in relation to Equity Ownership Plan ("EOP")		-	-	-	-	-	-	-	-	(56,196)	-	-	-	(56,196)	-	-	(56,196)
Shares released under EOP		-	-	-	-	-	-	-	-	102,526	(97,047)	-	-	5,479	-	-	5,479
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,510)	(14,510)
Arising from dilution/disposal of equity interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(295,928)	(295,928)	-	481,881	185,953
Total transactions with owners/other equity movements, recognised directly in equity		341,112	1,071,862	135,800	-	-	-	-	-	46,330	(41,943)	299,957	(2,573,041)	(719,923)	-	445,789	(274,134)
At 31 December 2016		8,868,384	11,476,201	6,576,724	137,104	2,447,052	(563)	(43)	134,247	(1,710,752)	51,447	1,321,640	16,006,734	45,308,175	200,000	1,570,983	47,079,158

* *denoted RM478*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Parent															
The Group	Note	Share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve– financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2015		8,423,751	9,973,065	5,650,713	137,104	(1,183,616)	(563)	(42)	149,847	(564,090)	119,739	593,795	14,060,733	37,360,436	200,000	830,687	38,391,123
Profit for the financial year		–	–	–	–	–	–	–	–	–	–	–	2,849,509	2,849,509	–	46,436	2,895,945
Other comprehensive income (net of tax)		–	–	921	–	2,268,874	–	–	(302,413)	(1,026,634)	4,922	–	–	945,670	–	38,060	983,730
Financial investments available-for-sale		–	–	–	–	–	–	–	(293,930)	–	–	–	–	(293,930)	–	(3,349)	(297,279)
Net investment hedge		–	–	–	–	–	–	–	–	(1,012,280)	–	–	–	(1,012,280)	–	–	(1,012,280)
Hedging reserve – cash flow hedge		–	–	–	–	–	–	–	–	(14,150)	–	–	–	(14,150)	–	(1)	(14,151)
Remeasurement of post employment benefits obligations		–	–	–	–	–	–	–	–	(204)	–	–	–	(204)	–	–	(204)
Currency translation difference		–	–	921	–	2,269,347	–	–	–	–	4,922	–	–	2,275,190	–	41,410	2,316,600
Share of other comprehensive expense of																	
– Associate		–	–	–	–	–	–	–	851	–	–	–	–	851	–	–	851
– Joint venture		–	–	–	–	(473)	–	–	(9,334)	–	–	–	–	(9,807)	–	–	(9,807)
Total comprehensive income for the financial year		–	–	921	–	2,268,874	–	–	(302,413)	(1,026,634)	4,922	–	2,849,509	3,795,179	–	84,496	3,879,675
Second interim dividend for the financial year ended 31 December 2014	43	–	–	–	–	–	–	–	–	–	–	–	(421,187)	(421,187)	–	–	(421,187)
First interim dividend for the financial year ended 31 December 2015	43	–	–	–	–	–	–	–	–	–	–	–	(254,694)	(254,694)	–	–	(254,694)
Non-controlling interest share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,625)	(2,625)
Transfer to statutory reserve		–	–	788,811	–	–	–	–	–	–	–	–	(788,811)	–	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	–	–	–	–	427,888	(427,888)	–	–	–	–
Issuance of shares arising from:																	
– dividend reinvestment scheme	30	103,521	431,274	–	–	–	–	–	–	–	–	–	–	534,795	–	–	534,795
Rights issue of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	–	28,154	28,154
Purchase of treasury shares	33(b)	–	–	–	–	–	–	(1)	–	–	–	–	–	(1)	–	–	(1)
Share-based payment expense	45	–	–	–	–	–	–	–	–	–	93,077	–	–	93,077	–	–	93,077
Purchase of shares in relation to Equity Ownership Plan ("EOP")		–	–	–	–	–	–	–	–	(54,267)	–	–	–	(54,267)	–	–	(54,267)
Shares released under EOP		–	–	–	–	–	–	–	–	125,270	(125,753)	–	–	(483)	–	–	(483)
Contributions by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,122	3,122
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	–	23,153	23,153
Arising from dilution/disposal of equity interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(1,883)	(1,883)	–	14,863	12,980
EOP for staff resigned		–	–	–	–	–	–	–	–	–	–	–	(194)	(194)	–	–	(194)
Total transactions with owners/other equity movements, recognised directly in equity		103,521	431,274	788,811	–	–	–	(1)	–	71,003	(32,676)	427,888	(1,894,657)	(104,837)	–	66,667	(38,170)
At 31 December 2015		8,527,272	10,404,339	6,440,445	137,104	1,085,258	(563)	(43)	(152,566)	(1,519,721)	91,985	1,021,683	15,015,585	41,050,778	200,000	981,850	42,232,628

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

		← Non-distributable				→	Distributable	
The Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Treasury shares RM'000**	**Revaluation reserve– financial investments available-for-sale RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2016		**8,527,272**	**10,404,339**	**55,982**	**(43)**	**–**	**1,855,445**	**20,842,995**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**1,356,215**	**1,356,215**
Other comprehensive income (net of tax)		**–**	**–**	**–**	**–**	**25,406**	**–**	**25,406**
Financial investments available-for-sale		**–**	**–**	**–**	**–**	**25,406**	**–**	**25,406**
Total comprehensive income for the financial year		**–**	**–**	**–**	**–**	**25,406**	**1,356,215**	**1,381,621**
Second interim dividend for the financial year ended 31 December 2015	43	**–**	**–**	**–**	**–**	**–**	**(937,999)**	**(937,999)**
Special interim dividend for the financial year ended 31 December 2016	43	**–**	**–**	**–**	**–**	**–**	**(205,048)**	**(205,048)**
First interim dividend for the financial year ended 31 December 2016	43	**–**	**–**	**–**	**–**	**–**	**(698,309)**	**(698,309)**
Issue of share capital arising from:								
– dividend reinvestment plan	30	**341,112**	**1,071,862**	**–**	**–**	**–**	**–**	**1,412,974**
Purchase of treasury shares	33(b)	**–**	**–**	**–**	*****	**–**	**–**	*****
At 31 December 2016		**8,868,384**	**11,476,201**	**55,982**	**(43)**	**25,406**	**1,370,304**	**21,796,234**

* *denoted RM478*

		← Non-distributable			→	Distributable	
The Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2015		8,423,751	9,973,065	55,982	(42)	1,241,859	19,694,615
Profit for the financial year		–	–	–	–	1,289,467	1,289,467
Total comprehensive income for the financial year		–	–	–	–	1,289,467	1,289,467
Second interim dividend for the financial year ended 31 December 2014	43	–	–	–	–	(421,187)	(421,187)
First interim dividend for the financial year ended 31 December 2015	43	–	–	–	–	(254,694)	(254,694)
Issue of share capital arising from:							
– dividend reinvestment plan	30	103,521	431,274	–	–	–	534,795
Purchase of treasury shares	33(b)	–	–	–	(1)	–	(1)
At 31 December 2015		8,527,272	10,404,339	55,982	(43)	1,855,445	20,842,995

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Operating Activities			
Profit before taxation and zakat		**4,884,144**	3,913,993
Adjustments for:			
Accretion of discounts less amortisation of premiums	34	**45,892**	42,198
Amortisation of prepaid lease payments	37	**11,332**	11,215
Allowance made for impairment losses on other receivables		**87,160**	30,215
Allowance made for other impairment losses	39	**118,605**	109,679
Allowance made for impairment losses on loans, advances and financing		**2,767,934**	2,545,597
Allowance written back for commitments and contingencies		**30,461**	9,935
Amortisation of intangible assets	37	**349,976**	340,159
Depreciation of property, plant and equipment	37	**325,874**	354,014
Dividends from financial investments available-for-sale	36	**(20,538)**	(24,754)
Dividends from financial assets held for trading	36	**(47,169)**	(56,697)
Gain on disposal of associates and joint ventures	36	**–**	(3,610)
Gain/(Loss) on deemed disposal/disposal of interest in subsidiaries	36	**(149,272)**	2,473
Gain on disposal of property, plant and equipment/assets held for sale	36	**(11,661)**	(4,475)
Gain on disposal of leased assets	36	**(181)**	(85)
Gain on sale of financial investments available-for-sale	36	**(204,925)**	(172,347)
Gain on sale of financial assets held for trading and derivative financial instruments	36	**(1,520,474)**	(488,342)
Gain from distribution from joint ventures	36	**–**	(14,824)
Impairment of property, plant and equipment	37	**–**	1,094
Loss from fair value hedge of Redeemable Preference Shares		**–**	3,199
Loss on disposal of foreclosed properties	36	**27,361**	27,326
Loss on revaluation of investment properties	36	**–**	2,880
Net loss/(gain) from redemption/maturity of financial investments held-to-maturity	36	**6**	(16)
Net loss/(gain) arising from hedging activities	36	**24,432**	(27,616)
Property, plant and equipment written off	37	**3,329**	1,141
Share-based payment expense	45	**55,104**	93,076
Share of results of associates		**(111,452)**	(95,497)
Share of results of joint ventures		**(4,236)**	9,863
Unrealised loss on financial liabilities designated at fair value	36	**219,432**	71,303
Unrealised loss on foreign exchange		**954,214**	573,607
Unrealised gain on revaluation of derivative financial instruments	36	**(460,465)**	(1,718,239)
Unrealised (gain)/loss on revaluation of financial assets held for trading	36	**(104,858)**	521,504
		2,385,881	2,143,976
		7,270,025	6,057,969

	Note	2016 RM'000	2015 RM'000
Decrease/(increase) in operating assets			
Reverse repurchase agreements		**4,398,825**	(4,955,826)
Deposits and placements with banks and other financial institutions		**(504,289)**	2,409,506
Financial assets held for trading		**(2,611,124)**	2,396,565
Loans, advances and financing		**(28,794,981)**	(35,672,069)
Other assets		**14,064**	(5,713,572)
Derivative financial instruments		**1,405,298**	1,698,242
Statutory deposits with central banks		**(784,566)**	(858,656)
		(26,876,773)	(40,695,810)
Increase/(decrease) in operating liabilities			
Deposits from customers		**18,821,961**	35,354,794
Investment accounts of customers		**21,692**	232,716
Deposits and placements of banks and other financial institutions		**5,044,161**	(8,457,848)
Financial liabilities designated at fair value		**(804,626)**	1,190,767
Repurchase agreements		**(4,130,009)**	2,791,624
Amount due to Cagamas Berhad		**44,054**	10,816
Bills and acceptances payable		**1,332,784**	(669,175)
Other liabilities		**1,397,870**	4,378,456
		21,727,887	34,832,150
Cash flows generated from operations		**2,121,139**	194,309
Taxation paid		**(1,103,631)**	(1,183,980)
Net cash flows generated from/(used in) operating activities		**1,017,508**	(989,671)
Investing Activities			
Acqusition of FAM and LASSB	53	**–**	(653,843)
Distributions and capital repayment from a joint venture	14	**–**	44,443
Distribution from associates	13	**6,710**	5,089
Dividend from an associate	13	**27,355**	79,067
Dividend from joint venture	14	**10,094**	–
Dividends received from financial investments available-for-sale		**20,538**	24,754
Dividends received from financial assets held for trading		**47,169**	56,698
Investment in associates	13	**(30,631)**	(1,939)
Investment in joint ventures	14	**157**	(680)
Net proceed/(purchase) of financial investments available-for-sale		**1,516,197**	(766,713)
Net purchase of financial investments held-to-maturity		**(4,655,378)**	(7,527,715)
Net cash inflow from disposal of interest in subsidiaries	56	**151,765**	–
Proceeds from disposal of certain interest in associates		**–**	3,610
Proceeds from disposal of prepaid lease payment		**209**	4
Proceeds from disposal of property, plant and equipment/asset held for sale		**561,750**	124,299
Purchase of property, plant and equipment	15	**(549,591)**	(658,002)
Proceeds from disposal of intangible assets		**98,100**	62,180
Purchase of intangible assets	19	**(646,955)**	(285,593)
Net cash flows used in investing activities		**(3,442,511)**	(9,494,341)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Financing Activities			
Acquisition of additional interest in subsidiary from non-controlling interests		**(8,282)**	(11,741)
Contribution from non-controlling interests		**–**	14,863
Dividends paid to non-controlling interests		**(21,574)**	(2,625)
Dividends paid to shareholders	43(a),(c)	**(223,334)**	(141,085)
Interest paid on bonds, Sukuk and debentures		**(224,552)**	(681,406)
Interest paid on commercial papers and medium term notes		**(14,934)**	(64,570)
Interest paid on subordinated obligations		**(725,806)**	(547,075)
Interest paid on term loan facility and other borrowings		**(324,056)**	(330,744)
Proceeds of commercial papers and medium term notes		**–**	445,761
Proceeds from issuance of bonds, Sukuk and debentures		**5,039,140**	7,460,494
Proceeds from issuance of subordinated obligations		**2,850,000**	2,000,000
Proceeds from recourse loans sold to Cagamas		**2,636,499**	1,807,000
Proceeds from revolving credit and overdraft		**10,000**	9,017
Proceeds from term loan facility and other borrowings		**6,917,920**	9,346,188
Purchase of treasury shares	33(b)	**–**	(1)
Redemption of bonds and debentures		**(8,407,445)**	(5,005,384)
Repayment of commercial papers and medium term notes		**(969,521)**	(1,131,198)
Repayment of redeemable preference shares		**–**	(924,100)
Repayment of revolving credit and overdraft		**(8,238)**	(8,271)
Repayment of subordinated obligations		**(2,937,263)**	(1,122,239)
Repayment from term loan facility and other borrowings		**(5,888,559)**	(9,672,744)
Net cash flows (used in)/generated from financing activities		**(2,300,005)**	1,440,140
Net decrease in cash and short-term funds during the financial year		**(4,725,008)**	(9,043,872)
Effects of exchange rate changes		**2,115,865**	4,899,885
Cash and short-term funds at beginning of the financial year		**29,318,830**	33,462,817
Cash and short-term funds at end of the financial year	2	**26,709,687**	29,318,830
Statutory deposits with Bank Indonesia*		**(4,452,880)**	(4,547,670)
Monies held in trust		**(27,832)**	(28,396)
Cash and cash equivalents at end of the financial year		**22,228,975**	24,742,764

* This represents non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM4,452,880,000 (2015: RM4,547,670,000), which is not readily available for use by the Group.

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Operating Activities			
Profit before taxation		**1,360,233**	1,300,845
Adjustments for:			
Accretion of discounts less amortisation of premiums		**4,124**	–
Depreciation of property, plant and equipment	15	**138**	497
Depreciation of investment properties	16	**18**	18
Dividends from subsidiaries	36	**(1,982,412)**	(1,581,503)
Dividend from an associate		**(929)**	–
Gain on disposal of asset held for sale	36	**(3,987)**	(50)
Interest expense on term loan		**143,313**	100,351
Interest expense on commercial papers and medium term notes		**14,934**	69,570
Interest income from financial investments available-for-sale and financial investments held-to-maturity		**(139,364)**	–
Loss on redemption of redeemable preference shares		**183,133**	–
Allowance for impairment of subsidiary	39	**150,310**	–
Unrealised (gain)/loss on foreign exchange		**(3)**	85
Unrealised loss on revaluation of derivative financial instruments	36	**74**	404
		(1,630,651)	(1,410,628)
		(270,418)	(109,783)
Decrease in operating assets			
Loans, advances and financing		**–**	40
Other assets		**(191)**	13,324
		(191)	13,364
Increase/(decrease) in operating liabilities			
Other liabilities		**10,154**	2,033
		10,154	2,033
Cash flows used in operations		**(260,455)**	(94,386)
Net taxation payment		**(6,177)**	(11,478)
Net cash flows used in operating activities		**(266,632)**	(105,864)
Investing Activities			
Acquisition of additional interest in subsidiaries		**(275,000)**	(3,034,798)
Dividends from subsidiaries		**1,982,412**	1,581,503
Dividend from an associate		**929**	–
Proceeds from disposal of property, plant and equipment/AHFS		**7,050**	50
Net purchase of financial investments available-for-sale		**(1,370,761)**	–
Net purchase of financial investments held-to-maturity		**93,155**	(2,002,540)
Repayment from subsidiaries		**(7)**	6
Net cash flows generated from/(used in) investing activities		**437,778**	(3,455,779)

COMPANY STATEMENT OF CASH FLOWS (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Financing Activities			
Dividends paid to shareholders	43(a),(b)	**(223,334)**	(141,085)
Interest paid on commercial papers and medium term notes		**(14,934)**	(64,570)
Interest paid on term loan		**(135,102)**	(100,724)
Proceeds from term loan facility		**300,000**	700,809
Proceeds from commercial papers and medium term notes		**–**	445,761
Proceeds from issuance of subordinated debts		**1,400,000**	2,000,000
Proceed from revolving credit facility		**–**	200,023
Purchase of treasury shares	33(b)	**–**	(1)
Repayment of commercial papers and medium term notes		**(969,521)**	(1,131,198)
Repayment of subordinated debts		**–**	(151,873)
Net cash flows generated from financing activities		**357,109**	1,757,142
Net increase/(decrease) in cash and cash equivalents during the financial year		**528,255**	(1,804,501)
Cash and cash equivalents at beginning of the financial year		**59,573**	1,864,074
Cash and cash equivalents at end of the financial year	2	**587,828**	59,573

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

for the financial year ended 31 December 2016

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements.

A BASIS OF PREPARATION

The Financial Statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial investments available-for-sale, financial assets and financial liabilities (including derivatives financial instruments) at fair value through profit or loss, investment properties and non-current assets/disposal groups held for sale.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 54.

(a) Standards and amendments to published standards that are effective and applicable to the Group and the Company

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2016 are as follows:

- Amendments to MFRS 11 "Joint Arrangements" – Accounting for Acquisition of Interests in Joint Operations
- Amendments to MFRS 101 "Presentation of Financial Statements – Disclosure Initiative"
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 128 "Investment Entities – Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 – 2014 Cycle
  - MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
  - MFRS 7 "Financial Instruments: Disclosure – Servicing contracts"
  - MFRS 7 "Financial Instruments: Disclosure – Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements"
  - MFRS 119 "Employee Benefits"
  - MFRS 134 "Interim Financial Reporting"

The adoption of the new accounting standards, amendments and improvements to published standards did not have a material impact on the Financial Statements of the Group and the Company.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply these standards, amendments to published standards from:

(i) Financial year beginning on/after 1 January 2017

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative" introduce an additional disclosure on changes in liabilities arising from financing activities.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (Continued)

The Group and the Company will apply these standards, amendments to published standards from (Continued):

(i) Financial year beginning on/after 1 January 2017 (Continued)

- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses" clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

(ii) Financial year beginning on/after 1 January 2018

- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

  MFRS 9 introduces expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

  The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e., when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (Continued)

The Group and the Company will apply these standards, amendments to published standards from (Continued):

(ii) Financial year beginning on/after 1 January 2018 (Continued)

- MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. (Continued)

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

(iii) Financial year beginning on/after 1 January 2019

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective date is to be determined by the Malaysian Accounting Standards Board) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (Continued)

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Company except for MFRS 9 and MFRS 16. The Group has initiated the assessment of the potential effect of these standards. Due to the complexity of these standards, the financial impact of its adoption is still being assessed by the Group.

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

The consolidated Financial Statements include the Financial Statements of the Company and all its subsidiaries made up to the end of the financial year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are, with limited exception measured initially at their fair value on the date of acquisition.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor basis of accounting, the results of subsidiaries are presented as if the business combination had been effected from the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the ultimate holding company of the Group at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit difference is classified as equity. Any resulting debit difference is adjusted against merger reserves. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note M. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss in control are accounted as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated Financial Statements by the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in statement of income, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income.

Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Joint arrangements (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of a joint venture' in the statement of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of income where appropriate.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statement of income, and the Group's share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For any of the associate's net assets changes, other than profit or loss or other comprehensive income and distributions received, the Group's policy is to account for such changes to the statement of income.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of income.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(e) Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in the other comprehensive income is reclassified to statement of income where appropriate.

Dilution gains and losses arising from investment in associates are recognised in the statement of income.

(f) Interests in subsidiaries, joint arrangements and associates

In the Company's separate financial statements, investments in subsidiaries, joint arrangements and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint arrangements and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statement of income.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

D RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

Guarantee fees, portfolio management fees and income from asset management and securities services which are material are recognised as income based on a time apportionment method.

Brokerage fees are recognised as income based on inception of such transactions.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Dividends are recognised when the right to receive payment is established.

E FINANCIAL ASSETS

(a) Classification

The Group and the Company allocate their financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets held for trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise cash and short-term funds, deposits placements with bank and other financial institutions, loans, advances and financing and other assets (except for foreclosed properties in Note W), in the statement of financial position.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Company's management have the positive intent and ability to hold to maturity. If the Group or the Company sells other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

E FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group and the Company commence to purchase or sell the asset. Interbank placements are recognised on settlement date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statement of income.

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of income in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised directly in the statement of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statement of income in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the de-recognition or impairment of the securities are recognised in the statement of income.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the statement of income. Dividends from available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of income.

(d) Reclassification of financial assets

The Group and the Company may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities become the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates prospectively.

Any previous gain or loss on that asset that has been recognised in other comprehensive income shall be accounted for as follows:

(i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with E(c).

(ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in statement of income when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with E(c).

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

F FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of income. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. The specific Group and Company accounting policy on derivatives is detailed in Note Q.

The financial liabilities measured at fair value through profit and loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial instruments, other than those held for trading, are classified as financial liabilities designated at fair value if they meet one or more of the criteria set out below, and are so designated by management.

The Group and the Company may designate financial instruments at fair value when the designation:

- eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group under this criterion. The interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.
- applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made, is irrevocable. Designated financial liabilities are recognised when the Group and the Company enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when either sold (assets) or extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, sundry creditors, collateral pledged for derivative transactions, bonds, Sukuk and debentures, other borrowings, subordinated notes and redeemable preference shares.

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

I IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria that the Group and the Company use to determine whether there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial assets’ original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or financial investment held-to-maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after taking into consideration the realisable value of collateral (if any), when in the judgement of the management, there is no prospect of recovery.

If, in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets classified as available-for-sale

The Group and the Company assess at each date of the statements of financial position whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group and the Company use criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss is reversed through statement of income.

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for "assets carried at amortised cost" above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is objective evidence that an impairment loss on financial investments available-for-sale has incurred, the cumulative loss that has been recognised directly in equity is removed from other comprehensive income and recognised in the statement of income. The amount of cumulative loss that is reclassified to the statement of income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income. Impairment losses recognised in statement of income on equity instruments are not reversed through the statement of income.

J SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements ("repurchase agreements") are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

K PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government, less accumulated depreciation and accumulated impairment losses. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

K PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	40 years
Buildings on leasehold land 50 years or more	40 years or over the remaining period of the lease, whichever is shorter
Leasehold land	40-50 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land less than 50 years	40-50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	
– office equipment	3-10 years
– furniture and fixtures	5-10 years
Renovations to rented premises	5-10 years or over the period of the tenancy, whichever is shorter
Computer equipment and hardware	
– servers and hardware	3-5 years
– ATM machine	5-10 years
Computer equipment and software under lease	3-5 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years
General plant and machinery	5-8 years
Cards	3 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in non-interest income.

L INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. Costs of the investment property are net of the amount of GST, except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line bases over their estimated useful lives of 33.3 years.

At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

Investment properties of the Group are stated at fair value, representing the open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statements of income as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in statement of income in the period of the retirement or disposal.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

M INTANGIBLE ASSETS

(a) Goodwill

Goodwill arising from business combination represents the excess of the cost of acquisition and the fair value of the Group's share of the net of identifiable assets of the acquired subsidiary. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisitions of associates and joint arrangements respectively are included in investments in associates and joint arrangements. Such goodwill is tested for impairment as part of the overall balance.

(b) Other intangible assets

Other intangible assets are measured at fair value. Other intangible assets include customer relationships, core deposits, computer software and license and club debentures. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

Intangible assets are amortised over their finite useful lives as follows:

Customer relationships:	
– Credit card	12 years
– Revolving credit	4 – 5 years
– Overdraft	6 – 7 years
– Trade finance	5 years
Core deposits	8 – 20 years
Computer software	3 – 15 years
Club debentures	10 years

N ASSETS PURCHASED UNDER LEASE

(a) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property, plant and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statement of income.

(b) Operating lease

Leasehold land

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Others

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

O ASSETS SOLD UNDER LEASE

(a) Finance lease

When assets are sold under a finance lease, the present value of the lease payments is recognised as a debtor. The difference between the gross debtor and the present value of the debtor is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(b) Operating lease

Assets leased out under operating leases are included in property, plant and equipment in the statements of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight line basis over the lease term.

P BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group’s own bills and acceptances rediscounted and outstanding in the market.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Company recognise the fair value of derivatives in statement of income immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Company designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments ("fair value hedge") or (2) hedges of future cash flows attributable to a recognised asset or liability, or a highly probable forecasted transaction ("cash flow hedge") or (3) hedges of a net investment in a foreign operation ("net investment hedge"). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Company document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of income based on recalculated effective interest rate method over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statement of income. Amounts accumulated in equity are recycled to the statement of income in the periods in which the hedged item will affect the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses accumulated in the equity are recycled to the statement of income when the foreign operation is partially disposed or sold.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of income.

R CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated Financial Statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in statement of income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments available-for-sale are included in the revaluation reserve-financial investments available-for-sale in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

S INCOME AND DEFERRED TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

S INCOME AND DEFERRED TAXES (CONTINUED)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to the fair value re-measurement of financial investments available-for-sale, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

T SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares and non-redeemable preference shares with discretionary dividends are recognised as a liability when the shareholders' right to receive the dividend is established.

(d) Repurchase, disposal and reissue of share capital (treasury shares)

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

U EMPLOYEE BENEFITS

(a) Short-term employee benefits

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

U EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits

The Group and the Company have various post employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to defined contribution plans are charged to the statement of income. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The defined benefit obligation, calculated using the projected credit unit method, is determined by independent actuaries, by discounting estimated future cash outflows using market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(c) Other long term employee benefits

The cost of long term employee benefits (for example, long term service leave) is accrued to match the rendering of the services by the employees concerned using a basis similar to that for defined benefit plans for the liability which is not expected to be settled within 12 months, except that remeasurements are recognised immediately in profit or loss.

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONT'D.)

U EMPLOYEE BENEFITS (CONTINUED)

(e) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Share-based compensation benefits

Employee Ownership Plan ("EOP")

The Group operates an equity-settled, share-based compensation plan, where ordinary shares of the Company are purchased from the market at market value and awarded to the eligible executive employees.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the award is fully released to relevant employees ('the final release date'). The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in statement of income over the period of release, based on the best available estimate of the number of shares expected to be released at each of the relevant release date. On the final release date, the estimate will be revised to equal the actual number of shares that are ultimately released to the employees.

V IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statements of comprehensive income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

W FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell and reported within "Other Assets".

X PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Y FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the statement of income within overheads.

Z CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing within one month.

AA SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Management Committee as its chief operating decision-maker.

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

AB CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's Financial Statements.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

AC NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

Non-current assets/disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AD TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the Financial Statements, as they are not assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 12 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, management of unit trust funds and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	**12,545,939**	13,655,362	**1,193**	1,056
Money at call and deposit placements maturing within one month	**14,163,748**	15,663,468	**586,635**	58,517
	26,709,687	29,318,830	**587,828**	59,573

Included in the Group's cash and short-term funds is:

(i) Non-interest bearing statutory deposits of a foreign subsidiary of RM4,452,880,000 (2015: RM4,547,670,000) maintained with Bank Indonesia in compliance with their applicable legislation.

(ii) Monies held in trust in relation to the Group's stockbroking business:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Remisiers' trust balances	**27,832**	28,396

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2016	2015
	RM'000	RM'000
Licensed banks	**1,869,061**	1,571,185
Licensed investment banks	**39,678**	47,590
Bank Negara Malaysia and other central banks	**330,923**	103,608
Other financial institutions	**68,306**	107,099
	2,307,968	1,829,482

4 FINANCIAL ASSETS HELD FOR TRADING

	The Group	
	2016	2015
	RM'000	RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	**651,044**	634,713
Cagamas bonds	**155,954**	45,925
Malaysian Government treasury bills	**184,701**	47,739
Bank Negara Malaysia Monetary Notes	**–**	20,914
Negotiable instruments of deposit	**5,746,031**	4,747,035
Commercial papers	**14,864**	506,398
Other Government securities	**2,722,901**	982,119
Other Government treasury bills	**6,613,654**	4,937,468
Government Investment Issues	**88,842**	437,313
	16,177,991	12,359,624
Quoted securities:		
In Malaysia		
Shares	**445,965**	207,898
Outside Malaysia		
Shares	**529,159**	278,632
Corporate bond and Sukuk	**169,861**	269,294
Other Government bonds	**1,002,564**	1,429,965
Investment linked funds	**82,132**	546,519
	2,229,681	2,732,308

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4 FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

	The Group	
	2016 RM'000	2015 RM'000
Unquoted securities:		
In Malaysia		
Corporate bond and Sukuk	**1,927,113**	1,761,728
Shares	**1**	1
Outside Malaysia		
Corporate bond and Sukuk	**2,255,412**	3,669,221
Private equity funds	**178,450**	157,384
	4,360,976	5,588,334
	22,768,648	20,680,266

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	**492,289**	457,708	**–**	–
Cagamas bonds	**127,295**	207,300	**–**	–
Khazanah bonds	**167,700**	328,709	**–**	–
Other Government securities	**1,433,272**	1,205,749		
Government Investment Issues	**202,788**	496,811	**–**	–
Negotiable instruments of deposit	**597,838**	258,112	**–**	–
Malaysian Government Sukuk	**29,622**	44,168		
Commercial papers	**49,727**	–	**–**	–
	3,100,531	2,998,557	**–**	–
Quoted securities:				
In Malaysia				
Shares	**167,493**	158,983	**–**	–
Outside Malaysia				
Shares	**83,529**	82,235	**–**	–
Corporate bond and Sukuk	**1,872,670**	1,943,853	**–**	–
Other Government bonds	**3,480,792**	2,562,693	**–**	–
Unit trusts	**25,983**	24,862	**–**	–
	5,630,467	4,772,626	**–**	–

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted securities:				
In Malaysia				
Corporate bond and Sukuk	**13,118,868**	13,944,324	**1,432,249**	–
Shares	**1,138,312**	1,113,614	**–**	–
Loan stocks	**10,087**	10,211	**–**	–
Property funds	**350**	325	**–**	–
Unit trusts	**5,017**	–		
Outside Malaysia				
Shares	**52,846**	55,384	**–**	–
Private equity funds and unit trust funds	**504,091**	488,326	**–**	–
Corporate bond and Sukuk	**8,468,080**	9,845,964	**–**	–
Loan stocks	**1,445**	1,930	**–**	–
	23,299,096	25,460,078	**1,432,249**	–
	32,030,094	33,231,261	**1,432,249**	–
Allowance for impairment losses:				
Corporate bond	**(30,487)**	(60,306)	**–**	–
Private equity funds	**(145,715)**	(84,006)		
Quoted shares	**(138,256)**	(134,160)	**–**	–
Unquoted shares	**(174,922)**	(174,683)	**–**	–
Unit trusts	**(364)**	(347)	**–**	–
Loan stocks	**(10,087)**	(10,211)	**–**	–
	(499,831)	(463,713)	**–**	–
	31,530,263	32,767,548	**1,432,249**	–

Included in financial investments available-for-sale of the Group are money market instruments and securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM4,160 million (2015: RM4,616 million).

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2016 RM'000	2015 RM'000
At 1 January	**463,713**	263,249
Net allowance made during the financial year	**61,467**	110,067
Disposal of securities	**(30,000)**	(2,647)
Exchange fluctuation	**4,651**	93,044
At 31 December	**499,831**	463,713

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	**2,122,657**	1,674,626	**–**	–
Cagamas bonds	**267,938**	267,966	**–**	–
Other Government securities	**1,499,993**	2,071,925	**–**	–
Other Government treasury bills	**20,089**	19,699	**–**	–
Government Investment Issues	**7,035,108**	6,062,711	**–**	–
Bank Negara Malaysia Monetary Notes	**–**	2,558	**–**	–
Khazanah bonds	**446,155**	391,667	**–**	–
	11,391,940	10,491,152	**–**	–
Quoted securities:				
Outside Malaysia				
Corporate bond	**217,481**	204,518	**–**	–
Islamic bonds	**8,355**	7,797	**–**	–
Other Government bonds	**2,363,526**	1,531,991	**–**	–
Bank Indonesia certificates	**158,899**	248,058	**–**	–
	2,748,261	1,992,364	**–**	–
Unquoted securities:				
In Malaysia				
Corporate bond	**13,665,073**	10,526,121	**2,012,667**	2,002,540
Loan stocks	**7,020**	7,020	**–**	–
	13,672,093	10,533,141	**2,012,667**	2,002,540
Outside Malaysia				
Corporate bond	**2,575,653**	2,778,235	**–**	–
	30,387,947	25,794,892	**2,012,667**	2,002,540
Accretion of discount net of amortisation of premium	**6,283**	(23,150)	**–**	–
Less: Allowance for impairment losses	**(12,925)**	(12,573)	**–**	–
	30,381,305	25,759,169	**2,012,667**	2,002,540

Included in financial investments held-to-maturity of the Group are money market instruments and securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM873 million (2015: RM1,008 million).

Given the long term nature of the holdings, the Group reclassified previously held financial investments available-to-sale to financial investments held-to-maturity as part of the Group's Asset Liability Management. It reflects the Group's positive intent and ability to hold them until maturity. The bonds were transferred at the prevailing mark-to-market prices.

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

At the date of reclassification, the fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale are RM1,181,982,000 (2015: RM4,477,287,000) and RM1,201,448,000 (2015: RM4,673,993,000) and RM19,466,000 (2015: RM196,706,000) respectively.

As at 31 December 2016, the fair value and carrying value of the financial investments that have been reclassified in the current and previous financial year are RM6,646,312,000 (2015: RM5,664,452,000) and RM6,590,291,000 (2015: RM5,665,760,000) respectively.

As at 31 December 2016, the fair value gain that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM81,562,000 (2015: fair value loss of RM764,000) for the Group.

As at 31 December 2016, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM187,933,000 (2015: RM194,144,000).

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**12,573**	32,789
Allowance written back during the financial year	**(40)**	(388)
Amount written off	**–**	(20,368)
Exchange fluctuation	**392**	540
At 31 December	**12,925**	12,573

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

7 DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding as at statements of financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	The Group			The Company		
	Principal	Fair values		Principal	Fair values	
	amount	Assets	Liabilities	amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	26,790,129	784,615	(931,449)	–	–	–
– Less than 1 year	23,585,425	715,117	(387,623)	–	–	–
– 1 year to 3 years	2,147,931	46,597	(299,913)	–	–	–
– More than 3 years	1,056,773	22,901	(243,913)	–	–	–
Currency swaps	157,975,307	1,743,656	(1,579,208)	–	–	–
– Less than 1 year	155,783,003	1,691,985	(1,521,620)	–	–	–
– 1 year to 3 years	1,412,137	50,206	(34,427)	–	–	–
– More than 3 years	780,167	1,465	(23,161)	–	–	–
Currency spots	3,088,239	5,456	(2,964)	–	–	–
– Less than 1 year	3,088,239	5,456	(2,964)	–	–	–
Currency options	21,015,778	545,674	(572,324)	–	–	–
– Less than 1 year	12,931,110	283,550	(323,530)	–	–	–
– 1 year to 3 years	838,723	37,932	(42,281)	–	–	–
– More than 3 years	7,245,945	224,192	(206,513)	–	–	–
Cross currency interest rate swaps	67,587,097	4,741,311	(4,845,664)	–	–	–
– Less than 1 year	19,048,440	1,036,895	(681,236)	–	–	–
– 1 year to 3 years	21,714,304	1,468,501	(2,310,831)	–	–	–
– More than 3 years	26,824,353	2,235,915	(1,853,597)	–	–	–
	276,456,550	7,820,712	(7,931,609)	–	–	–
Interest rate derivatives						
Interest rate swaps	358,599,763	2,714,322	(2,029,719)	–	–	–
– Less than 1 year	135,743,352	146,710	(151,805)	–	–	–
– 1 year to 3 years	95,995,983	791,409	(549,879)	–	–	–
– More than 3 years	126,860,428	1,776,203	(1,328,035)	–	–	–

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
	Principal	Fair values		Principal	Fair values	
	amount	Assets	Liabilities	amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest rate derivatives (Continued)						
Interest rate futures	7,046,879	8,574	(9,312)	–	–	–
– Less than 1 year	4,959,283	8,568	(7,516)	–	–	–
– 1 year to 3 years	1,300,940	6	(1,165)	–	–	–
– More than 3 years	786,656	–	(631)	–	–	–
Interest rate options	62,135	14	(14)	–	–	–
– Less than 1 year	62,011	13	(13)	–	–	–
– More than 3 years	124	1	(1)	–	–	–
	365,708,777	2,722,910	(2,039,045)	–	–	–
Equity related derivatives						
Equity futures	265,830	1,219	(2,444)	–	–	–
– Less than 1 year	265,830	1,219	(2,444)	–	–	–
Equity options	9,974,663	145,919	(198,893)	–	–	–
– Less than 1 year	2,608,354	57,439	(168,930)	–	–	–
– 1 year to 3 years	6,883,259	80,800	(22,297)	–	–	–
– More than 3 years	483,050	7,680	(7,666)	–	–	–
Equity swaps	740,684	1,675	(7,391)	–	–	–
– Less than 1 year	54,316	–	(5,700)	–	–	–
– More than 3 years	686,368	1,675	(1,691)	–	–	–
	10,981,177	148,813	(208,728)	–	–	–
Commodity related derivatives						
Commodity options	4,202,954	227,122	(205,748)	–	–	–
– Less than 1 year	4,180,748	222,255	(189,004)	–	–	–
– 1 year to 3 years	22,206	4,867	(16,744)	–	–	–
Commodity swaps	3,684,103	320,888	(514,252)	–	–	–
– Less than 1 year	3,054,547	272,582	(366,043)	–	–	–
– 1 year to 3 years	629,556	48,306	(148,209)	–	–	–
Commodity futures	6,472,099	405,180	(191,328)	–	–	–
– Less than 1 year	5,603,437	341,747	(176,720)	–	–	–
– 1 year to 3 years	868,662	63,433	(14,608)	–	–	–
	14,359,156	953,190	(911,328)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
Credit related contract						
Credit default swaps	6,646,528	56,699	(66,141)	–	–	–
– Less than 1 year	2,167,497	17,909	(16,607)	–	–	–
– 1 year to 3 years	408,849	4,269	(2,908)	–	–	–
– More than 3 years	4,070,182	34,521	(46,626)	–	–	–
Total return swaps	1,318,600	6,331	(37,090)	–	–	–
– Less than 1 year	1,009,350	348	(29,613)	–	–	–
– More than 3 years	309,250	5,983	(7,477)	–	–	–
	7,965,128	63,030	(103,231)	–	–	–
Bond contract						
Bond forward	265,216	14,388	(429)	–	–	–
– Less than 1 year	137,643	10,040	–	–	–	–
– More than 3 years	127,573	4,348	(429)	–	–	–
Hedging derivatives						
Interest rate swaps	31,182,045	115,783	(396,530)	–	–	–
– Less than 1 year	5,118,165	18,994	(4,057)	–	–	–
– 1 year to 3 years	4,883,066	4,785	(80,897)	–	–	–
– More than 3 years	21,180,814	92,004	(311,576)	–	–	–
Currency forward	129,976	78	–	–	–	–
– Less than 1 year	129,976	78	–	–	–	–
Currency swaps	4,971,124	60,331	(163,051)	–	–	–
– Less than 1 year	4,971,124	60,331	(163,051)	–	–	–
Cross currency interest rate swaps	4,355,932	106,949	(383,641)	–	–	–
– Less than 1 year	589,611	38,405	(37,151)	–	–	–
– 1 year to 3 years	2,226,411	41,475	(275,370)	–	–	–
– More than 3 years	1,539,910	27,069	(71,120)	–	–	–
	40,639,077	283,141	(943,222)	–	–	–
Total derivative assets/(liabilities)	716,375,081	12,006,184	(12,137,592)	–	–	–

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
	Principal amount	Fair values		Principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	22,598,973	513,526	(1,028,858)	–	–	–
– Less than 1 year	18,382,140	394,157	(357,914)	–	–	–
– 1 year to 3 years	3,211,696	119,338	(327,348)	–	–	–
– More than 3 years	1,005,137	31	(343,596)	–	–	–
Currency swaps	169,278,538	2,549,979	(1,954,427)	–	–	–
– Less than 1 year	167,165,772	2,394,420	(1,905,419)	–	–	–
– 1 year to 3 years	2,021,981	122,259	(48,854)	–	–	–
– More than 3 years	90,785	33,300	(154)	–	–	–
Currency spots	3,698,680	3,929	(6,006)	–	–	–
– Less than 1 year	3,698,680	3,929	(6,006)	–	–	–
Currency options	6,791,662	298,646	(319,083)	–	–	–
– Less than 1 year	5,249,635	198,341	(215,634)	–	–	–
– 1 year to 3 years	500,340	16,335	(16,869)	–	–	–
– More than 3 years	1,041,687	83,970	(86,580)	–	–	–
Cross currency interest rate swaps	65,638,738	4,806,435	(5,467,534)	–	–	–
– Less than 1 year	15,885,861	583,349	(1,259,675)	–	–	–
– 1 year to 3 years	24,980,250	2,069,496	(2,450,869)	–	–	–
– More than 3 years	24,772,627	2,153,590	(1,756,990)	–	–	–
	268,006,591	8,172,515	(8,775,908)	–	–	–
Interest rate derivatives						
Interest rate swaps	451,862,590	2,263,420	(1,624,709)	500,000	74	–
– Less than 1 year	194,262,147	125,970	(139,295)	500,000	74	–
– 1 year to 3 years	132,036,362	662,449	(605,321)	–	–	–
– More than 3 years	125,564,081	1,475,001	(880,093)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
	Principal	Fair values		Principal	Fair values	
	amount	Assets	Liabilities	amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest rate derivatives (Continued)						
Interest rate futures	7,948,164	2,673	(5,102)	–	–	–
– Less than 1 year	4,299,204	2,673	(2,307)	–	–	–
– 1 year to 3 years	3,434,349	–	(2,795)	–	–	–
– More than 3 years	214,611	–	–	–	–	–
Interest rate options	216,491	413	(2,213)	–	–	–
– Less than 1 year	155,677	–	(1,800)	–	–	–
– 1 year to 3 years	60,814	413	(413)	–	–	–
	460,027,245	2,266,506	(1,632,024)	500,000	74	–
Equity related derivatives						
Equity futures	146,909	599	(626)	–	–	–
– Less than 1 year	146,909	599	(626)	–	–	–
Equity options	9,569,385	179,010	(265,215)	–	–	–
– Less than 1 year	2,906,866	158,391	(141,482)	–	–	–
– 1 year to 3 years	5,639,857	9,566	(112,829)	–	–	–
– More than 3 years	1,022,662	11,053	(10,904)	–	–	–
Equity swaps	683,337	2,867	(14,342)	–	–	–
– Less than 1 year	5,718	319	–	–	–	–
– 1 year to 3 years	61,605	1,208	(13,086)	–	–	–
– More than 3 years	616,014	1,340	(1,256)	–	–	–
	10,399,631	182,476	(280,183)	–	–	–
Commodity related derivatives						
Commodity options	2,456,172	300,144	(227,970)	–	–	–
– Less than 1 year	2,341,527	230,997	(203,924)	–	–	–
– 1 year to 3 years	114,645	69,147	(24,046)	–	–	–
Commodity swaps	1,723,092	514,369	(452,384)	–	–	–
– Less than 1 year	1,477,397	237,143	(221,302)	–	–	–
– 1 year to 3 years	245,695	277,226	(231,082)	–	–	–
Commodity futures	732,519	7,654	(60,370)	–	–	–
– Less than 1 year	721,352	7,654	(58,906)	–	–	–
– 1 year to 3 years	11,167	–	(1,464)	–	–	–
	4,911,783	822,167	(740,724)	–	–	–

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
	Principal amount	Fair values		Principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit related contract						
Credit default swaps	7,658,804	89,669	(84,747)	–	–	–
– Less than 1 year	3,845,714	20,411	(19,440)	–	–	–
– 1 year to 3 years	2,248,053	49,758	(46,359)	–	–	–
– More than 3 years	1,565,037	19,500	(18,948)	–	–	–
Total return swaps	2,619,029	12,281	(19,394)	–	–	–
– Less than 1 year	2,087,629	4,663	–	–	–	–
– 1 year to 3 years	214,650	–	(10,686)	–	–	–
– More than 3 years	316,750	7,618	(8,708)	–	–	–
	10,277,833	101,950	(104,141)	–	–	–
Bond contract						
Bond forward	30,000	1,204	–	–	–	–
– More than 3 years	30,000	1,204	–	–	–	–
Hedging derivatives						
Interest rate swaps	28,900,011	59,976	(250,411)	–	–	–
– Less than 1 year	5,782,795	3,385	(6,792)	–	–	–
– 1 year to 3 years	8,072,341	14,670	(43,219)	–	–	–
– More than 3 years	15,044,875	41,921	(200,400)	–	–	–
Currency swaps	2,797,900	9,079	(52,481)			
– Less than 1 year	2,797,900	9,079	(52,481)	–	–	–
Cross currency interest rate swaps	4,655,246	92,976	(303,977)	–	–	–
– Less than 1 year	1,937,898	6,497	(34,741)	–	–	–
– 1 year to 3 years	916,857	39,256	(64,882)	–	–	–
– More than 3 years	1,800,491	47,223	(204,354)	–	–	–
	36,353,157	162,031	(606,869)	–	–	–
Total derivative assets/(liabilities)	790,006,240	11,708,849	(12,139,849)	500,000	74	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hedges

Fair value hedges are used by the Group and the Company to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates and foreign exchanges rates. The Group and the Company use non-derivative financial liability, interest rate swaps and cross-currency interest rate swaps to hedge against interest rate risk and foreign exchange risk of loans, subordinated obligations, negotiable instruments of deposits issued, bills and acceptance payables, bonds and investment in subsidiary. For designated and qualifying fair value hedges, the changes in fair value of hedging instrument and hedged item in relation to the hedged risk are recognised in the statement of income. If the hedge relationship is terminated, the cumulative adjustment to the carrying amount of the hedged item is amortised in the statement of income based on recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the statement of income immediately.

Included in the net non-interest income is the net gains and losses arising from fair value hedges during the financial year as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on hedging instruments *	**(115,852)**	304,898	**36,670**	(151,335)
Gain/(Loss) on the hedged items attributable to the hedged risk	**67,828**	(293,013)	**(36,670)**	151,335

* Hedging instrument includes non-derivative financial liabilities used to hedge foreign exchange risk from investment in subsidiary.

(ii) Net investment hedge

Currency swaps and non-derivative financial liabilities are used to hedge the Group's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the currency swaps and non-derivatives financial instruments are transferred to equity to offset against any gains or losses on translation of the net investment in foreign operations. The fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income during the year for the Group of RM166,503,627 (2015: RM46,255,658). No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

(iii) Cash flows hedge

Cash flow hedges are used by the Group to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group hedges cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps. During the financial year ended 31 December 2012, the Group has ceased cash flow hedge accounting. The cumulative gain remaining in equity as at 31 December 2016 is Nil (2015: RM35,675).

The Group also hedge financial investment available-for-sale, senior bond and debentures issued and interbranch lending against foreign exchange and interest rate risks by using cross currency interest rate swaps. The notional amount of the outstanding cross currency interest rate swaps as at 31 December 2016 was RM4,081,972,374 (2015: RM3,497,544,382). Gains and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged cash flows affect profit or loss. Total loss of RM360,633 (2015: RM194,843 gain) was recognised in the statement of income for the financial year ended 31 December 2016 due to hedge ineffectiveness from cash flow hedges.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Cash flows hedge (Continued)

Table below shows the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss as at 31 December 2016:

The Group

As at 31 December 2016	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	> 5 years RM'000
Cash inflows (assets)	**764**	**7,546**	**45,813**	**109,733**	**2,819,342**	**–**
Cash outflows (liabilities)	**(27,721)**	**(970)**	**(2,934)**	**(31,450)**	**(1,187,632)**	**(444,411)**
Net cash (outflows)/inflows	**(26,957)**	**6,576**	**42,879**	**78,283**	**1,631,710**	**(444,411)**

As at 31 December 2015	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000
Cash inflows (assets)	239,585	204,929	149,151	1,008,967	1,427,818
Cash outflows (liabilities)	(11,321)	(1,023)	(153,265)	(430,681)	(468,442)
Net cash (outflows)/inflows	228,264	203,906	(4,114)	578,286	959,376

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

8 LOANS, ADVANCES AND FINANCING

(i) By type:

	The Group 2016 RM'000	The Group 2015 RM'000
Overdrafts	**5,363,185**	5,504,852
Term loans/financing		
– Housing loans/financing	**81,362,800**	73,580,261
– Syndicated term loans	**20,564,303**	17,030,250
– Hire purchase receivables	**19,987,998**	20,443,916
– Lease receivables	**139,939**	166,884
– Factoring receivables	**38,594**	48,114
– Other term loans/financing	**121,719,863**	112,553,750
Bills receivable	**6,555,064**	6,463,208
Trust receipts	**1,704,124**	2,008,748
Claims on customers under acceptance credits	**4,850,336**	4,498,597
Staff loans [of which RM54,800,014 (2015: RM19,853,473) are to Directors]	**1,287,433**	1,094,875
Credit card receivables	**9,823,080**	8,842,990
Revolving credits	**48,796,358**	43,930,344
Share margin financing	**1,523,475**	1,652,830
Other loans	**3,007**	2,525
Gross loans, advances and financing	**323,719,559**	297,822,144
Fair value changes arising from fair value hedge	**149,815**	164,694
	323,869,374	297,986,838
Less: Allowance for impairment losses		
– Individual impairment allowance	**(4,735,298)**	(4,256,108)
– Portfolio impairment allowance	**(3,761,178)**	(3,435,066)
	(8,496,476)	(7,691,174)
Total net loans, advances and financing	**315,372,898**	290,295,664

(a) Included in the Group's loans, advances and financing balances are RM44,994,000 (2015: RM47,172,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM4,647,826,000 (2015: RM4,879,641,000) loans, advances and financing using interest rate swaps.

8 LOANS, ADVANCES AND FINANCING

(ii) By type of customer:

	The Group	
	2016 RM'000	2015 RM'000
Domestic banking financial institutions	**46,082**	383,801
Domestic non-bank financial institutions		
– Stockbroking companies	**3**	–
– Others	**3,086,790**	3,100,402
Domestic business enterprises		
– Small medium enterprises	**50,051,753**	45,847,011
– Others	**60,688,463**	55,572,380
Government and statutory bodies	**9,857,704**	8,852,539
Individuals	**154,666,779**	142,293,811
Other domestic entities	**4,337,367**	3,223,190
Foreign entities	**40,984,618**	38,549,010
Gross loans, advances and financing	**323,719,559**	297,822,144

(iii) By interest/profit rate sensitivity:

	The Group	
	2016 RM'000	2015 RM'000
Fixed rate		
– Housing loans	**2,845,154**	2,153,840
– Hire-purchase receivables	**11,361,142**	10,497,253
– Other fixed rate loans	**39,725,012**	41,669,712
Variable rate		
– BLR plus	**150,723,542**	145,038,101
– Cost plus	**42,368,628**	36,282,400
– Other variable rates	**76,696,081**	62,180,838
Gross loans, advances and financing	**323,719,559**	297,822,144

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) By economic purposes:

	The Group	
	2016	2015
	RM'000	RM'000
Personal use	**12,429,682**	10,608,443
Credit card	**9,823,080**	8,842,990
Purchase of consumer durables	**100,997**	109,330
Construction	**11,877,324**	9,327,917
Residential property (Housing)	**84,219,483**	76,837,715
Non-residential property	**24,822,758**	24,525,498
Purchase of fixed assets other than land and building	**18,160,304**	15,919,886
Mergers and acquisitions	**4,600,566**	3,617,161
Purchase of securities	**26,587,098**	27,168,120
Purchase of transport vehicles	**22,720,915**	23,296,590
Working capital	**86,641,012**	78,972,667
Other purpose	**21,736,340**	18,595,827
Gross loans, advances and financing	**323,719,559**	297,822,144

(v) By geographical distribution:

	The Group	
	2016	2015
	RM'000	RM'000
Malaysia	**181,699,039**	166,409,058
Indonesia	**65,314,761**	59,956,700
Thailand	**30,454,951**	28,996,518
Singapore	**30,694,519**	29,434,533
China	**1,956,349**	2,327,067
United Kingdom	**4,331,749**	2,686,317
Hong Kong	**2,204,945**	1,210,542
Other countries	**7,063,246**	6,801,409
Gross loans, advances and financing	**323,719,559**	297,822,144

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vi) By residual contractual maturity:

	The Group	
	2016	2015
	RM'000	RM'000
Within one year	**74,087,837**	68,475,753
One year to less than three years	**39,229,772**	36,627,785
Three years to less than five years	**35,849,237**	35,403,399
Five years and more	**174,552,713**	157,315,207
Gross loans, advances and financing	**323,719,559**	297,822,144

(vii) Impaired loans, advances and financing by economic purpose:

	The Group	
	2016	2015
	RM'000	RM'000
Personal use	**346,573**	265,698
Credit card	**260,232**	168,730
Purchase of consumer durables	**329**	228
Construction	**1,268,991**	1,335,050
Residential property (Housing)	**1,596,083**	1,436,177
Non-residential property	**265,796**	214,972
Purchase of fixed assets other than land and building	**1,309,408**	911,108
Purchase of securities	**172,356**	186,946
Purchase of transport vehicles	**369,322**	393,839
Working capital	**4,115,409**	3,450,245
Other purpose	**940,840**	718,766
Gross impaired loans	**10,645,339**	9,081,759

(viii) Impaired loans, advances and financing by geographical distribution:

	The Group	
	2016	2015
	RM'000	RM'000
Malaysia	**3,716,471**	3,735,122
Indonesia	**4,154,621**	3,750,452
Thailand	**2,127,898**	1,352,567
Singapore	**438,360**	112,545
China	**67,095**	64,860
United Kingdom	**4,855**	2,838
Other countries	**136,039**	63,375
Gross impaired loans	**10,645,339**	9,081,759

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the impaired loans, advances and financing are as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**9,081,759**	8,182,689
Classified as impaired during the financial year	**6,641,453**	5,213,976
Reclassified as not impaired during the financial year	**(2,356,374)**	(1,789,331)
Amount written back in respect of recoveries	**(995,260)**	(1,086,947)
Amount written off	**(2,279,957)**	(1,504,546)
Sale of impaired loans	**–**	(337,401)
Exchange fluctuation	**553,718**	403,319
At 31 December	**10,645,339**	9,081,759
Ratio of gross impaired loans to gross loans, advances and financing	**3.29%**	3.05%

(x) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Individual impairment allowance		
At 1 January	**4,256,108**	3,591,249
Net allowance made during the financial year	**1,351,850**	1,053,963
Amount written off	**(1,052,020)**	(664,920)
Amount transferred from portfolio impairment allowance	**(11,402)**	(6,876)
Allowance for impaired loan disposed to third party	**–**	(42,825)
Unwinding income	**(9,274)**	6,384
Exchange fluctuation	**200,036**	319,133
At 31 December	**4,735,298**	4,256,108

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(x) Movements in the allowance for impaired loans, advances and financing are as follows: (Continued)

	The Group 2016 RM'000	The Group 2015 RM'000
Portfolio impairment allowance		
At 1 January	**3,435,066**	3,174,060
Net allowance made during the financial year	**1,399,726**	1,436,518
Amount transferred from individual impairment allowance	**11,402**	6,876
Amount written off	**(1,208,889)**	(1,153,503)
Unwinding income	**(52,341)**	(40,662)
Allowance for impaired loan disposed to third party	**–**	(85,802)
Exchange fluctuation	**176,214**	97,579
At 31 December	**3,761,178**	3,435,066
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing (excluding RPSIA financing) less individual impairment allowance	**1.64%**	1.56%

9 OTHER ASSETS

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Due from brokers and clients net of allowance for impairment losses of RM60,056,466 (2015: RM37,018,490)	(a)	**4,599,166**	3,709,795	**–**	–
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM71,389,655 (2015: RM123,003,623)	(b)	**3,433,551**	4,184,508	**632**	440
Due from insurers, brokers and reinsurers		**–**	3,556	**–**	–
Structured financing		**1,997,845**	2,279,166	**–**	–
Foreclosed assets net of allowance for impairment losses of RM98,344,624 (2015: RM50,739,428)	(c)	**300,527**	404,142	**–**	–
Collateral pledged for derivative transactions		**4,806,366**	5,383,721	**–**	–
Due from joint venture	(d)	**1,197,832**	1,237,928	**–**	–
Collateral for securities borrowing		**189,851**	463,326	**–**	–
		16,525,138	17,666,142	**632**	440

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

9 OTHER ASSETS (CONTINUED)

(a) Movements of allowance for impairment losses on amount due from brokers and clients are as follows:

	The Group					
	2016			2015		
	Individual impairment allowance RM'000	**Portfolio impairment allowance RM'000**	**Total RM'000**	**Individual impairment allowance RM'000**	**Portfolio impairment allowance RM'000**	**Total RM'000**
At 1 January	**29,447**	**7,571**	**37,018**	10,872	7,947	18,819
Net allowance made/(write back) during the financial year	**22,630**	**(912)**	**21,718**	15,716	(276)	15,440
Disposal of subsidiary	**–**	**–**	**–**	–	(100)	(100)
Write off	**(867)**	**–**	**(867)**	(109)	–	(109)
Transfer to other debtors	**–**	**–**	**–**	(27)	–	(27)
Exchange fluctuation	**2,187**	**–**	**2,187**	2,995	–	2,995
At 31 December	**53,397**	**6,659**	**60,056**	29,447	7,571	37,018

(b) Movements of allowance for doubtful debts on other debtors, deposits and prepayments are as follows:

	The Group	
	2016 Individual impairment allowance RM'000	**2015 Individual impairment allowance RM'000**
At 1 January	**123,004**	108,746
Net allowance (written back)/made during the financial year	**(4,443)**	13,220
Write off	**(44,981)**	(2,530)
Disposal of subsidiaries	**–**	27
Exchange fluctuation	**(2,190)**	3,541
At 31 December	**71,390**	123,004

9 OTHER ASSETS (CONTINUED)

(c) Foreclosed assets are stated at lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2016. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Movements of allowance for impairment losses on foreclosed assets are as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**50,739**	65,922
Net allowance made during the financial year	**69,885**	1,555
Disposal during the financial year	**(15,533)**	(23,421)
Exchange fluctuation	**(6,747)**	6,683
At 31 December	**98,344**	50,739

(d) These comprises hire-purchase receivables belonging to Proton Commerce Sdn. Bhd. ("PCSB") that were de-recognised from the Group's loans, advances and financing as the risks and rewards relating to the cash flows of these hire-purchase receivables have been substantially transferred to PCSB. The derecognised hire-purchase receivables are regarded as amount due from joint venture.

10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are shown in the statements of financial position, after offsetting:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**387,306**	366,653	**–**	–
Deferred tax liabilities	**(56,556)**	(22,260)	**(353)**	(277)
	330,750	344,393	**(353)**	(277)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

10 DEFERRED TAXATION (CONTINUED)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets (before offsetting)				
Loans, advances and financing	**189,033**	112,388	**–**	–
Financial investments available-for-sale	**26,467**	69,144	**–**	–
Unutilised tax losses	**34,067**	7,914	**–**	–
Post employment benefits obligations	**81,815**	78,189	**–**	–
Provision for accrued expenses	**307,254**	326,464	**–**	83
Cash flow hedge	**2,795**	8,597	**–**	–
Property, plant and equipment	**10,802**	7,860	**–**	–
EOP reserves	**7,907**	12,875	**–**	–
Intangible assets	**–**	12	**–**	–
Other temporary differences	**64,291**	80,814	**–**	–
	724,431	704,257	**–**	83
Offsetting	**(337,125)**	(337,604)	**–**	(83)
Deferred tax assets (after offsetting)	**387,306**	366,653	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(149,076)**	(95,645)	**(353)**	(342)
Financial investments available-for-sale	**(97,831)**	(115,638)	**–**	–
Intangible assets	**(126,163)**	(148,055)	**–**	–
Other temporary differences	**(20,611)**	(526)	**–**	(18)
	(393,681)	(359,864)	**(353)**	(360)
Offsetting	**337,125**	337,604	**–**	83
Deferred tax liabilities (after offsetting)	**(56,556)**	(22,260)	**(353)**	(277)

10 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows:

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve– financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2016		**112,388**	**(87,785)**	**(46,494)**	**101,077**	**(148,043)**	**326,464**	**8,597**	**78,189**	**344,393**
Credited/(charged) to statements of income	41	**66,096**	**(35,843)**	**593**	**(2,606)**	**21,892**	**(15,633)**	**–**	**(241)**	**34,258**
Over/(under) provision in prior year		**(265)**	**(13,215)**	**–**	**(26,378)**	**(12)**	**(2,270)**	**–**	**–**	**(42,140)**
Transferred to equity		**–**	**–**	**(26,774)**	**112**	**–**	**–**	**(5,931)**	**7,280**	**(25,313)**
Acquisition of subsidiaries		**–**	**–**	**–**	**196**	**–**	**–**	**–**	**–**	**196**
Exchange difference		**10,814**	**(1,431)**	**1,311**	**13,253**	**–**	**(1,307)**	**129**	**(3,413)**	**19,356**
At 31 December 2016		**189,033**	**(138,274)**	**(71,364)**	**85,654**	**(126,163)**	**307,254**	**2,795**	**81,815**	**330,750**

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve– financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2015		101,561	(137,064)	(52,476)	57,466	(172,670)	340,823	3,142	80,236	221,018
Credited/(charged) to statements of income	41	2,880	24,544	(1,586)	15,838	24,626	5,020	–	(3,390)	67,932
Over/(under) provision in prior year		1,640	36,616	–	8,046	–	(24,878)	–	–	21,424
Transferred to equity		–	–	6,676	2,519	–	–	5,278	2,442	16,915
Acquisition of subsidiaries		–	(9,500)	–	392	–	–	–	(1)	(9,109)
Exchange difference		6,307	(2,381)	892	16,816	1	5,499	177	(1,098)	26,213
At 31 December 2015		112,388	(87,785)	(46,494)	101,077	(148,043)	326,464	8,597	78,189	344,393

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

10 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows (Continued):

The Company	Note	Accelerated tax depreciation RM'000	Provision for expenses RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)					
At 1 January 2016		**(345)**	**15**	**53**	**(277)**
(Charged)/Credited to statements of income	41	**(11)**	**–**	**18**	**7**
Over/(under) provision in prior year		**3**	**(15)**	**(71)**	**(83)**
At 31 December 2016		**(353)**	**–**	**–**	**(353)**
At 1 January 2015		(338)	9	(119)	(448)
Credited/(charged) to statements of income	41	(7)	6	172	171
At 31 December 2015		(345)	15	53	(277)

11 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

12 INVESTMENT IN SUBSIDIARIES

	The Company 2016 RM'000	2015 RM'000
Ordinary shares	**7,336,383**	7,336,383
Redeemable preference shares*	**19,746,683**	19,859,897
	27,083,066	27,196,280
Fair value changes arising from fair value hedge	**241,870**	205,200
	27,324,936	27,401,480
Less: Allowance for impairment loss of a subsidiary	**(151,585)**	(1,275)
	27,173,351	27,400,205

* Classified as cost of investment in subsidiaries due to the terms of the instruments

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has undertaken fair value hedge on its investment in CIMB Securities International Pte. Ltd. ("CSI").

During the financial year ended 31 December 2016, the Company has made an impairment of RM150,310,000 (2015: Nil) on its investment in CIMB Securities International Pte. Ltd due to lower than expected performance of the subsidiary.

The recoverable amount of investment in CIMB Securities International Pte. Ltd. is RM1,056 million as at 31 December 2016 was based on value in use and was determined using discount rate of 7.68% on a post-tax basis.

(a) Information about principal subsidiaries:

The direct subsidiaries of the Company are:

		Percentage of equity held	
		2016	**2015**
Name of Subsidiary	**Principal activities**	**%**	**%**
CIMB Berhad	Investment holding	**100**	100
CIMB Group Sdn. Bhd.	Investment holding	**99.9**	99.9
Commerce MGI Sdn. Bhd.	Dormant	**51**	51
Commerce Asset Realty Sdn. Bhd.	Holding of properties for letting to a related company	**100**	100
iCIMB (MSC) Sdn. Bhd.	Provision of management and outsourcing services	**100**	100
SBB Berhad	Dormant	**100**	100
CIMB Foundation ∞	Charitable foundation	**–**	–
Premier Fidelity Sdn. Bhd.	Promoting, arranging and managing all kinds of sports and entertainment events of the Group	**100**	100
SP Charitable Trust Fund ∞ #	Special purpose vehicle	**–**	–
SP Charitable Trust Fund 2 ∞ #	Special purpose vehicle	**–**	–

∞ Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company

Audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

The subsidiaries held through CIMB Berhad are:

		Percentage of equity held			
		Directly by CIMB Berhad		Indirectly by the company	
		2016	**2015**	**2016**	**2015**
Name of Subsidiary	**Principal activities**	**%**	**%**	**%**	**%**
CIMB Islamic Trustee Berhad	Trustee services	**20**	20	**100**	100
CIMB Commerce Trustee Berhad	Trustee services	**20**	20	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMB Group Sdn. Bhd. ("CIMBG") are:

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	**99.9**	99.9	**–**	–
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	**100**	100	**–**	–
PT Bank CIMB Niaga Tbk+ (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	**91.5**	97.9	**1.0**	1.0
PT Commerce Kapital# (Incorporated in the Republic of Indonesia)	Investment holding	**99.0**	99.0	**1.0**	1.0
CIMB SI Sdn. Bhd.	Trading in securities and direct principal investments	**100**	100	**–**	–
CIMB SI I Sdn. Bhd.	Investment holding	**–**	–	**100**	100
CIMB SI II Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity 1 Sdn. Bhd.&	Investment holding	**–**	–	**28.2**	28.2
Ekuiti Erasama Sdn. Bhd.&	Investment holding	**–**	–	**19.7**	19.7
Bigbite Ventures Sdn. Bhd.&	Investment holding	**–**	–	**20.1**	20.1
Top Sigma Sdn. Bhd.&	Investment holding	**–**	–	**20.1**	20.1
Maju Uni Concept Sdn. Bhd.	Investment holding	**–**	–	**100**	100
Mutiara Makmur Ventures Sdn. Bhd.	Investment holding	**–**	–	**100**	100
CIMB Asia Security (General Partner) Limited (formerly known as Semantan Investment Holdings Ltd.)	Investment holding	**–**	–	**100**	100
CIMB General Partner Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**100**	100
CIMB Securities International Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Investment holding	**100**	100	**–**	–
CIMB Securities (Singapore) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Stock and sharebroking	**–**	–	**100**	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
CIMB Research Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Investment research	**–**	–	**100**	100
CIMB Securities (UK) Ltd.+ (Incorporated in the United Kingdom)	Securities related business	**–**	–	**100**	100
CIMB Securities (USA) Inc.# (Incoporated in the United States of America)	Dormant	**–**	–	**100**	100
CIMB Securities Ltd.+ (Incorporated in Hong Kong)	Securities broking, dealing and trading	**–**	–	**100**	100
CIMB Securities (HK) Nominees Ltd.+ (Incorporated in Hong Kong)	Nominee services	**–**	–	**100**	100
PT CIMB Securities Indonesia+ (Incorporated in the Republic of Indonesia)	Stockbroking	**–**	–	**90.04**	90.04
CIMB Real Estate Sdn. Bhd.	Real estate investment	**100**	100	**–**	–
CIMB-Mapletree Management Sdn. Bhd.	Real estate fund management	**–**	–	**60**	60
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	**60**	60	**–**	–
CIMB-Principal Asset Management Company Limited+ (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**–**	–	**60**	60
Finansa Asset Management Ltd	Private fund management and mutual fund management	**–**	–	**60**	60
Sathorn Asset Management Company Limited+ (Incorporated in the Kingdom of Thailand)	Asset Management	**–**	–	**99.9**	99.9
CIMB Principal Asset Management (S) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**–**	–	**60**	60

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
		2016	2015	2016	2015
Name of Subsidiary	Principal activities	%	%	%	%
PT CIMB-Principal Asset Management+ (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**–**	–	**59.4**	59.4
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**–**	–	**60**	60
i-Wealth Advisors Sdn. Bhd.	Provision of management services and distribution of products and services	**60**	60	**–**	–
CIMB Strategic Assets Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Advisors Sdn. Bhd.	Investment advisory	**100**	100	**–**	–
CIG Berhad	Insurance holding company	**100**	100	**–**	–
PT CIMB Sun Life+ ^ (Incorporated in the Republic of Indonesia)	Life assurance business	**–**	–	**–**	51
Commerce Asset Ventures Sdn. Bhd. ("CAV")	Investment holding company	**100**	100	**–**	–
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	**100**	100	**–**	–
CAV Private Equity Management Sdn. Bhd.	Providing management, financial, corporate and advisory services	**–**	–	**100**	100
Commerce Technology Ventures Sdn. Bhd.	Investment holding	**–**	–	**100**	100
VC Prestige Sdn. Bhd.^	Investment trading	**–**	–	**33.3**	33.3
Commerce Agro Ventures Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
CAV BAT Sdn. Bhd.^	Investment holding	**–**	–	**–**	100
Edufuture Sdn. Bhd.	Investment holding	**–**	–	**30**	30
Metro Bumimas Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Sedia Fajar Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMBG 2016 %	Directly by CIMBG 2015 %	Through CIMBG's subsidiary company 2016 %	Through CIMBG's subsidiary company 2015 %
Peranan Dinamik Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Pesat Dinamik Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Prima Mahawangsa Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Tetap Fajar Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Commerce-KPF Ventures Sdn. Bhd.	Investment holding	**–**	–	**30**	30
Touch 'n Go Sdn. Bhd.	Establishment, operation and management of an electronic collection system for toll and transport operators	**–**	–	**32.2**	32.2
Commerce KNB Agro Teroka Sdn. Bhd.&	Investment holding	**–**	–	**33.3**	33.33
Kota Bumimas Sdn. Bhd.&	Investment holding	**–**	–	**33.3**	33.33
Jernih Hartamas Sdn. Bhd.&	Investment holding	**–**	–	**33.3**	33.33
Limpahan Suria Sdn. Bhd.&	Investment holding	**–**	–	**33.3**	33.33
Lot A Sentral Sdn. Bhd.	Property investment	**–**	–	**100**	100
CIMB Middle East BSC+ # (Incorporated in the Kingdom of Bahrain)	Islamic investment	**99**	99	**1**	1
CIMB-Trustcapital Advisors Singapore Pte. Ltd.# ^ (Incorporated in the Republic of Singapore)	Real estate management and advisory	**–**	–	**–**	63
CIMB-TCA Australia Pty. Ltd.+ ^ (Incorporated in Australia)	Investment management company for investment holding Trusts	**–**	–	**–**	63
CIMBTCA Pty. Ltd.+ ^ (Incorporated in Australia)	Investment holding	**–**	–	**–**	63
CIMBTCA3 Pty. Ltd.+ ^ (Incorporated in Australia)	Investment holding	**–**	–	**–**	63
CIMBTCA Bravo Pty. Ltd.+ ^ (Incorporated in Australia)	Real estate ownership	**–**	–	**–**	63
CIMBTCA Lima Pty. Ltd.+ ^ (Incorporated in Australia)	Real estate ownership	**–**	–	**–**	63

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
CIMB-Trustcapital AOF1 GP Pte. Ltd.[#] [^] (Incorporated in the Republic of Singapore)	Property fund management (including REIT manager)	**–**	–	**–**	100
CIMB Southeast Asia Research Sdn. Bhd. (CARI)	Public advocacy through research, publication and events	**100**	100	**–**	–
PT CIMB ASEAN Research[#] (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events	**–**	–	**100**	100
PT KIG[#] (Incorporated in the Republic of Indonesia)	Management consultancy	**–**	–	**100**	100
CIMB Securities (Thailand) Co., Ltd.[+] (Incorporated in the Kingdom of Thailand)	Stock and share broking	**–**	–	**99.99**	99.99
PT CIMB Futures Indonesia (Incorporated in Indonesia)	Stockbroking business	**–**	–	**95**	95
CIMB Securities (Australia) Limited[+] (Incorporated in Australia)	Stock and share broking	**–**	–	**100**	100
CIMB Capital Markets (Australia) Limited[+] (Incorporated in Australia)	Equity capital markets business	**–**	–	**100**	100
Fleet Nominees Pty. Ltd.[+]	Nominee services	**–**	–	**100**	100
Quinambo Nominees Pty. Ltd.[+]	Nominee services	**–**	–	**100**	100
Wanford Nominees Pty. Ltd.[+]	Nominee services	**–**	–	**100**	100
CIMB Corporate Finance (India) Private Limited+ (Incorporated in India)	Corporate finance and advisory services	**–**	–	**100**	100
CIMB Securities (India) Private Limited[+] (Incorporated in India)	Stock and share broking	**–**	–	**76.59**	76.59
CSI Investment Limited[+] (Incorporated in the Republic of Singapore)	Investment holding	**–**	–	**100**	100
MinorCap Pte. Ltd.[+] (Incorporated in the Republic of Singapore)	Dormant	**–**	–	**100**	100
Southern Asia Special Asset Vehicle Limited (Formally known as SBB Capital Corporation)	Special purpose vehicle	**–**	–	**100**	–

& Deemed a subsidiary by virtue of board control over the company's financial and operating policies
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia
^ Disposed/strike off during the financial year

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are:

		Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment Bank's subsidiary company	
		2016	2015	2016	2015
Name of Subsidiary	Principal activities	%	%	%	%
CIMB Holdings Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB EOP Management Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Futures Sdn. Bhd.	Futures broking	**100**	100	**–**	–
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Trustee services	**–**	–	**20**	20
CIMB Islamic Trustee Berhad	Trustee services	**–**	–	**20**	20

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2016	2015	2016	2015
Name of Subsidiary	Principal activities	%	%	%	%
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	**100**	100	**–**	–
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	**20**	20	**40**	40
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on business of a Labuan bank	**100**	100	**–**	–
Mutiara Aset Berhad	Dormant	**100**	100	**–**	–
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	**100**	100	**–**	–
CIMB Group Nominees Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Group Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**–**	–
CIMB Group Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2016	2015	2016	2015
Name of Subsidiary	Principal activities	%	%	%	%
Semerak Services Sdn. Bhd.	Provision of security, maintenance and other related services	**100**	100	**–**	–
CIMB Islamic Bank Berhad	Islamic banking and the provision of related financial services	**100**	100	**–**	–
CIMB Trust Ltd. (Incorporated in the Federal Territory of Labuan)	Trustee services	**100**	100	**–**	–
Bumiputra-Commerce Corporate Services Limited^ (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**–**	100
BC Management Services Limited^ (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**–**	100
CIMB Private Equity General Partner Limited^ (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	**–**	100
CIMB Mezzanine General Partner Limited^ (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	**–**	100
Mezzanine Capital Ltd.^ (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**–**	100
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**–**	–	**100**	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	**100**	100	**–**	–
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	**100**	100	**–**	–
SBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
SBB Nominees (Asing) Sdn. Bhd.^	Nominee services	**100**	100	**–**	–
CIMB Nominees (S) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Nominee services	**100**	100	**–**	–
Southern Asia Special Asset Vehicle Limited (formerly known as SBB Capital Corporation)	Special purpose vehicle	**–**	–	**–**	100
SFB Auto Berhad	Dormant	**100**	100	**–**	–

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2016 %	2015 %	2016 %	2015 %
CIMB Bank (Vietnam) Limited (Incorporated in Vietnam)	Banking activities	**100**	–	**–**	–
CIMB Bank PLC+ (Incorporated in Cambodia)	Financial banking and related financial services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominees services	**20**	20	**40**	40
S.B. Properties Sdn. Bhd.	Property ownership and management	**100**	100	**–**	–
SFB Development Sdn. Bhd.	Property investment	**100**	100	**–**	–
SIBB Berhad	Investment dealings	**80**	80	**–**	–
Perdana Nominees (Tempatan) Sdn. Bhd.	Nominee services	**–**	–	**80**	80
Commerce Returns Berhad∞	Investment holding	**100**	100	**–**	–
CIMB Thai Bank Public Company Limited+ (Incorporated in the Kingdom of Thailand)	Commercial banking	**93.7**	93.7	**–**	–
Merdeka Kapital Berhad**	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	**–**	–	**–**	–
Ziya Capital Bhd.***	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

** Consolidation of the silo of Merdeka Kapital Berhad
In 2011, CIMB Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, CIMB Bank has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed during the financial year.

*** Consolidation of the silo of Ziya Capital Bhd.
On 12 August 2016, CIMB Islamic Bank obtained funding through securitisation of its hire purchase receivables to Ziya Capital Bhd ("Ziya"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements", CIMB Islamic Bank has consolidated the silo of Ziya in relation to CIMB Islamic's hire purchase receivables, as this silo has been legally ring-fenced for this transaction.

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia
∞ Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company
^ Company has been voluntarily liquidated during the financial year
# In the process of liquidation

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 2016 %	2015 %
PT CIMB Niaga Auto Finance+ (Incorporated in the Republic of Indonesia)	Financing services	**99.9**	99.9
PT Kencana Internusa Artha Finance+ (Incorporated in the Republic of Indonesia)	Financing services	^^	99.9

^^ As at 1 January 2016, PT CIMB Niaga Auto Finance ("CNAF") has effectively merged with PT Kencana Intermusa Artha Finance, where CNAF is the surviving entity.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMB Thai Bank Public Company Limited are:

Name of Subsidiary	Principal activities	Percentage of equity held 2016 %	2015 %
CT Coll Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Debt Collection Service	**99.99**	99.99
Center Auto Lease Co.,Ltd. + (Incorporated in the Kingdom of Thailand)	Leasing/hire purchase	**99.99**	99.99
Worldlease Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**99.99**	99.99
Krungthai Thanakit Finance PCL ^ (Incorporated in the Kingdom of Thailand)	Dormant	**–**	99.1
PT Pattanasup Company Limited # (Incorporated in the Kingdom of Thailand)	Dormant	**99.93**	99.93

\+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia
\# In the process of liquidation
^ Company has been voluntarily liquidated during the financial year

All the subsidiaries, unless otherwise stated, are incorporated in Malaysia.

(b) Details of subsidiaries that have material non-controlling interests:

Set out below are the Group's subsidiaries that have material non-controlling interests:

	Proportion of ownership interests and voting right held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling Interests	
	2016 %	2015 %	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CIMB Thai Bank Public Company Limited Group (incorporated in the Kingdom of Thailand)	**6.3**	6.3	**(4,958)**	3,259	**385,584**	385,587
CIMB-Principal Asset Management Berhad Group	**40.0**	40.0	**36,541**	36,598	**335,033**	315,255
PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia)	**7.5**	2.1	**2,561**	2,554	**777,295**	190,911
Touch 'n Go Shd. Bhd.	**47.8**	47.8	**9,001**	8,085	**66,491**	57,791
Individually immaterial subsidiaries with non-controlling interests					**6,580**	32,306
					1,570,983	981,850

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Details of subsidiaries that have material non-controlling interests (Continued):

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(RM'000)	CIMB Thai Bank Public Company Limited Group 2016	CIMB Thai Bank Public Company Limited Group 2015	CIMB-Principal Asset Management Berhad Group 2016	CIMB-Principal Asset Management Berhad Group 2015	PT Bank CIMB Niaga Tbk Group 2016	PT Bank CIMB Niaga Tbk Group 2015	Touch 'n Go Sdn. Bhd. 2016	Touch 'n Go Sdn. Bhd. 2015
Total assets	**37,102,051**	36,199,927	**1,163,118**	1,667,935	**79,550,112**	74,335,034	**772,474**	894,917
Total liabilities	**(33,883,764)**	(32,984,326)	**(324,722)**	(878,963)	**(69,185,670)**	(65,425,281)	**(632,838)**	(769,465)
Net assets	**3,218,287**	3,215,601	**838,396**	788,972	**10,364,442**	8,909,753	**139,636**	125,452
Equity attributable to owners of the Company	**(3,218,287)**	(3,215,601)	**(623,998)**	(611,115)	**(10,364,174)**	(8,909,509)	**(139,636)**	(125,452)
Non-controlling interests ("NCI")	**–**	–	**(214,398)**	(177,857)	**(268)**	(244)	**–**	–
Revenue	**1,557,012**	1,467,973	**279,823**	280,192	**4,694,943**	3,983,628	**114,727**	108,042
Profit before taxation	**(94,591)**	87,157	**105,805**	103,359	**899,060**	166,139	**34,945**	28,989
Taxation	**15,890**	(35,221)	**(14,453)**	(11,863)	**(239,614)**	(41,423)	**(16,106)**	(12,067)
Other comprehensive income	**103,271**	277,757	**3,091**	3,306	**797,300**	807,562	**(10)**	–
Total comprehensive income	**24,570**	329,693	**94,443**	94,802	**1,456,746**	932,278	**18,829**	16,922
Net cash (used in)/generated from operating activities	**1,720,850**	(2,417,554)	**(179,250)**	400,078	**1,165,839**	2,541,767	**96,732**	87,807
Net cash generated from/(used in) investing activities	**204,949**	102,496	**(11,181)**	(59,857)	**(1,281,177)**	(699,196)	**(22,246)**	(11,207)
Net cash generated from/(used in) financing activities	**(2,060,484)**	2,262,850	**(78,264)**	40,917	**(1,199,763)**	(1,417,168)	**5,355**	40,358
Net (decrease)/increase in cash and cash equivalents	**(134,685)**	(52,208)	**(268,695)**	381,138	**(1,315,101)**	425,403	**79,841**	116,958
Profit allocated to NCI of the Group	**(4,958)**	3,259	**36,541**	36,598	**2,561**	2,554	**9,001**	8,085
Dividends paid to NCI of the Group	**1,335**	1,067	**18,000**	–	**–**	–	**–**	–

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Effect of change in ownership interest in subsidiary that do not result in loss of control

The Company announced a special interim dividend-in-specie on 15 June 2016 which involves the distribution of 1,366,988,057 existing PT Bank CIMB Niaga Tbk ("CIMB Niaga") Class B shares, representing approximately 5.44% equity interest in Niaga to the entitled shareholders of the Company. The distribution of shares has been completed on 30 August 2016. As a results, the Group's equity interest in CIMB Niaga has reduced to 92.5%. The Group recognised an increase in non-controlling interests of RM500,977,000 and a decrease in equity attributable to owners of the parent of the same amount.

The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	2016 RM'000
Carrying amount of non-controlling interests deemed disposed	**500,977**
Consideration received from non-controlling interests	**–**
Deficit of consideration received in equity attributable to owners of the Group	**500,977**

There were no transactions with non-controlling interests in 2015.

(d) Unconsolidated structured entities

(i) Nature, purpose and extent of the Group's interest in unconsolidated structured entities

Investment Purposes

1) Investment Vehicle 1

The Group's involvement in unconsolidated structured entities ("USE") for investment purposes are typically in the capacity of an investor with limited liability and no management control, with a view to invest in the USE's business model which may include trading strategies on various asset classes such as interest rate futures on major liquid currencies. The Group earns a share of profits which are typically distributed in proportion to each capital provider's share in the USE, while additional capital support may be required if the USE is loss-making.

The Group's contractual obligations with Investment Vehicle 1 were formally terminated in September 2016 following consultation and approval from the Group's management. As part of the termination, the obligations of all parties were fully discharged with no further liability to the Group. Consequently, the Group ceased being an investor in Investment Vehicle 1 upon its liquidation in November 2016.

2) Investment Vehicle 2

CIMB Bank's involvement in USE is for investment purposes with a view to invest in the USE's profit participation scheme ("PPS") as principal and on-sell to other investors. The PPS will be used to fund USE's purchase of the rights to all the present and future cash flows of dividends and other shareholders' distribution (the "Dividends") of the underlying assets. CIMB Bank earns a fixed payout amount per annum against its invested amount and the cash flows from the Dividends in accordance with a pre-agreed order of priority as set out in the terms of the PPS and will expire upon the final payment of the cash flows.

3) Third Party Funding

The Group provides funding to USE, whereby such funding may be secured against a variety of assets/collateral. The Group may also enter into a derivative transaction with USE in its normal course of business.

The Group's transactions with the Third Party Funding Entity were formally terminated in September 2016 following consultation and approval from the Group's management. As part of the termination, the obligations of all parties were fully discharged with no further liability to the Group.

The Group does not consolidate these USEs as the Group does not have control over these entities in accordance with MFRS10.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Unconsolidated structured entities (Continued)

(ii) Carrying amount, size and maximum exposure to loss

The following table shows the carrying amount of the Group's interest recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the structured entities.

	Carrying amount as at					
	31 December 2016			31 December 2015		
	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
Cash and short-term funds	–	–	–	13,339	–	251,981
Reverse repurchase agreements	–	–	–	–	–	883,395
Financial investments available-for-sale	–	**79,063**	–	850	77,538	–
Other assets	–	–	–	429,300	–	163,134
Total assets	–	**79,063**	–	443,489	77,538	1,298,510
Derivative financial liabilities**	–	–	–	–	–	195,191
Other liabilities			–			163,134
Total liabilities	–	–	–	–	–	358,325
Commitments	–	–	–	429,300	–	–

	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
Assets size of structured entity*	–	**4,591,348**	–	12,772,670	4,609,655	1,806,374

* Where the Group does not have control over the USE, the assets size of the USE are based on the Group's best estimates.

** Derivative liabilities are based of a notional amount of USD200 million.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Unconsolidated structured entities (Continued)

(ii) Carrying amount, size and maximum exposure to loss (Continued)

Cash and short-term funds

Represents the Group's cash received from realised gains from derivatives, interest income and dividend income.

Financial investments available-for-sale

Represents the Group's equity/economic interests in unconsolidated structured entities.

Reverse repurchase agreements, other assets and other liabilities

Reverse repurchase agreements or loans to Third Party Funding Vehicle which may be collateralised by underlying securities. Other assets and other liabilities pertaining to Third Party Funding Entity may include cash collateral pledged to/received from Third Party Funding Entity for the purposes of mitigating counterparty credit exposure arising from existing transactions. In the context of Investment Vehicles, other assets include collateral placements to Investment Vehicles for collateralisation purposes against potential future losses incurred by the vehicle.

Derivative financial liabilities

Derivative transactions entered into with the structured entities are in the normal course of business. Carrying amounts of the derivative financial liabilities do not reflect the true variability of returns to the Group because they do not take into account the effects of collateral or hedges.

Commitments

Represents financial commitments (such as capital support) which the Group is contractually obligated to make to the Investment Vehicles in a given year due to losses/underperformance of the underlying business of the vehicle. The maximum liability is capped at the collateral amounts pledged (see Other Assets for Investment Vehicle 1).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Unconsolidated structured entities (Continued)

(iii) Income/losses from structured entities

	Income/gains/(losses) recognised in the statements of income for the financial year ended 31 December 2016						
	Realised gains on derivatives RM'000	Interest income RM'000	Dividend income RM'000	Termination gain on reverse repo RM'000	Gain from financial investments available-for-sale RM'000	Loss from commitments RM'000	Total RM'000
Investment Vehicle 1	-	5,573	-	-	776	(348,969)*	(348,193)
Investment Vehicle 2	-	-	4,000	-	-	-	-
Third Party Funding Entity	33,601*	27,338	-	84,697*	-	-	84,697
	33,601	32,911	4,000	84,697	776	(348,969)	(263,496)

Total * = RM230,671,000 being net losses on early termination of unconsolidated structured entity – refer to Note 36 Net non-interest income

	Income/gains/(losses) recognised in the statements of income for the financial year ended 31 December 2015				
	Unrealised losses on derivatives RM'000	Realised gains on derivatives RM'000	Interest Income RM'000	Dividend Income RM'000	Total RM'000
Investment Vehicle 1	–	–	4,958	4,287	9,245
Investment Vehicle 2	–	–	–	3,623	3,623
Third Party Funding Entity	(169,349)	167,235	24,795	–	22,681
	(169,349)	167,235	29,753	7,910	35,549

Unrealised losses on derivatives do not reflect the true variability of returns to the Group because they do not take into account the effects of collateral or hedges.

13 INVESTMENT IN ASSOCIATES

	Note	The Group 2016 RM'000	The Group 2015 RM'000
At 1 January		**858,840**	844,709
Share of profits for the financial year		**111,452**	95,497
Additional investment in associates		**30,631**	1,939
Share of other comprehensive income for the financial year		**(1,946)**	851
Reclassification to non-current assets held for sale	55	**(886,354)**	–
Allowance made for impairment losses	39	**(897)**	–
Dividend payment		**(27,355)**	(79,067)
Profit distribution/redemption		**(6,710)**	(5,089)
At 31 December		**77,661**	858,840

	The Company 2016 RM'000	The Company 2015 RM'000
Unquoted shares, at cost	**3,834**	3,834

(a) Information about associates:

The principal place of business and country of incorporation of the associates is Malaysia unless stated otherwise. All associates are measured using the equity method. There are no available quoted market prices of the associates.

The direct associate of the Company is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	Percentage of equity held 2015 %
Touch 'n Go Sdn. Bhd.*	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20

* Consolidated in the Group as the associate is a subsidiary to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates (Continued):

The associates held through CAV's subsidiary, Commerce-KPF is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Delphax Sdn. Bhd.	Manufacturer of reconstructive & spinal implants, trauma & related orthopaedic surgical products	**7.0**	7.0

The associate held through CAV's subsidiary, Commerce Agro Ventures Sdn. Bhd. is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Landas Bina Aquaventures Sdn. Bhd.	Aquaculture	**13.3**	13.3

The associates held through CAV's subsidiary, Commerce Technology Ventures Sdn. Bhd. are:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Sesama Equilab Sdn. Bhd.	Dormant	**29**	29
Consolidated Liquid Eggs Sdn. Bhd.	Dormant	**30**	30

The associates held through CAV's subsidiary, Commerce KNB Agro Teroka Sdn. Bhd. are:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Manjung Aquatic Sdn. Bhd.	Dealer in business of merchant and dealer in marine products and its by products	**16.3**	16.3
Dragon Power Plantations Sdn. Bhd.	Growing and selling vegetables of all kinds and descriptions	**13.3**	13.3
PS Fresh Sdn. Bhd.	Distribution of farm products	**10.0**	10.0

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates (Continued):

The associates held through CIMB Bank is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Bank of Yingkou Co. Ltd (Incorporated in the People's Republic of China)	Banking	**18.21***	18.21

* On 30 December 2016, CIMB Bank that it had entered into a Share Transfer Agreement to sell its 18.21% stake in the Bank of Yingkou Co., Ltd. ("BYK") to Shanghai Guozhijie Investment Development Co., Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million).

Accordingly, the Group has reclassified its investment in BYK to non-current assets held for sale. Refer to Note 55.

The associate held through CIMB Group's subsidiary, CIG Berhad is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
CIMB Howden Insurance Brokers Sdn. Bhd. (formerly known as CIMB Insurance Brokers Sdn. Bhd.) ^^	Insurance broking	**51**	51

^^ With effect from 30 December 2014, due to the change of the Board of Directors following the disposal of 49% stake to a third party, the Group has lost control over CIMB Insurance Broker ("CIB"). Therefore, CIB has ceased to be a subsidiary and is classified as an associate of the Group as at 31 December 2014.

The associates held through CIMBG's subsidiary, CIMB Private Equity Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2016 %	2015 %
Mezzanine Holdings Sdn. Bhd.	Investment Holdings	**18.5**	18.5

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates (Continued):

The associates held through CIMBG's subsidiary, CIMB Real Estate Sdn Bhd are:

		Percentage of equity held	
		2016	2015
Name of Associate	Principal activities	%	%
CMREF 1 Sdn. Bhd.	Investment holding	**24.9**	24.9
Dynamic Concept One Sdn. Bhd.	Property investment	**24.9**	24.9
Jaya Section Fourteen Sdn. Bhd.	Property investment and management	**21.0**	21.0
Project Asia City Sdn. Bhd.	Property investment and management	**24.9**	24.9
Sentral Parc City Sdn. Bhd.	Property investment	**24.9**	24.9
CMREF2 Shariah Sdn. Bhd.^	Real estate fund management	**14.29**	14.29
Green Transformation Sdn. Bhd.#	Dormant	**14.29**	14.29

^ In the process of liquidation
# In the process of strike off

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

		Percentage of equity held	
		2016	2015
Name of Associate	Principal activities	%	%
Capital Advisors Partners Asia Sdn. Bhd.	Investment advisory services	**40**	40
Capital Advisors Partners Asia Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment advisory services	**40**	40
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**40**	40
Capasia Asean Infrastructure Fund III (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	General Partner of The CapAsia Asean Infrastructure Fund III L.P	**40**	40
PT Cap Asia Indonesia (Incorporated in the Republic of Indonesia)	Business management consultancy services	**40**	40

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(b) The summarised financial information below represents amounts shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

	Bank of Yingkou		CIMB Howden Insurance Brokers Sdn. Bhd.	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total assets	**–**	68,684,691	**114,662**	100,435
Total liabilities	**–**	(64,344,777)	**(95,320)**	(85,315)
Net assets	**–**	4,339,914	**19,342**	15,120
Revenue	**–**	1,667,997	**25,345**	17,715
Profit for the financial year/Total comprehensive income for the financial year	**–**	536,518	**11,348**	9,377
Dividends paid by the associate during the financial year	**–**	123,556	**7,126**	–

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Bank of Yingkou		CIMB Howden Insurance Brokers Sdn. Bhd.	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening net assets as at 1 January	**–**	3,682,275	**15,120**	5,743
Profit for the financial year	**–**	536,518	**11,348**	9,377
Dividend paid	**–**	(123,556)	**(7,126)**	–
Increase in share capital	**–**	244,677	**–**	–
Closing net assets as at 31 December	**–**	4,339,914	**19,342**	15,120
Interest in associate (%)		18.21%	**51.00%**	51.00%
Interest in associate	**–**	790,298	**8,286**	6,133
Goodwill	**–**	7,797	**765**	765
Remeasurement gain			**30,987**	30,987
Carrying value	**–**	798,095	**40,038**	37,885

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(d) Aggregate information of associates that are not individually material:

	2016 RM'000	2015 RM'000
The Group's share of profit for the financial year	**(4,745)**	(11,807)
The Group's share of other comprehensive expense for the financial year	**(1,946)**	851
The Group's share of total comprehensive income for the financial year	**(6,691)**	(10,956)
Aggregate carrying amount of the Group's interest in these associates	**37,623**	60,745

14 INVESTMENT IN JOINT VENTURES

	The Group	
	2016 RM'000	2015 RM'000
At 1 January	**178,608**	241,680
Share of profit/(loss) for the financial year	**4,236**	(9,863)
Share of other comprehensive income/(expense) for the financial year	**1,087**	(9,807)
Additional investment in joint ventures	**–**	680
Capital repayment and profit distribution	**(157)**	(44,443)
Disposal of joint ventures	**–**	361
Dividend payment	**(10,094)**	–
At 31 December	**173,680**	178,608

14 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of joint ventures

The principal place of business and country of incorporation of the joint ventures is Malaysia unless stated otherwise. All joint ventures are measured using the equity method. There are no available quoted market prices of the joint ventures.

Name	Principal activities	Percentage of equity held through subsidiary company 2016 %	2015 %
Proton Commerce Sdn. Bhd.	Financing of vehicles	**50**	50
CIMB-Principal Islamic Asset Management Sdn. Bhd.	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	**50**	50
The South East Asian Strategic Assets Fund LP * (Incorporated in the Cayman Islands)	Invest in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	**25.1**	25.1
SEASAF Power Sdn. Bhd.*	Investment holding	**25.1**	25.1
SEASAF Highway Sdn. Bhd.*	Investment holding	**25.1**	25.1
SEASAF Education Sdn. Bhd.^	Investment holding	**–**	25.1
SEASAF 1 Resources Pte. Ltd.* (Incorporated in the Republic of Singapore)	Investment holding	**25.1**	25.1
Bangsar Capital Holdings (L) Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	**50**	50
Tanjung Pinang Villas Sdn. Bhd.^	Investment holding	**–**	50
Capasia South East Asian Strategic Asset Fund (General Partner) Ltd. (Incorporated in the Cayman Islands)	Investment advisory services	**60**	60
Bangsar Capital Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment advisory services	**50**	50
CIMB-MC Capital Ltd. (Incorporated in the Cayman Islands)	Investment holding	**50**	50
AIGF Advisors Pte. Ltd. (formerly known as CIMB Capital Pte. Ltd.) (Incorporated in the Republic of Singapore)	Investment advisory services	**50**	50
AIGF Management Company Ltd. (Incorporated in the Cayman Islands)	General Partner	**50**	50

* In the process of liquidation/voluntary winding up

^ Company has been dissolved during the financial year

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

14 INVESTMENT IN JOINT VENTURES (CONTINUED)

(b) Details of material joint venture:

Proton Commerce Sdn. Bhd.

On 22 October 2003, Bumiputra-Commerce Finance Berhad ("BCF") (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. ("PESB") for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint ventures was incorporated under the name of Proton Commerce Sdn. Bhd. ("PCSB") which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares ("PPS") which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

(c) The summarised financial information below represents amounts shown in the material joint venture' Financial Statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

	PCSB	
	2016	**2015**
	RM'000	**RM'000**
Non-current assets	**1,546,990**	1,473,202
Current assets	**787,919**	493,880
Current liabilities (non-trade)	**(1,717,420)**	(1,358,734)
Non-current liabilities (non-trade)	**(287,431)**	(282,798)
Net assets	**330,058**	325,550
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**325,983**	296,048
Revenue	**82,066**	93,363
Profit for the financial year/Total comprehensive income for the financial year	**4,508**	3,174
The above profit for the financial year include the following:		
Interest income	**78,967**	84,994
Interest expense	**(50,752)**	(48,709)
Taxation	**(3,255)**	(1,603)

14 INVESTMENT IN JOINT VENTURES (CONTINUED)

(d) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture recognised in the consolidated financial statements:

	PCSB	
	2016	**2015**
	RM'000	**RM'000**
Opening net assets 1 January	**325,550**	322,375
Profit for the financial year	**4,508**	3,174
Closing net assets as at 31 December	**330,058**	325,549
Interest in joint venture (%)	**50%**	50%
Interest in joint venture	**165,029**	162,775

(e) Aggregate information of joint ventures that are not individually material:

	2016	**2015**
	RM'000	**RM'000**
The Group's share of profit for the financial year	**1,982**	(11,450)
The Group's share of other comprehensive income/(expense) for the financial year	**1,087**	(9,807)
The Group's share of total comprehensive income for the financial year	**3,069**	(21,257)
Aggregate carrying amount of the Group's interest in these joint ventures	**8,651**	15,833

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

15 PROPERTY, PLANT AND EQUIPMENT

The Group 2016	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	Total RM'000
Cost												
At 1 January		186,565	24,330	1,804	893,906	45,872	398,226	2,317,866	1,174,222	55,590	165,552	5,263,933
Additions		13,408	-	-	-	-	12,886	342,262	160,651	7,077	13,307	549,591
Disposals/Written off		(4,157)	-	-	(17,179)	-	(18,783)	(697,718)	(34,874)	(1,536)	(30,304)	(804,551)
Reclassification		-	-	-	-	-	-	(5,125)	4,488	-	-	(637)
Reclassified from/(to) intangible assets	19	-	-	-	-	-	596	(1,226)	(1,579)	(308)	-	(2,517)
Exchange fluctuation		13,337	-	-	9,679	(2,407)	27,668	78,181	14,238	313	2,573	143,582
At 31 December		209,153	24,330	1,804	886,406	43,465	420,593	2,034,240	1,317,146	61,136	151,128	5,149,401
Accumulated depreciation and impairment loss												
At 1 January		9,509	7,318	1,004	138,141	25,817	232,367	1,389,843	896,193	50,762	109,963	2,860,917
Charge for the financial year		-	564	-	15,781	727	23,378	146,398	115,068	5,384	18,574	325,874
Disposals/Written off		(3,064)	-	-	(12,885)	-	(12,277)	(176,225)	(34,985)	(612)	(25,991)	(266,039)
Reclassified to intangible assets	19	-	-	-	-	-	-	-	(2,210)	-	-	(2,210)
Impairment charged for the financial year		-	-	-	-	-	-	(726)	-	-	-	(726)
Exchange fluctuation		503	-	-	5,540	(451)	17,236	52,240	13,297	351	2,390	91,106
At 31 December		6,948	7,882	1,004	146,577	26,093	260,704	1,411,530	987,363	55,885	104,936	3,008,922
Net book value at 31 December 2016		202,205	16,448	800	739,829	17,372	159,889	622,710	329,783	5,251	46,192	2,140,479

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM14,145,726 for the Group.

15 PROPERTY, PLANT AND EQUIPMENT

The Group 2015	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	Total RM'000
Cost												
At 1 January		36,230	24,330	1,804	333,526	43,599	318,134	1,883,369	1,110,290	46,547	182,159	3,979,988
Additions		3,164	–	–	1,152	–	29,956	507,742	103,918	6,229	5,841	658,002
Arising from acquisition of subsidiaries	53	130,000	–	–	548,921	–	–	2,137	931	–	307	682,296
Disposals/Written off		(1,365)	–	–	(12,058)	(446)	(43,868)	(93,962)	(92,443)	(537)	(28,535)	(273,214)
Reclassified from/(to) intangible assets	19	–	–	–	–		57,552	(120,944)	8,266	2,324	42	(52,760)
Exchange fluctuation		18,536	–	–	22,365	2,719	36,452	139,524	43,260	1,027	5,738	269,621
At 31 December		186,565	24,330	1,804	893,906	45,872	398,226	2,317,866	1,174,222	55,590	165,552	5,263,933
Accumulated depreciation and impairment loss												
At 1 January		9,111	6,754	1,004	117,516	24,528	197,173	1,211,302	822,437	41,318	82,211	2,513,354
Charge for the financial year		–	564	–	12,642	757	17,801	155,097	112,464	9,337	45,352	354,014
Disposals/Written off		(688)	–	–	(3,341)	–	(5,010)	(59,481)	(72,446)	(509)	(21,407)	(162,882)
Impairment charged for the financial year		–	–	–	–	–	967	127	–	–	–	1,094
Exchange fluctuation		1,086	–	–	11,324	532	21,436	82,798	33,738	616	3,807	155,337
At 31 December		9,509	7,318	1,004	138,141	25,817	232,367	1,389,843	896,193	50,762	109,963	2,860,917
Net book value at 31 December 2015		177,056	17,012	800	755,765	20,055	165,859	928,023	278,029	4,828	55,589	2,403,016

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM66,465,159 for the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
2016						
Cost						
At 1 January/31 December	**648**	**864**	**1,095**	**6**	**1,526**	**4,139**
Accumulated depreciation						
At 1 January	**91**	**666**	**696**	**6**	**1,051**	**2,510**
Charge for the financial year	**6**	**13**	**43**	**–**	**76**	**138**
At 31 December	**97**	**679**	**739**	**6**	**1,127**	**2,648**
Net book value at 31 December 2016	**551**	**185**	**356**	**–**	**399**	**1,491**
2015						
Cost						
At 1 January	648	864	1,095	6	2,287	4,900
Disposals	–	–	–	–	(761)	(761)
At 31 December	648	864	1,095	6	1,526	4,139
Accumulated depreciation						
At 1 January	85	653	653	6	1,377	2,774
Charge for the financial year	6	13	43	–	435	497
Disposals	–	–	–	–	(761)	(761)
At 31 December	91	666	696	6	1,051	2,510
Net book value at 31 December 2015	557	198	399	–	475	1,629

16 INVESTMENT PROPERTIES

The Group	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2016		
At 1 January	**1,120**	**1,120**
Disposals	**(1,120)**	**(1,120)**
At 31 December	**–**	**–**
2015		
At 1 January	4,000	4,000
Fair value adjustments	(2,880)	(2,880)
At 31 December	1,120	1,120

The Company	Freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2016			
Cost			
At 1 January/31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**343**	**343**
Charge for the financial year	**–**	**18**	**18**
At 31 December	**–**	**361**	**361**
Net book value at 31 December 2016	**235**	**200**	**435**
Fair value as at 31 December 2016	**990**	**1,210**	**2,200**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

16 INVESTMENT PROPERTIES (CONTINUED)

The Company	Freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2015			
Cost			
At 1 January/31 December	235	561	796
Accumulated depreciation			
At 1 January	–	325	325
Charge for the financial year	–	18	18
At 31 December	–	343	343
Net book value at 31 December 2015	235	218	453
Fair value as at 31 December 2015	820	820	1,640

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

The following amounts have been reflected in the consolidated statement of income:

	The Group 2016 RM'000	The Group 2015 RM'000
Rental income	**63**	81
Operating expenses arising from investment properties that generated the rental income	**(9)**	(11)

17 PREPAID LEASE PAYMENTS

The Group	Leasehold land less than 50 years RM'000	Total RM'000
2016		
Cost		
At 1 January	**290,313**	**290,313**
Disposals/Write-off	**(2,096)**	**(2,096)**
Exchange fluctuation	**323**	**323**
At 31 December	**288,540**	**288,540**
Amortisation and impairment loss		
At 1 January	**164,911**	**164,911**
Amortisation during the financial year	**11,332**	**11,332**
Disposals/Write-off	**(1,887)**	**(1,887)**
Exchange fluctuation	**255**	**255**
At 31 December	**174,611**	**174,611**
Net book value at 31 December 2016	**113,929**	**113,929**
2015		
Cost		
At 1 January	289,713	289,713
Disposals/write-off	(59)	(59)
Exchange fluctuation	659	659
At 31 December	290,313	290,313
Amortisation and impairment loss		
At 1 January	153,294	153,294
Amortisation during the financial year	11,215	11,215
Disposals/write-off	(55)	(55)
Exchange fluctuation	457	457
At 31 December	164,911	164,911
Net book value at 31 December 2015	125,402	125,402

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

17 PREPAID LEASE PAYMENTS (CONTINUED)

Future amortisation of prepaid land lease is as follows:

Leasehold land less than 50 years	2016 RM'000	2015 RM'000
The Group		
– Not later than one year	**11,332**	11,215
– Later than one year and not later than five years	**45,328**	44,860
– More than five years	**57,269**	69,327
	113,929	125,402

18 GOODWILL

		The Group	
	Note	2016 RM'000	2015 RM'000
Cost			
At 1 January		**8,436,170**	8,049,844
Goodwill arising from business combinations:			
– Arising from the acquisition of FAM	53	**–**	8,734
Exchange fluctuation		**231,135**	377,592
At 31 December		**8,667,305**	8,436,170
Impairment			
At 1 January		**(138,684)**	(138,684)
Impairment charge during the financial year		**(56,281)**	–
At 31 December		**(194,965)**	(138,684)
Net book value at 31 December		**8,472,340**	8,297,486

18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating-units

Goodwill has been allocated to the following cash-generating-units ("CGUs"). These CGUs do not carry any intangible assets with indefinite useful lives:

	2016 RM'000	2015 RM'000
CGU		
Consumer Banking		
Retail Finance Services	**1,262,272**	1,262,272
Islamic Banking	**136,000**	136,000
Group Cards	**425,803**	425,803
Commercial Banking	**911,000**	911,000
Wholesale Banking		
Corporate Banking	**419,000**	419,000
Retail and Institutional Equity	**200,500**	200,500
Financial Advisories, Underwriting and Other Fees	**–***	14,496
Treasury	**537,000**	578,785
Asset Management		
Malaysia	**281,772**	281,772
Thailand	**8,734**	8,734
Foreign Banking Operations		
Indonesia	**2,578,349**	2,578,349
Thailand	**1,199,277**	1,199,277
Others		
Touch 'n Go	**51,082**	51,082
Exchange fluctuation	**461,551**	230,416
	8,472,340	8,297,486

* Equity Capital Markets previously managed under Treasury CGU has been moved to and managed under Financial Advisories, Underwriting and Other Fees and its Goodwill of RM41.8 million has been allocated accordingly in 2016. As at 31 December 2016, goodwill for Financial Advisories, Underwriting and Other Fees is RM56.3 million prior to impairment charges.

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2017 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

18 GOODWILL (CONTINUED)

The estimated terminal growth rates and discount rates used for value-in-use calculations are as follows:

	2016		2015	
	Terminal Growth rate	**Discount rate**	**Terminal Growth rate**	**Discount rate**
Retail Finance Services	**4.20%**	**7.12%**	4.50%	6.62%
Islamic Banking	**4.20%**	**7.12%**	4.50%	6.62%
Group Cards	**4.20%**	**7.12%**	4.50%	6.62%
Commercial Banking	**4.20%**	**7.12%**	4.50%	6.62%
Corporate Banking	**4.20%**	**7.12%**	4.50%	6.62%
Retail and Institutional Equity	**2.00%**	**9.11%**	2.00%	9.97%
Financial Advisories, Underwriting and Other Fees	**2.00%**	**9.11%**	2.00%	9.97%
Treasury	**4.20%**	**7.12%**	4.50%	6.62%
Asset Management				
– Malaysia	**4.20%**	**7.12%**	4.50%	6.62%
– Thailand	**2.00%**	**5.20%**	4.50%	6.62%
Foreign banking operations				
– Indonesia	**2.00%**	**10.35%**	2.00%	10.58%
– Thailand	**2.00%**	**5.20%**	2.00%	5.35%
Others – Touch 'n Go	**4.20%**	**7.12%**	4.50%	6.62%

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment charge

During the financial year ended 31 December 2016, a full impairment charge of RM56.3 million arises from Financial Advisories, Underwriting and Other fees CGU due to lower than expected performance of the equity and debt banking market. The carrying amount of the CGU is written down to its recoverable amount based on value in use calculation.

19 INTANGIBLE ASSETS

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	License and club debentures RM'000	Insurance broker license* RM'000	Total RM'000
2016								
Cost								
At 1 January		**211,934**	**1,348,558**	**38,141**	**2,678,866**	**21,729**	**–**	**4,299,228**
Additions during the financial year		**–**	**–**	**–**	**646,900**	**55**	**–**	**646,955**
Disposals during the financial year		**–**	**–**	**–**	**(127,163)**	**–**	**–**	**(127,163)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**2,517**	**–**	**–**	**2,517**
Reclassification		**–**	**–**	**–**	**(18,632)**	**–**	**–**	**(18,632)**
Exchange fluctuation		**54**	**–**	**751**	**66,044**	**888**	**–**	**67,737**
At 31 December		**211,988**	**1,348,558**	**38,892**	**3,248,532**	**22,672**	**–**	**4,870,642**
Accumulated amortisation and impairment								
At 1 January		**181,973**	**821,438**	**38,141**	**1,436,178**	**905**	**–**	**2,478,635**
Amortisation during the financial year		**12,758**	**77,820**	**–**	**259,316**	**82**	**–**	**349,976**
Disposals during the financial year		**–**	**–**	**–**	**(29,064)**	**–**	**–**	**(29,064)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**2,210**	**–**	**–**	**2,210**
Exchange fluctuation		**32**	**–**	**751**	**31,407**	**95**	**–**	**32,285**
At 31 December		**194,763**	**899,258**	**38,892**	**1,700,047**	**1,082**	**–**	**2,834,042**
Net book value at 31 December 2016		**17,225**	**449,300**	**–**	**1,548,485**	**21,590**	**–**	**2,036,600**
2015								
Cost								
At 1 January		211,826	1,348,558	33,166	2,332,716	17,303	899	3,944,468
Arising from acquisition of a subsidiary	53(c)	–	–	–	4,158	–	–	4,158
Additions during the financial year		–	–	–	284,397	1,196	–	285,593
Disposals during the financial year		–	–	–	(75,402)	(513)	(899)	(76,814)
Reclassified from property, plant and equipment	15	–	–	–	52,760	–	–	52,760
Exchange fluctuation		108	–	4,975	80,237	3,743	–	89,063
At 31 December		211,934	1,348,558	38,141	2,678,866	21,729	–	4,299,228
Accumulated amortisation and impairment								
At 1 January		166,385	743,618	33,166	1,150,377	503	–	2,094,049
Amortisation during the financial year		15,464	77,820	–	246,694	181	–	340,159
Disposals during the financial year		–	–	–	(14,636)	–	–	(14,636)
Exchange fluctuation		124	–	4,975	53,743	221	–	59,063
At 31 December		181,973	821,438	38,141	1,436,178	905	–	2,478,635
Net book value at 31 December 2015		29,961	527,120	–	1,242,688	20,824	–	1,820,593

* Insurance broker license is not amortised as it has an infinite life. It is assessed for impairment on an annual basis.

The above intangible assets include software under construction at cost of RM200,416,565 (2015: RM227,051,575).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

19 INTANGIBLE ASSETS (CONTINUED)

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

The valuation of core deposits acquired in a business combination was derived by discounting the anticipated future benefits in the form of net interest savings from core deposits. The discount rate used was 8.0%-8.4%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation period of the intangible assets with finite life is as follows:

	2016
Customer relationships:	
– Credit card	**1.5 years**
Core deposits	**1 – 12 years**
Computer software	**1 – 14 years**
Club debentures	**6 – 7 years**

20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Demand deposits	**73,468,034**	67,912,293
Savings deposits	**47,032,189**	41,260,084
Fixed deposits	**146,811,268**	144,893,890
Negotiable instruments of deposit	**1,301,247**	1,596,448
Others	**67,632,804**	61,760,866
	336,245,542	317,423,581

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

(i) By type of deposit (continued)

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Due within six months	**125,645,244**	118,232,932
Six months to one year	**18,321,637**	24,158,631
One year to three years	**3,315,225**	2,525,301
Three years to five years	**823,792**	1,002,774
More than five years	**6,617**	570,700
	148,112,515	146,490,338

(ii) By type of customer

	The Group	
	2016 RM'000	2015 RM'000
Government and statutory bodies	**11,325,217**	9,359,302
Business enterprises	**117,053,946**	123,960,968
Individuals	**144,858,146**	127,373,004
Others	**63,008,233**	56,730,307
	336,245,542	317,423,581

21 INVESTMENT ACCOUNTS OF CUSTOMERS

		The Group	
	Note	2016 RM'000	2015 RM'000
Unrestricted investment accounts	58(o)	**254,408**	232,716

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Licensed banks	**24,720,127**	17,814,252
Licensed finance companies	**892,184**	1,246,197
Licensed investment banks	**19,263**	720,097
Bank Negara Malaysia	**51,747**	165,547
Other financial institutions	**3,052,790**	3,745,857
	28,736,111	23,691,950

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Due within six months	**25,251,595**	18,469,624
Six months to one year	**2,816,063**	3,909,385
One year to three years	**196,249**	918,419
Three years to five years	**154,196**	102,585
More than five years	**318,008**	291,937
	28,736,111	23,691,950

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM158,865,000 (2015: RM132,117,000) using interest rate swaps.

23 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Deposits from customers – structured investments	**2,006,644**	3,047,985
Debentures	**807,881**	980,203
Bills payable	**1,553,052**	924,583
	4,367,577	4,952,771

The Group has issued structured investments, bills payables and debentures, and have designated them at fair value in accordance with MFRS139. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group at 31 December 2016 of financial liabilities designated at fair value were RM431,079,000 (2015: RM567,569,000) lower than the contractual amount at maturity for the structured investments, RM12,538,000 (2015: RM18,606,000) lower than the contractual amount at maturity for the debentures and RM182,391,000 (2015: RM131,549,000) higher than the contractual amount at maturity for the bills payable. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

24 OTHER LIABILITIES

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Due to brokers and clients		**4,107,351**	3,219,671	**–**	–
Expenditure payable		**2,065,129**	2,024,324	**2,069**	6,702
Provision for legal claims		**65,601**	62,133	**–**	–
Sundry creditors		**1,495,400**	1,704,889	**1**	1
Insurance fund – life and takaful insurance business		**–**	70,249	**–**	–
Allowance for commitments and contingencies	(a)	**43,169**	9,219	**–**	–
Post employment benefit obligations	26	**467,151**	468,081	**–**	–
Credit card expenditure payable		**212,089**	172,033	**–**	–
Collateral pledged for derivative transactions		**3,148,558**	3,161,566	**–**	–
Unit link contract liabilities		**–**	512,039	**–**	–
Collateral for securities lending		**10,559**	669,469	**–**	–
Others		**1,724,938**	1,911,008	**–**	493
		13,339,945	13,984,681	**2,070**	7,196

(a) The movements in the allowance for commitments and contingencies are as follows:

	The Group 2016 RM'000	The Group 2015 RM'000
At 1 January	**9,219**	9,182
Net allowance made during the financial year	**30,461**	9,935
Payment made during the financial year	**–**	(12,401)
Exchange fluctuation	**3,489**	2,503
At 31 December	**43,169**	9,219

25 RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Group. Under these agreements, the Group undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

26 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group	
		2016	**2015**
	Note	**RM'000**	**RM'000**
Defined contribution plan – EPF	(a)	**28,650**	27,565
Defined benefit plans	(b)	**438,501**	440,516
		467,151	468,081

(a) Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Indonesia and Thailand under Labor Law of respectively countries, the assets of which are held in separate trustee-administered funds that are governed by local authorities and practice in each country. The plan calls for benefits to be paid to eligible employee at retirement or when the employees resign. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefits payments are from trustee-administrated funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due.

The latest actuarial valuations of the plans in Indonesia and Thailand were carried out in 2016.

The amount recognised in the statements of financial position in respect of defined benefit plans is as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Present value of funded obligations	**508,441**	515,982
Fair value of plan assets	**(290,919)**	(278,150)
Status of funded plan	**217,522**	237,832
Present value of unfunded obligations	**220,979**	193,838
Status of defined benefit pension plans	**438,501**	431,670
Impact of minimum funding requirement/asset ceiling	**–**	8,846
Liability in statement of financial position	**438,501**	440,516

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the defined benefit obligation over the financial year are as follows:

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000	Impact of minimum funding requirement/ asset ceiling RM'000	Total RM'000
At 1 January 2016	709,820	(278,150)	431,670	8,846	440,516
Current service costs	70,243	–	70,243	–	70,243
Underrprovision in prior year	(3,555)	–	(3,555)	–	(3,555)
Interest expense/(income)	43,756	(23,651)	20,105	834	20,939
Components of defined benefits costs recognised in statement of income	110,444	(23,651)	86,793	834	87,627
Remeasurement:					
– Return on plan assets, excluding amounts included in interest expense	–	(11,090)	(11,090)	–	(11,090)
– Loss from changes in demographic assumptions	363	–	363	–	363
– Loss from changes in financial assumptions	45,586	–	45,586	–	45,586
– Experience gains	4,209	–	4,209	–	4,209
– Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(9,671)	(9,671)
Components of defined benefits costs recognised in statement of comprehensive expense/(income)	50,158	(11,090)	39,068	(9,671)	29,397
Exchange fluctuation	44,759	(19,243)	25,516	(9)	25,507
Contributions:					
– Employer contributions	–	(3,758)	(3,758)	–	(3,758)
– Plan participant	–	(11,865)	(11,865)	–	(11,865)
Receivables	(299)	–	(299)	–	(299)
Payments from plans – benefits paid	(185,462)	56,838	(128,624)	–	(128,624)
At 31 December 2016	729,420	(290,919)	438,501	–	438,501

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the defined benefit obligation over the financial year are as follows (Continued):

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000	Impact of minimum funding requirement/ asset ceiling RM'000	Total RM'000
At 1 January 2015	603,355	(292,275)	311,080	14,184	325,264
Current service costs	116,591	–	116,591	–	116,591
Under/(Over) provision in prior year	24	–	24	–	24
Interest expense/(income)	42,065	(24,753)	17,312	1,232	18,544
Others	–	(1,160)	(1,160)	–	(1,160)
Components of defined benefits costs recognised in statement of income	158,680	(25,913)	132,767	1,232	133,999
Remeasurement:					
– Return on plan assets, excluding amounts included in interest expense	–	26,990	26,990	–	26,990
– Loss from changes in demographic assumptions	(1,389)	–	(1,389)	–	(1,389)
– Loss from changes in financial assumptions	(22,235)	–	(22,235)	–	(22,235)
– Experience gains	3,510	–	3,510	–	3,510
– Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(7,633)	(7,633)
Components of defined benefits costs recognised in statement of comprehensive income	(20,114)	26,990	6,876	(7,633)	(757)
Exchange fluctuation	69,437	(26,678)	42,759	1,063	43,822
Contributions:	–				
– Employer contributions	–	(4,580)	(4,580)	–	(4,580)
– Plan participant	–	(5,789)	(5,789)	–	(5,789)
Receivables	52	–	52	–	52
Payments from plans – benefits paid	(101,590)	50,095	(51,495)	–	(51,495)
At 31 December 2015	709,820	(278,150)	431,670	8,846	440,516

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The significant principal actuarial assumptions used in respect of the Group's defined benefit plans are as follows:

	2016		2015	
The Group	**Thailand %**	**Indonesia %**	**Thailand %**	**Indonesia %**
Discount rates	**2.00 – 2.25**	**8.00 – 8.50**	2.75	9.00 – 9.25
Expected return on plan assets	**N/A**	**8.50**	N/A	9.25
Future salary increases	**5.00**	**6.00 – 7.00**	5.00	6.00 – 8.00
Rate of price inflation – other fixed allowance	**2.00**	**N/A**	2.00-2.50	N/A

The sensitivity of defined benefit obligation to changes in the weighted principal assumption is:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
2016			
Discount rates	**0.5% – 1%**	**Decreased by 8.2%**	**Increased by 10.3%**
Expected return on plan assets	**1.0%**	**Decreased by 0.5%**	**Increased by 0.5%**
Future salary increases	**1.0%**	**Increased by 12.1%**	**Decreased by 9.9%**
2015			
Discount rates	0.5% – 1%	Decreased by 7.5%	Increased by 7.5%
Expected return on plan assets	1.0%	Decreased by 0.5%	Increased by 0.5%
Future salary increases	1.0%	Increased by 15.1%	Decreased by 16.1%

Projected unit credit method is used in calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The Group's plan assets are comprised as follows:

	The Group					
	2016			2015		
	Quoted RM'000	Unquoted RM'000	Total RM'000	Quoted RM'000	Unquoted RM'000	Total RM'000
Equity instruments (by geography)						
Indonesia	**55,526**	**–**	**55,526**	56,845	–	56,845
Debt instruments (by type)						
Government bonds	**36,881**	**–**	**36,881**	37,664	–	37,664
Corporate bonds (investment grade)	**60,006**	**–**	**60,006**	44,579	–	44,579
Cash and cash equivalent	**–**	**52,951**	**52,951**	–	59,673	59,673
Mutual funds	**38,377**	**–**	**38,377**	46,004	–	46,004
Others	**–**	**47,178**	**47,178**	–	33,385	33,385
	190,790	**100,129**	**290,919**	185,092	93,058	278,150

The expected contribution to post employment benefits plan for the financial year ending 31 December 2017 is RM26,120,000 to the Group.

The weighted average duration of the defined benefit obligation is 12.8 years (2015: 10.8 years).

Expected maturity analysis of undiscounted defined benefits plans:

	Less than a year RM'000	Between 1-2 years RM'000	Between 2-5 years RM'000	Over 5 years RM'000	Total RM'000
2016					
Defined benefits plan	**32,055**	**27,850**	**99,129**	**848,536**	**1,007,570**
2015					
Defined benefits plan	29,795	25,281	12,379	698,084	765,539

27 BONDS, SUKUK AND DEBENTURES

		The Group	
		2016	2015
		RM'000	RM'000
IDR1,500,000 million bonds (Series A: 2011/2014; Series B: 2011/2016)	(a)	**–**	397,403
HKD462 million notes (2012/2017)	(b)	**271,351**	260,164
USD350 million notes (2012/2017)	(c)	**1,585,206**	1,515,034
IDR2,000,000 million bonds (Series A: 2012/2015; Series B: 2012/2017)	(d)	**475,233**	381,045
THB Structured debentures	(e)	**6,258**	1,187
THB Short term debenture	(f)	**495,323**	2,791,233
HKD171 million notes (2013/2018)	(g)	**66,848**	66,843
HKD430 million notes (2013/2016)	(h)	**–**	167,900
IDR600,000 million notes (2013/2016)	(i)	**–**	189,651
HKD350 million notes (2013/2016)	(j)	**–**	140,024
SGD20 million notes (2013/2018)	(k)	**62,023**	61,095
USD20 million notes (2013/2016)	(l)	**–**	86,085
IDR1,450,000 million bonds (Series A: 2013/2015; Series B: 2013/2016; Series C: 2013/2018)	(m)	**285,954**	439,828
HKD775 million notes (2013/2016)	(n)	**–**	429,634
HKD950 million notes (2013/2016)	(o)	**–**	396,006
RM500 million bonds (2011/2016)	(p)	**–**	500,161
HKD300 million notes (2014/2019)	(q)	**129,310**	129,209
HKD150 million notes (2014/2019)	(r)	**87,008**	83,307
AUD100 million notes (2014/2019)	(s)	**292,320**	291,921
HKD1,130 million notes (2014/2019)	(t)	**562,862**	550,562
USD313 million notes (2015/2045; callable in 2020)	(u)	**1,510,589**	1,383,349
EUR30 million notes (2015/2016)	(v)	**–**	140,736
SGD100 million notes (2015/2018)	(w)	**310,187**	304,105
CNY220 million notes (2015/2018)	(x)	**137,403**	137,445
Equity link notes	(y)	**252,659**	595
CNY130 million notes (2016/2019)	(z)	**82,563**	–
CNY130 million notes (2016/2019)	(aa)	**78,849**	–
RM630 million Sukuk	(ab)	**586,488**	–
IDR1,000,000 million bonds (Series A: 2016/2017; Series B: 2016/2019; Series C: 2016/2021)	(ac)	**334,784**	–
		7,613,218	10,844,522
Fair value changes arising from fair value hedges		**22,566**	432,654
		7,635,784	11,277,176

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(a) IDR1,500,000 million bonds

In 2011, PT CIMB Bank Niaga Tbk ("CIMB Niaga"), an indirect subsidiary of the Company, issued unsecured IDR1,500,000 million bonds with fixed interest rates. The bonds are divided into two series:

(i) Series A Bond

The nominal value of the bonds amounted to IDR 180,000 million with a tenor of 3 years which will mature on 23 December 2014. It bears fixed interest rate of 7.375% per annum. It has been fully redeemed upon its maturity on 23 December 2014.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR 1,320,000 million with a tenor of 5 years which will mature on 23 December 2016. It bears fixed interest rate of 8.30% per annum. It has been fully redeemed upon its maturity on 23 December 2016.

(b) HKD462 million notes

On 8 May 2012, CIMB Bank Berhad ("CIMB Bank"), an indirect subsidiary of the Company, acting through its Labuan Offshore Branch, issued a HKD462 million 5-year senior unsecured notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 8 May 2017. It bears a coupon rate of 2.55% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD462 million notes using cross currency interest rate swaps.

(c) USD350 million notes

On 26 July 2012, CIMB Bank issued a USD350 million 5-year senior unsecured notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 26 July 2017. It bears a coupon rate of 2.375% per annum payable semi-annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD350 million notes using interest rate swaps.

(d) IDR2,000,000 million bonds

On 30 October 2012, CIMB Niaga issued unsecured IDR2,000,000 million bonds with fixed interest rates. The bonds are divided into two series:

(i) Series A Bond

The nominal value of the bonds amounted to IDR600,000 million with a tenor of 3 years which will mature on 30 October 2015. It bears fixed interest rate of 7.35% per annum. It has been fully redeemed upon its maturity in 2015.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR1,400,000 million with a tenor of 5 years which will mature on 30 October 2017. It bears fixed interest rate of 7.75% per annum.

(e) Structured debentures

CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature within 6 months from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.

(f) Short term debentures

CIMB Thai Bank issued various unsecured short term debentures with maturity dates varying from 2 months to 6 months. The debentures carry fixed interest rates of 1.55% to 1.90%, payable at respective maturity dates.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(g) HKD171 million notes

On 22 January 2013, CIMB Bank issued a HKD171 million 5-year senior unsecured Fixed Rate Notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 January 2018. It bears a coupon rate of 1.60% per annum payable quarterly in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD171 million notes using cross currency interest rate swaps.

(h) HKD430 million notes

On 22 January 2013, CIMB Bank issued a HKD430 million 3-year senior unsecured Fixed Rate Notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes matured on 22 January 2016. It bears a coupon rate of 1.20% per annum payable quarterly in arrears.

In January 2016, CIMB Bank has redeemed its HKD430 million senior unsecured fixed rate notes.

(i) IDR600,000 million notes

PT CIMB Niaga Auto Finance has issued a 3-year IDR200,000 million and IDR400,000 million Monetary Term Notes on 15 February 2013 and 16 April 2013 respectively. The notes are unsecured and will mature on 15 February 2016 and 16 April 2016 respectively. It bears fixed interest rate of 8.50% per annum and 8.20% per annum. It has been fully redeemed upon the respective maturities in 2016.

(j) HKD350 million notes

CIMB Bank issued HKD350 million 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes were issued on 14 March 2013 and will mature on 14 March 2016 (subject to adjustment in accordance with the modified following business day convention). The notes bear a coupon rate of 1.09% per annum payable quarterly in arrears.

In March 2016, CIMB Bank has redeemed its HKD350 million senior unsecured fixed rate notes.

(k) SGD20 million notes

On 22 March 2013, CIMB Bank, acting through its Singapore Branch, issued SGD20 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 March 2018 (subject to adjustment in accordance with the modified following business day convention). The notes bear a coupon rate of 1.67% per annum payable semi-annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the SGD20 million notes using interest rate swaps.

(l) USD20 million notes

On 8 April 2013, CIMB Bank, acting through its Labuan Offshore Branch, issued USD20 million 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 8 April 2016. The notes bear a floating coupon rate of 3-month U.S.$ LIBOR plus 79 basis points per annum payable quarterly in arrears.

In April 2016, CIMB Bank has redeemed its USD20 million senior unsecured floating rate notes.

(m) IDR1,450,000 million bonds

CIMB Niaga, has issued 2-year Series A, 3-year Series B and 5-year Series C Senior Bond of IDR285 billion, IDR315 billion and IDR850 billion respectively, totalling IDR1.450 trillion on 20 November 2013. The bonds will mature on 20 November 2015, 20 November 2016 and 20 November 2018 for Series A, Series B and Series C respectively. The bonds bear fixed coupon rate of 8.75% per annum, 9.15% per annum and 9.75% per annum for Series A, Series B and Series C respectively payable quarterly in arrears from the date of issuance.

CIMB Niaga has fully redeemed the 2-year Series A Senior Bond of IDR285 billion and 3-year Series B Bond of IDR315 billion upon its maturity in 2015 and 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(n) HKD775 million notes

On 29 August 2013, CIMB Bank issued HKD775 million 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 29 August 2016 (subject to adjustment in accordance with the modified following business convention). The notes bear a floating coupon rate of 3 month HIBOR plus 56 basis points per annum payable quarterly in arrears.

In August 2016, CIMB Bank has redeemed its HKD775 million senior unsecured notes.

(o) HKD950 million notes

On 20 December 2013, CIMB Bank issued HKD950 million 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 20 December 2016. It bears a fixed coupon rate of 1.45% per annum payable annually in arrears.

In December 2016, CIMB Bank has redeemed its HKD950 million senior unsecured notes.

(p) RM500 million bonds

In 2011, CIMB Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, the Group has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. As a result, the RM500 million funding received by CIMB Bank from MKB is recognised as bonds by the Group.

1st tranche of RM180 million is raised for an effective interest rate of 2.80% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and matured on 28 October 2016.

2nd tranche of RM320 million is raised for an effective interest rate of 3.00% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and matured on 28 October 2016.

The securitisation transactions was completed during the financial year.

(q) HKD300 million notes

On 14 May 2014, CIMB Bank issued HKD300 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 14 May 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a fixed coupon rate of 2.70% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign currency risk of the HK300 million notes using cross currency interest rate swaps.

(r) HKD150 million notes

On 21 August 2014, CIMB Bank issued HKD150 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 21 August 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a fixed coupon rate of 2.47% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the HKD150 million notes using interest rate swaps.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(s) AUD100 million notes

On 25 September 2014, CIMB Bank Berhad issued AUD100 million 5-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 25 September 2019. It bears a coupon rate of 4.375% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign currency risk of the AUD100 million notes using cross currency interest rate swaps.

(t) HKD1,130 million notes

On 20 November 2014, CIMB Bank Berhad issued HKD1,130 million 5-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 12 November 2019 (subject to adjustment in accordance with the modified following business day convention). The Notes bear a coupon rate of 2.46% per annum payable quarterly in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the HKD500 million notes using interest rate swaps.

CIMB Bank has also undertaken fair value hedge on the interest rate risk and foreign currency risk of the HKD630 million notes using cross currency interest rate swaps.

(u) USD313 million notes

On 5 May 2015, CIMB Bank Berhad issued USD313 million 30-year callable zero coupon notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 5 May 2045, and are callable from 5 May 2020 and every two years thereafter up to 5 May 2044. The Notes have a yield to maturity of 4.50% per annum.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD313 million notes using interest rate swaps.

(v) EUR30 million notes

On 12 May 2015, CIMB Bank Berhad issued EUR30 million 1-year senior floating rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 12 May 2016 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3 months EURIBOR + 0.15% per annum payable quarterly.

In May 2016, CIMB Bank has redeemed its EUR30 million senior floating rate notes.

(w) SGD100 million notes

On 30 June 2015, CIMB Bank Berhad, acting through its Singapore branch, issued SGD100 million 3-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 30 June 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 2.12% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the SGD100 million notes using interest rate swaps.

(x) CNY220 million notes

On 6 August 2015, CIMB Bank Berhad issued CNY220 million 3-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 6 August 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.25% per annum payable annually.

CIMB Bank has also undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY220 million notes using cross currency interest rate swaps.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(y) Equity link notes

During the financial year, CIMB Securities (Thailand) issued a THB4,170.7 million (2015: THB64.0 million) short-term unsubordinated and unsecured structured note under its THB1.50 billion Structured Notes Programme established on 28 August 2015, and extend to THB3.0 billion on 26 August 2016. The note will mature within 1-9 month(s) from the issue date, depending on its feature and terms and conditions. The note payoff rate is depending on underlying securities as well as other terms such as strike level, protection level, etc.

During the financial year, CIMB Securities (Thailand) has redeemed THB2,017 million (2015: THB59.5 million).

(z) CNY130 million notes

On 18 May 2016, CIMB Bank Berhad issued CNY130 million 3-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 18 May 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.20% per annum payable annually.

The Group has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

(aa) CNY130 million notes

On 20 July 2016, CIMB Bank Berhad issued CNY130 million 3-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 20 July 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.95% per annum payable annually.

The Group has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

(ab) RM630 million Sukuk, Ziya Capital Bhd

On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued a RM630 million Sukuk that bears a coupon rate of 3.38% per annum. The Sukuk is due on 23 July 2021. RM44 million of the Sukuk was partially redeemed during the year.

Ziya is a special purpose vehicle set up to undertake multi securitisation transactions.

(ac) IDR1,000,000 million bonds

On 3 November 2016, CIMB Niaga issued unsecured IDR1,000,000 million bonds. The bonds are divided into three series:

(i) Series A Bond
The nominal value of the bonds amounted to IDR432,000 million with a tenor of 1 year which will mature on 13 November 2017. It bears fixed interest rate of 7.25% per annum.

(ii) Series B Bond
The nominal value of the bonds amounted to IDR386,000 million with a tenor of 3 years which will mature on 3 November 2019. It bears fixed interest rate of 8.00% per annum.

(iii) Series C Bond
The nominal value of the bonds amounted to IDR182,000 million with a tenor of 5 years which will mature on 3 November 2021. It bears fixed interest rate of 8.25% per annum.

28 OTHER BORROWINGS

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Commercial Papers/Medium Term Notes	(a)	**–**	945,421	**–**	950,463
Term loan	(b)	**6,567,898**	5,454,419	**3,860,430**	3,522,123
Others	(c)	**2,721,961**	2,637,284	**200,063**	200,023
		9,289,859	9,037,124	**4,060,493**	4,672,609

(a) The Conventional Commercial Papers ("CPs"), Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company.

The CPs and iCPs are unsecured. The aggregate outstanding nominal value of the CPs and iCPs at any point in time shall not exceed RM6 billion.

The MTNs and iMTNs are unsecured. The aggregate outstanding nominal value of the MTN and iMTN at any point in time shall not exceed RM6 billion.

(i) The Company issued the following CPs:

On 28 December 2015, the Company issued RM100 million 3-month commercial papers ("CPs") and RM150 million 6-month CPs. The CPs bears a discount rate of 4.18% and 4.25%, respectively and matured on 28 March 2016 and 28 June 2016, respectively. The CPs were issued out of its conventional commercial papers programme which together with its Islamic commercial papers programme, has a combined limit of RM6.0 billion in nominal value.

(ii) The Company issued the following MTNs:

(a) In 2011, the Company issued RM500 million MTNs which has matured on 14 April 2016. The MTNs carry an interest rate of 4.20% per annum.

(b) In 2014, the Company issued RM1,130 million MTNs which has matured on 28 December 2015. The MTNs carry an interest rate of 4.30% per annum.

(c) In 2015, the Company issued RM200 million MTNs which has matured on 29 December 2016. The MTNs carry an interest rate of 4.50% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28 OTHER BORROWINGS (CONTINUED)

(b) Term loans of the Company

In 2009, the Company secured an unsecured term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full on 26 June 2018. It bears a floating interest rate of 3.55% (2015: 3.76%) per annum.

In 2011, the Company secured another unsecured term loan amounting to RM1.0 billion. The term loan is repayable in full on 27 October 2017. It bears a floating interest rate of 3.57% (2015: 3.71%) per annum.

In 2012, the Company secured a term loan amounting to USD190 million from its subsidiary which bears a floating rate of 1.2% plus USD Cost of fund per annum. The term loan is secured by shares of its subsidiaries. The term loan is partially drawdown up to USD160.5 million as of 31 December 2013. The term loan will mature on 30 October 2017.

In 2015, the Company secured an unsecured term loan amounting RM1.0 billion refinance its existing borrowings. The term loan is repayable in full on 14 December 2018. It bears a floating interest rate of 3.63% (2015: 3.84%) per annum. The term loan is partially withdrawn up to RM700 million as of 31 December 2015 and the remaining RM300 million was withdrawn in February 2016.

Term loans of the Group

Included in term loans of the Group are term loans of RM3,565,826,000 (2015: RM2,752,792,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 24 March 2017 (2015: 30 December 2016) being the earliest to mature and 30 August 2019 (2015: 29 March 2019) being the latest to mature. Interest rates charged are between 1.47% to 1.89% per annum (2015: 1.12% to 1.31% per annum).

(c) In 2015, the Company secured a revolving credit amounting to RM200 million from its subsidiary which bears an interest rate of 3.87% per annum. The facility is unsecured roll over on monthly basis.

Included in others of the Group are short term and long term borrowing of RM1,822,644,000 (2015: RM1,587,000,000) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from 1 month to 5 years (2015: 1 to 5 years), with interest rates charged ranging from 0.08% to 13.00% per annum (2015: 1.13% to 13.50% per annum).

29 SUBORDINATED OBLIGATIONS

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Subordinated Notes 2010/2017 IDR1,380,000 million	(a)	**473,662**	439,218	**–**	–
Subordinated Notes 2010/2020 IDR1,600,000 million	(b)	**533,769**	497,873	**–**	–
Subordinated Bonds 2008/2038 RM1.0 billion, callable with step-up in 2018	(c)	**1,015,787**	1,015,525	**–**	–
Subordinated Bonds 2008/2058 RM1.0 billion, optional redemption in 2018	(d)	**–**	1,000,789	**–**	–
Subordinated Notes THB544 million	(e)	**68,196**	64,770	**–**	–
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, optional redemption in 2016; 3rd tranche due in 2022, optional redemption in 2017)	(f)	**452,358**	689,276	**–**	–
Subordinated Debt 2010/2025 RM2 billion, (1st tranche due in 2020, optional redemption in 2015; 2nd tranche due in 2025, optional redemption in 2020)	(g)	**1,018,265**	1,019,458	**–**	–
Subordinated Notes 2009/2059 RM1.38 billion, optional redemption in 2019	(h)	**1,380,552**	1,380,552	**1,380,552**	1,380,552
Subordinated Notes 2010/2060 RM150 million and RM600 million, callable with step-up in 2020	(i)	**511,375**	508,625	**609,186**	609,185
Subordinated Debt RM1.5 billion (1st tranche due in 2021, callable in 2016; 2nd tranche due in 2026, callable in 2021)	(j)	**87,386**	1,451,950	**–**	–
Subordinated Notes 2011/2021 THB3 billion, optional redemption in 2016	(k)	**–**	365,802	**–**	–
Subordinated Notes 2012/2022 THB3 billion, optional redemption in 2017	(l)	**378,352**	359,345	**–**	–
Subordinated Debt 2012/2022 RM1.5 billion, callable in 2017	(m)	**1,465,993**	1,447,633	**–**	–
Subordinated Debts 2013/2023 RM1.05 billion	(n)	**1,060,910**	1,059,244	**–**	–
Subordinated Notes 2014/2024 RM400 million	(o)	**411,130**	406,703	**–**	–
Subordinated Debts 2015/2025 RM2 billion	(p)	**1,992,214**	2,002,490	**2,002,540**	2,002,540
Additional Tier 1 Securities RM1.0 billion	(q)	**1,005,167**	–	**1,005,879**	–
Subordinated debts 2016/2026 RM570 million	(r)	**102,931**	–	**–**	–
Subordinated debts 2016/2026 RM1.35 billion	(s)	**1,375,758**	–	**–**	–
Subordinated Sukuk 2016/2021 RM10 million	(t)	**10,127**	–	**–**	–
Additional Tier 1 Securities RM400 million	(u)	**390,699**	–	**400,964**	–
		13,734,631	13,709,253	**5,399,121**	3,992,277
Fair value changes arising from fair value hedges		**(9,329)**	(14,362)	**–**	–
		13,725,302	13,694,891	**5,399,121**	3,992,277

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) Subordinated Notes 2010/2017 IDR1,380,000 million

The unsecured Subordinated Notes 2010/2017 IDR1,380,000 million ("the Notes") were issued by CIMB Niaga on 8 July 2010. The Notes were issued at scriptless, with term of 7 years from the emission date and with fixed interest rate of 11.30% per annum. The Notes were listed on the Indonesia Stock Exchange on 9 July 2010.

(b) Subordinated Notes 2010/2020 IDR1,600,000 million

The unsecured Subordinated Notes 2010/2020 IDR1,600,000 million ("the Notes") were issued by CIMB Niaga on 23 December 2010. The Notes were issued at scriptless, with term of 10 years from the emission date and with fixed interest rate of 10.85% per annum. The Notes were listed on the Indonesia Stock Exchange on 27 December 2010.

(c) Subordinated Bonds 2008/2038 RM1.0 billion

The RM1.0 billion unsecured subordinated bonds ("the RM1.0 billion Bonds") were issued by CIMB Bank at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme ("T-1 Issue") which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 and callable with step-up interest on 7 October 2018. The RM1.0 billion Bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

CIMB Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion Bonds in whole but not in part, on 7 October 2018 or any interest payment date thereafter, at their principal amount plus accrued interest.

The RM1.0 billion Bonds qualify as Tier I Capital for the purpose of the RWCR computation (subject to the gradual phase-out treatment under Basel 3).

(d) Subordinated Bonds 2008/2058 RM1.0 billion

The RM1.0 billion unsecured subordinated bonds ("the Bonds") is part of the Non-Innovative Tier I Stapled Securities Issuance Programme ("the programme") which was approved by the Securities Commission on 17 December 2008. Under the programme, CIMB Bank is allowed to raise Non-Innovative Tier I Capital of up to RM4.0 billion in nominal value outstanding at any one time comprising:

(i) Non-Cumulative Perpetual Capital Securities issued by CIMB Bank; and
(ii) Subordinated Notes issued by Commerce Returns Berhad, a wholly-owned subsidiary of CIMB Bank.

The Bonds under the first issuance were issued at par on 26 December 2008 and are due on 26 December 2058, with optional redemption on 26 December 2018 or any distribution payment date thereafter. The Bonds bear an interest rate of 7.2% per annum payable semi-annually in arrears.

Subject to the prior approval of BNM, CIMB Bank shall redeem the RM1.0 billion subordinated bonds in whole but not in part, on 26 December 2018 or any distribution payment date thereafter, at their principal amount plus accrued interest.

The Bonds qualify as Tier I Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel 3).

On 27 December 2016, CIMB Bank has early redeemed the RM1 billion Non-Innovative Tier I subordinated bonds.

(e) Subordinated Notes THB544 million

The THB544 million subordinated notes ("the THB544 million Notes") represent the promissory notes previously issued by few financial institutions which had been transferred to CIMB Thai after the series of merger.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(f) Subordinated Sukuk RM850 million

The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier II Junior Sukuk programme by the Company's indirect subsidiary, CIMB Islamic Bank Berhad ("CIMB Islamic"), which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and are due on 25 September 2024, with optional redemption on 25 September 2019 or any or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears. Included in the RM300 million subordinated Sukuk was RM141.05 million (2015: RM162.20 million) subordinated Sukuk which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum, payable semi-annually in arrears.

On 18 September 2012, the third tranche of the Sukuk of RM300 million was issued at par and is due on 15 September 2022, with optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

CIMB Islamic has undertaken fair value hedge on the profit rate risk of the RM300 million subordinated Sukuk using Islamic profit rate swaps.

Included in the RM300 million subordinated Sukuk was RM13,425,000 (2015: RM25,110,000) subordinated Sukuk which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

The RM850 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic (subject to the gradual phase-out treatment under Basel 3).

On 21 April 2016, CIMB Islamic has exercised its option to earlier redeemed the RM250 million second tranche sukuk.

(g) Subordinated Debts RM2 billion

CIMB Bank has on 23 December 2010 completed the issuance of RM2.0 billion unsecured Subordinated Debt.

The RM2.0 billion Subordinated Debt issuance was issued under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("10 years tranche"), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("15 years tranche"). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

The RM2.0 billion subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel 3).

On 23 December 2015, CIMB Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date of 23 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(h) Subordinated Notes 2009/2059 RM1.38 billion

The RM1.38 billion unsecured subordinated fixed rate notes ("the RM1.38 billion Notes") is part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

The RM1.38 billion Notes under the first issuance were issued at par on 30 June 2009 and are due on 30 June 2059, with optional redemption on 30 June 2019 or any periodic payment date thereafter. It bears an interest rate of 7.30% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 6 months KLIBOR + 1% plus original credit spread. The original credit spread is calculated as 7.3% less the 10 year swap rate as per the 11 am BNM fixing rate on 23 June 2009.

(i) Subordinated Notes 2010/2060 RM150 million and RM600 million

The RM750 million unsecured Cumulative Subordinated Fixed Rate Notes ("the RM750 million Notes") issued by the Company on 5 April 2010, comprising a callable 5 year tranche and 10 year tranche, amounting to RM150 million and RM600 million respectively, was part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

Included in the RM600 million subordinated notes was RM97,810,000 (2015: RM100,560,000) subordinated notes which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

Both tranches have a maturity of 50 years, with call option for the Issuer to redeem at year 5 and on each subsequent coupon payment date, and year 10 and on each subsequent coupon payment date respectively.

The 5 year Tranche pays a semi annual coupon rate of 5.3% per annum whilst the 10-year Tranche pays a coupon of 6.35% per annum. The coupon will be stepped up by 2.0% in the event the Company does not redeem the RM750 million Notes on the respective first call date.

On 3 April 2015, the Company has fully redeemed the RM150 million subordinated notes.

(j) Subordinated Debt RM1.5 billion

CIMB Bank has on 8 August 2011 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("Tranche 1"), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("Tranche 2"). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

The RM1.5 billion Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel 3).

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion and RM150 million subordinated debts using interest rate swaps.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(j) Subordinated Debt RM1.5 billion (Continued)

Included in the RM1.5 billion subordinated debt was RM65,435,000 (2015: RM72,935,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

On 8 August 2016, CIMB Bank Berhad redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt.

The RM150 million (Tranche 2) Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

(k) Subordinated Notes 2011/2021 THB3 billion

On 14 July 2011, CIMB Thai issued 3,000,000 units unsecured 10-year subordinated notes ("the THB3 billion Notes"). The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry constant interest rate of 5.35% per annum payable every 6 months on 14 July and 14 January.

The THB3 billion Notes will mature on 14 July 2021. CIMB Thai may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

On 14 July 2016, CIMB Thai Bank exercised its option to early redeem all unsecured subordinated notes amounting to THB3 billion, maturing on 14 July 2021, which CIMB Thai Bank was able to early redeem (under the specified conditions). This early redemption was approved by BoT For Kor Kor (02) 23/2559 "The approval of redemption of subordinated notes".

(l) Subordinated Notes 2012/2022 THB3 billion

On 9 November 2012, CIMB Thai issued 3,000,000 units unsecured 10-year subordinated notes ("the THB3 billion Notes"). The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry fixed interest rate of 4.80% per annum payable semi annually on 9 November and 9 May.

The THB3 billion Notes will mature on 9 November 2022. CIMB Thai may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

(m) Subordinated Debt 2012/2022 RM1.5 billion

CIMB Bank has on 30 November 2012 completed the issuance of RM1.5 billion unsecured subordinated debt. The RM1.5 billion subordinated debt issuance was the third issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The subordinated debt was issued as a single tranche of RM1.5 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter. Redemption of the subordinated debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the subordinated debt is 4.15% per annum. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

Included in the RM1.5 billion subordinated debt was RM39,465,000 (2015: RM57,330,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

The RM1.5 billion Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel 3).

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debt using interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(n) Subordinated Debts 2013/2023 RM1.05 billion

On 1 August 2013 CIMB Bank has successfully set up a Basel 3 Compliant Tier II Subordinated Debt Issuance Programme of up to RM10.0 billion in nominal value ("Basel III Subordinated Debt Programme"). The Basel III Subordinated Debt Programme was approved by Securities Commission on 10 June 2013.

CIMB Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

CIMB Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to CIMB Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by CIMB Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

(o) Subordinated Debts 2014/2024 RM400 million

On 7 July 2014, CIMB Thai Bank issued RM400 million 10 years non-callable 5 years Basel 3 compliant Tier II subordinated notes ("RM400 million Notes") to their overseas investors. The RM400 milion Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM400 million Notes as Tier II capital according to the correspondence For Kor Kor. (02) 453/2557.

(p) Subordinated Debts 2015/2025 RM2 billion

On 23 December 2015, the Company issued RM2.0 billion 10 years non-callable 5 years Tier II subordinated debt ("RM2.0 billion Subordinated Debt") bearing a fixed rate coupon of 5.15% p.a.. The said subordinated debt was issued out of a newly established RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM2.0 billion Tier II subordinated notes issued by CIMB Bank Berhad on the same day, based on similar terms.

The RM2.0 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts using interest rate swaps.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(q) Additional Tier I Securities RM1.0 billion

On 25 May 2016, the Company issued a nominal value RM1.0 billion perpetual subordinated capital securities. ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.80% p.a. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank Berhad.

During the financial year, the Group has undertaken fair value hedge on the interest rate risk of the RM1.0 billion Additional Tier I Securities using interest rate swaps.

(r) Subordinated Notes 2016/2026 RM570 million

On 11 July 2016, CIMB Thai Bank issued RM570 million 10 years non-callable 5 years Basel III compliant Tier II subordinated notes ("RM570 million Notes") to their overseas investors. The RM570 milion Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after the issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB5,016,199,500) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

(s) Subordinated debts 2016/2026 RM1.35 billion

On 8 August 2016, CIMB Bank Berhad issued RM1,350 million 10 years non-callable 5 years Tier II subordinated debt ("Sub Debt") bearing a fixed rate coupon of 4.77% per annum. The Sub Debt will qualify as Tier II capital of the Bank.

The Sub Debt was issued from CIMB Bank Berhad's existing RM10.0 billion Basel III-compliant Tier II subordinated debt programme.

The proceeds from the issuance were used for CIMB Bank Berhad's working capital requirements, general banking and other corporate purposes and the refinancing of its existing subordinated debt.

During the financial year, the Group has undertaken fair value hedge on the interest rate risk of the RM950 million Sub Debt using interest rate swaps.

(t) Subordinated Sukuk 2016/2021 RM10 million

On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier-2 Junior Sukuk ("the Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

(u) Additional Tier I Securities RM400 million

On 16 December 2016, the Company issued a nominal value RM400 million perpetual subordinated capital securities. ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.50% p.a. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank Berhad.

During the financial year, the Group has undertaken fair value hedge on the interest rate risk of the RM400 million Additional Tier I Securities using interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

30 SHARE CAPITAL

		The Group and the Company	
		2016	2015
		RM'000	RM'000
Ordinary shares of RM1.00 each:			
Authorised:			
At 1 January/31 December		**10,000,000**	10,000,000
Issued and fully paid shares of RM1.00 each:			
At 1 January		**8,527,272**	8,423,751
Issued during the financial year:			
– Dividend reinvestment scheme issued on:			
– 26 April 2016	(i)	**201,588**	–
– 31 October 2016	(ii)	**139,524**	–
– 28 April 2015	(iii)	**–**	66,040
– 23 October 2015	(iv)	**–**	37,481
At 31 December		**8,868,384**	8,527,272

(a) Increase in issued and paid-up capital

During the financial year, the Company increased its issued and paid-up capital from RM8,527,272,238 to RM8,868,384,176 via:

(i) Issuance of 201,588,194 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 11.00 sen in respect of financial year ended 31 December 2015, as disclosed in Note 43(a);

(ii) Issuance of 139,523,744 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 8.00 sen in respect of financial year ended 31 December 2016, as disclosed in Note 43(c).

(iii) Issuance of 66,040,583 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 5.00 sen in respect of financial year ended 31 December 2014, as disclosed in Note 43(d);

(iv) Issuance of 37,480,662 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 3.00 sen in respect of financial year ended 31 December 2015, as disclosed in Note 43(e).

(b) Dividend Reinvestment Scheme

On 18 January 2013 the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares")("Dividend Reinvestment Scheme").

The Dividend Reinvestment Scheme has received the necessary approval from Bursa Securities on 5 February 2013, its shareholders via an Extraordinary General Meeting held on 25 February 2013 and from Bank Negara Malaysia on 25 March 2013.

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-à-vis the Group's capital strategy and plans.

30 SHARE CAPITAL (CONTINUED)

(b) Dividend Reinvestment Scheme (Continued)

The rationale of the Dividend Reinvestment Scheme are as follows:

(i) CIMB's capital management strategy

As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

(ii) Enhancing shareholder value with reasonable dividend yield

The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken a cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investors' interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

(iii) Alternative mode of payment of Dividends

The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

(i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.

In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested; or

(ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.

31 PREFERENCE SHARES

		The Group	
		2016	**2015**
	Note	**RM'000**	**RM'000**
Liability			
Non-cumulative guaranteed preference shares	31(a)	**–**	–
Redeemable preference shares	31(b)	**–**	–
		–	–
Equity			
Perpetual preference shares	31(c)	**200,000**	200,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 PREFERENCE SHARES (CONTINUED)

(a) Non-cumulative guaranteed preference shares

	The Group 2016 RM'000	The Group 2015 RM'000
Authorised		
Non-cumulative guaranteed preference shares of USD0.01 each		
At 1 January/31 December	**8**	8
Issued and fully paid		
Non-cumulative guaranteed preference shares of USD0.01 each		
Non-cumulative guaranteed preference shares	**–**	728,250
Non-cumulative guaranteed preference shares, at cost	**–**	733,522
Redemption	**–**	(733,522)
	–	–

The USD200 million 6.62% Non-cumulative Guaranteed Preference Shares of USD0.01 each at a premium of USD999.99 per share were issued on 2 November 2005 by SBB Capital Corporation ("SCC"), a wholly-owned subsidiary company of CIMB Bank incorporated in Labuan. The main features of the SCC Preference Shares are as follows:

(i) The SCC Preference Shares are entitled to dividends which are payable in arrears on 2 May and 2 November up to and including 2 November 2015 at a fixed rate of 6.62% per annum.

(ii) On 2 November 2015 (First Optional Redemption Date) and on each dividend date thereafter, SCC may at its option, subject to the prior approval of BNM, redeem the SCC Preference Shares in whole but not in part, at their principal amount plus accrued but unpaid dividends. If the SCC Preference Shares are not called on 2 November 2015, dividends will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November.

(iii) The SCC Preference Shares will not be convertible into ordinary shares.

(iv) The SCC Preference Shares are guaranteed by CIMB Bank on a subordinated basis. If the SCC Preference Shares have not been redeemed in full on or prior to 2 November 2055, CIMB Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by CIMB Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatory exchanged for such Substitute Preference Shares having economic terms which are in all material aspects equivalent to those of the SCC Preference Share.

The SCC Preference Shares were admitted to the Official List of the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc on 4 November 2005 and 24 November 2005 respectively, and qualify as Tier I Capital for the purpose of the RWCR computation, subject to the limit as prescribed in the "Guidelines on Innovative Tier I Capital Instruments" issued by Bank Negara Malaysia on 24 December 2004.

On 2 November 2015, CIMB Bank has fully settled its USD200 million subordinated loan to SCC in connection and concurrent with the redemption of SCC's Preference Shares on the First optional Redemption Date of 2 November 2015.

31 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares

		The Group	
		2016 RM'000	2015 RM'000
Authorised			
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(i)	**1,000**	1,000
Issued and fully paid			
Redeemable preference shares of RM0.01 each	(i)		
At 1 January		**–**	36,666
Deemed disposal of subsidiary		**–**	(36,666)
At 31 December		**–**	–

(i) On 2 October 2006, a subsidiary, Commerce Agro Ventures Sdn Bhd ("CAgV"), has allotted and issued redeemable preference shares ("RPS") to an external party amounting to RM100,000,000, comprising RM1,000,000 at nominal value and RM99,000,000 at premium.

The main features of the RPS are as follows:

- The RPS does not carry any fixed dividends.
- The maturity date of the RPS is either the date corresponding to the 15th anniversary of the issue date or such other date as the Board may resolve.
- In the event of winding-up of CAgV or other repayment of capital, the RPS carries the rights to have the surplus assets applied first in paying off the RPS holders.
- The RPS rank *pari passu* in all aspects among themselves.
- Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

CAgV has commenced member's voluntary liquidation in 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 PREFERENCE SHARES (CONTINUED)

(c) Perpetual preference shares

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**200,000**	200,000

The main features of the perpetual preference shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank *pari passu* in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 1965 and as approved by Bank Negara Malaysia.

32 RESERVES

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Share premium – ordinary shares		**11,476,201**	10,404,339	**11,476,201**	10,404,340
Statutory reserves	(a)	**6,576,724**	6,440,445	**–**	–
Regulatory reserve	(b)	**1,321,640**	1,021,683	**–**	–
Capital reserve	(c)	**137,104**	137,104	**55,982**	55,982
Exchange fluctuation reserves	(d)	**2,447,052**	1,085,258	**–**	–
Revaluation reserve					
– Financial investments available-for-sale	(e)	**134,247**	(152,566)	**25,406**	–
Retained earnings	(f)	**16,006,734**	15,015,585	**1,370,304**	1,855,444
Share-based payment reserve	(g)	**51,447**	91,985	**–**	–
Other reserves					
– Hedging reserve – net investment hedge	(h)	**(1,583,594)**	(1,354,855)	**–**	–
– Hedging reserve – cash flow hedge	(i)	**(7,705)**	(21,472)	**–**	–
– EOP reserve – shares purchased pending release	(j)	**(85,136)**	(131,466)	**–**	–
– Defined benefits reserves	(k)	**(34,317)**	(11,928)	**–**	–
		36,440,397	32,524,112	**12,927,893**	12,315,766

(a) The statutory reserves of the Group are maintained by the certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group in compliance with various rules and regulations of various authorities. These reserves are not distributable by way of cash dividends.

(b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010. The regulatory reserve is debited against retained earnings.

(c) The capital reserve of the Group arose from the dilution of equity interest in subsidiaries resulted from the shares option scheme undertaken by the subsidiary in previous years.

(d) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.

(e) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

(f) As at 31 December 2016, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2015: RM477,522,037) out of its retained earnings.

(g) The Share-based payment reserve arose from the Equity Ownership Plan ("EOP"), the Group's share-based compensation benefit.

(h) Hedging reserve arises from net investment hedge activities undertaken by the Group on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

32 RESERVES (CONTINUED)

(i) Hedging reserve arises from cash flow hedge activities undertaken by the Group to hedge held-to-maturity securities, financial investment available-for-sale, senior bonds issued and interbranch lending against foreign exchange risk using currency swaps, which were subsequently terminated by the Group with cumulative gain of Nil (2015: RM35,675) remaining in equity. The Group have also entered into cash flow hedges on financial investment available-for-sale, senior bond issued and interbranch lending.

The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

(j) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.

(k) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.

33 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January/31 December	**563**	563

As an integral part of the CIMBB's restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2016, there are 258,000 (2015: 258,000) units remain unexercised.

33 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost

	The Group and the Company			
	2016		2015	
	Units '000	RM'000	Units '000	RM'000
At 1 January	**5**	**43**	5	42
Purchased during the financial year	*****	**^**	*	1
At 31 December	**5**	**43**	5	43

* *denote 100 units (2015: 200 units)*

^ *denote RM478*

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 18 April 2016, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back 100 (2015: 200) of its issued share capital at an average price (including transaction costs) of RM4.34 per share (2015: RM5.68 per share), from the open market. As at the reporting date, there were 4,908 ordinary shares held as treasury shares (2015: 4,808). The total consideration paid for the share buyback during the financial year, including transaction costs is RM478 (2015: RM1,049) and was financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

34 INTEREST INCOME

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing:				
– Interest income other than recoveries	**15,296,878**	14,760,286	**–**	–
– Unwinding income ^	**112,277**	63,949	**–**	–
Money at call and deposits with financial institutions	**534,289**	488,308	**18,242**	37,407
Reverse repurchase agreements	**174,652**	147,610	**–**	–
Financial assets held for trading	**452,178**	460,139	**–**	–
Financial investments available-for-sale	**1,230,462**	1,391,453	**36,082**	–
Financial investments held-to-maturity	**1,036,976**	803,473	**103,409**	2,540
Others	**34,197**	25,599	**–**	–
	18,871,909	18,140,817	**157,733**	39,947
Accretion of discounts less amortisation of premiums	**(45,892)**	(42,198)	**(4,124)**	–
	18,826,017	18,098,619	**153,609**	39,947

^ Unwinding income is interest income earned on impaired financial assets

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

35 INTEREST EXPENSE

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Deposits and placements of banks and other financial institutions	**261,805**	417,327	**–**	–
Deposits from other customers	**6,644,427**	6,455,322	**–**	–
Repurchase agreements	**198,741**	184,840	**–**	–
Bonds, Sukuk and debentures	**295,401**	312,010	**–**	–
Subordinated obligations	**767,208**	653,717	**278,585**	143,384
Financial liabilities designated at fair value	**124,289**	124,505	**–**	–
Negotiable certificates of deposits	**217,928**	181,282	**–**	–
Other borrowings	**358,241**	369,142	**158,247**	167,891
Recourse obligation on loan and financing sold to Cagamas	**110,491**	5,591	**–**	–
Others	**21,560**	58,139	**–**	–
	9,000,091	8,761,875	**436,832**	311,275

36 NET NON-INTEREST INCOME

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Net fee and commission income:				
Commissions	**875,280**	771,850	**–**	–
Fee on loans, advances and financing	**582,133**	560,215	**–**	–
Portfolio management fees	**24,261**	25,358	**–**	–
Service charges and fees	**667,196**	656,866	**–**	–
Corporate advisory and arrangement fees	**51,198**	105,965	**–**	–
Guarantee fees	**66,553**	67,680	**–**	–
Other fee income	**283,655**	308,341	**–**	–
Placement fees	**19,002**	28,190	**–**	–
Underwriting commission	**15,226**	28,392	**–**	–
Fee and commission income	**2,584,504**	2,552,857	–	–
Fee and commission expense	**(648,159)**	(583,946)	**–**	–
Net fee and commission income	**1,936,345**	1,968,911	**–**	–

36 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**1,982,412**	1,581,503
– Associates	**–**	–	**929**	–
– Financial assets held for trading	**44,108**	51,080	**–**	–
– Financial investments available-for-sale	**18,237**	18,815	**–**	–
Outside Malaysia				
– Financial assets held for trading	**3,061**	5,617	**–**	–
– Financial investments available-for-sale	**2,301**	5,939	**–**	–
	67,707	81,451	**1,983,341**	1,581,503
Net (loss)/gain arising from financial assets held for trading:				
– Realised ^	**(153,409)**	(248,353)	**–**	–
– Unrealised	**104,858**	(521,504)	**–**	–
	(48,551)	(769,857)	**–**	–
Net gain/(loss) arising from derivative financial instruments:				
– Realised	**1,673,883**	736,695	**75**	376
– Unrealised	**460,465**	1,718,239	**(74)**	(404)
	2,134,348	2,454,934	**1**	(28)
Net loss arising from financial liabilities designated at fair value:				
– Realised	**(10,391)**	(40,496)	**–**	–
– Unrealised	**(219,432)**	(71,303)	**–**	–
	(229,823)	(111,799)	**–**	–
Net (loss)/gain arising from hedging activities	**(24,432)**	27,616	**–**	–
Net gain from sale of financial investments available-for-sale	**204,925**	172,347	**–**	–
Net (loss)/gain from redemption/maturity of financial investments held-to-maturity	**(6)**	16	**–**	–
Income from assets management and securities services	**314,954**	313,436	**–**	–
Brokerage income	**359,591**	440,232	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

36 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other non-interest income:				
Foreign exchange loss	**(642,461)**	(381,104)	**(4)**	(107)
Gain from distribution from joint ventures	**–**	14,824	**–**	–
Gain/(Loss) on disposal of interests in subsidiaries	**149,272**	(2,473)	**–**	–
Rental income	**28,843**	24,197	**284**	284
Gain on disposal of property, plant and equipment/assets held for sale	**11,661**	4,475	**3,987**	50
Gain on disposal of leased assets	**181**	85	**–**	–
Loss on redemption of redeemable preference shares	**–**	–	**(183,133)**	–
Gain on disposal of associates and joint ventures	**–**	3,610	**–**	–
Loss on revaluation of investment properties	**–**	(2,880)	**–**	–
Other non-operating income	**294,073**	259,268	**67**	5,964
Underwriting surplus before management expenses (Note 36 (a))	**6,020**	20,066	**–**	–
Loss on disposal of foreclosed properties	**(27,361)**	(27,326)	**–**	–
	(179,772)	(87,258)	**(178,799)**	6,191
	4,535,286	4,490,029	**1,804,543**	1,587,666

^ Includes loss on early termination of unconsolidated structured entity of RM230,671,000 (2015: Nil). Refer to Note 12 (d).

(a) Underwriting surplus before management expenses is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Insurance premium earned	**108,810**	213,242
Net claims incurred	**(90,816)**	(174,859)
Net commissions	**(11,974)**	(18,317)
	6,020	20,066

37 OVERHEADS

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Personnel costs				
– Salaries, allowances and bonus	**3,846,875**	3,871,356	**–**	–
– Pension costs (defined contribution plan)	**290,580**	227,976	**–**	–
– Pension costs (defined benefit plans (Note 26(b))	**87,627**	133,999	**–**	–
– Overtime	**30,981**	29,217	**–**	–
– Staff incentives and other staff payments	**245,866**	194,024	**3,509**	6
– Medical expenses	**108,505**	106,286	**–**	–
– Mutual separation scheme	**–**	482,792	**–**	–
– Termination benefits	**–**	54,092	**–**	–
– Others	**210,225**	222,216	**6**	5
Establishment costs				
– Depreciation of property, plant and equipment	**325,874**	354,014	**138**	497
– Impairment of property, plant and equipment	**–**	1,094	**–**	–
– Depreciation of investment properties	**–**	–	**18**	18
– Amortisation of prepaid lease payments	**11,332**	11,215	**–**	–
– Rental	**516,354**	559,461	**–**	–
– Repair and maintenance	**489,042**	470,294	**27**	115
– Outsourced services	**266,923**	284,179	**–**	–
– Security expenses	**121,678**	125,779	**–**	–
– Others	**196,462**	241,474	**70**	174
Marketing expenses				
– Sales commission	**8,191**	6,917	**–**	–
– Advertisement	**230,262**	262,954	**–**	11
– Others	**73,155**	89,282	**3**	6
Administration and general expenses				
– Amortisation of intangible assets	**349,976**	340,159	**–**	–
– Legal and professional fees	**175,599**	201,842	**4,555**	9,138
– Stationery	**60,925**	61,348	**–**	–
– Communication	**113,929**	115,729	**5**	–
– Incidental expenses on banking operations	**48,780**	46,151	**–**	–
– Insurance	**276,091**	263,302	**–**	–
– Others	**566,458**	491,826	**2,446**	5,523
	8,651,690	9,248,978	**10,777**	15,493

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

37 OVERHEADS (CONTINUED)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors' remuneration (Note 40)	**14,166**	12,320	**3,652**	2,685
Rental of premises	**306,439**	302,759	**–**	–
Hire of equipment	**15,361**	12,022	**–**	–
Lease rental	**34,057**	127,639	**–**	–
Auditors' remuneration				
Audit				
– Statutory audit (PricewaterhouseCoopers Malaysia*)	**4,808**	4,269	**565**	367
– Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)	**7,079**	6,824	**–**	–
– Limited review (PricewaterhouseCoopers Malaysia*)	**885**	820	**21**	–
– Limited review (other member firms of PricewaterhouseCoopers International Limited*)	**974**	847	**–**	–
– Other audit related (PricewaterhouseCoopers Malaysia*)	**471**	378	**25**	24
– Other audit related (other member firms of PricewaterhouseCoopers International Limited*)	**293**	381	**–**	–
Non-audit				
– Non-audit services (PricewaterhouseCoopers Malaysia*)	**1,282**	381	**116**	76
– Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)	**2,191**	2,529	**–**	–
Property, plant and equipment written off	**3,329**	1,141	**–**	–

* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

38 ALLOWANCE MADE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2016 RM'000	**2015 RM'000**
Net allowance made during the financial year:		
– Individual impairment allowance	**1,351,850**	1,053,963
– Portfolio impairment allowance	**1,399,726**	1,436,518
Impaired loans and financing:		
– Recovered	**(359,051)**	(376,973)
– Written off	**16,358**	55,116
	2,408,883	2,168,624

39 ALLOWANCE MADE/(WRITTEN BACK) FOR OTHER IMPAIRMENT LOSSES

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale:				
– Net allowance made during the financial year	**61,467**	110,067	**–**	–
Financial investments held-to-maturity:				
– Net allowance written back during the financial year	**(40)**	(388)	**–**	–
Goodwill:				
– Impairment made during the financial year	**56,281**	–	**–**	–
Associates:				
– Net allowance made during the financial year	**897**	–	**–**	–
Subsidiaries				
– Net allowance made during the financial year	**–**	–	**150,310**	–
	118,605	109,679	**150,310**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

40 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Directors
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

Non-Executive Directors
Glenn Muhammad Surya Yusuf
Robert Neil Coombe
Datuk Joseph Dominic Silva
Dato' Sri Mohamed Nazir bin Abdul Razak
Watanan Petersik
Teoh Su Yin
Datuk Mohd Nasir Ahmad
Dato' Lee Kok Kwan
Hiroaki Demizu
Mohamed Ross bin Mohd Din (appointed on 19 April 2016)
Dato' Zainal Abidin bin Putih (resigned on 18 April 2016)
Kenji Kobayashi (resigned on 8 March 2016)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors				
– Salary and other remuneration	**7,611**^	6,913^	**–**	–
– Benefits-in-kind	**17**	9	**–**	–
	7,628	6,922	**–**	–
Non-Executive Directors				
– Fees	**3,830**	2,266	**2,186**	1,049
– Other remuneration	**2,708**^	3,095^	**1,466**	1,636
– Benefits-in-kind	**–**	37	**–**	–
	6,538	5,398	**3,652**	2,685
	14,166	12,320	**3,652**	2,685

^ These salary and other remuneration include cash bonus accruals in relation to the directorship of certain Directors in certain subsidiaries. The Directors' cash bonus for the financial year 2016 will be paid in tranches, spread over financial year 2017, while for financial year 2015, it was similarly paid in tranches, spread over financial year 2016. A similar condition is also imposed on the cash bonus for certain key personnel.

40 DIRECTORS' REMUNERATION (CONTINUED)

	The Group Fees RM'000	The Group Salary and/ or other remuneration RM'000	The Group Benefits-in-kind RM'000	The Group Total RM'000	The Company Fees RM'000	The Company Salary and/ or other remuneration RM'000	The Company Benefits-in-kind RM'000	The Company Total RM'000
2016								
Executive Directors								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	**–**	**7,611**	**17**	**7,628**	**–**	**–**	**–**	**–**
	–	**7,611**	**17**	**7,628**	**–**	**–**	**–**	**–**
Non-Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	**766**	**819**	**–**	**1,585**	**231**	**614**	**–**	**845**
Dato' Zainal Abidin bin Putih	**420**	**248**	**–**	**668**	**164**	**35**	**–**	**199**
Mohamed Ross bin Mohd Din	**88**	**79**	**–**	**167**	**88**	**79**	**–**	**167**
Watanan Petersik	**347**	**125**	**–**	**472**	**235**	**71**	**–**	**306**
Glenn Muhammad Surya Yusuf	**618**	**435**	**–**	**1,053**	**250**	**108**	**–**	**358**
Datuk Mohd Nasir Ahmad	**275**	**326**	**–**	**601**	**165**	**118**	**–**	**283**
Dato' Lee Kok Kwan	**343**	**346**	**–**	**689**	**164**	**115**	**–**	**279**
Kenji Kobayashi	**133**	**11**	**–**	**144**	**121**	**10**	**–**	**131**
Datuk Joseph Dominic Silva	**252**	**79**	**–**	**331**	**228**	**78**	**–**	**306**
Robert Neil Coombe	**228**	**62**	**–**	**290**	**204**	**61**	**–**	**265**
Teoh Su Yin	**277**	**125**	**–**	**402**	**253**	**124**	**–**	**377**
Hiroaki Demizu	**83**	**53**	**–**	**136**	**83**	**53**	**–**	**136**
	3,830	**2,708**	**–**	**6,538**	**2,186**	**1,466**	**–**	**3,652**
	3,830	**10,319**	**17**	**14,166**	**2,186**	**1,466**	**–**	**3,652**
2015								
Executive Directors								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	6,913	9	6,922	–	–	–	–
	–	6,913	9	6,922	–	–	–	–
Non-Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	594	1,467	–	2,061	132	1,019	–	1,151
Dato' Zainal Abidin bin Putih	282	502	37	821	126	121	–	247
Dato' Robert Cheim Dau Meng	38	126	–	164	–	–	–	–
Watanan Petersik	235	150	–	385	121	80	–	201
Glenn Muhammad Surya Yusuf	458	388	–	846	124	82	–	206
Datuk Mohd Nasir Ahmad	83	100	–	183	51	32	–	83
Dato' Lee Kok Kwan	83	92	–	175	50	33	–	83
Kenji Kobayashi	114	41	–	155	102	40	–	142
Datuk Joseph Dominic Silva	126	56	–	182	114	56	–	170
Robert Neil Coombe	114	49	–	163	102	49	–	151
Teoh Su Yin	139	124	–	263	127	124	–	251
	2,266	3,095	37	5,398	1,049	1,636	–	2,685
	2,266	10,008	46	12,320	1,049	1,636	–	2,685

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

41 TAXATION AND ZAKAT

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Taxation based on the profit for the financial year:				
– Malaysian income tax	**867,014**	928,233	**4,290**	11,549
– Foreign tax	**298,865**	172,138	**–**	–
	1,165,879	1,100,371	**4,290**	11,549
Deferred taxation (Note 10)	**(34,258)**	(67,932)	**(7)**	(171)
Over/(Under) provision in prior years	**119,266**	(14,391)	**(265)**	–
	1,250,887	1,018,048	**4,018**	11,378
Zakat	**300**	–	**–**	–
	1,251,187	1,018,048	**4,018**	11,378

Reconciliation between tax charge and the Malaysian tax rate:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Profit before taxation and zakat	**4,884,144**	3,913,993	**1,360,233**	1,300,845
Less: Share of results of joint ventures	**(4,236)**	9,863	**–**	–
Share of results of associates	**(111,452)**	(95,497)	**–**	–
	4,768,456	3,828,359	**1,360,233**	1,300,845
Tax calculated at a rate of 24% (2015: 25%)	**1,144,429**	957,090	**326,456**	325,211
Income not subject to tax	**(219,507)**	(24,050)	**(478,413)**	(397,598)
Effects of different tax rates in other countries	**(178,994)**	(175,785)	**–**	–
Effects of change in tax rates	**890**	9,295	**–**	–
Expenses not deductible for tax purposes	**386,222**	268,470	**156,240**	83,765
Utilisation of previously unrecognised tax losses	**(1,419)**	(2,581)	**–**	–
Under/(Over) provision in prior years	**119,266**	(14,391)	**(265)**	–
Tax charge of current financial year	**1,250,887**	1,018,048	**4,018**	11,378

42 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	2016	2015
Profit for the financial year (RM'000)	**3,564,190**	2,849,509
Weighted average number of ordinary shares in issue ('000)	**8,689,362**	8,475,522
Basic earnings per share (expressed in sen per share)	**41.0**	33.6

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

43 DIVIDENDS PER ORDINARY SHARE

	The Group and the Company			
	2016		2015	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend	**11.00**	**937,999**[a]	5.00	421,187[d]
Special interim dividend-in-specie	**2.00**	**205,048**[b]	–	–
Interim dividend	**8.00**	**698,309**[c]	3.00	254,694[e]
	21.00	**1,841,356**	8.00	675,881

(a) The dividend consists of electable portion of 11.00 sen per ordinary shares, of which 9.55 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM814,416,303 and a total of RM123,583,114 cash dividend was paid on 25 April 2016.

(b) Special interim dividend-in-specie involves distribution of 1,366,988,057 CIMB Niaga shares on the basis of 1 CIMB Niaga share for approximately every 6.39 ordinary shares, equivalent to 2.00 sen per ordinary shares, totalling RM205,048,209 was paid on 30 August 2016.

(c) The dividend consists of electable portion of 8.00 sen per ordinary shares, of which 6.40 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM598,556,862 and a total of RM99,751,580 cash dividend was paid on 28 October 2016.

(d) The dividend consists of electable portion of 5.00 sen per ordinary shares, of which 4.32 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM363,883,293 and a total of RM57,303,707 cash dividend was paid on 28 April 2015.

(e) The dividend consists of electable portion of 3.00 sen per ordinary shares, of which 2.01 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM170,912,213 and a total of RM83,781,787 cash dividend was paid on 23 October 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

43 DIVIDENDS PER ORDINARY SHARE (CONTINUED)

Dividends recognised as distributions to owners:

The single-tier second interim dividend for the previous financial year was approved by the Board of Directors on 29 January 2016 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single-tier interim dividend of 8.00 sen per ordinary share on 8,728,855,524 ordinary shares amounting to RM698 million for the financial year ended 31 December 2016 under Dividend Reinvestment Scheme ("DRS"). The interim dividend of 8.00 sen per ordinary share was approved by the Board of Directors on 13 August 2016 and paid on 28 October 2016.

The Directors have proposed a second interim single-tier dividend of 12.00 sen per ordinary share, on 8,868,379,268 ordinary shares amounting to RM1,064 million in respect of the financial year ended 31 December 2016, to be paid in 2017. The single-tier second interim dividend was approved by the Board of Directors on 26 January 2017. The proposed dividend consists of an electable portion of 12.00 sen which can be elected to be reinvested in new ordinary shares in accordance with the DRS.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2017.

The Directors do not recommend the payment of any final dividend for the financial year ended 2016.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 12	Subsidiaries
Associates of the Company as disclosed in Note 13	Associates
Joint ventures as disclosed in Note 14	Joint ventures
Key management personnel	See below

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Related party transactions						
The Group						
Income earned						
Interest on deposits and placements with financial institutions	**–**	–	**283**	129	**–**	–
Interest on loans, advances and financing	**–**	–	**–**	–	**191**	256
Brokerage income	**–**	–	**–**	–	**85**	14
Others	**–**	–	**47,415**	40,830	**–**	–
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	**–**	–	**7,167**	537	**1,397**	524
The Company						
Income earned						
Interest on fixed deposits and money market	**18,242**	37,407	**–**	–	**–**	–
Dividend income	**1,983,341**	1,581,503	**929**	–	**–**	–
Rental income	**284**	284	**–**	–	**–**	–
Interest income from HTM	**103,409**	2,540	**–**	–	**–**	–
Interest income from IRS	**75**	–	**–**	–	**–**	–
Interest income from AFS	**36,082**	–	**–**	–	**–**	–
Group services – back office	**2,704**	–	**–**	–	**–**	–
Expenditure incurred						
Interest on iMTN	**–**	307	**–**	–	**–**	–
Interest on term loan	**26,357**	21,851	**–**	–	**–**	–
Interest on revolving credit	**8,047**	317	**–**	–	**–**	–
Interest on subordinated obligations	**201**	–	**–**	–	**–**	–
Professional fees	**1,073**	–	**–**	–	**–**	–
Group services – back office	**–**	3,476	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Related party balances						
The Group						
Amount due from						
Current accounts, deposits and placements with banks and other financial institutions	**–**	–	**26,916**	25,758	**–**	–
Loans, advances and financing	**–**	–	**–**	–	**34,949**	21,836
Others	**–**	–	**1,197,832**	1,237,928	**–**	–
Amount due to						
Deposits from customers and securities sold under repurchase agreements	**–**	–	**1,524**	630	**103,640**	79,584
Others	**–**	–	**448,204**	397,025	**–**	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	**587,828**	59,573	**–**	–	**–**	–
Derivatives financial instruments	**–**	74	**–**	–	**–**	–
Subordinated debts	**1,443,429**	2,002,540	**–**	–	**–**	–
Others	**1**	–	**–**	–	**–**	–
Amount due to						
Amount due to CIMB Bank Berhad	**–**	5,044	**–**	–	**–**	–
Revolving credit	**200,063**	200,023	**–**	–	**–**	–
Subordinated obligations	**11,180**	50	**–**	–	**–**	–
Term loans from CIMB Bank Berhad	**858,358**	820,497	**–**	–	**–**	–
Others	**–**	6	**–**	–	**–**	–

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other employee benefits#	**86,623**	77,888	**10,146**	10,750
Shares of the Company (units)	**4,082,357**	2,538,504	**502,570**	433,520

includes compensation paid by other related companies

Included in the above table is the Executive Directors' compensation which is disclosed in Note 40. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 45 to the Financial Statements.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowance has been required in 2016 and 2015 for the loans, advances and financing made to the key management personnel.

(e) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective in 2008 are as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	**15,003,886**	14,259,511
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**3.93%**	4.01%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.00%**	0.00%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the Company, owns 29.3% of the issued share capital of the Company (2015: 29.7%). KNB is an entity controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

The Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's business on commercial rates and consistently applied in accordance with the Group's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

45 EMPLOYEE BENEFITS

Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by the Group where the Group will grant ordinary shares of the Company to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group will be utilised to purchase ordinary shares of the Company from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A subsidiary company will act on behalf of the Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of the Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expenses recognised in statement of income during the financial year amounted to RM55,104,000 (2015: RM93,077,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM4.17 per ordinary share (2015: RM5.93), based on observable market price.

Movements in the number of the Company's ordinary shares awarded are as follows:

	2016 Total Shares (units '000)	**2015 Total Shares (units '000)**
At 1 January	**18,074**	26,500
Awarded	**13,757**	9,829
Released	**(13,114)**	(18,255)
At 31 December	**18,717**	18,074

46 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Capital expenditure:		
Authorised and contracted for	**249,113**	575,573
Authorised but not contracted for	**656,116**	597,461
	905,229	1,173,034

Analysed as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Property, plant and equipment	**654,531**	973,675
Subscription for investments	**12,787**	12,787
Bank guarantee	**90,423**	84,350
Software development	**5,657**	7,772
Computer software	**55,791**	12,146
Others	**86,040**	82,304
	905,229	1,173,034

47 LEASE COMMITMENTS

The lease commitments are in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Within one year	**201,215**	229,260
One year to less than five years	**257,548**	353,763
Five years and more	**691**	124,748

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

48 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the Financial Statements.

These commitments and contingencies are not secured over the assets of the Group and the Company, except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively. Refer to Note 7.

The notional or principal amount of the credit-related commitments and contingencies constitute the following:

	2016 Principal RM'000	2015 Principal RM'000
The Group		
Credit-related		
Direct credit substitutes	**7,031,342**	6,552,626
Certain transaction-related contingent items	**7,076,233**	6,047,494
Short-term self-liquidating trade-related contingencies	**4,437,262**	8,525,630
Obligations under underwriting agreement	**13,500**	9,406
Irrevocable commitments to extend credit:		
- Maturity not exceeding one year	**51,984,418**	46,117,291
- Maturity exceeding one year	**28,267,348**	22,176,460
Miscellaneous commitments and contingencies	**2,384,757**	4,148,292
Total credit-related commitments and contingencies	**101,194,860**	93,577,199
Total treasury-related commitments and contingencies (Note 7)	**716,375,081**	790,006,240
	817,569,941	883,583,439
The Company		
Total treasury-related commitments and contingencies (Note 7)	**–**	500,000
	–	500,000

CIMB Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

The Group is providing a contingency funding line to its subsidiary, CIMB Thai Plc (CIMB Thai), in the event of liquidity crisis in CIMB Thai.

48 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company has on 24 February 2017 filed a notice of appeal (Form Q) according to Section 99 (1) of the Income Tax Act, 1967 against the Notices of Assessment (Notices) for the years of assessment 2009 to 2012 dated 8 February 2017 from Inland Revenue Board ("IRB"). The Company is in the midst of obtaining a stand over of taxes from IRB. The Company has obtained a favourable legal advice from a firm of prominent tax solicitors and on this basis, no provision has been made in the financial statements for the contingent liabilities up to the reporting date. The potential undiscounted amount of the payment that the Company could be required to make if there was an adverse decision related to the appeal is estimated to be approximately RM264 million.

49 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Management Committee as its chief operating decision-maker.

Segment information is presented in respect of the Group's business segment and geographical segment.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

(a) Business segment reporting

Definition of segments

The Group has five major operating divisions that form the basis on which the Group reports its segment information.

(i) Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services. It also offers products and services through Enterprise Banking to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited.

(ii) Commercial Banking

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include core banking credit facilities, trade financing, remittance and foreign exchange, as well as general deposit products.

Commercial Banking also secured several cash management mandates from SMEs in various sectors by leveraging on CIMB Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

(iii) Wholesale Banking

Wholesale Banking comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, Equities and Private Banking.

- Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

- Corporate Banking offers a broad spectrum of both conventional and Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate loans, to derivatives, structured products and debt capital market.

- Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

- Equities provides broking services to corporate, institutional and retail clients.

- Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

(iv) Group Asset Management and Investments

Group Asset Management and Investments consists of the Group's public and private asset management portfolios.

Public Markets consists of CIMB Principal Assets Management Group. Private Markets consists of other private equity investments and strategic investments.

(v) Group Funding and Others

Group Funding and Others consists of the Group's assets and liabilities management, capital's investment in fixed income investments and investment in the Group's proprietary capital and funding.

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
	31 December 2016					
Net interest income						
– External income/(expense)	**5,150,197**	**1,488,763**	**2,677,505**	**39,786**	**469,675**	**9,825,926**
– Inter-segment income	**(477,012)**	**48,965**	**638,297**	**(256)**	**(209,994)**	**–**
	4,673,185	**1,537,728**	**3,315,802**	**39,530**	**259,681**	**9,825,926**
Income from Islamic Banking operations	**835,343**	**183,562**	**521,387**	**2,430**	**161,321**	**1,704,043**
Net non-interest income	**1,689,381**	**321,917**	**1,861,104**	**483,903**	**29,709**	**4,386,014**
Gain on disposal of subsidiaries and associates	**–**	**–**	**–**	**(606)**	**149,878**	**149,272**
	7,197,909	**2,043,207**	**5,698,293**	**525,257**	**600,589**	**16,065,255**
Overheads of which:	**(4,124,559)**	**(1,109,800)**	**(2,664,982)**	**(349,098)**	**(403,251)**	**(8,651,690)**
– Depreciation of property, plant and equipment	**(132,319)**	**(8,667)**	**(51,203)**	**(21,254)**	**(112,431)**	**(325,874)**
– Amortisation of prepaid lease payments	**627**	**(49)**	**(173)**	**–**	**(11,737)**	**(11,332)**
– Amortisation of intangible assets	**(71,706)**	**(5,329)**	**(29,094)**	**(13,396)**	**(230,451)**	**(349,976)**
Profit/(Loss) before allowances	**3,073,350**	**933,407**	**3,033,311**	**176,159**	**197,338**	**7,413,565**
Allowance (made)/written back for impairment losses on loans, advances and financing	**(806,681)**	**(617,899)**	**(984,102)**	**–**	**(201)**	**(2,408,883)**
Allowance (made)/written back for losses on other receivables	**(3,143)**	**(1,759)**	**(89,537)**	**5,633**	**1,646**	**(87,160)**
Allowance written back/(made) for commitments and contingencies	**–**	**(30,461)**	**–**	**–**	**–**	**(30,461)**
Allowance (made)/written back for other impairment losses	**–**	**–**	**124**	**(62,745)**	**(55,984)**	**(118,605)**
Segment results	**2,263,526**	**283,288**	**1,959,796**	**119,047**	**142,799**	**4,768,456**
Share of results of joint ventures	**2,254**	**–**	**–**	**1,982**	**–**	**4,236**
Share of results of associates	**–**	**–**	**–**	**111,452**	**–**	**111,452**
Profit before taxation and zakat	**2,265,780**	**283,288**	**1,959,796**	**232,481**	**142,799**	**4,884,144**
Taxation and zakat						**(1,251,187)**
Profit for the financial year						**3,632,957**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	31 December 2016					
Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
Segment assets	162,044,569	53,678,446	217,883,471	1,898,210	29,935,683	465,440,379
Investment in associates and joint ventures	165,028	–	–	53,246	33,067	251,341
	162,209,597	53,678,446	217,883,471	1,951,456	29,968,750	465,691,720
Unallocated assets	–	–	–	–	–	20,075,167
Total assets	162,209,597	53,678,446	217,883,471	1,951,456	29,968,750	485,766,887
Segment liabilities	154,458,050	53,516,374	199,697,651	632,917	18,636,836	426,941,828
Unallocated liabilities	–	–	–	–	–	11,745,901
Total liabilities	154,458,050	53,516,374	199,697,651	632,917	18,636,836	438,687,729
Other segment items						
Incurred capital expenditure	488,861	10,580	89,692	23,858	583,555	1,196,546
Investment in joint ventures	165,028	–	–	8,652	–	173,680
Investment in associates	–	–	–	44,594	33,067	77,661

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
	31 December 2015					
Net interest income						
– External income/(expense)	4,734,351	1,571,392	2,727,032	40,839	263,130	9,336,744
– Inter-segment income	(326,912)	(72,329)	453,921	(35)	(54,645)	–
	4,407,439	1,499,063	3,180,953	40,804	208,485	9,336,744
Non-interest income	1,481,783	303,864	2,368,142	611,430	(275,190)	4,490,029
Income from Islamic banking operations	775,482	160,361	47,489	(1,952)	587,637	1,569,017
	6,664,704	1,963,288	5,596,584	650,282	520,932	15,395,790
Overheads of which:	(4,151,663)	(1,114,289)	(2,912,720)	(372,483)	(697,823)	(9,248,978)
– Depreciation of property, plant and equipment	(133,239)	(9,410)	(65,691)	(19,625)	(126,049)	(354,014)
– Impairment of property, plant and equipment	(1,039)	(23)	–	–	(32)	(1,094)
– Amortisation of prepaid lease payments	519	(52)	(167)	–	(11,515)	(11,215)
– Amortisation of intangible assets	(69,279)	(3,147)	(32,576)	(14,379)	(220,778)	(340,159)
Profit/(Loss) before allowances	2,513,041	848,999	2,683,864	277,799	(176,891)	6,146,812
Allowance (made)/written back for impairment losses on loans, advances and financing	(831,403)	(215,989)	(1,108,092)	–	(13,140)	(2,168,624)
Allowance made for losses on other receivables	(4,514)	(9)	(16,845)	(4,245)	(4,602)	(30,215)
Allowance written back for commitments and contingencies	(534)	–	–	(9,401)	–	(9,935)
Allowance written back/(made) for other impairment losses	–	–	393	(112,407)	2,335	(109,679)
Segment results	1,676,590	633,001	1,559,320	151,746	(192,298)	3,828,359
Share of results of join ventures	1,587	–	–	(11,450)	–	(9,863)
Share of results of associates	–	–	–	95,497	–	95,497
Profit/(Loss) before taxation and zakat	1,678,177	633,001	1,559,320	235,793	(192,298)	3,913,993
Taxation and zakat						(1,018,048)
Profit for the financial year						2,895,945

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
	31 December 2015					
Segment assets	149,608,632	50,879,621	203,046,816	2,711,609	35,048,676	441,295,354
Investment in associates and joint ventures	162,775	–	–	874,498	175	1,037,448
	149,771,407	50,879,621	203,046,816	3,586,107	35,048,851	442,332,802
Unallocated assets	–	–	–	–	–	19,244,341
Total assets	149,771,407	50,879,621	203,046,816	3,586,107	35,048,851	461,577,143
Segment liabilities	138,283,842	52,896,935	204,265,930	1,373,105	10,581,166	407,400,978
Unallocated liabilities	–	–	–	–	–	11,943,537
Total liabilities	138,283,842	52,896,935	204,265,930	1,373,105	10,581,166	419,344,515
Other segment items						
Incurred capital expenditure	314,986	4,319	69,262	46,132	508,896	943,595
Investment in joint ventures	162,775	–	–	15,833	–	178,608
Investment in associates	–	–	–	858,665	175	858,840

Basis of pricing for inter-segment transfers:

Inter-segmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

49 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Indonesia, the areas of operation in this country include all the business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the business segments of a subsidiary bank, CIMB Thai.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, United States of America, Australia, China, Cambodia, Hong Kong and Vietnam. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

The Group	Net interest income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2016					
Malaysia	**4,321,285**	**15,320,812**	**296,968,221**	**269,008,765**	**933,957**
Indonesia	**3,616,307**	**1,177,283**	**79,857,685**	**69,388,958**	**180,134**
Thailand	**1,229,728**	**709,367**	**37,293,855**	**33,896,412**	**46,881**
Other countries	**658,606**	**5,577,709**	**71,647,126**	**66,393,594**	**35,574**
	9,825,926	**22,785,171**	**485,766,887**	**438,687,729**	**1,196,546**
2015					
Malaysia	4,397,006	11,409,621	283,902,206	259,997,902	417,623
Indonesia	3,209,099	1,174,518	75,088,895	66,028,880	433,577
Thailand	1,052,942	524,835	36,378,513	32,994,823	37,807
Other countries	677,697	8,658,065	66,207,529	60,322,910	54,588
	9,336,744	21,767,039	461,577,143	419,344,515	943,595

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposal of PT CIMB Sun Life

On 23 March 2016, the Group, through its subsidiaries, has entered into a Conditional Sale and Purchase of Agreement to divest its 51% stake in PT CIMB Sun Life ("CIMB Sun Life"), an Indonesian life insurance company, for a total cash consideration of IDR550 billion (equivalent to approximately RM169 million). The Group's 51% equity interest in CIMB Sun Life is held via CIG Berhad (47.24%) and PT Bank CIMB Niaga Tbk ("CIMB Niaga") (3.76%). The divestment will take the form of a sale of shares held by CIMB Group, which will be acquired directly and indirectly by Sun Life Assurance Company of Canada ("Sun Life"). The disposal was completed on 1 July 2016. Refer to Note 56 for effect of disposal.

(b) Full redemption of bonds and debentures

The redemptions during the financial year are as follows:

(i) CIMB Bank has redeemed HKD430 million notes, HKD350 million notes, HKD775 million notes and HKD995 million notes on 22 January 2016, 14 March 2016, 29 August 2016 and 20 December 2016 respectively (see Note 27(h), (j), (n) and (o) respectively);

(ii) On 8 April 2016, CIMB Bank has redeemed the USD20 million notes as disclosed in Note 27(l);

(iii) On 12 May 2016, CIMB Bank has redeemed the EUR30 million notes as disclosed in Note 27(v);

(iv) CIMB Niaga Auto Finance has redeemed the IDR600,000 million Monetary Term Notes in 2016 as disclosed in Note 27(i);

(vi) CIMB Niaga has redeemed IDR315 billion 3-year unsecured senior bonds and IDR1,320 million 5-year unsecured bonds on 20 November 2016 and 23 December 2016 respectively (see Note 27(m) and (a)(ii) respectively); and

(vii) The RM500 million securitisation transactions was completed in December 2016 as disclosed in Note 27(p).

(c) Strategic non-life bancassurance partnership

On 3 June 2016, CIMB Group entered into a Master Distribution agreement with Sompo Japan Nipponkoa Holdings Inc. to establish a regional non-life bancassurance partnership in selected countries in Southeast Asia.

(d) Strategic partnership with Fajr Capital and closure of CIMB Middle East BSC

On 27 July 2016, The Group has entered into a Memorandum of Understanding with Fajr Capital to establish a strategic partnership. In addition, CIMB Middle East BSC ("CME"), an indirect wholly-owned subsidiary of the Group based in Bahrain has on 26 July 2016 sought Central Bank of Bahrain's approval to close its business. The closure has been approved at CME's Extraordinary General Meeting on 24 July 2016.

(e) Issuance of CNY130 million notes

CIMB Bank issued the following notes under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014, as follows:

(i) CNY130 million 3-year senior fixed rate notes on 18 May 2016. The Notes will mature on 18 May 2019. It bears a coupon rate of 4.20% per annum payable annually. (See Note 27(z)); and

(ii) CNY130 million 3-year senior fixed rate notes on 20 July 2016. The Notes will mature on 20 July 2019. It bears a coupon rate of 3.95% per annum payable annually. (See Note 27(aa)).

(f) Operation in Vietnam

On 6 September 2016, CIMB Bank received an operating license from the State Bank of Vietnam to establish and operate a 100% owned subsidiary in Vietnam. The first CIMB Bank's subsidiary in Hanoi became operational by December 2016.

On 9 December 2016, CIMB Bank completed the capital injection of VND3,203,200,000,000 into new ordinary shares of CIMB Bank (Vietnam) Limited. The new ordinary shares were issued by CIMB Bank (Vietnam) Limited at an issue price of VND1 each to CIMB Bank.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(g) Full redemption of subordinated obligations of the Group

The redemptions during the financial year are as follows:

(i) On 21 April 2016, CIMB Islamic Bank has redeemed its RM250 million Junior Sukuk as disclosed in Note 29(f);

(ii) On 14 July 2016, CIMB Thai has redeemed THB3 billion subordinated notes as disclosed in Note 29(k);

(ii) On 8 August 2016, CIMB Bank has redeemed RM1.35 billion (Tranche 1) subordinated debts as disclosed in Note 29(j); and

(iii) On 27 December 2016, CIMB Bank has early redeemed the RM1.0 billion Non-Innovative Tier I subordinated bonds as disclosed in Note 29(d).

(h) Full redemption of commercial papers and medium term notes of the Company

The redemptions during the financial year are as follows:

(i) The Company redeemed its 3-month RM100 million and 6-month RM150 million Conventional Commercial Paper upon respective maturity as disclosed in Note 28(a)(i);

(ii) On 14 April 2016, the Company redeemed its RM500 million Conventional Medium Term Notes Papers ("MTNs") upon its maturity as disclosed in Note 28(a)(ii)(a); and

(iii) On 29 December 2016, the Company redeemed its RM200 million Conventional Medium Term Notes Papers ("MTNs") upon its maturity as disclosed in Note 28(a)(ii)(c).

(i) Issuance of subordinated obligations

Issuance during the financial year are as follows:

(i) The Company issued RM1.0 billion and RM400 million perpetual subordinated capital securities ("Additional Tier I Securities") on 25 May 2016 and 16 December 2016 respectively. The securities qualifies as Additional Tier I Capital for the Company on a group consolidated level, carry a distribution rate of 5.5% per annum. The Additional Tier I Securities was issued out of a newly established RM10 billion Tier I subordinated debt programme. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of 5 years, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from BNM. The proceeds from the issuance were used to subscribe to a RM1.0 billion and RM400 million Tier I subordinated notes issued by CIMB Bank Berhad on the same day, based on similar terms (see Note 29(q) and (u));

(ii) On 11 July 2016, CIMB Thai Bank issued RM570 million 10-year non-callable 5-years Basel III compliant Tier II subordinated notes to their overseas investors. The RM570 milion Notes carry fixed interest rate of 5.35% per annum payable every six months (see Note 29(r));

(iii) On 8 August 2016, CIMB Bank issued RM1,350 million Basel III-compliant Tier II Subordinated Debt rated AA2/Stable by RAM. The proceeds were used for CIMB Bank Berhad's working capital requirements, general banking and other corporate purposes and the refinancing of its existing subordinated debt (see Note 29(s)); and

(iv) On 21 September 2016, CIMB Islamic Bank isued RM10 million 10-year non-callable 5-years Tier II Junior Sukuk at 4.55% per annum which was fully subscribed by CIMB Group Holding Berhad (see Note 29(t)).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) Issuance of bonds and Sukuk

Issuance during the financial year are as follows:

(i) On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued a RM630 million Sukuk. The Sukuk is due on 23 July 2021. RM44 million of the Sukuk was partially redeemed during the year as disclosed in Note 27(ab); and

(ii) On 3 November 2016, CIMB Niaga issued unsecured IDR1,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR432,000 million, IDR386,000 million and IDR182,000 million respectively, with fixed interest rate of 7.25%, 8.00% and 8.25% per annum respectively as disclosed in Note 27(ac).

(k) Issuance and redemption of THB equity link notes

During the financial year, CIMB Securities (Thailand) issued a THB4,170.7 million short-term unsubordinated and unsecured structured note. The note will mature within 1-9 month(s) from the issue date, depending on its feature and terms and conditions. During the financial year, CIMB Securities (Thailand) has redeemed THB2,017 million (see Note 27(y)).

(l) Disposal of CIMB-TCA and AOF1 GP

On 16 December 2016, CIMB Real Estate Sdn. Bhd., a wholly-owned subsidiary of CIMB Group Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, has completed the disposal of 576,000 ordinary shares in CIMB TrustCapital Advisors Singapore Pte. Ltd. ("CIMB-TCA"), representing 60% of the total issued and paid ordinary shares of CIMB-TCA to key business executives and employee trust of CIMB-TCA and disposal of 100 ordinary shares in CIMB-TrustCapital AOF1 GP Pte. Ltd. ("AOF1 GP"), representing 100% of the total issued and paid ordinary shares of AOF1 GP to CIMB-TCA. Both CIMB-TCA and AOF1 GP have ceased to be indirect subsidiaries of the Company following the completion of the Disposals.

Simultaneously, CIMB Bank also completed the disposal of its 12.42% interest in CIMB-TrustCapital Australian Office Fund No. 1 LP and 13.70% interest in CIMB-TrustCapital Australian Office Trust No. 2 to Employees Provident Fund Board ("EPF") for AUD37.1 million (approximately RM122.8 million) on 16 December 2016.

(m) Disposal of investment in Bank of Yingkou

On 30 December 2016, CIMB Bank Berhad, a 99.99% subsidiary of CIMB Group Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had entered into a Share Transfer Agreement to sell its 18.21% stake in the Bank of Yingkou Co., Ltd. ("BYK") to Shanghai Guozhijie Investment Development Co., Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million).

51 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights issue of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share.

52 CAPITAL ADEQUACY

The key driving principles of the Group's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015 and BNM Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 28 November 2012, revised on 13 October 2015 and updated on 1 August 2016. The revised guidelines took effect for all banking institutions on 1 January 2016 and will take effect for all financial holding companies on 1 January 2019.

The IRB Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach. As for CIMB Investment Bank Group, the Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand (BOT) guidelines issued on 8 November 2012. The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand (BOT) requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNoRSor. 12/2555 – The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Bank Indonesia's requirements. The approach for Credit Risk and Market Risk is based on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2016. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, that qualify as capital pursuant to the RWCAF and Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

52 CAPITAL ADEQUACY (CONTINUED)

(a) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Bank Group, CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai and CIMB Bank PLC for the financial year ended 31 December 2016 are as follows. The individual entities within the Group and the Group complied with all externally imposed capital requirements to which they are subject to.

31 December 2016	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Before deducting proposed dividends							
Common equity tier I ratio	**12.064%**^	**14.711%**	**10.156%**	**11.942%**^	**35.635%**	**16.321%**	**N/A**
Tier I ratio	**13.567%**^	**15.526%**	**10.156%**	**13.156%**^	**35.635%**	**16.321%**	**N/A**
Total capital ratio	**16.699%**^	**18.025%**	**15.583%**	**16.771%**^	**35.635%**	**17.714%**	**15.926%**
After deducting proposed dividends							
Common equity tier I ratio	**11.549%**^	**14.711%**	**10.156%**	**11.556%**^	**32.344%**	**16.321%**	**N/A**
Tier I ratio	**13.051%**^	**15.526%**	**10.156%**	**12.770%**^	**32.344%**	**16.321%**	**N/A**
Total capital ratio	**16.183%**^	**18.025%**	**15.583%**	**16.385%**^	**32.344%**	**17.714%**	**15.926%**
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	**138,362,816**	**20,854,131**	**23,225,101**	**185,063,333**	**1,080,354**	**55,449,429**	**1,647,272**
Market risk	**11,249,430**	**537,923**	**4,416,296**	**14,567,619**	**53,653**	**537,912**	**–**
Operational risk	**13,500,836**	**2,166,412**	**2,090,505**	**18,282,144**	**597,796**	**7,935,282**	**–**
Large exposure risk	**719,612**	**–**	**–**	**719,612**	**–**	**–**	**–**
	163,832,694	**23,558,466**	**29,731,902**	**218,632,708**	**1,731,803**	**63,922,623**	**1,647,272**

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

^ On 26 April 2016, CIMB Group Holdings Berhad ("CIMB Group") completed its seventh Dividend Reinvestment Scheme ("DRS") of which RM814 million was reinvested into new CIMB Group shares. There was no reinvestment made into CIMB Bank post the successful completion of the DRS.

CIMB Group successfully completed its eighth DRS of which RM599 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM675 million into CIMB Bank via right issue which was completed on 15 December 2016.

52 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2016 are as follows:

31 December 2016	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Tier I capital							
Ordinary shares	5,276,655	1,000,000	1,551,447	5,276,655	100,000	537,939	224,300
Other reserves	23,251,046	2,930,140	1,822,707	28,982,224	542,491	10,358,077	33
Qualifying non-controlling interests	–	–	–	307,549	–	–	–
Less: Proposed dividends	(844,265)	–	–	(844,265)	(57,000)	–	–
Common Equity Tier I capital before regulatory adjustments	27,683,436	3,930,140	3,374,154	33,722,163	585,491	10,896,016	224,333
Less: Regulatory adjustments							
Goodwill	(3,555,075)	(136,000)	–	(5,188,198)	(964)	–	–
Intangible assets	(833,024)	(80,961)	(27,290)	(934,211)	–	–	(1,767)
Deferred tax assets	(164,602)	(15,507)	(134,724)	(384,082)	(15,891)	(83,073)	–
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,963,652)	–	–	(531,812)	(5,102)	(380,348)	–
Deduction in excess of Tier II capital	–	–	–	–	(1,193)	–	–
Shortfall of eligible provisions to expected losses	–	(30,571)	–	–	–	–	–
Others	(1,246,394)	(201,344)	(192,648)	(1,419,044)	(2,207)	–	(5,264)
Common Equity Tier I capital after regulatory adjustments	18,920,689	3,465,757	3,019,492	25,264,816	560,134	10,432,595	217,302
Additional Tier I capital							
Perpetual preference shares	200,000	192,000	–	200,000	–	–	–
Non-innovative Tier I Capital	–	–	–	–	–	–	–
Innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Perpetual subordinated capital securities	1,400,000	–	–	1,400,000	–	–	–
Qualifying capital instruments held by third parties	–	–	–	60,423	–	–	–
Additional Tier I capital before regulatory adjustments	2,600,000	192,000	–	2,660,423	–	–	–
Less: Regulatory adjustments							
Investments in Additional Tier I capital instruments of subsidiaries and other financial and insurance/takaful entities	(138,568)	–	–	(6,568)	–	–	–
Additional Tier I capital after regulatory adjustments	2,461,432	192,000	–	2,653,855	–	–	–
Total Tier I Capital	21,382,121	3,657,757	3,019,492	27,918,671	560,134	10,432,595	217,302

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

52 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2016 are as follows (Continued):

31 December 2016	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Tier II capital							
Subordinated notes	7,050,000	520,000	1,513,752	7,050,000	–	320,498	31,402
Redeemable preference shares	29,740	–	–	29,740	6	–	–
Surplus of eligible provision over expected loss	375,461	–	–	180,808	–	–	–
Qualifying capital instruments held by third parties	–	–	–	407,064	–	–	–
Portfolio impairment allowance & Regulatory reserve √	247,139	68,594	100,026	596,054	2,203	570,138	13,643
Tier II capital before regulatory adjustments	7,702,340	588,594	1,613,778	8,263,666	2,209	890,636	45,045
Less: Regulatory adjustments							
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,571,006)	–	–	(359,121)	(3,402)	–	–
Total Tier II capital	5,131,334	588,594	1,613,778	7,904,545	–	890,636	45,045
Total capital base	26,513,455	4,246,351	4,633,270	35,823,216	560,134	11,323,231	262,347

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2016 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM186 million, RM166 million and RM20 million respectively.

52 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga and CIMB Thai for the financial year ended 31 December 2015 are as follows:

31 December 2015	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Before deducting proposed dividends							
Common equity tier I ratio	12.107%^	12.718%	10.778%	11.329%^	33.250%	14.145%	N/A
Tier I ratio	13.279%^	13.557%	10.778%	12.279%^	33.250%	14.145%	N/A
Total capital ratio	16.425%^	16.273%	15.456%	15.892%^	33.250%	16.156%	17.377%
After deducting proposed dividends							
Common equity tier I ratio	11.504%^	12.718%	10.778%	10.876%^	29.747%	14.145%	N/A
Tier I ratio	12.677%^	13.557%	10.778%	11.825%^	29.747%	14.145%	N/A
Total capital ratio	15.823%^	16.273%	15.456%	15.438%^	29.747%	16.156%	17.377%

The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Credit risk	134,581,911	21,088,362	21,896,165	180,655,182	1,166,117	50,643,638	1,291,520
Market risk	12,251,594	532,642	3,554,123	14,483,777	86,545	568,418	–
Operational risk	12,885,118	2,080,723	1,794,608	17,227,086	631,580	7,190,157	–
Large exposure risk	666,867	–	–	666,867	–	–	–
	160,385,490	23,701,727	27,244,896	213,032,912	1,884,242	58,402,213	1,291,520

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

^ CIMB Group successfully completed its sixth DRS of approximately RM171 million was reinvested into new CIMB shares. Pursuant to the completion of the DRS, CIMBGH reinvested cash dividend surplus of RM584 million and an additional equity injection of RM696 million into CIMB Bank via rights issue which was completed on 23 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

52 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2015 are as follows:

31 December 2015	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Tier I capital							
Ordinary shares	5,148,084	1,000,000	1,473,510	5,148,084	100,000	502,007	214,650
Other reserves	21,591,225	2,386,083	1,603,316	26,518,216	554,758	8,257,738	(22,767)
Qualifying non-controlling interests	–	–	–	275,120	–	–	–
Less: Proposed dividends	(966,553)	–	–	(966,553)	(66,000)	–	–
Common Equity Tier I capital before regulatory adjustments	25,772,756	3,386,083	3,076,826	30,974,867	588,758	8,759,745	191,883
Less: Regulatory adjustments							
Goodwill	(3,555,075)	(136,000)	–	(5,114,235)	(964)	–	–
Intangible assets	(874,745)	(82,210)	(17,752)	(945,435)	–	–	(2,703)
Deferred tax assets	(210,842)	(31,184)	(102,575)	(403,149)	(15,278)	(140,755)	–
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,721,064)	–	–	(319,238)	(3,268)	(357,892)	–
Deduction in excess of Tier II capital	–	–	–	–	(6,462)	–	–
Shortfall of eligible provisions to expected losses	–	(60,965)	–	–	–	–	–
Others	(959,972)	(61,387)	(20,060)	(1,023,930)	(2,284)	–	(6,250)
Common Equity Tier I capital after regulatory adjustments	18,451,058	3,014,337	2,936,439	23,168,880	560,502	8,261,098	182,930
Additional Tier I capital							
Perpetual preference shares	140,000	199,000	–	140,000	–	–	–
Non-innovative Tier I Capital	700,000	–	–	700,000	–	–	–
Innovative Tier I Capital	1,128,260	–	–	1,128,260	–	–	–
Qualifying capital instruments held by third parties	–	–	–	54,760	–	–	–
Additional Tier I capital before regulatory adjustments	1,968,260	199,000	–	2,023,020	–	–	–
Less: Regulatory adjustments							
Investments in Additional Tier I capital instruments of subsidiaries and other financial and insurance/takaful entities	(88,000)	–	–	–	–	–	–
Additional Tier I capital after regulatory adjustments	1,880,260	199,000	–	2,023,020	–	–	–
Total Tier I Capital	20,331,318	3,213,337	2,936,439	25,191,900	560,502	8,261,098	182,930

52 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2015 are as follows (Continued):

31 December 2015	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Tier II capital							
Subordinated notes	7,050,000	595,000	1,191,929	7,050,000	–	631,074	30,051
Redeemable preference shares	29,740	–	–	29,740	7	–	–
Surplus of eligible provision over expected loss	480,515	–	–	210,735	–	–	–
Qualifying capital instruments held by third parties	–	–	–	376,000	–	–	–
Portfolio impairment allowance & Regulatory reserve √	236,377	48,698	82,629	509,270	159	543,312	11,448
Tier II capital before regulatory adjustments	7,796,632	643,698	1,274,558	8,175,745	166	1,174,386	41,499
Less: Regulatory adjustments							
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,750,641)	–	–	(478,907)	(6,628)	–	–
Total Tier II capital	5,045,991	643,698	1,274,558	7,696,838	–	1,174,386	41,499
Total capital base	25,377,309	3,857,035	4,210,997	32,888,738	560,502	9,435,484	224,429

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2015 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM183 million, RM161 million and RM22 million respectively.

53 ACQUISITIONS IN PRIOR YEAR

(a) Acquisition of Finansa Asset Management Limited

On 23 July 2014, CIMB-Principal Asset Management Company Limited ("CPAM Thailand"), a 60%-owned indirect subsidiary of CIMB Group, has entered into a conditional Share Purchase Agreement with Finansa Public Company Limited in relation to the proposed acquisition of entire issued and outstanding shares of Finansa Asset Management Limited ("FAM"), for a cash consideration of THB178 million and THB47 million payable upon the successful establishment of two property funds by 25 February 2015 and 20 March 2015. The proposed acquisition has been completed on 22 January 2015. The two property funds has been cancelled by respective assets owners subsequently, thus no further payment made after the completion date.

(b) Acquisition of Lot A Sentral Sdn. Bhd.

As of 1 April 2015, CIMB Real Estate Sdn Bhd ("CIMBRE"), a wholly-owned indirect subsidiary of the Company, completed a conditional Subscription Agreement with Lot A Sentral Sdn Bhd ("LASSB") for the subscription of new shares in LASSB, and a conditional Share Sale Agreement with Mapletree Dextra Pte Ltd and CMREF 1 Sdn Bhd ("CMREF1") for the acquisition of existing shares in LASSB for a combined cash consideration of approximately RM646 million, subject to post-closing adjustments. Upon completion, LASSB became a wholly-owned subsidiary of CIMBRE, from an associate interest of 14.1% previously. The post-closing adjustments were finalised on 29 April 2015, with the final consideration being approximately RM654 million.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

53 ACQUISITIONS IN PRIOR YEAR (CONTINUED)

(c) Effect of acquisitions in prior year

The following table summarises the consideration paid for the acquisitions of FAM and LASSB, identifiable assets acquired and liabilities assumed as at the acquisition date:

	Note	RM'000
Cash and short-term funds		24,654
Other assets		7,719
Property, plant and equipments	15	682,296
Intangible assets	19	4,158
Other liabilities		(49,064)
Net identifiable assets acquired		669,763
Add: Goodwill	18	8,734
Net assets acquired		678,497
Total purchase consideration		678,497
Less: Cash and cash equivalents acquired		(24,654)
Cash outflow on acquisition		653,843

Acquisition-related costs

Acquisition-related costs amounting to RM1,507,000 have been incurred during the financial year ended 31 December 2015 and are included in the administration and general expenses in the consolidated statement of comprehensive income.

Acquired receivables

The gross contractual amount and fair value of receivables acquired amounted to RM5,301,000 which is expected to be fully collectable.

Goodwill

The goodwill of RM8,734,000 is mainly attributable to expected synergies arising from combining operations of FAM with CPAM Thailand.

Revenue and profit contribution

The acquired business contributed revenue of RM41,817,000 and net profit of RM17,876,000 to the Group for the period from 1 April 2015 to 31 December 2015.

Had FAM and LASSB been consolidated from 1 January 2015, the consolidated revenue and consolidated profit for the year ended 31 December 2015 would have been RM15,396,453,000 and RM2,895,136,000 respectively.

54 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Impairment of available-for-sale equity investments

The Group and the Company determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) Impairment losses on loans, advances and financing

The Group and the Company make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(c) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M(a) of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating-units ("CGU"). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 18 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

(d) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 57.4.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

54 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(e) *Provision of taxation*

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions and propose adjustments or changes to its tax filings. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

55 NON-CURRENT ASSETS HELD FOR SALE

		The Group		The Company	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-current assets held for sale:					
– property, plant and equipment (Note 15)	a	**12,435**	15,500	**7,862**	10,925
– Investment in associates (Note 13)	b	**886,354**	–	**–**	–
Total non-current assets held for sale		**898,789**	15,500	**7,862**	10,925

(a) Property, plant and equipment and investment properties of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2016.

Fair value of property plant and equipment and investment properties held for sale

In accordance with MFRS5, the non-current assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2016, the property plant and equipment and investment properties held for sales that were stated at fair value less cost to sell was RM4,573,000 (2015: RM4,575,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within level 2 of the fair value hierarchy.

(b) The Group's investment in Bank of YingKou ("BYK") have been presented as held for sale as at 31 December 2016 following the announcement made by CIMB Group that CIMB Bank had entered into a Share Transfer Agreement to sell its 18.21% stake in BYK to Shanghai Guozhijie Investment Development Co., Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million). Refer to Note 50 (m).

56 SIGNIFICANT DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

Disposal during the financial year

(a) *Disposal of interest in subsidiary that resulted in loss of control*

Name of subsidiary	Note
PT CIMB Sun Life	50 (a)

(b) *Effect of disposals*

The cash flows and net assets of subsidiary disposed are as follows:

	Note	The Group 2016 RM'000
Cash and short-term funds		**17,965**
Deposits and placements with banks and other financial institutions		**25,803**
Financial assets held for trading		**552,059**
Financial investments available-for-sale		**122,000**
Other assets		**17,685**
Property, plant and equipment		**1,633**
Intangible assets	19	**899**
Other liabilities		**(691,528)**
Provision for taxation		**(335)**
Non-controlling interests		**(25,331)**
Net assets		**20,850**
Reclassification of foreign currency exchange reserves and revaluation reserve of financial investment available-for-sale		**(817)**
Gain on disposal of subsidiary		**149,697**
Sales considerations		**169,730**
Less:		
Cash of subsidiaries disposed		**(17,965)**
Cash inflow on disposal of subsidiary		**151,765**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

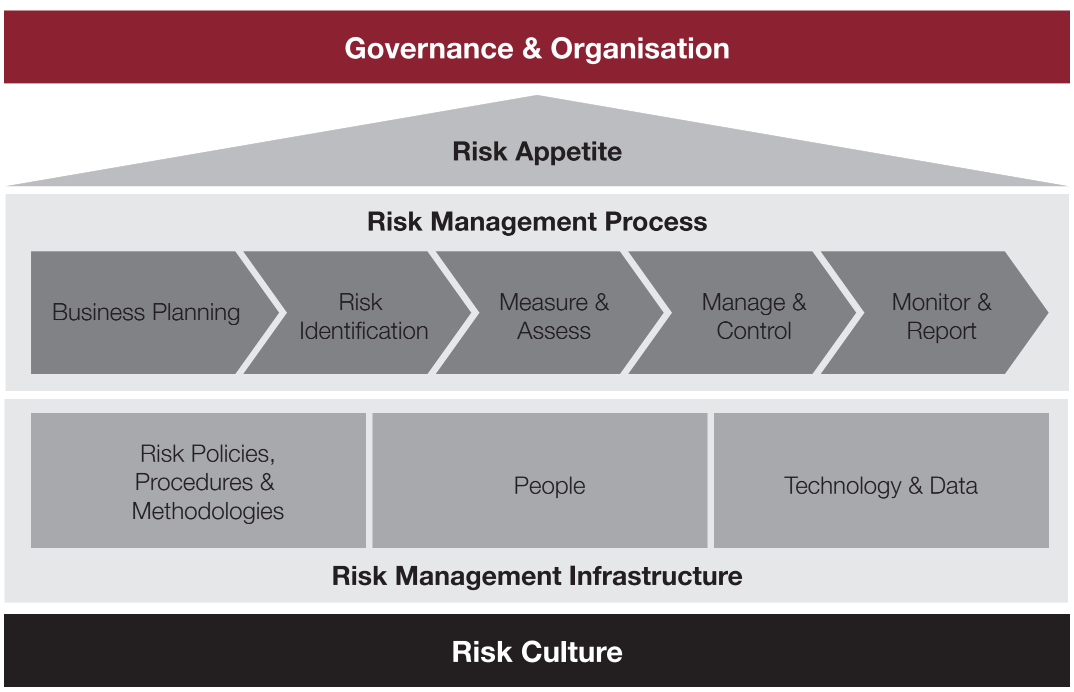
Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder value through sound risk management framework.

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework as a standardised approach to manage its risks and opportunities effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

The key components of the Group's EWRM framework are represented in the diagram below:



57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

The design of the EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

i) Governance & Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

ii) Risk Appetite

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk. CIMB Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. Board Risk Committee (BRC) and Group Risk Committee (GRC) receive monthly reports on compliance with the risk appetite.

iii) Risk Management Process

- Business Planning: Risk is central to the business planning process, including setting risk appetite, risk posture and new product/new business activities.
- Risk Identification: Risks are systematically identified through the robust application of the Group's risk frameworks, policies and procedures.
- Measure and Assess: Risks are measured and aggregated using the Group wide methodologies across each of the risk types, including stress testing.
- Manage and Control: Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Monitor and Report: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite. Risk adjusted performance is monitored.

iv) Risk Management Infrastructure

- Risk Policies, Procedures and Methodologies: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
- People: Attracting the right talent and skills are key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment. Performance measurement and compensation are aligned to the strategy plan and risk appetite.
- Technology and Data: Appropriate technology and sound data management are enablers to support risk management activities.

v) Risk Culture

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's Risk Appetite corresponding to its business strategies. Each BRC reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of GRC.

In order to facilitate the effective implementation of the EWRM framework, BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of the supervision of the risk management functions is delegated to GRC comprising senior management of the Group and reports directly to BRC. GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. GRC is supported by specialised risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational Risk Committee, Group Asset Liability Management Committee (GALMC) and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, arising from fluctuations in the market value of the trading exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, arising from the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates;

(vi) Capital risk, arising from the failure of not meeting the minimum regulatory and internal requirements that could incur regulatory sanction of the Group, resulting in a potential capital charge; and

(vii) Shariah Non Compliance (SNC) risk, arising from failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the Board Shariah Committee (BSC) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The structure of CIMB Group Risk Committees is depicted in the following chart:

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the group and regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD)

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and stakeholders in the monitoring and controlling of the Group's risk exposures within the board approved risk appetite statement.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence ("CoE"). GRD is headed by the Group Chief Risk Officer who is appointed by the Board to lead the Group-wide risk management functions including the implementation of the EWRM. The CRO:

a) Actively engages the Board and senior management on risk management issues and initiatives.

b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk CoEs in order to facilitate the implementation of the Group's EWRM framework. The Risk CoEs consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management CoEs are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure CoE

Risk Analytics & Infrastructure CoE designs frameworks, develops risk models and tools and implements standardised infrastructure for risk management across the Group.

b) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

c) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework.

d) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate risk in the banking book/rate of return in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

e) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk. It is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk models; and portfolio analytics as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

f) Shariah Risk Management CoE (SRM CoE)

The Shariah Risk Management CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic businesses and services. SRM CoE formulates, recommends and implements appropriate SRM policies & guidelines; and develops and implements processes for SNC risk awareness.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

In addition to the above Risk Centre of Excellences, there are also specialised teams within Group Risk:

- The Regional Risk & International Offices oversees the risk management functions of the regional offices, the Group's unit trust and securities businesses and also houses the validation team. The teams in risk management units within the unit trust business and securities businesses identify, measure and assess, manage and control, monitor and report the relevant material risk exposures of each individual country and/or businesses.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk CoEs. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

57.1 Credit risk

Credit and counterparty risk is defined as the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk arises primarily from traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts.

In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This risk-based delegated authority framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

Credit Risk Management (Continued)

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and Consumer & Commercial Banking Credit Committee (CBCC).

The GRC with the support of Group Credit Committee (GCC), Group Asset Quality Committee, CBCC, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at least on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's Capital Adequacy Framework (CAF) (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swap and Derivatives Association Agreement (CSA) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2016, the additional collateral to be posted was RM6,729,000 while the amount was RM6,439,500 as at 31 December 2015.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

57.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	The Group	
	Maximum exposure	
	2016	**2015**
	RM'000	**RM'000**
Financial guarantees	**9,690,332**	13,143,862
Credit related commitments and contingencies	**84,116,841**	73,692,847
	93,807,173	86,836,709

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 82% (2015: 80%) while the financial effect of collateral for derivatives for the Group is 77% (2015: 66%). The financial effect of collateral held for the remaining financial assets are insignificant.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group						The Company					
				Related amounts not set off in the statement of financial position						Related amounts not set off in the statement of financial position		
Financial assets	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amounts of financial assets RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amounts of financial assets RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
2016												
Derivatives	**12,006,184**	**-**	**12,006,184**	**(6,098,652)**	**(2,171,363)**	**3,736,169**	**-**	**-**	**-**	**-**	**-**	**-**
Reverse repurchase agreements	**5,315,287**	**-**	**5,315,287**	**(746,933)**	**(4,287,950)**	**280,404**	**-**	**-**	**-**	**-**	**-**	**-**
Loans, advances and financing												
- Share margin financing	**1,523,475**	**-**	**1,523,475**	**-**	**(1,507,444)**	**16,031**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**18,844,946**	**-**	**18,844,946**	**(6,845,585)**	**(7,966,757)**	**4,032,604**	**-**	**-**	**-**	**-**	**-**	**-**
2015												
Derivatives	11,708,849	-	11,708,849	(5,843,861)	(1,830,149)	4,034,839	74	-	74	-	-	74
Reverse repurchase agreements	9,714,112	-	9,714,112	(1,553,752)	(7,959,317)	201,043	-	-	-	-	-	-
Loans, advances and financing												
- Share margin financing	1,652,830	-	1,652,830	-	(1,646,631)	6,199	-	-	-	-	-	-
Total	23,075,791	-	23,075,791	(7,397,613)	(11,436,097)	4,242,081	74	-	74	-	-	74

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group						The Company					
				Related amounts not set off in the statement of financial position						Related amounts not set off in the statement of financial position		
Financial liabilities	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Net amounts of financial liabilities RM'000	Financial instruments RM'000	Financial collateral pledged RM'000	Net amount RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Net amounts of financial liabilities RM'000	Financial instruments RM'000	Financial collateral pledged RM'000	Net amount RM'000
2016												
Derivatives	**12,137,592**	**-**	**12,137,592**	**(5,956,692)**	**(3,126,844)**	**3,054,056**	**-**	**-**	**-**	**-**	**-**	**-**
Repurchase agreements	**4,397,454**	**-**	**4,397,454**	**(4,396,665)**	**-**	**789**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**16,535,046**	**-**	**16,535,046**	**(10,353,357)**	**(3,126,844)**	**3,054,845**	**-**	**-**	**-**	**-**	**-**	**-**
2015												
Derivatives	12,139,849	-	12,139,849	(5,842,194)	(3,037,418)	3,260,237	-	-	-	-	-	-
Repurchase agreements	8,527,463	-	8,527,463	(7,862,682)	(16,971)	647,810	-	-	-	-	-	-
Total	20,667,312	-	20,667,312	(13,704,876)	(3,054,389)	3,908,047	-	-	-	-	-	-

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows:

The Group	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
2016										
Cash and short-term funds	**12,163,322**	**4,630,229**	**160,447**	**65,219**	**1,809,186**	**776,031**	**874,917**	**345,950**	**1,659,503**	**22,484,804**
Reverse repurchase agreements	**2,107,953**	**210,688**	**411,121**	**803,108**	**25,197**	**53,086**	**148,234**	**–**	**1,555,900**	**5,315,287**
Deposits and placements with banks and other financial institutions	**563,978**	**330,212**	**265,064**	**282**	**–**	**387,278**	**–**	**139,909**	**621,245**	**2,307,968**
Financial assets held for trading	**8,768,553**	**1,322,600**	**946,031**	**6,539,646**	**519,633**	**550,918**	**242,638**	**148,402**	**2,494,520**	**21,532,941**
Financial investments available-for-sale	**14,157,985**	**5,822,961**	**3,989,900**	**2,571,342**	**157,956**	**253,409**	**1,963,912**	**384,309**	**702,706**	**30,004,480**
Financial investments held-to-maturity	**23,576,528**	**2,752,698**	**2,212,966**	**1,823,326**	**–**	**–**	**–**	**–**	**15,787**	**30,381,305**
Derivative financial instruments	**4,480,995**	**356,808**	**2,817,492**	**1,708,338**	**359,689**	**958,857**	**224,980**	**–**	**1,099,025**	**12,006,184**
Loans, advances and financing	**179,020,462**	**61,575,003**	**28,600,829**	**31,268,075**	**289,140**	**3,998,033**	**2,185,022**	**1,550,153**	**6,886,181**	**315,372,898**
Other assets	**8,622,080**	**452,767**	**998,665**	**1,328,832**	**113,349**	**1,131,983**	**1,252,329**	**4,297**	**890,258**	**14,794,560**
Financial guarantees	**2,556,298**	**691,917**	**10,285**	**5,460,895**	**1,500**	**52,574**	**411,951**	**–**	**504,912**	**9,690,332**
Credit related commitments and contingencies	**69,155,189**	**7,109,294**	**1,527,026**	**2,160,332**	**1,636**	**456,819**	**804,395**	**754,684**	**2,147,466**	**84,116,841**
Total credit exposures	**325,173,343**	**85,255,177**	**41,939,826**	**53,729,395**	**3,277,286**	**8,618,988**	**8,108,378**	**3,327,704**	**18,577,503**	**548,007,600**
2015										
Cash and short-term funds	11,611,044	4,760,711	309,252	564,387	2,870,527	1,142,262	1,491,755	320,354	1,872,098	24,942,390
Reverse repurchase agreements	3,946,041	163,401	1,156,146	924,787	953,110	961,051	424,495	–	1,185,081	9,714,112
Deposits and placements with banks and other financial institutions	26,459	533,626	71,853	42,193	–	304,384	109,525	142,446	598,996	1,829,482
Financial assets held for trading	8,202,774	1,812,880	992,882	5,574,823	338,567	734,563	674,826	235,949	922,568	19,489,832
Financial investments available-for-sale	15,668,547	5,674,479	3,563,885	2,365,874	180,672	650,539	1,908,203	756,705	494,469	31,263,373
Financial investments held-to-maturity	19,047,690	1,571,853	2,676,138	1,961,419	349,954	22,935	83,210	–	45,970	25,759,169
Derivative financial instruments	4,640,253	400,416	3,322,975	1,304,336	321,402	867,023	116,311	–	736,133	11,708,849
Loans, advances and financing	163,277,982	56,743,517	27,808,651	30,163,265	284,503	1,899,657	1,211,610	1,942,638	6,963,841	290,295,664
Other assets	9,117,077	1,040,472	1,039,224	1,095,121	47,091	1,061,025	433,166	19,965	1,850,213	15,703,354
Financial guarantees	3,211,809	453,983	11,280	8,645,413	193,185	72,220	217,840	–	338,132	13,143,862
Credit related commitments and contingencies	59,984,353	4,698,333	1,258,686	5,407,492	2,363	249,436	450,852	969,639	671,693	73,692,847
Total credit exposures	298,734,029	77,853,671	42,210,972	58,049,110	5,541,374	7,965,095	7,121,793	4,387,696	15,679,194	517,542,934

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows (Continued):

The Company	Malaysia RM'000	Indonesia RM'000	Total RM'000
2016			
Cash and short-term funds	**587,825**	**3**	**587,828**
Financial investments available-for-sale	**1,432,249**	**–**	**1,432,249**
Financial investments held-to-maturity	**2,012,667**	**–**	**2,012,667**
Other assets	**632**	**–**	**632**
	4,033,373	**3**	**4,033,376**
2015			
Cash and short-term funds	59,570	3	59,573
Derivative financial instruments	74	–	74
Financial investments held-to-maturity	2,002,540	–	2,002,540
Other assets	440	–	440
	2,062,624	3	2,062,627

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2016 and 31 December 2015 based on the industry sectors of the counterparty are as follows:

The Group	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total credit exposures RM'000
2016										
Primary agriculture	–	–	–	4,148	218,684	–	83,261	11,757,556	9,210	12,072,859
Mining and quarrying	–	–	–	165,818	413,299	–	2,717	7,058,882	4,886	7,645,602
Manufacturing	–	–	–	91,134	901,896	219,654	87,703	22,750,488	299	24,051,174
Electricity, gas and water	–	–	–	408,616	2,176,645	1,504,944	184,207	3,237,269	9,658	7,521,339
Construction	–	–	–	436,241	1,989,485	582,352	30,661	6,818,897	634	9,858,270
Transport, storage and communications	–	–	–	309,262	3,068,968	1,755,392	459,365	8,683,147	500,946	14,777,080
Education and health	–	–	–	19,494	26,227	–	1,184	10,090,921	1,138	10,138,964
Wholesale and retail trade, and restaurant	–	–	–	22,936	210,581	5,063	658	24,707,187	38,750	24,985,175
Finance, insurance/takaful, real estate and business activities	8,188,530	4,000,694	2,307,968	14,588,185	10,712,055	7,918,940	9,463,345	38,957,784	13,077,269	109,214,770
Others:										
Government and government agencies	14,220,533	–	–	5,039,020	7,308,808	17,553,324	592,860	9,448,626	116,459	54,279,630
Household	6,741	2,451	–	–	–	–	–	156,671,046	497,904	157,178,142
Others	69,000	1,312,142	–	448,087	2,977,832	841,636	1,100,223	15,191,095	537,407	22,477,422
	22,484,804	5,315,287	2,307,968	21,532,941	30,004,480	30,381,305	12,006,184	315,372,898	14,794,560	454,200,427
2015										
Primary agriculture	–	–	–	32,048	294,600	25,247	77,935	12,306,130	1,620	12,737,580
Mining and quarrying	–	–	–	317,473	428,023	–	7,073	7,951,739	422	8,704,730
Manufacturing	–	–	–	89,922	942,514	249,066	166,028	22,621,424	1,085	24,070,039
Electricity, gas and water	–	–	–	359,290	2,923,175	1,107,172	164,366	2,353,888	15,545	6,923,436
Construction	–	–	–	314,956	2,171,884	663,743	69,203	8,463,333	773	11,683,892
Transport, storage and communications	–	–	–	334,975	3,611,829	1,720,553	721,739	9,297,028	709,525	16,395,649
Education and health	–	–	–	16,428	31,920	7,249	35	9,967,629	617	10,023,878
Wholesale and retail trade, and restaurant	–	–	–	46,581	76,041	4,809	823	24,196,007	172,420	24,496,681
Finance, insurance/takaful, real estate and business activities	9,206,789	7,593,382	1,422,948	8,053,828	10,227,606	7,770,363	8,923,789	39,242,451	13,353,130	105,794,286
Others:										
Government and government agencies	15,529,382	202,352	–	9,136,050	6,910,143	13,347,918	614,116	8,944,398	109,397	54,793,756
Household	–	13,380	–	–	–	–	–	127,865,712	328,912	128,208,004
Others	206,219	1,904,998	406,534	788,281	3,645,638	863,049	963,742	17,085,925	1,009,908	26,874,294
	24,942,390	9,714,112	1,829,482	19,489,832	31,263,373	25,759,169	11,708,849	290,295,664	15,703,354	430,706,225

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets based on the industry sectors of the counterparty are as follows:

The Company	Cash and short term funds RM'000	Derivative financial instruments RM'000	Other financial assets* RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total credit exposures RM'000
2016						
Finance, insurance/ takaful, real estate and business activities	**587,828**	**–**	**–**	**1,432,249**	**2,012,667**	**4,032,744**
Others	**–**	**–**	**632**	**–**	**–**	**632**
	587,828	**–**	**632**	**1,432,249**	**2,012,667**	**4,033,376**
2015						
Finance, insurance/ takaful, real estate and business activities	59,573	74	–	–	2,002,540	2,062,187
Others	–	–	440	–	–	440
	59,573	74	440	–	2,002,540	2,062,627

* Other financial assets include amount owing by subsidiaries and other financial assets

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies based on the industry sectors of the counterparty are as follows:

	The Group			
	Financial guarantees 2016 RM'000	Credit related commitments and contingencies 2016 RM'000	Financial guarantees 2015 RM'000	Credit related commitments and contingencies 2015 RM'000
Primary agriculture	**30,304**	**1,295,247**	23,862	1,101,762
Mining and quarrying	**187,804**	**960,607**	404,931	1,541,728
Manufacturing	**544,810**	**5,074,518**	375,758	5,355,290
Electricity, gas and water	**87,244**	**1,170,242**	86,893	524,268
Construction	**705,700**	**7,127,018**	923,606	5,033,724
Transport, storage and communications	**445,454**	**2,683,984**	197,573	1,380,305
Education and health	**87,511**	**3,419,036**	247,259	2,915,361
Wholesale and retail trade, and restaurant	**2,366,764**	**6,723,228**	6,355,212	6,248,927
Finance, insurance/takaful, real estate and business activities	**4,340,302**	**14,925,135**	4,395,011	13,791,224
Others:				
Household	**780,379**	**36,289,567**	55,284	32,362,860
Others	**114,060**	**4,448,259**	78,473	3,437,398
	9,690,332	**84,116,841**	13,143,862	73,692,847

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets

Financial assets are required under MFRS 7, to be categorised into "neither past due nor impaired", "past due but not impaired" or "impaired".

(a) Loans, advances and financing

Loans, advances and financing of the Group are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
2016				
Overdrafts	**4,578,487**	**403,479**	**381,219**	**5,363,185**
Term loans/financing	**224,156,081**	**14,010,424**	**7,084,240**	**245,250,745**
Bills receivable	**5,950,102**	**112,727**	**492,235**	**6,555,064**
Trust receipts	**1,454,570**	**1,918**	**247,636**	**1,704,124**
Claim on customers under acceptance credit	**4,710,763**	**8,188**	**131,385**	**4,850,336**
Credit card receivables	**8,847,160**	**715,521**	**260,399**	**9,823,080**
Revolving credit	**46,390,884**	**382,751**	**2,022,723**	**48,796,358**
Share margin financing	**1,500,049**	**–**	**23,426**	**1,523,475**
Other loans	**931**	**–**	**2,076**	**3,007**
Total	**297,589,027**	**15,635,008**	**10,645,339**	**323,869,374**
Less: Impairment allowances*				**(8,496,476)**
Total net amount				**315,372,898**
2015				
Overdrafts	4,739,523	400,266	364,898	5,504,687
Term loans/financing	207,050,095	12,070,487	5,979,677	225,100,259
Bills receivable	6,219,999	72,162	166,296	6,458,457
Trust receipts	1,787,170	55,275	159,297	2,001,742
Claim on customers under acceptance credit	4,324,923	3,908	169,221	4,498,052
Credit card receivables	8,125,294	549,838	167,858	8,842,990
Revolving credit	41,431,678	444,859	2,049,164	43,925,701
Share margin financing	1,624,937	3,773	24,120	1,652,830
Other loans	892	–	1,228	2,120
Total	275,304,511	13,600,568	9,081,759	297,986,838
Less: Impairment allowances*				(7,691,174)
Total net amount				290,295,664

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(i) Loans, advances and financing that are "neither past due nor impaired"

The credit quality of loans, advances and financing that are "neither past due nor impaired" can be assessed by reference to the internal rating system adopted by the Group.

The Group	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
2016				
Overdrafts	**2,275,255**	**144,450**	**2,158,782**	**4,578,487**
Term loans/financing	**92,460,977**	**2,689,345**	**129,005,759**	**224,156,081**
Bills receivable	**4,965,526**	**430,775**	**553,801**	**5,950,102**
Trust receipts	**1,338,744**	**15,248**	**100,578**	**1,454,570**
Claim on customers under acceptance credit	**3,505,894**	**22,683**	**1,182,186**	**4,710,763**
Credit card receivables	**2,381,590**	**–**	**6,465,570**	**8,847,160**
Revolving credit	**44,309,452**	**255,348**	**1,826,084**	**46,390,884**
Share margin financing	**–**	**–**	**1,500,049**	**1,500,049**
Other loans	**–**	**–**	**931**	**931**
Total	**151,237,438**	**3,557,849**	**142,793,740**	**297,589,027**
2015				
Overdrafts	2,139,148	138,151	2,462,224	4,739,523
Term loans/financing	83,505,550	5,133,556	118,410,989	207,050,095
Bills receivable	4,442,272	107,143	1,670,584	6,219,999
Trust receipts	1,649,318	55,964	81,888	1,787,170
Claim on customers under acceptance credit	3,574,404	52,515	698,004	4,324,923
Credit card receivables	1,816,383	–	6,308,911	8,125,294
Revolving credit	37,578,861	443,631	3,409,186	41,431,678
Share margin financing	–	–	1,624,937	1,624,937
Other loans	–	–	892	892
Total	134,705,936	5,930,960	134,667,615	275,304,511

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(i) Loans, advances and financing that are "neither past due nor impaired" (Continued)

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

No rating – Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, cooperatives and others.

(ii) Loans, advances and financing that are "past due but not impaired"

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of loans, advances and financing that are "past due but not impaired" is set out below:

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
2016			
Overdrafts	**362,426**	**41,053**	**403,479**
Term loans/financing	**10,836,159**	**3,174,265**	**14,010,424**
Bills receivable	**68,250**	**44,477**	**112,727**
Trust receipts	**1,028**	**890**	**1,918**
Claim on customers under acceptance credit	**6,360**	**1,828**	**8,188**
Credit card receivables	**438,221**	**277,300**	**715,521**
Revolving credit	**199,474**	**183,277**	**382,751**
Total	**11,911,918**	**3,723,090**	**15,635,008**
2015			
Overdrafts	370,887	29,379	400,266
Term loans/financing	9,745,238	2,325,249	12,070,487
Bills receivable	68,486	3,676	72,162
Trust receipts	31,847	23,428	55,275
Claim on customers under acceptance credit	3,219	689	3,908
Credit card receivables	459,474	90,364	549,838
Revolving credit	112,487	332,372	444,859
Share margin financing	3,383	390	3,773
Total	10,795,021	2,805,547	13,600,568

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(iii) Impaired loans, advances and financing

	The Group 2016 RM'000	The Group 2015 RM'000
Total gross impaired loans	**10,645,339**	9,081,759
Less: Impairment allowances	**(6,125,251)**	(5,162,331)
Total net impaired loans	**4,520,088**	3,919,428

Refer to Note 8(vii) and Note 8(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

(b) Financial investments

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
2016			
Financial assets held for trading	**21,532,941**	**–**	**21,532,941**
Financial investments available-for-sale	**30,010,635**	**40,393**	**30,051,028**
Financial investments held-to-maturity	**30,382,044**	**12,186**	**30,394,230**
Total	**81,925,620**	**52,579**	**81,978,199**
Less: Impairment allowance*			**(59,473)**
Total net amount			**81,918,726**
2015			
Financial assets held for trading	19,489,832	–	19,489,832
Financial investments available-for-sale	31,269,598	70,517	31,340,115
Financial investments held-to-maturity	25,759,898	11,844	25,771,742
Total	76,519,328	82,361	76,601,689
Less: Impairment allowance*			(89,315)
Total net amount			76,512,374

* Impairment allowance represents allowance made against financial assets that have been impaired

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(b) Financial investments (Continued)

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows (Continued):

The Company	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
2016			
Financial investments available-for-sale	**1,432,249**	**–**	**1,432,249**
Financial investments held-to-maturity	**2,012,667**	**–**	**2,012,667**
Total	**3,444,916**	**–**	**3,444,916**
2015			
Financial investments held-to-maturity	2,002,540	–	2,002,540
Total	2,002,540	–	2,002,540

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2016 and 31 December 2015 for the Group and the Company.

(i) Financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
2016					
Financial assets held for trading	**11,388,905**	**9,373,600**	**–**	**770,436**	**21,532,941**
Financial investments available-for-sale	**7,615,338**	**19,499,167**	**387,627**	**2,508,503**	**30,010,635**
Financial investments held-to-maturity	**21,976,683**	**5,252,239**	**153,875**	**2,999,247**	**30,382,044**
Total	**40,980,926**	**34,125,006**	**541,502**	**6,278,186**	**81,925,620**

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(b) Financial investments (Continued)

(i) Financial investments that are "neither past due nor impaired" (Continued)

The table below presents an analysis of financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "neither past due nor impaired", based on rating by major credit rating agencies (Continued):

The Group	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
2015					
Financial assets held for trading	8,659,478	9,318,381	14,415	1,497,558	19,489,832
Financial investments available-for-sale	9,580,495	19,000,007	47,453	2,641,643	31,269,598
Financial investments held-to-maturity	19,832,276	3,212,118	154,006	2,561,498	25,759,898
Total	38,072,249	31,530,506	215,874	6,700,699	76,519,328

The securities with no ratings mainly consist of corporate bond and Sukuk and commercial papers.

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
2016			
Financial investments available-for-sale	**1,432,249**	**–**	**1,432,249**
Financial investments held-to-maturity	**2,012,667**	**–**	**2,012,667**
Total	**3,444,916**	**–**	**3,444,916**
2015			
Financial investments held-to-maturity	2,002,540	–	2,002,540
Total	2,002,540	–	2,002,540

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(c) Other financial assets

Other financial assets of the Group and the Company are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired RM'000	Total gross amount RM'000
2016				
Cash and short-term funds	**22,485,632**	**–**	**–**	**22,485,632**
Reverse repurchase agreements	**5,315,287**	**–**	**–**	**5,315,287**
Deposits and placements with banks and other financial institutions	**2,307,968**	**–**	**–**	**2,307,968**
Other assets	**14,036,173**	**756,857**	**130,178**	**14,923,208**
Derivative financial instruments	**12,006,184**	**–**	**–**	**12,006,184**
Total	**56,151,244**	**756,857**	**130,178**	**57,038,279**
Less: Impairment allowance*				**(128,648)**
Total net amount				**56,909,631**
2015				
Cash and short-term funds	24,944,025	–	–	24,944,025
Reverse repurchase agreements	9,714,112	–	–	9,714,112
Deposits and placements with banks and other financial institutions	1,829,482	–	–	1,829,482
Other assets	15,542,268	104,147	216,729	15,863,144
Derivative financial instruments	11,708,849	–	–	11,708,849
Total	63,738,736	104,147	216,729	64,059,612
Less: Impairment allowance*				(159,788)
Total net amount				63,899,824

* Impairment allowance represents allowance made against financial assets that have been impaired

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

Other financial assets of the Group and the Company are summarised as follows (Continued):

The Company	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
2016			
Cash and short-term funds	**587,828**	**–**	**587,828**
Other assets	**632**	**–**	**632**
Amount owing by subsidiaries	**–**	**776**	**776**
Total	**588,460**	**776**	**589,236**
Less: Impairment allowance*			**(775)**
Total net amount			**588,461**
2015			
Cash and short-term funds	59,573	–	59,573
Other assets	440	–	440
Derivative financial instruments	74	–	74
Amount owing by subsidiaries	–	775	775
Total	60,087	775	60,862
Less: Impairment allowance*			(775)
Total net amount			60,087

* Impairment allowance represents allowance made against financial assets that have been impaired

There were no other credit risk financial assets that are "past due but not impaired" as at 31 December 2016 and 31 December 2015 for the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"

The tables below present an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
2016					
Cash and short-term funds	**13,274,774**	**8,090,856**	**9,945**	**1,110,057**	**22,485,632**
Reverse repurchase agreements	**294,578**	**4,738,333**	**17,400**	**264,976**	**5,315,287**
Deposits and placements with banks and other financial institutions	**399,219**	**1,759,363**	**122,004**	**27,382**	**2,307,968**
Other assets	**32,973**	**5,101,450**	**585,813**	**8,315,937**	**14,036,173**
Derivative financial instruments	**21,725**	**8,908,774**	**2,432,179**	**643,506**	**12,006,184**
Total	**14,023,269**	**28,598,776**	**3,167,341**	**10,361,858**	**56,151,244**
2015					
Cash and short-term funds	15,885,852	7,371,859	7,424	1,678,890	24,944,025
Reverse repurchase agreements	6,906,559	1,182,072	141,085	1,484,396	9,714,112
Deposits and placements with banks and other financial institutions	430,041	989,673	231,485	178,283	1,829,482
Other assets	302,077	4,842,092	250,424	10,147,675	15,542,268
Derivative financial instruments	8,870	8,470,228	2,045,319	1,184,432	11,708,849
Total	23,533,399	22,855,924	2,675,737	14,673,676	63,738,736

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"(Continued)

The tables below present an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies (Continued):

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
2016			
Cash and short-term funds	**587,828**	**–**	**587,828**
Other assets	**–**	**632**	**632**
Total	**587,828**	**632**	**588,460**
2015			
Cash and short-term funds	59,573	–	59,573
Other assets	–	440	440
Derivative financial instruments	74	–	74
Total	59,647	440	60,087

(ii) Other financial assets that are "past due but not impaired"

An age analysis of the other financial assets of the Group that are "past due but not impaired" as at 31 December 2016 and 31 December 2015 are set out as below.

	Past due but not impaired		
The Group	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**Total RM'000**
2016			
Other assets	**728,445**	**28,412**	**756,857**
2015			
Other assets	78,741	25,406	104,147

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as at 31 December 2016 and 31 December 2015 are as follows:

Nature of assets	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2016		
Industrial and residential properties, development land and motor vehicles	**300,527**	**–**
2015		
Industrial and residential properties, development land and motor vehicles	404,142	–

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

57.2 Market risk

Market risk is defined as any fluctuation in the market value of a trading position arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Market Risk Management (MRM)

The Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. The GRC with the assistance of GMRC and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk CoE in GRD is responsible to measure and control the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

The Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

The Market Risk CoE also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on the positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met. The valuation methods and models used are validated by the quantitative analysts.

The Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/profit rate risk, foreign exchange risk and commodity risk. VaR limits are allocated for each type of market risk undertaken for effective risk monitoring and control.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

Market Risk Management (MRM) (Continued)

All market risk limits are reviewed and recommended by GMRC for approval by GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are disseminated to Treasury and head of each business unit is accountable for market risk exposure under his/her purview. Any excess in limit will be escalated to management in accordance with the Group's exception management procedures. Apart from daily monitoring, market risk exposures and VaR of the Group will be summarised and submitted to GMRC, GRC and BRC on a monthly basis. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2016 is shown in Note 57.2.1.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

57.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Foreign exchange risk	**11,619**	12,456
Interest rate risk	**24,067**	16,949
Equity risk	**6,635**	5,154
Commodity risk	**1,294**	485
Total	**43,615**	35,044
Total shareholder's fund	**45,308,175**	41,050,778
Percentage of shareholder's fund	**0.10%**	0.09%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.2 Interest rate risk

Interest rate risk relates to the potential adverse impact on net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk ("EaR").

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

The Group 2016	Non-trading book Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	19,957,577	2,220	–	–	–	–	6,749,890	–	26,709,687
Reverse repurchase agreements	3,981,193	1,135,021	7,393	–	–	–	191,680	–	5,315,287
Deposits and placements with banks and other financial institutions	1,438,196	616,617	159,971	33,219	1,324	–	58,641	–	2,307,968
Financial assets held for trading	–	–	–	–	–	–	–	22,768,648	22,768,648
Financial investments available-for-sale	560,094	1,005,982	1,414,627	2,924,512	11,185,434	12,615,926	1,823,688	–	31,530,263
Financial investments held-to-maturity	746,663	579,866	807,090	485,933	15,313,386	12,131,087	317,280	–	30,381,305
Derivative financial instruments	53,123	8,588	21,578	35,430	86,323	78,100	–	11,723,042	12,006,184
Loans, advances and financing	222,996,956	16,255,930	7,353,027	8,596,614	33,779,204	26,389,578	1,589	–	315,372,898
Other assets	2,717,746	4,024,203	45,039	159,740	1,287,632	397	6,559,803	–	14,794,560
Total financial assets	252,451,548	23,628,427	9,808,725	12,235,448	61,653,303	51,215,088	15,702,571	34,491,690	461,186,800
Financial liabilities									
Deposits from customers	184,178,347	62,418,072	33,256,455	22,495,741	5,716,269	1,188,965	26,991,693	–	336,245,542
Investment accounts of customers	254,408	–	–	–	–	–	–	–	254,408
Deposits and placements of banks and other financial institutions	13,697,608	11,039,642	2,187,109	981,246	350,444	318,009	162,053	–	28,736,111
Repurchase agreements	352,679	2,182,713	1,275,867	–	513,262	–	72,933	–	4,397,454
Derivative financial instruments	62,897	90,279	3,293	48,867	516,120	221,766	8,418	11,185,952	12,137,592
Bills and acceptances payable	1,819,403	613,038	863,208	50,796	27,295	251,675	36,328	–	3,661,743
Financial liabilities designated at fair value	141,846	568,910	1,473,503	–	2,262,369	166,900	15,275	(261,226)	4,367,577
Other liabilities	1,005,892	3,428,621	–	–	286,555	–	8,142,083	–	12,863,151
Other borrowings	2,943,948	2,251,512	40,403	1,987,125	1,758,212	–	308,659	–	9,289,859
Subordinated obligations	–	–	–	2,263,430	10,809,138	461,458	191,276	–	13,725,302
Bonds, Sukuk and debentures	24,994	465,364	414,461	2,301,806	4,270,709	–	158,450	–	7,635,784
Recourse obligation on loans and financing sold to Cagamas	350,000	1,253,473	–	–	2,045,642	812,207	37,047	–	4,498,369
Total financial liabilities	204,832,022	84,311,624	39,514,299	30,129,011	28,556,015	3,420,980	36,124,215	10,924,726	437,812,892
Net interest sensitivity gap	47,619,526	(60,683,197)	(29,705,574)	(17,893,563)	33,097,288	47,794,108		23,566,964	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	9,690,332	–	9,690,332
Credit related commitments and contingencies	–	–	–	–	–	–	84,116,841	–	84,116,841
Treasury related commitments and contingencies (hedging)	1,919,138	109,076	5,322,867	5,110,714	21,128,789	7,048,493	–	–	40,639,077
Net interest sensitivity gap	1,919,138	109,076	5,322,867	5,110,714	21,128,789	7,048,493	93,807,173	–	134,446,250

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	<------ Non-trading book						------>		
The Group 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	22,396,989	–	–	–	–	–	6,921,841	–	29,318,830
Reverse repurchase agreements	6,452,776	1,751,880	59,895	–	1,086,230	275,727	87,604	–	9,714,112
Deposits and placements with banks and other financial institutions	574,297	640,876	293,685	267,245	–	–	53,379	–	1,829,482
Financial assets held for trading	–	–	–	–	–	–	–	20,680,266	20,680,266
Financial investments available-for-sale	171,062	489,182	1,149,673	1,831,563	11,756,405	15,569,776	1,799,887	–	32,767,548
Financial investments held-to-maturity	216,487	693,880	437,943	1,642,238	10,506,239	11,993,386	268,996	–	25,759,169
Derivative financial instruments	1,803	4,299	3,962	9,119	117,561	25,287	–	11,546,818	11,708,849
Loans, advances and financing	198,483,578	19,838,334	8,506,583	6,022,600	35,576,884	21,866,688	997	–	290,295,664
Other assets	1,783,904	3,852,423	92,071	437,268	2,391,724	–	7,145,906	–	15,703,296
Total financial assets	230,080,896	27,270,874	10,543,812	10,210,033	61,435,043	49,730,864	16,278,610	32,227,084	437,777,216
Financial liabilities									
Deposits from customers	165,231,525	49,873,855	29,205,603	36,294,161	6,057,021	2,132,063	28,629,353	–	317,423,581
Investment accounts of customers	226,727	–	–	–	–	–	5,989	–	232,716
Deposits and placements of banks and other financial institutions	9,616,698	6,130,691	2,809,138	3,583,246	1,083,378	291,938	176,861	–	23,691,950
Repurchase agreements	795,857	5,439,846	205,354	605,279	532,154	275,727	673,246	–	8,527,463
Derivative financial instruments	666	28,004	9,969	56,119	443,898	68,213	–	11,532,980	12,139,849
Bills and acceptances payable	1,075,061	489,309	646,681	16,071	61,933	–	39,904	–	2,328,959
Financial liabilities designated at fair value	149,048	458,145	1,177,577	–	3,055,455	546,158	21,013	(454,625)	4,952,771
Other liabilities	1,380,937	2,502,005	375	750	101,081	173,833	9,422,954	–	13,581,935
Other borrowings	2,316,885	2,283,879	688,286	368,839	3,354,709	–	24,526	–	9,037,124
Subordinated obligations	–	–	250,097	1,349,893	2,621,832	9,286,593	186,476	–	13,694,891
Bonds, Sukuk and debentures	554,089	1,642,452	979,543	1,904,284	6,106,271	–	90,537	–	11,277,176
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	852,225	957,106	8,485	–	1,817,816
Total financial liabilities	181,347,493	68,848,186	35,972,623	44,178,642	24,269,957	13,731,631	39,279,344	11,078,355	418,706,231
Net interest sensitivity gap	48,733,403	(41,577,312)	(25,428,811)	(33,968,609)	37,165,086	35,999,233		21,148,729	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	13,143,862	–	13,143,862
Credit related commitments and contingencies	–	–	–	–	–	–	73,692,847	–	73,692,847
Treasury related commitments and contingencies (hedging)	936,666	1,251,223	6,087,558	2,238,206	17,354,839	8,484,665	–	–	36,353,157
Net interest sensitivity gap	936,666	1,251,223	6,087,558	2,238,206	17,354,839	8,484,665	86,836,709	–	123,189,866

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Company's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

The Company	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	<--- Non-trading book						--->		
2016									
Financial assets									
Cash and short-term funds	586,472	–	–	–	–	–	1,356	–	587,828
Financial investments available-for-sale	–	–	–	–	1,400,000	–	32,249	–	1,432,249
Financial investments held-to-maturity	–	–	–	–	–	2,010,000	2,667	–	2,012,667
Other assets	–	–	–	–	–	–	632	–	632
Total financial assets	586,472	–	–	–	1,400,000	2,010,000	36,904	–	4,033,376
Financial liabilities									
Other liabilities	–	–	–	–	–	–	2,070	–	2,070
Other borrowings	200,000	–	–	1,852,340	2,000,000	–	8,153	–	4,060,493
Subordinated obligations	–	–	–	–	3,380,000	2,000,000	19,121	–	5,399,121
Total financial liabilities	200,000	–	–	1,852,340	5,380,000	2,000,000	29,344	–	9,461,684
Net interest sensitivity gap	386,472	–	–	(1,852,340)	(3,980,000)	10,000		–	
Net interest sensitivity gap									
Treasury related commitments and contingencies	–	–	–	–	–	–	–	–	–
2015									
Financial assets									
Cash and short-term funds	58,465	–	–	–	–	–	1,108	–	59,573
Derivative financial instruments	–	–	–	–	–	–	–	74	74
Financial investments held-to-maturity	–	–	–	–	–	2,000,000	2,540	–	2,002,540
Other assets	–	–	–	–	–	–	440	–	440
Total financial assets	58,465	–	–	–	–	2,000,000	4,088	74	2,062,627
Financial liabilities									
Other liabilities	–	–	–	–	–	–	7,196	–	7,196
Other borrowings	200,000	99,003	646,873	200,000	3,515,670	–	11,063	–	4,672,609
Subordinated obligations	–	–	–	–	1,980,000	2,000,000	12,277	–	3,992,277
Total financial liabilities	200,000	99,003	646,873	200,000	5,495,670	2,000,000	30,536	–	8,672,082
Net interest sensitivity gap	(141,535)	(99,003)	(646,873)	(200,000)	(5,495,670)	–		74	
Net interest sensitivity gap									
Treasury related commitments and contingencies	–	–	–	–	–	–	–	–	–

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2016				
Impact to profit (after tax)	**(206,404)**	**206,404**	**(705)**	**705**
2015				
Impact to profit (after tax)	(89,848)	89,848	(5,043)	5,043

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.2 Interest rate risk (Continued)

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	+100 basis points RM'000	**-100 basis points RM'000**	**+100 basis points RM'000**	**-100 basis points RM'000**
2016				
Impact to revaluation reserve-financial investments available-for-sale	**(1,210,329)**	**1,210,329**	**(58,021)**	**58,021**
2015				
Impact to revaluation reserve-financial investments available-for-sale	(2,209,234)	2,209,234	–	–

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

57.2.3 Foreign exchange risk

The Group and Company are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.

The Group 2016	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	13,106,267	4,639,231	330,805	209,326	5,223,766	216,338	574,687	75,913	352,484	516,693	414,550	1,049,627	13,603,420	26,709,687
Reverse repurchase agreements	1,634,749	207,747	409,460	888,898	1,754,724	38,973	83,661	276,266	-	3,296	17,112	401	3,680,538	5,315,287
Deposits and placements with banks and other financial institutions	957,863	333,211	243,512	343	72,696	-	-	-	96,694	4,842	-	598,807	1,350,105	2,307,968
Financial assets held for trading	8,761,728	1,165,727	1,118,351	6,700,821	2,401,748	44,493	171,749	1,853,276	-	112,510	240,458	197,787	14,006,920	22,768,648
Financial investments available-for-sale	14,369,627	5,165,412	3,842,041	2,524,856	5,136,719	44,141	252,226	-	133,191	58,322	-	3,728	17,160,636	31,530,263
Financial investments held-to-maturity	23,044,953	2,186,394	1,730,979	1,823,326	1,595,653	-	-	-	-	-	-	-	7,336,352	30,381,305
Derivative financial instruments	180,513	177,677	1,012,218	171,434	10,163,320	11,304	5,869	127,202	22,147	8,790	25,070	100,640	11,825,671	12,006,184
Loans, advances and financing	171,036,976	50,868,860	23,022,535	26,234,097	36,921,925	291,117	4,670,913	543,810	36,958	1,154,939	536,747	54,021	144,335,922	315,372,898
Other assets	4,480,030	1,082,441	620,500	370,104	5,580,337	280,845	95,551	1,104,043	3,249	435,201	64,375	677,884	10,314,530	14,794,560
	237,572,706	65,826,700	32,330,401	38,923,205	68,850,888	927,211	5,854,656	3,980,510	644,723	2,294,593	1,298,312	2,682,895	223,614,094	461,186,800
Financial liabilities														
Deposits from customers	185,210,605	49,111,561	22,738,474	31,890,828	39,407,724	1,329,742	3,165,880	131,002	1,300,543	661,628	541,734	755,821	151,034,937	336,245,542
Investment accounts of customers	254,408	-	-	-	-	-	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	4,195,324	1,396,514	1,044,838	2,413,617	16,460,924	319,023	1,485,976	15,055	281,418	878,924	109,202	135,296	24,540,787	28,736,111
Repurchase agreements	1,518,064	56,599	-	586,041	2,236,750	-	-	-	-	-	-	-	2,879,390	4,397,454
Financial liabilities designated at fair value	1,850,986	-	2,360,933	155,658	-	-	-	-	-	-	-	-	2,516,591	4,367,577
Derivatives financial instruments	114,669	113,407	539,235	184,263	10,899,030	18,372	39,348	58,025	243	1,250	76,059	93,691	12,022,923	12,137,592
Bills and acceptances payable	473,711	373,012	1,071,027	140,411	1,569,789	-	19	2,652	24,155	-	6,967	-	3,188,032	3,661,743
Other liabilities	4,278,667	1,450,658	845,394	457,977	3,190,438	282,880	28,573	1,163,900	5,129	448,756	32,177	678,602	8,584,484	12,863,151
Recourse obligation on loans and financing sold to Cagamas	4,498,369	-	-	-	-	-	-	-	-	-	-	-	-	4,498,369
Other borrowings	2,710,838	1,482,458	-	608,778	4,471,595	-	-	-	-	-	-	16,190	6,579,021	9,289,859
Bonds, Sukuk and debentures	586,488	1,095,971	754,241	372,126	2,918,053	338,803	-	-	299,863	1,270,239	-	-	7,049,296	7,635,784
Subordinated obligations	12,271,323	1,007,432	446,547	-	-	-	-	-	-	-	-	-	1,453,979	13,725,302
	217,963,452	56,087,612	29,800,689	36,809,699	81,154,303	2,288,820	4,719,796	1,370,634	1,911,351	3,260,797	766,139	1,679,600	219,849,440	437,812,892
Financial guarantees	1,699,237	272,208	15,479	3,418,504	3,314,507	50,986	99,982	4,170	657,411	104,120	50,695	3,033	7,991,095	9,690,332
Credit related commitments and contingencies	64,081,743	5,682,272	1,299,113	2,026,796	9,194,665	259,546	1,221,939	49,700	9,244	169,449	109,202	13,172	20,035,098	84,116,841
	65,780,980	5,954,480	1,314,592	5,445,300	12,509,172	310,532	1,321,921	53,870	666,655	273,569	159,897	16,205	28,026,193	93,807,173

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued).

The Group 2015	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	12,335,781	4,879,880	436,074	371,812	7,427,369	222,269	1,543,074	106,447	354,098	712,900	205,520	723,606	16,983,049	29,318,830
Reverse repurchase agreements	816,866	155,831	1,153,935	2,143,496	5,292,089	35,737	87,734	421	–	4,733	23,270	–	8,897,246	9,714,112
Deposits and placements with banks and other financial institutions	554,817	131,600	70,130	523	277,969	–	127,545	–	99,496	67,508	127,243	372,651	1,274,665	1,829,482
Financial assets held for trading	7,989,263	2,205,182	740,515	5,465,130	3,292,155	35,292	47,379	428,649	159,894	234,424	55,599	26,784	12,691,003	20,680,266
Financial investments available-for-sale	15,546,181	4,457,461	3,191,625	2,051,867	6,810,438	105,684	176,485	–	232,561	55	190,954	4,237	17,221,367	32,767,548
Financial investments held-to-maturity	18,930,215	1,466,571	2,676,138	1,755,607	921,021	–	–	–	–	–	–	9,617	6,828,954	25,759,169
Derivative financial instruments	147,450	229,844	818,657	189,984	10,114,839	12,648	25,746	69,196	21,735	22,192	52,010	4,548	11,561,399	11,708,849
Loans, advances and financing	155,813,721	46,666,048	21,763,596	24,159,207	34,387,558	368,799	5,349,817	457,530	402,060	234,381	686,488	6,459	134,481,943	290,295,664
Other assets	5,981,807	675,137	533,929	428,851	5,878,047	390,175	20,423	891,377	41,315	285,347	53,616	523,272	9,721,489	15,703,296
	218,116,101	60,867,554	31,384,599	36,566,477	74,401,485	1,170,604	7,378,203	1,953,620	1,311,159	1,561,540	1,394,700	1,671,174	219,661,115	437,777,216
Financial liabilities														
Deposits from customers	167,526,065	45,637,015	20,133,675	25,192,658	51,380,630	1,256,045	2,405,350	548,707	947,178	820,023	925,519	650,716	149,897,516	317,423,581
Investment accounts of customers	232,716	–	–	–	–	–	–	–	–	–	–	–	–	232,716
Deposits and placements of banks and other financial institutions	5,704,341	1,354,423	1,736,873	2,732,862	8,015,282	773,390	2,005,367	237,025	93,908	346,918	449,819	241,742	17,987,609	23,691,950
Repurchase agreements	5,892,606	621,544	16,658	1,576,806	419,849	–	–	–	–	–	–	–	2,634,857	8,527,463
Financial liabilities designated at fair value	2,885,608	–	1,904,786	162,377	–	–	–	–	–	–	–	–	2,067,163	4,952,771
Derivatives financial instruments	513,780	269,817	469,726	158,521	10,500,715	16,486	8,796	47,036	726	20,434	91,600	42,212	11,626,069	12,139,849
Bills and acceptances payable	623,603	300,464	337,665	58,266	994,565	–	20	7,860	2,068	–	4,448	–	1,705,356	2,328,959
Other liabilities	4,764,643	1,602,380	1,111,136	316,801	3,509,664	403,936	12,641	894,874	25,680	362,559	35,091	542,530	8,817,292	13,581,935
Recourse obligation on loans and financing sold to Cagamas	1,817,816	–	–	–	–	–	–	–	–	–	–	–	–	1,817,816
Other borrowings	3,647,048	1,385,456	–	439,275	3,544,554	–	2,547	–	–	–	–	18,244	5,390,076	9,037,124
Bonds, Sukuk and debentures	500,161	1,407,928	2,793,017	359,637	2,991,394	330,488	–	–	142,337	2,611,478	140,736	–	10,777,015	11,277,176
Subordinated obligations	11,967,883	937,091	789,917	–	–	–	–	–	–	–	–	–	1,727,008	13,694,891
	206,076,270	53,516,118	29,293,453	30,997,203	81,356,653	2,780,345	4,434,721	1,735,502	1,211,897	4,161,412	1,647,213	1,495,444	212,629,961	418,706,231
Financial guarantees	1,939,319	138,039	122,001	2,456,818	7,944,319	240	113,798	11,917	3,730	99,951	38,255	275,475	11,204,543	13,143,862
Credit related commitments and contingencies	55,343,476	4,060,663	1,052,026	2,127,204	9,429,502	4,214	1,104,709	84,046	51,545	370,150	43,136	22,176	18,349,371	73,692,847
	57,282,795	4,198,702	1,174,027	4,584,022	17,373,821	4,454	1,218,507	95,963	55,275	470,101	81,391	297,651	29,553,914	86,836,709

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued).

The Company	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
2016					
Financial assets					
Cash and short-term funds	**587,076**	**3**	**749**	**752**	**587,828**
Financial investments available-for-sale	**1,432,249**	**–**	**–**	**–**	**1,432,249**
Financial investments held-to-maturity	**2,012,667**	**–**	**–**	**–**	**2,012,667**
Other assets	**632**	**–**	**–**	**–**	**632**
	4,032,624	**3**	**749**	**752**	**4,033,376**
Financial liabilities					
Other liabilities	**2,070**	**–**	**–**	**–**	**2,070**
Other borrowings	**3,202,136**	**–**	**858,357**	**858,357**	**4,060,493**
Subordinated obligations	**5,399,121**	**–**	**–**	**–**	**5,399,121**
	8,603,327	**–**	**858,357**	**858,357**	**9,461,684**
2015					
Financial assets					
Cash and short-term funds	58,853	3	717	720	59,573
Derivative financial instruments	74	–	–	–	74
Financial investments held-to-maturity	2,002,540	–	–	–	2,002,540
Other assets	440	–	–	–	440
	2,061,907	3	717	720	2,062,627
Financial liabilities					
Other liabilities	7,196	–	–	–	7,196
Other borrowings	3,852,113	–	820,496	820,496	4,672,609
Subordinated obligations	3,992,277	–	–	–	3,992,277
	7,851,586	–	820,496	820,496	8,672,082

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

The table below shows the sensitivity of the Group's and the Company's profit and reserves to movement in foreign exchange rates:

	The Group		The Company	
	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000
2016				
Impact to profit (after tax)	**5,727**	**(5,727)**	**(6,518)**	**6,518**
Impact to reserves	**(46,932)**	**46,932**	**–**	**–**
2015				
Impact to profit (after tax)	11,623	(11,623)	(6,148)	6,148
Impact to reserves	(26,859)	26,859	–	–

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk primarily arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a large stable funding base.

Liquidity risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group and each individual entity under the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Overseas branches and subsidiaries should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and thresholds. Limits and Management Action riggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subject to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) guidelines and limits. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. In addition, the Group also performs a consolidated stress test, including liquidity stress test, on a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities, are documented. The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk Committee, and the Board Risk Committees/Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.1 Contractual maturity of financial assets and liabilities

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

The Group 2016	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	26,709,687	–	–	–	–	–	–	26,709,687
Reverse repurchase agreements	4,172,873	1,135,021	7,393	–	–	–	–	5,315,287
Deposits and placements with banks and other financial institutions	1,138,342	977,126	160,337	32,163	–	–	–	2,307,968
Financial assets held for trading	4,392,410	6,635,333	3,357,954	2,008,226	2,781,550	2,357,468	1,235,707	22,768,648
Financial investments available-for-sale	704,388	1,069,564	1,431,504	2,919,479	11,078,702	12,800,899	1,525,727	31,530,263
Financial investments held-to-maturity	573,133	172,988	624,362	578,915	15,706,474	12,725,433	–	30,381,305
Derivative financial instruments	556,123	1,281,426	993,468	2,140,777	5,081,778	1,952,612	–	12,006,184
Loans, advances and financing	35,886,746	13,510,149	9,948,821	12,071,904	72,127,483	171,827,795	–	315,372,898
Other assets	13,166,350	30,498	157,028	331,016	2,219,172	365,259	255,815	16,525,138
Taxation recoverable	64,338	–	–	–	–	–	–	64,338
Deferred tax assets	–	–	–	–	–	–	387,306	387,306
Statutory deposits with central banks	–	–	–	–	–	–	8,484,387	8,484,387
Investment in associates	–	–	–	–	–	–	77,661	77,661
Investment in joint ventures	–	–	–	–	–	–	173,680	173,680
Property, plant and equipment	–	–	–	–	–	–	2,140,479	2,140,479
Investment properties	–	–	–	–	–	–	–	–
Prepaid lease payment	–	–	–	–	–	–	113,929	113,929
Goodwill	–	–	–	–	–	–	8,472,340	8,472,340
Intangible assets	–	–	–	–	–	–	2,036,600	2,036,600
Non-current assets held for sale	–	–	–	–	–	–	898,789	898,789
Total assets	87,364,390	24,812,105	16,680,867	20,082,480	108,995,159	202,029,466	25,802,420	485,766,887
Liabilities								
Deposits from customers	207,525,348	60,980,087	33,104,688	23,452,564	9,878,908	1,303,947	–	336,245,542
Investment accounts of customers	254,408	–	–	–	–	–	–	254,408
Deposits and placements of banks and other financial institutions	12,867,622	12,500,903	2,545,620	323,052	180,905	318,009	–	28,736,111
Repurchase agreements	418,761	2,187,463	1,276,693	1,275	513,262	–	–	4,397,454
Derivatives financial instruments	606,609	1,081,482	1,040,341	1,463,822	6,170,569	1,774,769	–	12,137,592
Bills and acceptances payable	1,779,443	545,724	665,754	50,796	27,295	592,731	–	3,661,743
Other liabilities	11,722,087	173,598	10,603	111,675	313,096	246,572	762,314	13,339,945
Recourse obligation on loans and financing sold to Cagamas	37,050	786,455	–	307,009	2,395,640	972,215	–	4,498,369
Deferred tax liabilities	–	–	–	–	–	–	56,556	56,556
Current tax liabilities	341,487	–	–	–	–	–	–	341,487
Financial liabilities designated at fair value	15,269	–	–	–	2,946,861	1,405,447	–	4,367,577
Bonds, Sukuk and debentures	64,049	465,364	414,461	2,309,494	4,275,945	106,471	–	7,635,784
Other borrowings	1,365,935	1,387,001	40,630	3,109,384	3,095,319	291,590	–	9,289,859
Subordinated obligations	178,012	–	19,121	2,275,426	10,810,683	442,060	–	13,725,302
Total liabilities	237,176,080	80,108,077	39,117,911	33,404,497	40,608,483	7,453,811	818,870	438,687,729
Net liquidity gap	(149,811,690)	(55,295,972)	(22,437,044)	(13,322,017)	68,386,676	194,575,655	24,983,550	47,079,158

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Group 2015	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	29,318,830	–	–	–	–	–	–	29,318,830
Reverse repurchase agreements	6,515,369	1,765,772	59,895	4,409	1,088,060	280,607	–	9,714,112
Deposits and placements with banks and other financial institutions	646,251	863,141	182,535	137,555	–	–	–	1,829,482
Financial assets held for trading	4,379,718	5,049,161	3,250,553	824,571	4,048,953	2,448,916	678,394	20,680,266
Financial investments available-for-sale	348,558	510,637	1,176,987	1,569,155	11,509,990	16,117,827	1,534,394	32,767,548
Financial investments held-to-maturity	449,014	698,776	438,282	1,642,746	10,520,363	12,009,988	–	25,759,169
Derivative financial instruments	131,100	966,150	1,207,234	1,331,504	5,773,036	2,299,825	–	11,708,849
Loans, advances and financing	35,035,285	12,647,196	10,989,944	9,277,586	67,960,988	154,384,665	–	290,295,664
Other assets	12,840,875	104,218	182,200	535,286	2,970,791	1,002,135	30,637	17,666,142
Taxation recoverable	70,042	–	–	–	–	–	–	70,042
Deferred tax assets	–	–	–	–	–	–	366,653	366,653
Statutory deposits with central banks	–	–	–	–	–	–	7,699,821	7,699,821
Investment in associates	–	–	–	–	–	–	858,840	858,840
Investment in joint ventures	–	–	–	–	–	–	178,608	178,608
Property, plant and equipment	–	–	–	–	–	–	2,403,016	2,403,016
Investment properties	–	–	–	–	–	–	1,120	1,120
Prepaid lease payment	–	–	–	–	–	–	125,402	125,402
Goodwill	–	–	–	–	–	–	8,297,486	8,297,486
Intangible assets	–	–	–	–	–	–	1,820,593	1,820,593
Non-current assets held for sale	–	–	–	–	–	–	15,500	15,500
Total assets	89,735,042	22,605,051	17,487,630	15,322,812	103,872,181	188,543,963	24,010,464	461,577,143
Liabilities								
Deposits from customers	193,872,601	49,876,972	29,205,840	36,283,805	6,052,034	2,132,329	–	317,423,581
Investment accounts of customers	232,716	–	–	–	–	–	–	232,716
Deposits and placements of banks and other financial institutions	9,805,486	6,856,626	3,968,255	1,977,044	792,601	291,938	–	23,691,950
Repurchase agreements	1,460,206	5,445,360	206,171	607,367	532,632	275,727	–	8,527,463
Derivatives financial instruments	231,749	1,094,716	1,189,769	1,415,482	6,352,446	1,855,687	–	12,139,849
Bills and acceptances payable	1,114,965	489,309	646,681	16,071	61,933	–	–	2,328,959
Other liabilities	12,340,110	372,876	3,077	78,591	129,611	445,467	614,949	13,984,681
Recourse obligation on loans and financing sold to Cagamas	8,486	–	–	–	852,225	957,105	–	1,817,816
Deferred tax liabilities	–	–	–	–	–	–	22,260	22,260
Current tax liabilities	213,278	–	–	–	–	–	–	213,278
Financial liabilities designated at fair value	19,689	–	–	–	3,677,725	1,255,357	–	4,952,771
Bonds, Sukuk and debentures	540,201	1,644,321	1,071,842	1,906,039	6,114,773	–	–	11,277,176
Other borrowings	1,255,858	611,337	693,041	584,625	5,892,263	–	–	9,037,124
Subordinated obligations	161,803	–	262,374	1,349,893	4,633,027	7,287,794	–	13,694,891
Total liabilities	221,257,148	66,391,517	37,247,050	44,218,917	35,091,270	14,501,404	637,209	419,344,515
Net liquidity gap	(131,522,106)	(43,786,466)	(19,759,420)	(28,896,105)	68,780,911	174,042,559	23,373,255	42,232,628

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Company	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
2016								
Assets								
Cash and short-term funds	**587,828**	**–**	**–**	**–**	**–**	**–**	**–**	**587,828**
Financial investments available-for-sale	**–**	**–**	**32,249**	**–**	**1,400,000**	**–**	**–**	**1,432,249**
Financial investments held-to-maturity	**–**	**–**	**2,667**	**–**	**–**	**2,010,000**	**–**	**2,012,667**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**632**	**632**
Taxation recoverable	**37,921**	**–**	**–**	**–**	**–**	**–**	**–**	**37,921**
Investment in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**27,173,351**	**27,173,351**
Investment in associates	**–**	**–**	**–**	**–**	**–**	**–**	**3,834**	**3,834**
Property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**1,491**	**1,491**
Investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**435**	**435**
Non-current assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**7,862**	**7,862**
Total assets	**625,749**	**–**	**34,916**	**–**	**1,400,000**	**2,010,000**	**27,187,605**	**31,258,270**
Liabilities								
Other liabilities	**2,070**	**–**	**–**	**–**	**–**	**–**	**–**	**2,070**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**353**	**353**
Other borrowings	**208,153**	**–**	**–**	**1,852,340**	**2,000,000**	**–**	**–**	**4,060,493**
Subordinated obligations	**–**	**–**	**19,121**	**–**	**3,380,000**	**2,000,000**	**–**	**5,399,121**
Total liabilities	**210,223**	**–**	**19,121**	**1,852,340**	**5,380,000**	**2,000,000**	**353**	**9,462,037**
Net liquidity gap	**415,526**	**–**	**15,795**	**(1,852,340)**	**(3,980,000)**	**10,000**	**27,187,252**	**21,796,233**
2015								
Assets								
Cash and short-term funds	59,573	–	–	–	–	–	–	59,573
Derivative financial instruments	–	–	74	–	–	–	–	74
Financial investments held-to-maturity	–	–	–	–	–	2,002,540	–	2,002,540
Other assets	–	–	–	–	–	–	440	440
Taxation recoverable	35,687	–	–	–	–	–	–	35,687
Investment in subsidiaries	–	–	–	–	–	–	27,400,205	27,400,205
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	1,629	1,629
Investment properties	–	–	–	–	–	–	453	453
Non-current assets held for sale	–	–	–	–	–	–	10,925	10,925
Total assets	95,260	–	74	–	–	2,002,540	27,417,486	29,515,360
Liabilities								
Other liabilities	6,702	–	–	–	–	–	494	7,196
Deferred tax liabilities	–	–	–	–	–	–	277	277
Other borrowings	206,476	99,003	651,459	200,000	3,515,671	–	–	4,672,609
Subordinated obligations	–	–	12,277	–	3,980,000	–	–	3,992,277
Total liabilities	213,178	99,003	663,736	200,000	7,495,671	–	771	8,672,359
Net liquidity gap	(117,918)	(99,003)	(663,662)	(200,000)	(7,495,671)	2,002,540	27,416,715	20,843,001

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
2016								
Non-derivative financial liabilities								
Deposits from customers	**207,893,784**	**61,409,976**	**33,470,288**	**24,193,306**	**10,614,025**	**1,549,843**	**–**	**339,131,222**
Investment accounts of customers	**254,409**	**–**	**–**	**–**	**–**	**–**	**–**	**254,409**
Deposits and placements of banks and other financial institutions	**13,501,471**	**13,358,413**	**2,781,242**	**327,043**	**181,035**	**318,009**	**–**	**30,467,213**
Repurchase agreements	**419,297**	**2,189,933**	**1,279,410**	**4,205**	**546,776**	**–**	**–**	**4,439,621**
Bills and acceptances payable	**1,779,556**	**546,800**	**667,655**	**58,624**	**85,155**	**679,455**	**–**	**3,817,245**
Financial liabilities designated at fair value	**183,241**	**15,800**	**24,981**	**38,549**	**3,249,029**	**1,518,384**	**–**	**5,029,984**
Other liabilities	**11,263,572**	**173,186**	**10,603**	**104,339**	**313,061**	**220,344**	**755,220**	**12,840,325**
Recourse obligation on loans and financing sold to Cagamas	**37,514**	**812,160**	**45,952**	**355,160**	**2,794,888**	**1,195,889**	**–**	**5,241,563**
Other borrowings	**1,376,615**	**1,397,358**	**59,466**	**1,302,896**	**5,281,201**	**291,590**	**–**	**9,709,126**
Bonds, Sukuk and debentures	**81,671**	**488,219**	**448,888**	**2,400,052**	**4,727,207**	**106,471**	**–**	**8,252,508**
Subordinated obligations	**180,374**	**117,163**	**248,876**	**1,943,587**	**13,437,114**	**1,950,256**	**–**	**17,877,370**
Financial guarantees	**6,568,786**	**370,776**	**50,734**	**39,029**	**37,231**	**–**	**2,623,776**	**9,690,332**
Credit related commitments and contingencies	**44,626,589**	**1,435,114**	**3,892,668**	**4,423,076**	**5,246,886**	**23,823,487**	**669,021**	**84,116,841**
	288,166,879	**82,314,898**	**42,980,763**	**35,189,866**	**46,513,608**	**31,653,728**	**4,048,017**	**530,867,759**
2015								
Non-derivative financial liabilities								
Deposits from customers	193,880,606	50,251,387	29,681,108	37,230,867	6,493,154	2,229,487	–	319,766,609
Investment accounts of customers	235,584	3,263	–	–	–	–	–	238,847
Deposits and placements of banks and other financial institutions	9,816,530	6,872,190	3,988,972	2,006,204	799,073	291,938	–	23,774,907
Repurchase agreements	1,461,627	5,449,346	207,803	611,910	544,051	308,521	–	8,583,258
Bills and acceptances payable	1,114,965	489,488	646,681	16,589	65,049	–	–	2,332,772
Financial liabilities designated at fair value	130,595	23,637	31,990	61,029	4,068,954	1,363,727	–	5,679,932
Other liabilities	11,971,290	374,923	17,382	95,202	338,946	665,377	6,544	13,469,664
Recourse obligation on loans and financing sold to Cagamas	8,486	3,206	30,659	42,450	1,150,549	1,234,544	–	2,469,894
Other borrowings	1,266,192	619,146	717,613	667,333	7,239,011	–	–	10,509,295
Bonds, Sukuk and debentures	546,887	1,608,318	1,010,161	1,500,729	7,309,988	–	–	11,976,083
Subordinated obligations	163,910	39,719	561,867	1,800,263	12,603,948	1,932,580	–	17,102,287
Financial guarantees	10,516,407	259,454	29,462	26,558	–	–	2,311,981	13,143,862
Credit related commitments and contingencies	42,773,006	1,508,559	3,224,559	3,204,657	3,835,894	18,828,049	318,123	73,692,847
	273,886,085	67,502,636	40,148,257	47,263,791	44,448,617	26,854,223	2,636,648	502,740,257

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

The Company	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
2016								
Non-derivative financial liabilities								
Other liabilities	**2,070**	**–**	**–**	**–**	**–**	**–**	**–**	**2,070**
Other borrowings	**216,471**	**14,630**	**34,504**	**1,918,701**	**2,054,830**	**–**	**–**	**4,239,136**
Subordinated obligations	**–**	**69,077**	**69,084**	**155,599**	**4,357,739**	**2,412,281**	**–**	**7,063,780**
	218,541	**83,707**	**103,588**	**2,074,300**	**6,412,569**	**2,412,281**	**–**	**11,304,986**
2015								
Non-derivative financial liabilities								
Other liabilities	6,702	–	–	–	–	–	494	7,196
Other borrowings	215,536	100,000	670,891	216,440	3,540,076	–	–	4,742,943
Subordinated obligations	–	–	121,251	121,251	4,776,249	–	–	5,018,751
	222,238	100,000	792,142	337,691	8,316,325	–	494	9,768,890

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2016							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	**(923,900)**	**–**	**–**	**–**	**–**	**–**	**(923,900)**
– Interest rate derivatives	**(2,039,045)**	**–**	**–**	**–**	**–**	**–**	**(2,039,045)**
– Equity related derivatives	**(208,728)**	**–**	**–**	**–**	**–**	**–**	**(208,728)**
– Commodity related derivatives	**(911,328)**	**–**	**–**	**–**	**–**	**–**	**(911,328)**
– Credit related contracts	**(103,231)**	**–**	**–**	**–**	**–**	**–**	**(103,231)**
– Bond contract	**(429)**	**–**	**–**	**–**	**–**	**–**	**(429)**
Hedging derivatives							
– Foreign exchange derivatives	**–**	**(1,294)**	**–**	**–**	**–**	**–**	**(1,294)**
– Interest rate derivatives	**(25,294)**	**53,680**	**(60,579)**	**(78,463)**	**(177,305)**	**732,323**	**444,362**
	(4,211,955)	**52,386**	**(60,579)**	**(78,463)**	**(177,305)**	**732,323**	**(3,743,593)**
2015							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	(854,920)	–	–	–	–	–	(854,920)
– Interest rate derivatives	(1,632,024)	–	–	–	–	–	(1,632,024)
– Equity related derivatives	(280,183)	–	–	–	–	–	(280,183)
– Commodity related derivatives	(740,724)	–	–	–	–	–	(740,724)
– Credit related contracts	(104,141)	–	–	–	–	–	(104,141)
Hedging derivatives							
– Foreign exchange derivatives	(63)	(228)	–	(17,154)	–	–	(17,445)
– Interest rate derivatives	(21,256)	38,471	(57,406)	(127,489)	(210,043)	650,601	272,878
	(3,633,311)	38,243	(57,406)	(144,643)	(210,043)	650,601	(3,356,559)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.3 Liquidity risk (Continued)

57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
2016								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	**(7,007,709)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,007,709)**
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	**(2,739,891)**	**(2,848,350)**	**(642,645)**	**(314,884)**	**(2,616,613)**	**(109,784)**	**–**	**(9,272,167)**
– Inflow	**2,737,633**	**2,797,564**	**648,640**	**293,128**	**2,314,358**	**116,100**	**–**	**8,907,423**
	(7,009,967)	**(50,786)**	**5,995**	**(21,756)**	**(302,255)**	**6,316**	**–**	**(7,372,453)**
2015								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(7,920,988)	–	–	–	–	–	–	(7,920,988)
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	(556,854)	(1,376,538)	(922,781)	(2,066,388)	(2,266,701)	(43,862)	–	(7,233,124)
– Inflow	560,940	1,349,155	916,929	2,075,603	1,881,750	47,655	–	6,832,032
	(7,916,902)	(27,383)	(5,852)	9,215	(384,951)	3,793	–	(8,322,080)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

57.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgement may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;
- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the Group Market Risk Committee;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016										
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
– Money market instruments	16,177,991	–	16,177,991	–	16,177,991	–	–	–	–	–
– Quoted securities	2,229,681	1,978,190	251,491	–	2,229,681	–	–	–	–	–
– Unquoted securities	4,360,976	–	4,182,525	178,451	4,360,976	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	3,100,531	–	3,100,531	–	3,100,531	–	–	–	–	–
– Quoted securities	5,492,211	2,682,646	2,809,565	–	5,492,211	–	–	–	–	–
– Unquoted securities	22,937,521	–	21,608,982	1,328,539	22,937,521	1,432,249	–	1,432,249	–	1,432,249
Derivative financial instruments										
– Trading derivatives	11,723,043	423,619	11,189,711	109,713	11,723,043	–	–	–	–	–
– Hedging derivatives	283,141	–	283,141	–	283,141	–	–	–	–	–
Total	66,305,095	5,084,455	59,603,937	1,616,703	66,305,095	1,432,249	–	1,432,249	–	1,432,249
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	11,194,370	270,504	10,783,356	140,510	11,194,370	–	–	–	–	–
– Hedging derivatives	943,222	–	943,222	–	943,222	–	–	–	–	–
Financial liabilities designated at fair value	4,367,577	–	3,981,115	386,462	4,367,577	–	–	–	–	–
Total	16,505,169	270,504	15,707,693	526,972	16,505,169	–	–	–	–	–

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015										
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
– Money market instruments	12,359,624	–	12,359,624	–	12,359,624	–	–	–	–	–
– Quoted securities	2,732,308	2,472,841	259,467	–	2,732,308	–	–	–	–	–
– Unquoted securities	5,588,334	–	5,430,949	157,385	5,588,334	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	2,998,557	–	2,998,557	–	2,998,557	–	–	–	–	–
– Quoted securities	4,638,466	2,208,019	2,430,447	–	4,638,466	–	–	–	–	–
– Unquoted securities	25,130,525	–	23,777,756	1,352,769	25,130,525	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	11,546,818	12,408	11,401,532	132,878	11,546,818	74	–	74	–	74
– Hedging derivatives	162,031	–	162,031	–	162,031	–	–	–	–	–
Total	65,156,663	4,693,268	58,820,363	1,643,032	65,156,663	74	–	74	–	74
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	11,532,980	140,679	11,175,674	216,627	11,532,980	–	–	–	–	–
– Hedging derivatives	606,869	–	606,869	–	606,869	–	–	–	–	–
Financial liabilities designated at fair value	4,952,771	–	4,593,682	359,089	4,952,771	–	–	–	–	–
Total	17,092,620	140,679	16,376,225	575,716	17,092,620	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group:

	Financial Assets				Financial Liabilities		
The Group	Financial assets held for trading Unquoted securities RM'000	Financial investments available-for-sale Unquoted securities RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000	Financial liabilities designated at fair value RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000
2016							
At 1 January	157,385	1,352,769	132,878	1,643,032	(359,089)	(216,627)	(575,716)
Total gains/(losses) recognised in Statement of Income	12,927	(34,136)	(56,250)	(77,459)	(46,608)	107,021	60,413
Total gains recognised in Other Comprehensive Income	–	83,973	–	83,973	–	–	–
Purchases	–	123,496	39,369	162,865	–	(38,421)	(38,421)
Sales and redemption	–	(210,353)	–	(210,353)	–	–	–
Settlements	–	–	(5,665)	(5,665)	19,235	6,246	25,481
Exchange fluctuation	8,139	12,790	(619)	20,310	–	1,271	1,271
At 31 December	178,451	1,328,539	109,713	1,616,703	(386,462)	(140,510)	(526,972)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:							
– net non-interest income	12,927	(30,278)	(56,250)	(73,601)	(30,236)	107,021	76,785
– interest expense	–	–	–	–	(16,372)	–	(16,372)
– allowances for other impairment losses	–	(3,858)	–	(3,858)	–	–	–
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	83,973	–	83,973	–	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	12,927	–	24,642	37,569	(30,236)	62,697	32,461

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group (Continued):

	Financial Assets				Financial Liabilities		
The Group	Financial assets held for trading Unquoted securities RM'000	Financial investments available-for-sale Unquoted securities RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000	Financial liabilities designated at fair value RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000
2015							
At 1 January	132,681	1,543,118	66,855	1,742,654	(360,736)	(870,966)	(1,231,702)
Total gains/(losses) recognised in Statement of Income	769	(15,891)	58,126	43,004	(24,856)	765,434	740,578
Total gains recognised in Other Comprehensive Income	–	1,397	–	1,397	–	–	–
Purchases	–	81,289	32,137	113,426	–	(28,853)	(28,853)
New issuances	–	–	–	–	(456)	–	(456)
Sales and redemption	(5,000)	(358,898)	–	(363,898)	–	–	–
Settlements	–	–	(26,307)	(26,307)	26,959	17,039	43,998
Exchange fluctuation	28,935	101,754	2,067	132,756	–	(99,281)	(99,281)
At 31 December	157,385	1,352,769	132,878	1,643,032	(359,089)	(216,627)	(575,716)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:							
– net non-interest income	769	(15,402)	58,126	43,493	(10,761)	765,434	754,673
– interest expense	–	–	–	–	(14,095)	–	(14,095)
– allowances for other impairment losses	–	(489)	–	(489)	–	–	–
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	1,397	–	1,397	–	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	2,484	(29,321)	64,645	37,808	(10,761)	(49,501)	(60,262)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.2 Financial instruments not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015, but for which fair value is disclosed:

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016										
Financial assets										
Cash and short-term funds	26,709,687	19,400,814	7,308,873	–	26,709,687	587,828	587,828	–	–	587,828
Reverse repurchase agreements	5,315,287	–	5,315,287	–	5,315,287	–	–	–	–	–
Deposits and placement with banks and other financial institutions	2,307,968	–	2,297,920	–	2,297,920	–	–	–	–	–
Financial investments held-to-maturity	30,381,305	2,416,652	28,017,798	–	30,434,450	2,012,667	–	2,034,013	–	2,034,013
Loans, advances and financing	315,372,898	–	250,493,684	59,198,775	309,692,459	–	–	–	–	–
Other assets	16,525,138	–	16,527,415	–	16,527,415	632	–	632	–	632
Total	396,612,283	21,817,466	309,960,977	59,198,775	390,977,218	2,601,127	587,828	2,034,645	–	2,622,473
Financial liabilities										
Deposits from customers	336,245,542	–	336,196,563	–	336,196,563	–	–	–	–	–
Investment accounts of customers	254,408	–	254,408	–	254,408	–	–	–	–	–
Deposits and placements of banks and other financial institutions	28,736,111	–	28,639,003	–	28,639,003	–	–	–	–	–
Repurchase agreements	4,397,454	–	4,390,776	–	4,390,776	–	–	–	–	–
Bills and acceptances payable	3,661,743	–	3,628,185	–	3,628,185	–	–	–	–	–
Other liabilities	13,339,945	–	13,338,839	–	13,338,839	2,070	–	2,070	–	2,070
Recourse obligation on loans and financing sold to Cagamas	4,498,369	–	4,572,449	–	4,572,449	–	–	–	–	–
Bonds, Sukuk and debentures	7,635,784	–	7,621,550	–	7,621,550	–	–	–	–	–
Other borrowings	9,289,859	–	9,258,490	–	9,258,490	4,060,493	–	4,060,493	–	4,060,493
Subordinated obligations	13,725,302	–	13,996,747	–	13,996,747	5,399,121	–	5,557,062	–	5,557,062
Total	421,784,517	–	421,897,010	–	421,897,010	9,461,684	–	9,619,625	–	9,619,625

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015, but for which fair value is disclosed (Continued):

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015										
Financial assets										
Cash and short-term funds	29,318,830	20,991,336	8,327,494	–	29,318,830	59,573	59,573	–	–	59,573
Reverse repurchase agreements	9,714,112	–	9,726,596	–	9,726,596	–	–	–	–	–
Deposits and placement with banks and other financial institutions	1,829,482	–	1,829,482	–	1,829,482	–	–	–	–	–
Financial investments held-to-maturity	25,759,179	4,336,360	21,365,452	–	25,701,812	2,002,540	–	2,002,540	–	2,002,540
Loans, advances and financing	290,295,664	–	230,661,595	54,139,316	284,800,911	–	–	–	–	–
Other assets	17,666,143	–	17,651,796	–	17,651,796	440	–	440	–	440
Total	374,583,410	25,327,696	289,562,415	54,139,316	369,029,427	2,062,553	59,573	2,002,980	–	2,062,553
Financial liabilities										
Deposits from customers	317,423,580	–	317,364,052	–	317,364,052	–	–	–	–	–
Investment accounts of customers	232,716	–	232,716	–	232,716	–	–	–	–	
Deposits and placements of banks and other financial institutions	23,691,950	–	23,677,463	–	23,677,463	–	–	–	–	–
Repurchase agreements	8,527,463	–	8,527,463	–	8,527,463	–	–	–	–	–
Bills and acceptances payable	2,328,959	–	2,334,209	–	2,334,209	–	–	–	–	–
Other liabilities	13,984,683	–	13,100,594	–	13,100,594	7,196	–	7,196	–	7,196
Recourse obligation on loans and financing sold to Cagamas	1,817,816	–	1,817,816	–	1,817,816	–	–	–	–	–
Bonds, Sukuk and debentures	11,277,176	–	11,289,053	–	11,289,053	–	–	–	–	–
Other borrowings	9,037,124	–	9,112,112	–	9,112,112	4,672,609	–	4,673,056	–	4,673,056
Subordinated obligations	13,694,891	–	13,980,999	–	13,980,999	3,992,277	–	4,144,195	–	4,144,195
Total	402,016,358	–	401,436,477	–	401,436,477	8,672,082	–	8,824,447	–	8,824,447

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

For short-term funds, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual impairment allowance, being the expected recoverable amount.

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Investment accounts of customers

The estimated fair values of investment accounts of customers with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Bonds, Sukuk and debentures and other borrowings

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated obligations

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Credit correlation between the underlying debt instruments
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation (reserve on a Level 3 input) –
1. Long correlation positions will be shocked with lower correlation
2. Short correlation positions will be shocked with higher correlation

- Credit and FX correlation (reserve on a Level 3 input) –
1. Short Quanto CDS position shocked with larger negative correlation
2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility (reserve on valuation model) –
1. Long volatility shocked with lower volatility
2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

(a) Financial instruments carried at fair value

The Group 2016 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
– Trading derivatives						
Credit derivatives	**18,526**	**(5,083)**	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/ FX Correlation	-58% to -3%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement
Equity derivatives	**91,187**	**(135,427)**	Option pricing	Equity Volatility	5.37% to 77.09%	Higher volatility results in higher/lower fair value depending on the net long/ short positions
Financial assets held for trading						
Unquoted shares and private equity funds	**178,451**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments available-for-sale						
Unquoted shares and private equity funds	**1,328,539**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial liabilities designated at fair value						
Credit linked structured deposits	**Not applicable**	**(386,462)**	Discounted cash flow	Internal deposit rates	0.47% to 3.42%	Higher internal deposit rates results in decrease in fair value measurement

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

(a) Financial instruments carried at fair value (Continued)

The Group 2015 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
– Trading derivatives						
Credit derivatives	18,346	(20,008)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/ FX Correlation	-60% to +7%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement
Equity derivatives	114,532	(196,619)	Option pricing	Equity Volatility	6.31% to 94.46%	Higher volatility results in higher/lower fair value depending on the net long/ short positions
Financial assets held for trading						
Unquoted shares and private equity funds	157,385	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments available-for-sale						
Unquoted shares and private equity funds	1,352,769	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial liabilities designated at fair value						
Credit linked structured deposits	Not applicable	(359,089)	Discounted cash flow	Internal deposit rates	0.47% to 3.47%	Higher internal deposit rates results in decrease in fair value measurement

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.4 Fair value estimation (Continued)

57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

(a) Financial instruments carried at fair value (Continued)

Sensitivity analysis for level 3

	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss Favourable changes RM'000	Unfavourable changes RM'000
2016			
Derivative financial instruments – trading			
– Credit derivatives	**+10%**	**54**	**–**
	-10%	**–**	**(53)**
– Equity derivatives	**+25%**	**8,378**	**–**
	-25%	**–**	**(10,034)**
Financial liabilities designated at fair value			
– Credit linked structured deposits	**+1%**	**1,740**	**–**
	-1%	**–**	**(1,740)**
Total		**10,172**	**(11,827)**
2015			
Derivative financial instruments – trading			
– Credit derivatives	+10%	18	–
	-10%	–	(19)
– Equity derivatives	+25%	–	(19)
	-25%	18	–
Financial liabilities designated at fair value			
– Credit linked structured deposits	+1%	2,945	–
	-1%	–	(2,945)
Total		2,981	(2,983)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING

Statement of Financial Position as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Cash and short-term funds	(a)	**9,110,838**	8,046,054
Deposits and placements with banks and other financial institutions	(b)	**761,871**	507,849
Financial assets held for trading	(c)	**2,949,804**	2,945,220
Islamic derivative financial instruments	(d)(i)	**885,452**	496,564
Financial investments available-for-sale	(e)	**1,951,060**	2,337,791
Financial investments held-to-maturity	(f)	**3,838,845**	2,264,868
Financing, advances and other financing/loans	(g)	**54,888,460**	47,235,376
Deferred tax assets	(h)	**15,452**	30,541
Amount due from conventional operations		**4,864,731**	4,266,396
Statutory deposits with Bank Negara Malaysia	(i)	**1,384,859**	1,257,178
Property, plant and equipment	(j)	**13,124**	15,570
Other assets	(k)	**1,933,435**	972,518
Goodwill	(l)	**136,000**	136,000
Intangible assets	(m)	**81,877**	83,957
Total assets		**82,815,808**	70,595,882
Liabilities			
Deposits from customers	(n)	**59,802,344**	49,331,189
Investment accounts of customers	(o)	**254,408**	232,716
Deposits and placements of banks and other financial institutions	(p)	**2,264,927**	3,596,306
Investment accounts due to designated financial institutions	(q)	**3,912,011**	2,900,982
Islamic derivative financial instruments	(d)(i)	**985,995**	594,474
Amount due to conventional operations		**1,545,256**	1,202,273
Provision for taxation	(r)	**45,676**	39,017
Other liabilities	(s)	**4,879,704**	5,413,779
Financial liabilities designated at fair value	(t)	**2,181**	199,063
Other borrowings	(u)	**183,511**	17,125
Recourse obligation on loans and financing sold to Cagamas	(v)	**1,353,390**	502,368
Sukuk	(w)	**586,488**	–
Subordinated Sukuk	(x)	**617,563**	856,983
Total liabilities		**76,433,454**	64,886,275

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Financial Position as at 31 December 2016 (Continued)

	Note	2016 RM'000	2015 RM'000
Equity			
Islamic banking funds		**55,696**	55,250
Ordinary share capital	(y)	**1,000,000**	1,000,000
Perpetual preference shares	(y)	**220,000**	220,000
Reserves	(z)	**5,091,007**	4,423,459
		6,366,703	5,698,709
Non-controlling interests		**15,651**	10,898
Total equity		**6,382,354**	5,709,607
Total equity and liabilities		**82,815,808**	70,595,882
Commitments and contingencies	(d)(ii)	**54,361,954**	30,531,910

Statement of Income for the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds and others	(aa)	**2,785,090**	2,486,798
Income derived from investment of investment account	(ab)	**188,683**	143,064
Net income derived from investment of shareholders' funds	(ac)	**448,025**	446,042
Allowance made for impairment losses on financing, advances and other financing/loans	(ad)	**(77,058)**	(149,273)
Allowance made for impairment losses on other receivables		**(255)**	(98)
Total distributable income		**3,344,485**	2,926,533
Income attributable to depositors	(ae)	**(1,722,819)**	(1,495,580)
Profit distributed to investment account holder	(af)	**(133,058)**	(151,945)
Total net income		**1,488,608**	1,279,008
Personnel expenses	(ag)	**(68,109)**	(101,620)
Other overheads and expenditures	(ah)	**(480,810)**	(477,789)
Profit before allowances		**939,689**	699,599
Allowance written back for impairment losses		**(3,160)**	–
Profit before taxation and zakat		**936,529**	699,599
Taxation and zakat	(ai)	**(194,091)**	(149,300)
Profit after taxation		**742,438**	550,299
Profit attributable to:			
Owners of the Parent		**738,145**	549,605
Non-controlling interests		**4,293**	694
		742,438	550,299

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Comprehensive Income for the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Net profit after taxation	**742,438**	550,299
Other comprehensive income:		
Revaluation reserve-financial investments available-for-sale	**(244)**	(24,697)
– Net gain/(loss) from change in fair value	**7,813**	(23,249)
– Realised gain transferred to statement of income on disposal and impairment	**(7,797)**	(4,066)
– Income tax effects	**(260)**	2,618
Exchange fluctuation reserve	**(3,926)**	11,272
Other comprehensive income, net of tax	**(4,170)**	(13,425)
Total comprehensive income for the financial year	**738,268**	536,874
Total comprehensive income attributable to:		
Owners of the Parent	**737,808**	536,840
Non-controlling interests	**460**	34
	738,268	536,874
Income from Islamic Banking operations:		
Total net income	**1,488,608**	1,279,008
Add: Allowance made for impairment losses on financing, advances and other financing/loans	**77,058**	149,273
Add: Allowance made for impairment losses on other receivables	**255**	98
	1,565,921	1,428,379
Elimination for transaction with conventional operations	**138,122**	140,638
	1,704,043	1,569,017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of changes in equity for the financial year ended 31 December 2016

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2016												
At 1 January 2016	1,000,000	220,000	55,250	961,855	(22,557)	13,747	60,957	547	3,408,910	5,698,709	10,898	5,709,607
Net profit for the financial year	–	–	–	–	–	–	–	–	738,145	738,145	4,293	742,438
Other comprehensive income (net of tax)	–	–	–	–	(562)	(4,068)	–	–	–	(4,630)	460	(4,170)
Financial investments available-for-sale	–	–	–	–	(244)	–	–	–	–	(244)	–	(244)
Currency translation difference	–	–	–	–	(318)	(4,068)	–	–	–	(4,386)	460	(3,926)
Total comprehensive income for the financial year	–	–	–	–	(562)	(4,068)	–	–	738,145	733,515	4,753	738,268
Dividend for the financial year ended 31 December 2016	–	–	–	–	–	–	–	–	(66,000)	(66,000)	–	(66,000)
Share-based payment expense	–	–	–	–	–	–	–	858	–	858	–	858
Transfer to statutory reserve	–	–	–	135,800	–	–	–	–	(135,800)	–	–	–
Transfer from regulatory reserve	–	–	–	–	–	–	140,387	–	(140,387)	–	–	–
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(825)	–	(825)	–	(825)
Issue of capital funds during the financial year	–	–	446	–	–	–	–	–	–	446	–	446
At 31 December 2016	1,000,000	220,000	55,696	1,097,655	(23,119)	9,679	201,344	580	3,804,868	6,366,703	15,651	6,382,354
2015												
At 1 January 2015	1,000,000	220,000	55,250	860,851	2,140	2,509	–	674	3,021,266	5,162,690	10,170	5,172,860
Net profit for the financial year	–	–	–	–	–	–	–	–	549,605	549,605	694	550,299
Other comprehensive income (net of tax)	–	–	–	–	(24,697)	11,238	–	–	–	(13,459)	34	(13,425)
Financial investments available-for-sale	–	–	–	–	(24,697)	–	–	–	–	(24,697)	–	(24,697)
Currency translation difference	–	–	–	–	–	11,238	–	–	–	11,238	34	11,272
Total comprehensive income for the financial year	–	–	–	–	(24,697)	11,238	–	–	549,605	536,146	728	536,874
Share-based payment expense	–	–	–	–	–	–	–	603	–	603	–	603
Transfer to statutory reserve	–	–	–	101,004	–	–	–	–	(101,004)	–	–	–
Transfer from regulatory reserve	–	–	–	–	–	–	60,957	–	(60,957)	–	–	–
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(730)	–	(730)	–	(730)
At 31 December 2015	1,000,000	220,000	55,250	961,855	(22,557)	13,747	60,957	547	3,408,910	5,698,709	10,898	5,709,607

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of Cash Flows for the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Operating activities		
Profit before taxation and zakat	**936,529**	699,599
Adjustments for:		
Depreciation of property, plant and equipment	**5,522**	5,286
Written off property, plant and equipment	**204**	482
Amortisation of intangible assets	**11,316**	10,684
Net unrealised loss/(gain) on revaluation of financial assets held for trading	**2,142**	(5,962)
Net unrealised (gain)/loss on derivatives	**(264)**	5,590
Accretion of discount less amortisation of premium	**(59,339)**	(96,788)
Net gain from sale of financial investments available-for-sale	**(7,692)**	(4,067)
Profit income from financial investments held-to-maturity	**(132,950)**	(72,455)
Profit income from financial investments available-for-sale	**(75,057)**	(89,115)
Profit expense on Subordinated Sukuk	**34,175**	41,178
Interest expense on recourse obligation on loans and financing sold to Cagamas	**53,072**	2,368
Share-based payment expense	**858**	603
Unrealised loss form financial liabilities designated at fair value	**8,520**	6
Net loss from foreign exchange transactions	**37,047**	95,812
Net loss from hedging derivatives	**3,175**	3,250
Allowance made for impairment losses on other receivables	**255**	98
Allowance made for impairment losses on financing, advances and other financing/loans	**126,985**	190,629
	944,498	787,198
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**(254,022)**	234,247
Financial assets held for trading	**52,838**	879,226
Islamic derivative financial instruments	**2,897**	37,965
Financing, advances and other financing/loans	**(7,738,744)**	(6,831,005)
Statutory deposits with Bank Negara Malaysia	**(127,681)**	40,476
Other assets	**(961,906)**	(519,442)
Amount due from conventional operations	**(598,335)**	(442,798)
	(9,624,953)	(6,601,331)
Increase/(decrease) in operating liabilities		
Deposits from customers	**10,471,155**	4,985,205
Deposits and placements of banks and other financial institutions	**(1,331,379)**	(2,215,877)
Other liabilities	**(808,521)**	1,313,262
Financial liabilities designated at fair value	**(205,402)**	49,222
Issuance of Sukuk	**586,488**	–
Amount due to conventional operations	**342,983**	579,570
Investment accounts of customers	**1,032,721**	3,133,698
	10,088,045	7,845,080
Cash flows generated from operations	**1,407,590**	2,030,947
Taxation paid	**(172,759)**	(141,977)
Net cash flows generated from operating activities	**1,234,831**	1,888,970

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of Cash Flows for the financial year ended 31 December 2016 (Continued)

	Note	2016 RM'000	2015 RM'000
Investing activities			
Net proceeds of financial investments available-for-sale		**381,118**	12,134
Purchase of property, plant and equipment		**(3,471)**	(7,936)
Purchase of intangible assets		**(8,914)**	(2,534)
Net purchase of financial investments held-to-maturity		**(1,550,817)**	(1,080,200)
Profit income from financial investments held-to-maturity		**109,790**	53,340
Profit income from financial investments available-for-sale		**84,977**	113,363
Proceeds from disposal of intangible assets		**49**	–
Reclassified to intangible assets		**–**	73
Net cash flows used in investing activities		**(987,268)**	(911,760)
Financing activities			
Recourse obligation on loans and financing sold to Cagamas		**845,507**	500,000
Other borrowing		**166,386**	17,125
Profit expense paid on subordinated Sukuk		**(36,194)**	(13,689)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		**(47,558)**	–
Dividends paid		**(66,000)**	–
Issuance of capital funds		**446**	–
Net cash flows generated from financing activities		**862,587**	503,436
Net increase in cash and cash equivalents		**1,110,150**	1,480,646
Cash and cash equivalents at beginning of financial year		**8,046,054**	6,549,105
Effect of exchange rate changes		**(45,366)**	16,303
Cash and cash equivalents at end of financial year		**9,110,838**	8,046,054
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	**9,110,838**	8,046,054

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

		2016 RM'000	2015 RM'000
(a)	**Cash and short-term funds**		
	Cash and balances with banks and other financial institutions	**2,163,652**	2,120,886
	Money at call and deposit placements maturing within one month	**6,947,186**	5,925,168
		9,110,838	8,046,054
(b)	**Deposits and placements with banks and other financial institutions**		
	Licensed banks	**761,871**	465,625
	Other financial institutions	**–**	42,224
		761,871	507,849
(c)	**Financial assets held for trading**		
	Money market instruments:		
	Unquoted:		
	Government Investment Issues	**55,459**	123,405
	Malaysian Government treasury bills	**120,987**	14,861
	Bank Negara Malaysia monetary notes	**–**	19,918
	Other Government securities	**–**	4,718
	Islamic negotiable instruments of deposits	**2,425,600**	2,230,491
		2,602,046	2,393,393
	Quoted securities:		
	Outside Malaysia		
	Corporate Sukuk	**27**	26
	Sukuk	**161,473**	211,175
		161,500	211,201
	Unquoted securities:		
	In Malaysia		
	Corporate Sukuk	**40,778**	233,977
	Outside Malaysia		
	Corporate Sukuk	**145,480**	106,649
		186,258	340,626
		2,949,804	2,945,220

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at statements of financial position date, and do not represent amounts at risk. In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic derivative financial instruments" Assets and Liabilities respectively.

	31 December 2016		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	6,544,610	376,129	(185,418)
– Up to 1 year	5,727,211	277,169	(95,633)
– More than 1 year to 3 years	76,800	3,123	(2,967)
– More than 3 years	740,599	95,837	(86,818)
Currency swaps	12,176,335	120,528	(306,096)
– Up to 1 year	12,173,898	120,528	(305,378)
– More than 3 years	2,437	–	(718)
Currency spots	26,607	38	(47)
– Up to 1 year	26,607	38	(47)
Currency options	2,512	93	(93)
– Up to 1 year	2,512	93	(93)
Cross currency profit rate swaps	4,232,269	252,731	(245,704)
– Up to 1 year	933,911	22,346	(21,902)
– More than 1 year to 3 years	1,168,974	46,779	(45,137)
– More than 3 years	2,129,384	183,606	(178,665)
Profit rate derivatives			
Islamic profit rate swaps	15,792,981	125,368	(107,721)
– Up to 1 year	2,663,833	2,950	(1,665)
– More than 1 year to 3 years	4,759,747	8,653	(7,135)
– More than 3 years	8,369,401	113,765	(98,921)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2016		
	Principal RM'000	Asset RM'000	Liability RM'000
Equity derivatives			
Equity options	764,035	3,713	(3,632)
– Up to 1 year	93,021	737	(737)
– More than 1 year to 3 years	356,321	1,327	(1,327)
– More than 3 years	314,693	1,649	(1,568)
Credit related contracts			
Total return swaps	363,250	6,852	(7,663)
– More than 3 years	363,250	6,852	(7,663)
Hedging derivatives			
Islamic profit rate swaps	3,895,703	–	(129,621)
– Less than 1 year	300,000	–	(911)
– More than 1 year to 3 years	1,675,000	–	(59,700)
– More than 3 years	1,920,703	–	(69,010)
Total derivative assets/(liabilities)	43,798,302	885,452	(985,995)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2015 Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	2,328,559	171,560	(97,704)
– Up to 1 year	1,661,505	73,528	(8,554)
– More than 1 year to 3 years	11,748	504	(504)
– More than 3 years	655,306	97,528	(88,646)
Currency swaps	4,750,561	86,890	(143,226)
– Up to 1 year	4,725,222	83,595	(139,931)
– More than 3 years	25,339	3,295	(3,295)
Currency spots	8,761	38	(3)
– Up to 1 year	8,761	38	(3)
Currency options	12,206	19	(19)
– Up to 1 year	12,206	19	(19)
Cross currency profit rate swaps	1,510,651	169,734	(165,935)
– More than 3 years	1,510,651	169,734	(165,935)
Profit rate derivatives			
Islamic profit rate swaps	9,050,103	51,650	(44,108)
– Up to 1 year	460,001	215	(192)
– More than 1 year to 3 years	5,817,899	21,617	(22,804)
– More than 3 years	2,772,203	29,818	(21,112)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2015		
	Principal RM'000	Asset RM'000	Liability RM'000
Equity derivatives			
Equity options	774,164	6,012	(6,012)
– More than 1 year to 3 years	404,324	2,971	(2,971)
– More than 3 years	369,840	3,041	(3,041)
Credit related contracts			
Total return swaps	394,120	8,221	(8,934)
– More than 3 years	394,120	8,221	(8,934)
Hedging derivatives			
Islamic profit rate swaps	4,175,219	2,440	(128,533)
– Less than 1 year	280,407	2,440	–
– More than 1 year to 3 years	600,000	–	(5,021)
– More than 3 years	3,294,812	–	(123,512)
Total derivative assets/(liabilities)	23,004,344	496,564	(594,474)

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

These commitments and contingencies are not secured over the assets of the Group, except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies (Continued)

The notional or principal amount of the commitments and contingencies constitute the following:

	2016 Principal RM'000	2015 Principal RM'000
Credit related		
Direct credit substitutes	**207,083**	173,278
Certain transaction-related contingent items	**520,884**	522,411
Short-term self-liquidating trade-related contingencies	**153,685**	148,476
Irrevocable commitments to extend credit:		
– Maturity less than one year	**6,236,307**	4,069,440
– Maturity exceeding one year	**3,388,319**	2,463,321
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	**57,374**	150,640
Total credit-related commitments and contingencies	**10,563,652**	7,527,566
Total treasury-related commitments and contingencies (Note 57(d)(i))	**43,798,302**	23,004,344
Total commitments and contingencies	**54,361,954**	30,531,910

(e) Financial investment avaiable-for-sale

	2016 RM'000	2015 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	**111,863**	229,054
Islamic Cagamas bonds	**40,772**	23,671
Malaysian Government Securities	**29,622**	44,168
Khazanah bonds	**–**	20,189
Other Government securities	**–**	41,195
	182,257	358,277
Quoted securities:		
Outside Malaysia		
Government bonds	**32,397**	–
	32,397	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Financial investment avaiable-for-sale (Continued)

	2016 RM'000	2015 RM'000
Unquoted securities:		
In Malaysia		
Corporate Sukuk	**1,420,382**	1,559,569
Placements with Islamic Banking and Finance Institute Malaysia	**575**	575
Bonds	**47,972**	53,145
Outside Malaysia		
Corporate Sukuk	**73,471**	324,520
Private equity funds	**118,967**	46,364
Bonds	**78,459**	–
	1,739,826	1,984,173
	1,954,480	2,342,450
Less : Allowance for impairment losses	**(3,420)**	(4,659)
	1,951,060	2,337,791

The table below shows the movement for impairment losses during the year:

	2016 RM'000	2015 RM'000
At 1 January	**4,659**	3,795
Allowance made during the financial year	**3,160**	–
Disposal of securities	**(4,659)**	–
Exchange fluctuation	**260**	864
At 31 December	**3,420**	4,659

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) Financial investments held-to-maturity

	2016 RM'000	2015 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issue	**811,683**	433,885
Khazanah bonds	**12,662**	12,662
Cagamas notes	**30,945**	30,724
	855,290	477,271
Quoted securities:		
Outside Malaysia		
Islamic bonds	**205,692**	209,060
Bank Indonesia Certificates	**68,689**	161,923
	274,381	370,983
Unquoted securities:		
In Malaysia		
Corporate Sukuk	**2,472,854**	1,186,380
Outside Malaysia		
Corporate Sukuk	**233,947**	229,432
	2,706,801	1,415,812
Amortisation of premium less accretion of discount	**2,456**	880
Less: Allowance for impairment loss	**(83)**	(78)
	3,838,845	2,264,868

CIMB Islamic Bank reclassified previously held financial investments available-for-sale to financial investments held-to-maturity. Given the long term nature of the holdings, the bonds were reclassified from financial investments available-for-sale to financial investments held-to-maturity as part of the CIMB Islamic Bank's Asset Liability Management. It reflects CIMB Islamic Bank's positive intent and ability to hold them until maturity. The bonds were transferred at the prevailing mark-to-market prices.

The fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale at the date of reclassification are RM263,531,000 (2015: RM470,280,000) and RM266,431,000 (2015: RM491,220,000) and RM2,900,000 (2015: RM20,939,000) respectively. The fair value and carrying amount of the financial investments as at 31 December 2016 are RM743,790,000 (2015: RM470,729,000) and RM736,176,000 (2015: RM470,611,000) respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM9,979,000 (2015: RM449,000).

As at 31 December 2016, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM20,470,300 (2015: RM20,469,600).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans

(i) By type and Shariah contract

2016

	The Group												
	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others		
At amortised cost	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai' RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Rahnu RM'000	Ujrah RM'000	Total RM'000
Cash line^	-	30,336	11,772	-	639,697	-	-	-	-	4,283	-	-	686,088
Term financing													
House financing	441,974	6,938,888	-	-	3,707,156	1,478,984	-	-	376,040	-	-	-	12,943,042
Syndicated financing	287,191	898	260,465	-	1,978,421	110,216	-	-	-	-	-	-	2,637,191
Hire purchase receivables	591,207	-	-	-	-	-	4,004,807	-	-	-	-	-	4,596,014
Other term financing	4,004,536	1,971,036	10,090,242	-	11,785,762	57,511	-	129	40,436	-	-	-	27,949,652
Bills receivable	-	-	-	57,210	-	-	-	-	-	-	-	-	57,210
Islamic trust receipts	157,584	-	-	-	-	-	-	-	-	-	-	-	157,584
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	-	-	-	427,776
Staff financing	2	-	-	-	15,203	-	-	-	-	-	-	-	15,205
Revolving credits	290,905	-	-	-	3,626,798	-	-	-	-	-	-	-	3,917,703
Credit card receivables	-	-	-	-	-	-	-	-	-	173,682	-	121,558	295,240
Share purchase financing	16,264	-	-	-	-	-	-	-	665,524	-	-	-	681,788
Ar Rahnu	-	-	-	-	-	-	-	-	-	-	104	-	104
Other financing	775,135	-	-	-	-	14,937	-	14,359	-	-	-	-	804,431
Gross financing, advances and other financing/loans	6,934,062	8,941,158	10,362,479	115,722	21,753,037	1,661,648	4,004,807	14,488	1,082,000	177,965	104	121,558	55,169,028
Fair value changes arising from fair value hedge													110,982
													55,280,010
Less: Allowance for impairment losses													
– Individual impairment allowance													(87,298)
– Portfolio impairment allowance													(304,252)
													(391,550)
Net financing, advances and other financing/loans													54,888,460

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

2015

	The Group												
	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others		
At amortised cost	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai' RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Rahnu RM'000	Ujrah RM'000	Total RM'000
Cash line^	–	50,240	59,000	–	475,690	–	–	–	–	17,114	–	–	602,044
Term financing													
House Financing	325,605	7,570,992	–	–	2,063,935	1,385,143	–	–	11,347	–	–	–	11,357,022
Syndicated financing	29,919	–	343,017	–	1,741,508	160,701	–	–	–	–	–	–	2,275,145
Hire purchase receivables	821,861	–	–	–	–	–	4,306,661	–	–	–	–	–	5,128,522
Other term financing	4,158,477	2,347,004	10,861,042	–	6,371,504	58,232	–	–	–	–	–	–	23,796,259
Bills receivable	–	–	–	3,373	–	–	–	–	–	153	–	–	3,526
Islamic trust receipts	120,179	–	–	–	–	–	–	–	–	–	–	–	120,179
Claims on customers under acceptance credits	391,283	–	–	53,755	–	–	–	–	–	–	–	–	445,038
Staff financing	2	–	–	–	–	–	–	–	–	–	–	–	2
Revolving credits	509,243	–	50,179	–	2,118,816	–	–	–	–	–	–	–	2,678,238
Credit card receivables	–	–	–	–	–	–	–	–	–	65,410	–	115,218	180,628
Share purchase financing	4,100	–	–	–	–	–	–	30,063	96,520	–	–	–	130,683
Ar Rahnu	–	–	–	–	–	–	–	–	–	–	1,065	–	1,065
Other financing	815,281	–	–	–	–	18,303	–	10,247	–	–	–	–	843,831
Gross financing, advances and other financing/loans	7,175,950	9,968,236	11,313,238	57,128	12,771,453	1,622,379	4,306,661	40,310	107,867	82,677	1,065	115,218	47,562,182
Fair value changes arising from fair value hedge													110,491
													47,672,673
Less: Allowance for impairment losses													
– Individual impairment allowance													(79,321)
– Portfolio impairment allowance													(357,976)
													(437,297)
Net financing, advances and other financing/loans													47,235,376

^ Includes current account in excess

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

Bai' contracts

– Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

– Bai' al-'inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

– Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

– Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

– Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

Ijarah contracts

– Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (IMBT). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai (AITAB) is a form of Ijarah Muntahia bi al-Tamlik where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

Profit sharing contracts

– Mudharabah

A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio (PSR) whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Mudharabah financing that has been the bank's rights and has not been paid by the customer is recognised as a profit sharing receivable.

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

Profit sharing contracts (Continued)

- Musharakah
  Agreement of cooperation between two or more parties to a particular business, where each parties contribute funds. Profits are shared based on agreement, while loss is based on the portion of the contribution of funds in the form of cash or non-cash assets permitted by Shariah. Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Musharakah financing that has become the bank's rights and have not been paid by the customer is recognised as a profit sharing receivable.

Loan contract

- Qard
  A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing shall be generated from the transactions.

Ujrah

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

Rahnu

Rahnu is a contract between a pledgor (rahin) and a pledeee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

(a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM3,575 million (2015: RM3,575 million) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts arising thereon.

As at 31 December 2016, the gross exposures to RPSIA financing is RM3,236 million (2015: RM2,733 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM5.4 million (2015: RM5.4 million) is recognised in the Financial Statements of CIMB Bank. There was no individual impairment provided on this RPSIA financing.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

Qard (continued)

c) Movement of Qard financing

	2016 RM'000	2015 RM'000
At 1 January	**82,677**	39,064
New disbursement	**124,764**	57,342
Repayment	**(41,077)**	(18,849)
Exchange fluctuation	**11,601**	5,120
At 31 December	**177,965**	82,677
Sources and uses of Qard Financing		
Sources of Qard fund:		
Depositors' fund	**177,709**	81,532
Shareholders' fund	**256**	1,145
	177,965	82,677
Uses of Qard fund:		
Personal use	**174,346**	65,747
Business use	**3,619**	16,930
	177,965	82,677

(ii) By type of customer:	2016 RM'000	2015 RM'000
Domestic banking institutions	**43,256**	10,247
Domestic non-bank financial institutions	**1,583,695**	1,657,505
Domestic business enterprises		
– Small medium enterprises	**8,411,560**	7,248,550
– Others	**5,737,919**	4,351,014
Government and statutory bodies	**7,279,784**	6,777,740
Individuals	**27,684,816**	22,789,337
Other domestic entities	**92,658**	85,076
Foreign entities	**4,335,340**	4,642,713
	55,169,028	47,562,182

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(iii) By profit sensitivity:	2016 RM'000	2015 RM'000
Fixed rate		
– House financing	**936,380**	479,815
– Hire purchase receivables	**4,551,032**	5,128,523
– Other fixed rate financing	**12,005,745**	12,470,135
Variable rate		
– House financing	**12,006,662**	10,877,207
– Others	**25,669,209**	18,606,502
	55,169,028	47,562,182

(iv) By economic purposes:	2016 RM'000	2015 RM'000
Personal use	**2,580,191**	2,709,500
Credit card	**295,240**	180,628
Purchase of consumer durables	**19,049**	21,113
Construction	**1,341,384**	1,509,395
Residential property	**13,472,776**	11,612,929
Non-residential property	**4,620,311**	3,808,146
Purchase of fixed assets other than land and building	**140,923**	478,951
Purchase of securities	**6,071,444**	2,254,002
Purchase of transport vehicles	**5,103,588**	5,393,199
Working capital	**13,045,146**	10,712,723
Other purpose	**8,478,976**	8,881,596
	55,169,028	47,562,182

(v) By geographical distribution:	2016 RM'000	2015 RM'000
Malaysia	**47,536,921**	40,805,184
Indonesia	**3,509,711**	2,328,448
Singapore	**2,885,809**	3,183,243
Other countries	**1,236,587**	1,245,307
	55,169,028	47,562,182

(vi) By residual contractual maturity:	2016 RM'000	2015 RM'000
Within one year	**7,566,485**	5,069,083
One year to less than three years	**8,314,966**	6,075,526
Three years to less than five years	**7,599,058**	9,179,583
Five years and more	**31,688,519**	27,237,990
	55,169,028	47,562,182

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

	2016 RM'000	2015 RM'000
(vii) Impaired financing, advances and other financing/loans by economic purposes:		
Personal use	**22,088**	27,423
Credit cards	**9,682**	5,148
Residential property	**102,910**	107,040
Non-residential property	**67,424**	40,038
Purchase of fixed assets other than land and building	**–**	379
Construction	**34,221**	40,150
Purchase of securities	**654**	988
Purchase of transport vehicles	**115,947**	113,281
Working capital	**97,444**	94,751
Other purpose	**54,931**	37,340
	505,301	466,538
(viii) Impaired financing, advances and other financing/loans by geographical distribution:		
Malaysia	**466,363**	424,382
Indonesia	**38,938**	42,156
	505,301	466,538

(ix) Movements in impaired financing, advances and other financing/loans:

	2016 RM'000	2015 RM'000
At 1 January	**466,538**	539,920
Classified as impaired during the financial year	**627,798**	561,268
Reclassified as not impaired during the financial year	**(300,429)**	(312,552)
Amount recovered	**(139,867)**	(103,317)
Amount written off	**(179,620)**	(213,337)
Exchange fluctuation	**30,881**	(5,444)
At 31 December	**505,301**	466,538
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**0.92%**	0.98%

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(x) Movements in allowance for impaired financing, advances and other financing/loans:

Individual impairment allowance	**2016 RM'000**	**2015 RM'000**
At 1 January	**79,321**	88,336
Net allowance made/(written back) during the financial year	**5,947**	(11,810)
Amount written off	**–**	(981)
Exchange fluctuation	**2,030**	3,776
At 31 December	**87,298**	79,321
Portfolio impairment allowance		
At 1 January	**357,976**	374,704
Net allowance made during the financial year	**118,152**	199,278
Amount written off	**(179,694)**	(212,336)
Allowance transferred to conventional operations	**(596)**	–
Exchange fluctuation	**8,414**	(3,670)
At 31 December	**304,252**	357,976
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**1.13%**	1.10%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	2016 RM'000	2015 RM'000
Deferred tax assets	**17,373**	30,939
Deferred tax liabilities	**(1,921)**	(398)
	15,452	30,541

Further breakdown are as follows:

	2016 RM'000	2015 RM'000
Accelerated tax depreciation	**(2,605)**	(1,091)
Revaluation reserve financial investments available-for-sale	**8,793**	9,053
Other temporary differences	**9,264**	22,579
Deferred tax assets	**15,452**	30,541

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred taxation (Continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

Deferred tax assets/(liabilities)	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
2016						
At 1 January		**–**	**(1,091)**	**9,053**	**22,579**	**30,541**
Credited/charged to statement of income	(ai)	**–**	**(1,515)**	**–**	**(8,618)**	**(10,133)**
Over/(under) provision in prior year		**–**	**1**	**–**	**(4,697)**	**(4,696)**
Transferred from equity		**–**	**–**	**(260)**	**–**	**(260)**
At 31 December 2016		**–**	**(2,605)**	**8,793**	**9,264**	**15,452**
2015						
At 1 January		118	(2,107)	6,435	17,072	21,518
Credited/(charged) to statement of income	(ai)	(118)	782	–	5,111	5,775
Under provision in prior year		–	234	–	396	630
Transferred from equity		–	–	2,618	–	2,618
At 31 December 2015		–	(1,091)	9,053	22,579	30,541

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) Statutory deposits with Bank Negara Malaysia

	2016 RM'000	2015 RM'000
Statutory deposits with Bank Negara Malaysia	**1,384,859**	1,257,178

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

(j) Property, plant and equipment

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2016					
Cost					
At 1 January		**17,951**	**2,988**	**15,504**	**36,443**
Additions		**1,450**	**59**	**1,962**	**3,471**
Reclassified to intangible assets	(m)	**–**	**–**	**(306)**	**(306)**
Written off		**(85)**	**(787)**	**–**	**(872)**
Exchange fluctuation		**617**	**–**	**286**	**903**
At 31 December		**19,933**	**2,260**	**17,446**	**39,639**
Accumulated depreciation					
At 1 January		**8,437**	**1,778**	**10,658**	**20,873**
Charge for the financial year		**1,275**	**4**	**4,243**	**5,522**
Written off		**–**	**(668)**	**–**	**(668)**
Exchange fluctuation		**509**	**–**	**279**	**788**
At 31 December		**10,221**	**1,114**	**15,180**	**26,515**
Net book value at 31 December		**9,712**	**1,146**	**2,266**	**13,124**

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Property, plant and equipment (Continued)

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2015					
Cost					
At 1 January		10,076	3,519	15,013	28,608
Additions		7,533	209	194	7,936
Reclassified to intangible assets	(m)	–	–	(73)	(73)
Written off		(388)	(740)	–	(1,128)
Exchange fluctuation		730	–	370	1,100
At 31 December		17,951	2,988	15,504	36,443
Accumulated depreciation					
At 1 January		6,751	1,663	7,025	15,439
Charge for the financial year		1,417	538	3,331	5,286
Written off		(223)	(423)	–	(646)
Exchange fluctuation		492	–	302	794
At 31 December		8,437	1,778	10,658	20,873
Net book value at 31 December		9,514	1,210	4,846	15,570

(k) Other assets

	2016 RM'000	2015 RM'000
Deposits and prepayments	**7,932**	16,824
Clearing accounts	**221,335**	11,885
Collateral pledged for derivative transactions	**717,298**	198,393
Sundry debtors	**986,870**	745,416
	1,933,435	972,518

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(l) Goodwill

	2016 RM'000	2015 RM'000
At 1 January/31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU").

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2017 financial budgets approved by management, projected for 5 years based on the average to year historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated terminal growth rate of 4.20% (2015: 4.50%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate is 7.12% (2015: 6.62%) which reflects the specific risks relating to the CGU.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

(m) Intangible assets

	Note	2016 RM'000	2015 RM'000
Computer software			
Cost			
At 1 January		**128,233**	125,220
Additions		**8,914**	2,534
Disposals		**(49)**	–
Reclassified from property, plant and equipment	(j)	**306**	73
Exchange fluctuation		**331**	406
At 31 December		**137,735**	128,233
Accumulated amortisation			
At 1 January		**44,276**	33,283
Charge for the financial year		**11,316**	10,684
Exchange fluctuation		**266**	309
At 31 December		**55,858**	44,276
Net book value at 31 December		**81,877**	83,957

The above intangible assets include computer software under construction at cost of RM85,216 (2015: RM5,367,833).

The remaining amortisation period of the intangible assets are as follows:

Computer Software 1 – 15 years

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Deposits from customers

	2016 RM'000	2015 RM'000
(i) By type of deposits		
Savings deposit		
Wadiah	**3,786,238**	3,263,150
Mudharabah	**596,643**	320,617
	4,382,881	3,583,767
Demand deposit		
Wadiah	**9,379,174**	9,408,866
Qard	**201,919**	386,784
Mudharabah	**118,037**	71,026
	9,699,130	9,866,676
Term deposit		
Commodity Murabahah (via Tawarruq arrangement)*	**43,348,305**	33,230,363
Islamic Negotiable instruments	**38,031**	742,792
Mudharabah	**38,031**	344,450
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**–**	398,342
Short term money market deposit-i	**198,010**	28,781
Wakalah	**20,415**	17,816
Wadiah	**177,595**	10,965
Fixed Deposit-i	**10,147**	239,772
Wakalah	**–**	–
Wadiah	**10,147**	239,772
General investment account	**1,814,729**	1,310,340
Mudharabah	**1,814,729**	1,310,340
Specific investment account	**297,407**	314,009
Mudharabah	**297,407**	314,009
	45,706,629	35,866,057
Others	**13,704**	14,689
Qard	**13,704**	14,689
	59,802,344	49,331,189

* Included Qard contract of RM554,168,000 (2015: RM159,118,000)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Deposits from customers (Continued)

The maturity structure of term deposit is as follows:

	2016 RM'000	2015 RM'000
Due within six months	**30,861,667**	27,962,417
Six months to one year	**8,549,764**	7,202,592
One year to three years	**4,614,632**	391,340
Three years to five years	**1,397,389**	885
More than five years	**283,177**	308,823
	45,706,629	35,866,057

	2016 RM'000	2015 RM'000
(ii) By type of customer		
Government and statutory bodies	**4,073,910**	3,513,833
Business enterprises	**21,306,506**	19,932,893
Individuals	**17,603,323**	10,829,624
Others	**16,818,605**	15,054,839
	59,802,344	49,331,189

Wadiah (Yad Dhamanah)
A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

Commodity Murabahah
A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is named as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

Mudharabah
A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio ("PSR") whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's, negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Deposits from customers (Continued)

Wakalah

A trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. This contract is categorised into two types which are Restricted Agency (Wakalah Muqayyadah) and Unrestricted Agency (Wakalah Mutlaqah). The fee shall be recognised based on agreement.

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

(o) Investment accounts of customers

	2016 RM'000	2015 RM'000
Unrestricted investment accounts		
– without maturity		
Special Mudharabah Investment Account	**254,408**	232,716

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) Investment accounts of customers (Continued)

i) Movement in the investment accounts of customers

Mudharabah **Special Mudharabah Investment Account–SMIA**	**2016** **RM'000**	**2015** **RM'000**
At 1 January	**232,716**	–
Funding inflows/outflows		
New placement during the year	**95,665**	262,928
Redemption during the year	**(74,526)**	(30,406)
Income from investment	**11,076**	3,881
CIMB Islamic Bank's share of profit		
Profit distributed to mudarib	**(10,523)**	(3,687)
At 31 December	**254,408**	232,716
Investment asset:		
House financing	**189,054**	170,496
Other term financing	**65,354**	62,220
Total investment	**254,408**	232,716

ii) Profit Sharing Ratio and Rate of Return

	2016 **Investment account holder**		**2015** **Investment account holder**	
	Average profit sharing ratio %	**Average rate of return %**	**Average profit sharing ratio %**	**Average rate of return %**
Unrestricted investment accounts:				
no specific tenure	**5.00**	**0.23**	5.00	0.22

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) Deposits and placements of banks and other financial institutions

	2016 RM'000	2015 RM'000
Licensed banks	**926,999**	2,183,696
Licensed investment banks	**920**	173,345
Bank Negara Malaysia	**–**	159,026
Other financial institutions	**1,337,008**	1,080,239
	2,264,927	3,596,306

(q) Investment accounts due to designated financial institutions

	2016 RM'000	2015 RM'000
Restricted investment accounts		
Mudharabah	**3,912,011**	2,900,982
By type of counterparty		
Licensed banks	**3,912,011**	2,900,982

i) Movement in the investment accounts due to designated financial institutions

Mudharabah **Restricted Profit Sharing Investment Account–RPSIA**	**2016 RM'000**	**2015 RM'000**
At 1 January	**2,900,982**	–
Funding inflows/outflows		
New placement during the year	**3,963,997**	4,341,765
Redemption during the year	**(3,085,478)**	(1,497,417)
Income from investment	**177,812**	74,653
CIMB Islamic Bank's share of profit		
Profit distributed to mudarib	**(1,778)**	(747)
Incentive fee	**(43,524)**	(17,272)
At 31 December	**3,912,011**	2,900,982
Investment asset:		
Other term financing	**3,197,184**	2,722,855
Marketable securities	**650,881**	125,897
Miscellaneous other assets	**63,946**	52,230
Total investment	**3,912,011**	2,900,982

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(q) Investment accounts due to designated financial institutions (Continued)

ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	2016 Investment account holder			2015 Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts:						
less than 1 year	**99.00**	**3.69**	**1.22**	99.00	3.64	1.15

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM3,912 million (2015: RM2,901 million) for tenures between 1 month to 3 months at indicative profit rates from 3.16% to 3.85% per annum (2015: 3.41% to 3.99% tenures between 1 month to 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

(r) Provision for taxation

	2016 RM'000	2015 RM'000
Taxation	**45,676**	39,017

(s) Other liabilities

	2016 RM'000	2015 RM'000
Clearing accounts	**4,002,111**	3,381,669
Due to brokers	**49,403**	145
Accruals and other payables	**828,190**	2,031,965
	4,879,704	5,413,779

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(t) Financial liabilities designated at fair value

	2016 RM'000	2015 RM'000
Deposits from customers – structured investments	**2,181**	199,063

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group as at 31 December 2016 of financial liabilities designated at fair value were RM62,000 (2015: RM8,581,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

CIMB Islamic Bank did not issue any new structured investment in 2016.

(u) Other borrowings

	2016 RM'000	2015 RM'000
Others – Interbank Certificate of Mudharabah Investment (SIMA) with maturity date 2/1/2017 and interest rate 6.00% and 6.60%	**183,511**	17,125

(v) Recourse obligation on loans and financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to CIMB Islamic Bank Berhad. Under this agreement, CIMB Islamic Bank Berhad undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

(w) Sukuk

	2016 RM'000	2015 RM'000
RM630 million Sukuk	**586,488**	–

On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued RM630 million Sukuk and bears a coupon rate of 3.38% per annum. The Sukuk is due on 23 July 2021. RM44 million of the Sukuk was partially redeemed during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(x) Subordinated Sukuk

		2016 RM'000	2015 RM'000
Subordinated Sukuk, at cost			
RM600 million (2015: RM850 million)	(a)	**608,106**	860,252
RM10 million	(b)	**10,126**	–
		618,232	860,252
Fair value changes arising from fair value hedges		**(669)**	(3,269)
		617,563	856,983

(a) The RM600 million (2015: RM850 million) unsecured subordinated Sukuk ("the Sukuk") is part of the Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

On 21 April 2016, CIMB Islamic Bank has exercised its option to early redeem the RM250 million (second tranche of the Sukuk).

On 18 September 2012, the third tranche of Sukuk of RM300 million was issued at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

Redemption of the Subordinated Sukuk on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. The proceeds of the Subordinated Sukuk shall be made available to CIMB Islamic Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing Subordinated Sukuk previously issued by the Issuer under other programmes established by CIMB Islamic Bank.

The Group has undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

The RM600 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(x) Subordinated Sukuk (Continued)

(b) The RM10 million subordinated Sukuk ("the Sukuk") is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

(y) Ordinary share capital and perpetual preference shares

	2016 RM'000	2015 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	**1,500,000**	1,500,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	**1,000,000**	1,000,000
Perpetual preference shares		
Authorised		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	**400,000**	400,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	**220,000**	220,000

(z) Reserves

(a) The statutory reserve is maintained in compliance with BNM's guidelines and is not distributable as cash dividends.

(b) Regulatory reserves is maintained as an additional credit risk absorbent to ensure robustness on the financing/loans impairment financing assessment methodology with the adoption of FRS 139 beginning 1 January 2010.

(c) The Share-based payment reserve arose from the Employee Ownership Plan ("EOP"), the Group's share-based compensation benefits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) Income derived from investment of depositors' funds and others

	2016 RM'000	2015 RM'000
Income derived from investment of:		
(i) General investment deposits	**2,069,890**	1,748,924
(ii) Specific investment deposits	**11,037**	21,219
(iii) Other deposits	**704,163**	716,655
	2,785,090	2,486,798

(i) Income derived from investment of general investment deposits

	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**1,656,800**	1,427,105
– Unwinding income*	**10,340**	6,269
Financial assets held for trading	**18,298**	18,313
Financial investments available-for-sale	**51,700**	67,969
Financial investments held-to-maturity	**75,912**	37,008
Money at call and deposit with financial institutions	**189,737**	144,253
Securities purchased under resale agreement	**1,134**	3,001
Others	**3,401**	3,071
	2,007,322	1,706,989
Accretion of discount less amortisation of premium	**38,433**	59,610
	2,045,755	1,766,599
Other operating income:		
Net loss from foreign exchange transactions	**(26,217)**	(63,371)
Net gain/(loss) from sale of financial investments available-for-sale	**3,776**	(93)
Net gain/(loss) from financial assets held for trading		
– Realised	**8,033**	169
– Unrealised	**(1,667)**	4,251
	(16,075)	(59,044)
Fees and commission income:		
Fee on financing and advances	**18,751**	18,272
Guarantee fees	**2,919**	8,318
Service charges and fees	**16,580**	10,131
	38,250	36,721
Other income:		
Sundry income	**1,960**	4,648
	2,069,890	1,748,924

* *Unwinding income is income earned on impaired financial assets*

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) Income derived from investment of depositors' funds and others (Continued)

(ii) Income derived from investment of specific investment

	2016 RM'000	2015 RM'000
Money at call and deposit with financial institutions	**11,037**	21,219

(iii) Income derived from investment of other deposits

	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**557,235**	582,791
– Unwinding income*	**4,409**	3,201
Financial assets held for trading	**6,099**	8,275
Financial investments available-for-sale	**18,784**	30,342
Financial investments held-to-maturity	**29,554**	14,565
Money at call and deposit with banks and other financial institutions	**76,016**	67,105
	692,097	706,279
Accretion of discount less amortisation of premium	**16,938**	30,945
	709,035	737,224
Other operating income:		
Net gain from sale of financial investments available-for-sale	**1,228**	570
Net gain/(loss) from financial assets held for trading		
– Realised	**3,122**	94
– Unrealised	**(367)**	1,388
Net loss from foreign exchange transactions	**(10,098)**	(26,732)
	(6,115)	(24,680)
Fees and commission income:		
Guarantee fees	**1,243**	4,111
	704,163	716,655

* *Unwinding income is income earned on impaired financial assets*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) Income derived from investment of investment account

	2016 RM'000	2015 RM'000
Financing, advances and other financing/loans		
– Profit income	**172,124**	135,081
– Unwinding income*	**47**	15
Money at call and deposit with financial institutions	**16,512**	7,968
	188,683	143,064

* *Unwinding income is income earned on impaired financial assets*

(ac) Net income derived from investment of shareholders' funds

	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**133,071**	135,381
– Unwinding income *	**1,036**	650
Financial investments available-for-sale	**4,573**	6,247
Financial assets held for trading	**1,514**	1,690
Financial investments held-to-maturity	**27,484**	20,882
Money at call and deposit with financial institutions	**31,017**	28,391
	198,695	193,241
Accretion of discount less amortisation of premium	**3,968**	6,233
	202,663	199,474
Other operating income:		
Net gain/(loss) from financial assets held for trading		
– Realised	**791**	9
– Unrealised	**(108)**	323
Net gain from sale of financial investments available-for-sale	**2,688**	3,590
Net gain/(loss) from Islamic derivative financial instruments		
– Realised	**95,772**	107,445
– Unrealised	**264**	(5,590)
Net (loss)/gain arising from financial liabilities designated at fair value		
– Realised	**(1,938)**	(2,534)
– Unrealised	**(8,520)**	(6)
Net loss from foreign exchange transactions	**(732)**	(5,709)
Net loss from hedging derivatives	**(3,175)**	(3,250)
	85,042	94,278

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ac) Net income derived from investment of shareholders' funds (Continued)

	2016 RM'000	2015 RM'000
Net fees and commission income:		
Advisory fees	**2,542**	4,625
Guarantee fees	**20,993**	26,412
Service charges and fees	**59,556**	75,531
Placement fees	**456**	11,159
Underwriting commission	**936**	960
Others	**70,480**	30,248
Fee and commission income	**154,963**	148,935
Fee and commission expense	**(4,321)**	(4,321)
Net fees and commission income	**150,642**	144,614
Sundry income	**9,678**	7,676
	448,025	446,042

* *Unwinding income is income earned on impaired financial assets*

(ad) Allowance for impairment losses on financing, advances and other financing/loans

	2016 RM'000	2015 RM'000
(i) **Individual impairment allowance**		
– Made/(write back) during the financial year	**5,947**	(11,810)
(ii) **Portfolio impairment allowance**		
– Made during the financial year	**118,152**	199,278
Bad debts on financing:		
– Recovered	**(49,927)**	(41,356)
– Written-off	**2,886**	3,161
	77,058	149,273

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) Income attributable to depositors

	2016 RM'000	2015 RM'000
Deposits from customers		
– Mudharabah	**161,248**	185,118
– Non-Mudharabah	**1,432,883**	1,227,682
– Financial liabilities designated at fair value	**4,169**	7,311
Deposits and placements of banks and other financial institutions		
– Mudharabah	**147**	3,958
– Non-Mudharabah	**28,655**	22,893
Others		
– Subordinated Sukuk	**34,175**	41,178
– Cagamas	**53,072**	2,368
– Sukuk	**8,063**	–
– Others	**407**	5,072
	1,722,819	1,495,580

(af) Profit distributed to investment account holder

	2016 RM'000	2015 RM'000
– Restricted	**132,510**	151,741
– Unrestricted	**548**	204
	133,058	151,945

(ag) Personnel expenses

	2016 RM'000	2015 RM'000
– Salaries, allowances and bonuses	**51,307**	85,408
– Pension costs (defined contribution plan)	**5,826**	5,282
– Staff incentives and other staff payments	**3,876**	2,024
– Medical expenses	**778**	1,385
– Mutual separation scheme	**–**	2,586
– Others	**6,322**	4,935
	68,109	101,620

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM1,173,000 (2015: RM1,227,000).

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ah) Other overheads and expenditures

	2016 RM'000	2015 RM'000
Establishment costs		
– Depreciation of property, plant and equipment	**5,522**	5,286
– Rental	**6,182**	5,055
– Repairs and maintenance	**4,863**	572
– Outsource services	**775**	918
– Security expenses	**32**	557
– Utility expenses	**98**	239
– Others	**1,381**	7,226
	18,853	19,853
Marketing expenses		
– Advertisement and publicity	**5,989**	6,017
– Others	**1,169**	2,043
	7,158	8,060
Administration and general expenses		
– Amortisation of intangible assets	**11,316**	10,684
– Legal and professional fees	**1,872**	2,223
– Stationery	**628**	674
– Communication	**1,424**	753
– Incidental expenses on banking operations	**5,036**	1,380
– Others	**26,718**	40,325
	46,994	56,039
Shared service cost		
Personnel expenses	**241,057**	233,995
Establishment	**97,393**	112,417
Promotion	**16,334**	15,768
General expenses	**53,021**	31,657
	407,805	393,837
	480,810	477,789

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ai) Taxation and zakat

(i) Tax expense for the financial year

	Note	2016 RM'000	2015 RM'000
Current year tax			
– Malaysian income tax		**178,962**	157,270
Deferred taxation	(h)	**10,133**	(5,775)
Under/(over) provision in prior year		**4,696**	(2,195)
		193,791	149,300
Zakat		**300**	–
		194,091	149,300

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2016 RM'000	2015 RM'000
Profit before taxation and zakat	**936,529**	699,599
Tax calculated at tax rate of 24% (2015: 25%)	**224,767**	174,900
– Effect of different tax rates	**(6,119)**	(3,669)
– Income not subject to tax	**(32,351)**	(26,526)
– Expenses not deductible for tax purposes	**2,798**	6,790
Under/(over) provision in prior year	**4,696**	(2,195)
	193,791	149,300

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aj) Sources and uses of charity funds

	2016 RM'000	2015 RM'000
Sources of charity funds		
Balance as at 1 January	–	550
Non-shariah compliance income	–	–
Exchange fluctuation	–	60
Total sources of charity funds during the financial year	–	610
Uses of charity funds		
Contribution to non-profit organisation	–	569
Contribution to government agencies	–	41
Total uses of charity funds during the financial year	–	610
Undistributed charity funds as at 31 December	–	–

59 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 6 March 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

60 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The marked-to-market gains and losses on derivative contracts and financial investments at fair value through profit or loss that remain outstanding in the financial statements of the Group and the Company as at 31 December 2016 and 31 December 2015 are deemed unrealised and should be read together as it reflects the nature of the transactions and financial positon of the Group and the Company. In addition, the unrealised retained earnings of the Group and the Company as disclosed below excludes the translation gains and losses on monetary items denominated in a currency other than the functional currency, as these gains and losses are incurred in the ordinary course of business of the Group and the Company, and are hence deemed as realised.

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Group and subsidiaries				
– Realised	**11,669,910**	14,047,882	**1,092,041**	1,801,801
– Unrealised	**2,834,594**	100,048	**278,263**	53,644
	14,504,504	14,147,930	**1,370,304**	1,855,445
Total share of retained earnings from associates				
– Realised	**909,246**	800,973	**–**	–
– Unrealised	**332**	788	**–**	–
Total share retained earnings from joint ventures				
– Realised	**97,765**	93,529	**–**	–
– Unrealised	**1,293**	1,293	**–**	–
	15,513,140	15,044,513	**1,370,304**	1,855,445
Consolidation adjustments	**493,594**	(28,928)	**–**	–
Total group retained earings as per consolidated financial statements	**16,006,734**	15,015,585	**1,370,304**	1,855,445

BASEL II PILLAR 3 DISCLOSURES

ABBREVIATIONS

A-IRB Approach	:	Advanced Internal Ratings Based Approach
ALM COE	:	Asset Liability Management Centre of Excellence
BI	:	Banking Institutions
BIA	:	Basic Indicator Approach
BNM	:	Bank Negara Malaysia
BRC	:	Board Risk Committee
CAF	:	Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework
CAFIB	:	Capital Adequacy Framework for Islamic Banks
CAR	:	Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio
CBSM	:	Capital and Balance Sheet Management
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad and non-financial subsidiaries
CIMBIBG	:	CIMB Investment Bank Berhad, CIMB Futures Sdn Bhd and non-financial subsidiaries
CIMBISLG	:	CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd
CIMBGH Group	:	Group of Companies under CIMB Group Holdings Berhad
CIMBTH	:	CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	:	CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CRO	:	Group Chief Risk Officer
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EaR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings
GALCO	:	Group Asset Liability Management Committee
GCC	:	Group Credit Committee
GIBD	:	Group Islamic Banking Division

GMRC	:	Group Market Risk Committee
GRC	:	Group Risk Committee
GRD	:	Group Risk Division
GUC	:	Group Underwriting Committee
HPE	:	Hire Purchase Exposures
IRB Approach	:	Internal Ratings Based Approach
IRRBB	:	Interest Rate Risk in the Banking Book
KRI	:	Key Risk Indicators
LGD	:	Loss Given Default
MARC	:	Malaysian Rating Corporation Berhad
MDBs	:	Multilateral Development Banks
Moody's	:	Moody's Investors Service
MRMWG	:	Model Risk Management Working Group
MTM	:	Mark-to-Market and/or Mark-to-Model
ORM	:	Operational Risk Management
ORMF	:	Operational Risk Management Framework
OTC	:	Over the Counter
PD	:	Probability of Default
PSEs	:	Non-Federal Government Public Sector Entities
PSIA	:	Profit Sharing Investment Accounts
QRRE	:	Qualifying Revolving Retail Exposures
R&I	:	Rating and Investment Information, Inc
RAM	:	RAM Rating Services Berhad
RAROC	:	Risk Adjusted Return on Capital
RORBB	:	Rate of Return Risk in the Banking Book
RRE	:	Residential Real Estate
RWA	:	Risk-Weighted Assets
RWCAF	:	Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
S&P	:	Standard & Poor's
SA	:	Standardised Approach
SMEs	:	Small and Medium Enterprises
SNC	:	Shariah Non-Compliance
SRM COE	:	Shariah Risk Management Centre of Excellence
VaR	:	Value at Risk

OVERVIEW OF BASEL II AND PILLAR 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as 'CIMBBG'); apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

FREQUENCY OF DISCLOSURE

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

MEDIUM AND LOCATION OF DISCLOSURE

These disclosures are also available on CIMBGH Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available at the CIMBGH Group's corporate website.

BASIS OF DISCLOSURE

These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2016.

The basis of consolidation for financial accounting purposes is described in the 2016 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in this disclosure is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2016 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2016 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

Our Group embraces risk management as an integral component of our Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions and thus enable risk to be priced appropriately in relation to the return.

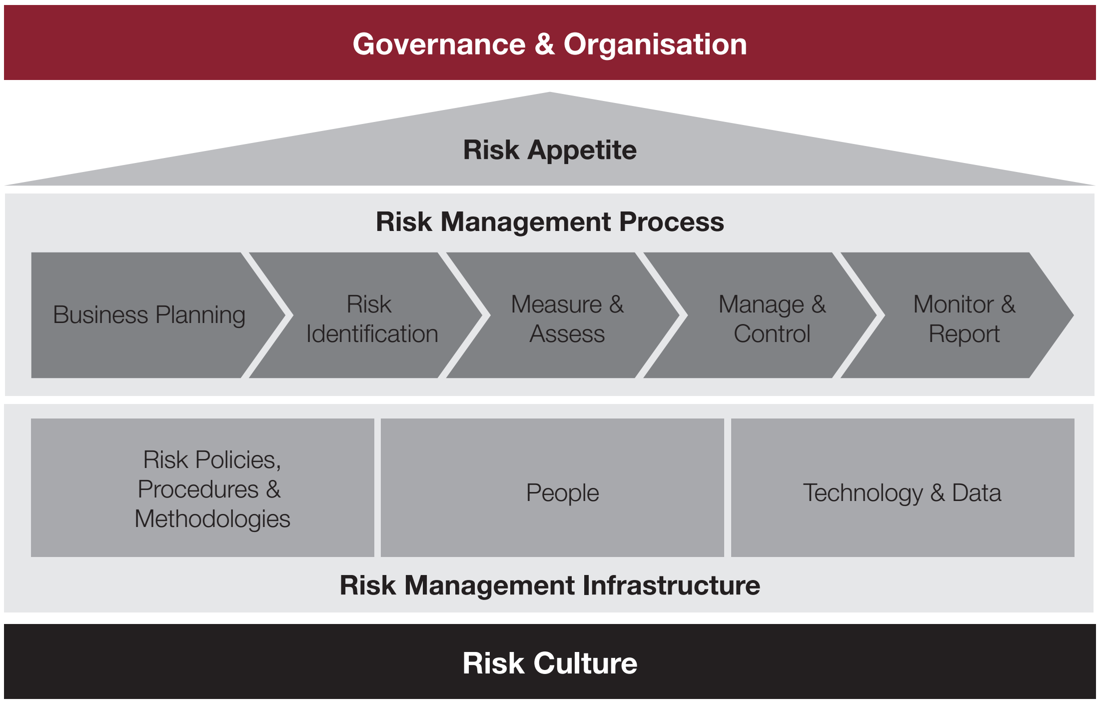
Generally, the objectives of our risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder value through sound risk management framework.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Our Group employs an EWRM framework as a standardised approach to manage our risks and opportunities effectively. The EWRM framework provides our Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



The design of the EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for our Group.

a) **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

b) **Risk Appetite:** It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk. CIMB Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. BRC and GRC receive monthly reports on compliance with the risk appetite.

c) **Risk Management Process:**

- **Business Planning:** Risk is a stakeholder in the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group's risk frameworks, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using the Group wide methodologies across each of the risk types, including stress testing.
- **Manage and Control:** Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

RISK MANAGEMENT OVERVIEW (CONT'D.)

- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

d) **Risk Management Infrastructure**

- **Risk Policies, Methodologies and Procedures:** Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
- **People:** Attracting the right talent and skills are key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

e) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

RISK GOVERNANCE

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's Risk Appetite corresponding to its business strategies. Each BRC reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of our GRC.

In order to facilitate the effective implementation of the EWRM framework, our BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of the supervision of the risk management functions is delegated to our GRC comprising senior management of our Group and reports directly to our BRC. Our GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of our Group. Our GRC is supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, arising from fluctuations in the market value of the trading exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, arising from the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to our Group;

(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

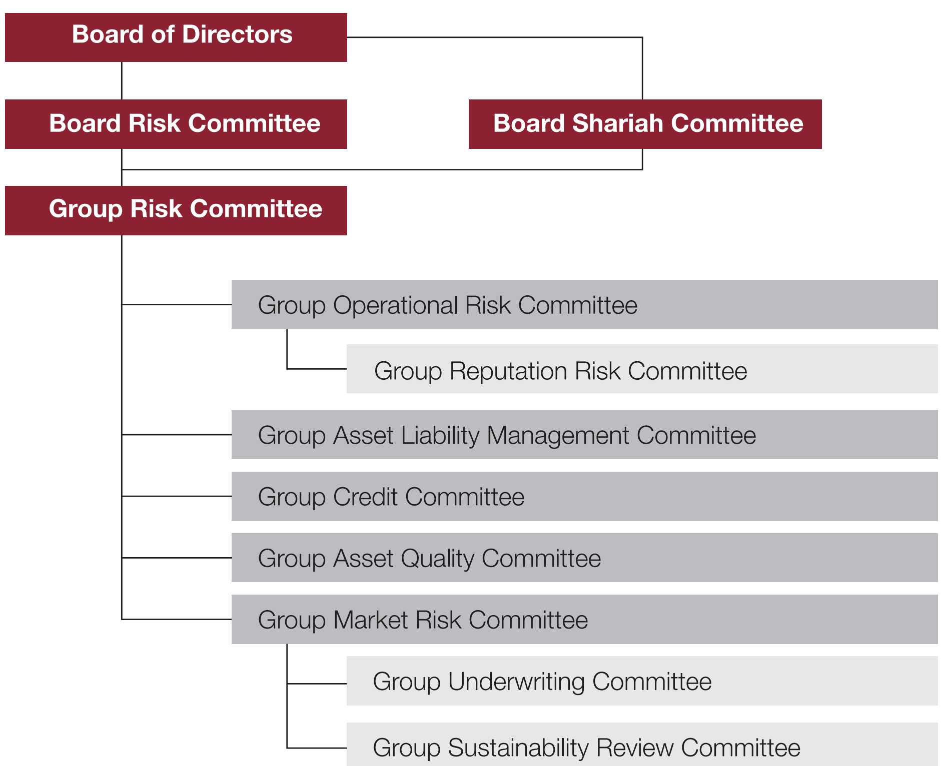
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates;

(vi) Capital risk, arising from the failure of not meeting the minimum regulatory and internal requirements that could incur regulatory sanction of our Group, resulting in a potential capital charge; and

(vii) Shariah Non-Compliance (SNC) risk, arising from failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the BSC of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of CIMB Group Risk Committees is depicted in the following chart:



Our overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, our Group strives to ensure a consistent and standardised approach in its risk governance process. As such, our group and regional committees have consultative and advisory responsibilities on regional matters across our Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing our Board to have a comprehensive view of the activities within our Group.

THREE-LINES OF DEFENCE

Our Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across our Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

THE ROLES OF CRO AND GROUP RISK DIVISION

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and stakeholders in the monitoring and controlling of the Group's risk exposures within the board approved risk appetite statement.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence ("CoE"). GRD is headed by the Group Chief Risk Officer who is appointed by the Board to lead the Group-wide risk management functions including the implementation of the EWRM framework. The CRO:

a) Actively engages the Board and senior management on risk management issues and initiatives.

b) Maintains an oversight on risk management functions across all entities within the Group. In each key country of operation, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk CoEs in order to facilitate the implementation of the Group's EWRM framework. The Risk CoEs consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management CoEs are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure CoE

The Risk Analytics & Infrastructure CoE designs frameworks, develops risk models and tools and implements standardised infrastructure for risk management across the Group.

b) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

c) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework.

d) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate risk in the banking book/rate of return in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

e) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk models; underwriting and portfolio analytics.

f) Shariah Risk Management CoE

The Shariah Risk Management CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic businesses and services. SRM COE formulates, recommends and implements appropriate Shariah Risk Management (SRM) policies & guidelines; and develops and implements processes for SNC risk awareness.

In addition to the above Risk CoEs, there is also specialised team within Group Risk:

- The Regional Risk & International Offices team oversees the risk management functions of the regional offices, our Group's asset management and securities businesses and also houses the validation team.

In ensuring a standardised approach to risk management across the Group, all risk management teams within our Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk CoEs. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the day-to-day running of Shariah management is performed by the CEO of GIB.

Shariah & Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator and manager of the overall Shariah governance and compliance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions. In performing its roles, S&G is complemented by the roles of the Shariah Compliance functions consisting of Shariah Risk Management COE, Shariah Compliance Review and Shariah Audit.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Compliance Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Internal Audit Division respectively.

RECTIFICATION PROCESS OF SHARIAH NON-COMPLIANCE INCOME OCCURRING DURING THE YEAR

During the year ended 31 December 2016, an amount of RM1,553.70 was recorded as Shariah non-compliance (SNC) income. For the purpose of rectification, the stated amount will be channelled to the approved charitable bodies accordingly.

CAPITAL MANAGEMENT

KEY CAPITAL MANAGEMENT PRINCIPLES

The key driving principles of CIMBGH Group's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the CIMBGH Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the Group EXCO who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

CAPITAL STRUCTURE AND ADEQUACY

The relevant entities under the Group have issued various capital instruments pursuant to the respective regulatory guidelines, including Tier 2 subordinated debt, innovative and non-innovative Tier 1 hybrid securities that qualify as capital pursuant to the RWCAF and CAFIB issued by BNM. However, with the implementation of Basel III under the Capital Adequacy Framework (Capital Components) beginning 1 January 2013, capital instruments are subject to a gradual phase-out treatment which will eventually result in a full derecognition by 1 January 2022. Therefore, in order for the Group to maintain adequate capital, it has issued Basel III compliant instruments during the financial year and will continually review potential future issuances under the Capital Management Plan. Notes 29 to 31 in CIMBGH Financial Statement show the summary of terms and conditions of the capital instruments.

The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components). The minimum regulatory capital adequacy requirements in 2016 for the Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio are 5.125%, 6.625% and 8.625% respectively.

On 13 October 2015, BNM issued revised guidelines on the Capital Adequacy Framework (Capital Components), of which will take effect beginning 1 January 2016 and 1 January 2019 for banking institutions and financial holding company respectively. BNM also issued updated guidelines on the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) which are applicable to all banking institutions with immediate effect and all financial holding companies with effect from 1 January 2019.

On 1 August 2016, BNM issued an updated framework which revised capital treatment for credit derivatives transactions in the trading book. In addition, the framework also clarifies on the following;

(i) Application of a 20% risk weight for the portion of residential mortgages guaranteed by Cagamas SRP Berhad under Cagamas MGP, Skim Rumah Pertamaku, and Skim Perumahan Belia;

(ii) Application of a 100% risk weight to all residential mortgages with a loan-to-value ratio of more than 90% approved and disbursed by banking institutions on or after 1 February 2011; and

(iii) Removal of the treatment for CGC's SME Assistance Guarantee Scheme as the scheme is no longer available.

Effective 1 August 2016, Commodity Finance and Object Finance portfolios are treated under Standardised Approach.

CAPITAL MANAGEMENT (CONT'D.)

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below present the Capital Position of CIMBBG, CIMBISLG and CIMBIBG respectively.

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	**2016**	**2015**
Common Equity Tier 1 capital		
Ordinary shares	**5,276,655**	5,148,084
Other reserves	**28,982,224**	26,518,216
Qualifying non-controlling interests	**307,549**	275,120
Less Proposed dividend	**(844,265)**	(966,553)
Common Equity Tier 1 capital before regulatory adjustments	**33,722,163**	30,974,867
Less: Regulatory adjustments		
Goodwill	**(5,188,198)**	(5,114,235)
Intangible assets	**(934,211)**	(945,435)
Deferred Tax Assets	**(384,082)**	(403,149)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	**(531,812)**	(319,238)
Shortfall of eligible provisions to expected losses	**–**	–
Others	**(1,419,044)**	(1,023,930)
Common equity Tier 1 capital after regulatory adjustments	**25,264,816**	23,168,880
Additional Tier 1 capital		
Perpetual preference shares	**200,000**	140,000
Non-innovative Tier 1 capital	**–**	700,000
Innovative Tier 1 capital	**1,000,000**	1,128,260
Perpetual subordinated capital securities	**1,400,000**	–
Qualifying capital instruments held by third parties	**60,423**	54,760
Additional Tier 1 capital before regulatory adjustments	**2,660,423**	2,023,020
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	**(6,568)**	–
Additional Tier 1 capital after regulatory adjustments	**2,653,855**	2,023,020
Total Tier 1 capital	**27,918,671**	25,191,900
Tier 2 capital		
Subordinated notes	**7,050,000**	7,050,000
Redeemable Preference Shares	**29,740**	29,740
Surplus eligible provisions over expected loss	**180,808**	210,735
Qualifying capital instruments held by third parties	**407,064**	376,000
Portfolio impairment allowance and regulatory reserves	**596,054**	509,270
Tier 2 capital before regulatory adjustments	**8,263,666**	8,175,745
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(359,121)**	(478,907)
Total Tier 2 capital	**7,904,545**	7,696,838
Total Capital Base	**35,823,216**	32,888,738

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(a): Capital Position for CIMBBG (continued)

	CIMBBG	
(RM'000)	**2016**	**2015**
RWA		
Credit risk	**185,063,333**	180,655,182
Market risk	**14,567,619**	14,483,777
Operational risk	**18,282,144**	17,227,086
Large Exposure risk requirement	**719,612**	666,867
Total RWA	**218,632,708**	213,032,912
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**11.556%**	10.876%
Tier 1 ratio	**12.770%**	11.825%
Total capital ratio	**16.385%**	15.438%

The Total Capital ratio increased in 2016 compared to 2015 primarily due to (i) issuance of ordinary shares from reinvestment of the cash dividend surplus from CIMB Group's 8th Dividend Reinvestment Scheme ("DRS"); and (ii) the redemption of RM1.0 billion non-innovative Tier 1 capital securities and issuance of RM1.4 billion Basel III Additional Tier 1 capital securities during the year. The increase in credit RWA was mainly due to increased corporate RWA but offset with enhanced PD model implementation for retail portfolios. The increase in market RWA was predominantly contributed by increased commodity RWA and equity RWA but offset by decreased option RWA and interest rate RWA.

CAPITAL MANAGEMENT (CONT'D.)

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(b): Capital Position for CIMBISLG

	CIMBISLG	
(RM'000)	**2016**	**2015**
Common Equity Tier 1 capital		
Ordinary shares	**1,000,000**	1,000,000
Other reserves	**2,930,175**	2,386,118
Common Equity Tier 1 capital before regulatory adjustments	**3,930,175**	3,386,118
Less: Regulatory adjustments		
Goodwill	**(136,000)**	(136,000)
Intangible assets	**(80,961)**	(82,210)
Deferred Tax Assets	**(15,507)**	(31,184)
Shortfall of eligible provisions to expected losses	**(30,570)**	(61,395)
Others	**(201,344)**	(60,957)
Common equity Tier 1 capital after regulatory adjustments	**3,465,793**	3,014,372
Additional Tier 1 capital		
Perpetual preference shares	**192,000**	199,000
Additional Tier 1 capital before regulatory adjustments	**192,000**	199,000
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Additional Tier 1 capital after regulatory adjustments	**192,000**	199,000
Total Tier 1 capital	**3,657,793**	3,213,372
Tier 2 capital		
Subordinated notes	**520,000**	595,000
Portfolio impairment allowance and regulatory reserves	**68,593**	48,697
Tier 2 capital before regulatory adjustments	**588,593**	643,697
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Total Tier 2 capital	**588,593**	643,697
Total Capital Base	**4,246,386**	3,857,069
RWA		
Credit risk	**20,854,017**	21,088,246
Market risk	**537,923**	532,642
Operational risk	**2,166,460**	2,080,787
Total RWA	**23,558,400**	23,701,675
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**14.711%**	12.718%
Tier 1 ratio	**15.526%**	13.558%
Total capital ratio	**18.025%**	16.273%

Total capital ratio increased in 2016 compared to 2015 due to increase in other reserves. The decrease in credit RWA was mainly due to the enhanced PD model implementation for retail portfolios but offset by increased corporate RWA. The increase in market RWA was mainly contributed by increased Profit Risk RWA, but offset by decreased FX RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(c): Capital Position for CIMBIBG

	CIMBIBG	
(RM'000)	**2016**	**2015**
Common Equity Tier 1 capital		
Ordinary shares	**100,000**	100,000
Other reserves	**542,491**	554,758
Proposed dividends	**(57,000)**	(66,000)
Common Equity Tier 1 capital before regulatory adjustments	**585,491**	588,758
Less: Regulatory adjustments		
Goodwill	**(964)**	(964)
Deferred Tax Assets	**(15,891)**	(15,278)
Deductions in excess of Tier 2 capital	**(1,193)**	(6,462)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(5,102)**	(3,268)
Others	**(2,207)**	(2,284)
Common equity Tier 1 capital after regulatory adjustments/Total Tier 1 capital	**560,134**	560,502
Tier 2 capital		
Redeemable Preference Shares	**6**	7
Portfolio impairment allowance and regulatory reserves	**2,203**	159
Tier 2 capital before regulatory adjustments	**2,209**	166
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(3,402)**	(6,628)
Total Tier 2 capital	**–**	–
Total Capital Base	**560,134**	560,502
RWA		
Credit risk	**1,080,354**	1,166,117
Market risk	**53,653**	86,545
Operational risk	**597,796**	631,580
Total RWA	**1,731,803**	1,884,242
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**32.344%**	29.747%
Tier 1 ratio	**32.344%**	29.747%
Total capital ratio	**32.344%**	29.747%

Total capital ratio increased in 2016 compared to 2015 mainly due to decrease in RWA. The decrease in credit RWA was mainly contributed by decreased money market exposures and other assets. The decrease in market RWA was mainly contributed by decreased FX RWA, equity RWA and interest rate RWA, but offset by increased option RWA.

CAPITAL MANAGEMENT (CONT'D.)

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2016			CIMBBG		
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	48,891,033	48,891,033	233,643	233,643	18,691
Public Sector Entities	3,956,712	3,465,454	198,913	198,913	15,913
Banks, DFIs & MDBs	4,253,622	3,625,243	1,770,284	1,770,284	141,623
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,286,607	1,782,337	1,006,511	1,006,511	80,521
Corporate	30,500,282	23,615,313	24,747,052	24,747,052	1,979,764
Regulatory Retail	34,484,402	23,097,683	19,313,970	19,313,970	1,545,118
Residential Mortgages/RRE Financing	7,751,054	7,748,939	3,055,418	3,055,418	244,433
Higher Risk Assets	1,234,737	1,234,737	1,852,105	1,852,105	148,168
Other Assets	9,627,349	9,627,349	2,455,490	2,455,490	196,439
Securitisation	484,419	484,419	96,884	96,884	7,751
Total for SA	143,470,216	123,572,506	54,730,270	54,730,270	4,378,422
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	21,303,396	21,303,396	4,207,319	4,207,319	336,586
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	129,875,107	129,875,107	78,461,941	78,461,941	6,276,955
Residential Mortgages/RRE Financing	65,077,204	65,077,204	14,829,633	14,829,633	1,186,371
Qualifying Revolving Retail	13,250,072	13,250,072	7,944,929	7,944,929	635,594
Hire Purchase	14,860,775	14,860,775	8,713,845	8,713,845	697,108
Other Retail	31,572,819	31,572,819	8,798,053	8,798,053	703,844
Securitisation	–	–	–	–	–
Total for IRB Approach	275,939,372	275,939,372	122,955,720	122,955,720	9,836,458
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	419,409,588	399,511,878	185,063,333	185,063,333	14,805,067
Large Exposure Risk Requirement	719,612	719,612	719,612	719,612	57,569
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			11,127,643	11,127,643	890,211
Foreign Currency Risk			743,710	743,710	59,497
Equity Risk			918,488	918,488	73,479
Commodity Risk			960,152	960,152	76,812
Options Risk			817,627	817,627	65,410
Total Market Risk			14,567,619	14,567,619	1,165,409
Operational Risk (BIA)			18,282,144	18,282,144	1,462,571
Total RWA and Capital Requirement			218,632,707	218,632,707	17,490,617

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (continued)

2015	CIMBBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	45,058,836	45,058,836	647,611	647,611	51,809
Public Sector Entities	5,822,207	4,356,257	59,161	59,161	4,733
Banks, DFIs & MDBs	2,942,738	2,387,220	1,007,753	1,007,753	80,620
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,461,579	2,231,134	1,236,886	1,236,886	98,951
Corporate	24,819,933	21,536,779	22,659,162	22,659,162	1,812,733
Regulatory Retail	34,041,516	21,045,308	18,269,644	18,269,644	1,461,572
Residential Mortgages/RRE Financing	6,751,446	6,750,204	2,658,067	2,658,067	212,645
Higher Risk Assets	1,512,809	1,512,809	2,269,213	2,269,213	181,537
Other Assets	11,164,360	11,164,360	3,206,402	3,206,402	256,512
Securitisation	473,270	473,270	94,654	94,654	7,572
Total for SA	136,048,695	116,516,178	52,108,554	52,108,554	4,168,684
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	24,034,231	24,034,231	4,151,742	4,151,742	332,139
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	123,450,137	123,450,137	72,300,420	72,300,420	5,784,034
Residential Mortgages/RRE Financing	58,407,202	58,407,202	19,053,391	19,053,391	1,524,271
Qualifying Revolving Retail	13,466,147	13,466,147	8,675,864	8,675,864	694,069
Hire Purchase	14,416,468	14,416,468	8,681,744	8,681,744	694,540
Other Retail	25,220,714	25,220,714	8,407,243	8,407,243	672,579
Securitisation	–	–	–	–	–
Total for IRB Approach	258,994,899	258,994,899	121,270,404	121,270,404	9,701,632
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	395,043,593	375,511,076	180,655,182	180,655,182	14,452,415
Large Exposure Risk Requirement	666,867	666,867	666,867	666,867	53,349
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			11,436,234	11,436,234	914,899
Foreign Currency Risk			697,094	697,094	55,768
Equity Risk			552,290	552,290	44,183
Commodity Risk			316,977	316,977	25,358
Options Risk			1,481,181	1,481,181	118,494
Total Market Risk			14,483,777	14,483,777	1,158,702
Operational Risk (BIA)			17,227,086	17,227,086	1,378,167
Total RWA and Capital Requirement			213,032,912	213,032,912	17,042,633

CAPITAL MANAGEMENT (CONT'D.)

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG

2016	CIMBISLG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	18,989,607	18,989,607	4,898	4,898	392
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	868,743	868,743	323,707	323,707	25,897
Takaful Operators, Securities Firms & Fund Managers	779	269	269	269	21
Corporate	7,155,608	2,583,334	2,522,669	2,522,669	201,814
Regulatory Retail	3,036,436	3,015,344	2,577,908	2,577,908	206,233
RRE Financing	13,006	13,006	10,349	10,349	828
Higher Risk Assets	575	575	863	863	69
Other Assets	48,069	48,069	36,538	36,538	2,923
Securitisation	51,053	51,053	10,211	10,211	817
Total for SA	30,163,876	25,570,000	5,487,411	5,487,411	438,993
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,586,159	1,586,159	356,721	356,721	28,538
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	17,905,664	17,905,664	9,689,602	7,384,869	590,790
RRE Financing	11,215,328	11,215,328	2,689,228	2,689,228	215,138
Qualifying Revolving Retail	221,412	221,412	149,157	149,157	11,933
Hire Purchase	4,002,618	4,002,618	2,448,662	2,448,662	195,893
Other Retail	4,382,127	4,382,127	1,468,161	1,468,161	117,453
Securitisation	–	–	–	–	–
Total for IRB Approach	39,313,307	39,313,307	16,801,530	14,496,797	1,159,744
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	69,477,183	64,883,307	23,297,033	20,854,016	1,668,321
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			415,727	415,727	33,258
Foreign Currency Risk			122,196	122,196	9,776
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			537,923	537,923	43,034
Operational Risk (BIA)			2,166,460	2,166,460	173,317
Total RWA and Capital Requirement			26,001,417	23,558,400	1,884,672

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG (continued)

2015	CIMBISLG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	13,475,964	13,475,964	4,737	4,737	379
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	403,972	403,972	201,986	201,986	16,159
Takaful Operators, Securities Firms & Fund Managers	1,022	502	502	502	40
Corporate	3,109,508	1,386,884	1,318,472	1,318,472	105,478
Regulatory Retail	3,288,808	3,272,450	2,795,420	2,795,420	223,634
RRE Financing	–	–	–	–	–
Higher Risk Assets	575	575	863	863	69
Other Assets	49,689	49,689	40,664	40,664	3,253
Securitisation	54,395	54,395	10,879	10,879	870
Total for SA	20,383,934	18,644,432	4,373,523	4,373,523	349,882
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,426,351	1,426,351	281,997	281,997	22,560
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	15,465,951	15,465,951	9,525,032	7,940,251	635,220
RRE Financing	10,085,876	10,085,876	3,290,794	3,290,794	263,264
Qualifying Revolving Retail	208,616	208,616	156,972	156,972	12,558
Hire Purchase	4,301,949	4,301,949	2,635,175	2,635,175	210,814
Other Retail	3,856,734	3,856,734	1,463,418	1,463,418	117,073
Securitisation	–	–	–	–	–
Total for IRB Approach	35,345,476	35,345,476	17,353,388	15,768,607	1,261,489
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	55,729,410	53,989,908	22,768,114	21,088,246	1,687,060
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			407,049	407,049	32,564
Foreign Currency Risk			125,592	125,592	10,047
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			532,642	532,642	42,611
Operational Risk (BIA)			2,080,787	2,080,787	166,463
Total RWA and Capital Requirement			25,381,542	23,701,675	1,896,134

CAPITAL MANAGEMENT (CONT'D.)

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2016	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	1,225,518	1,225,518	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,272,137	1,272,137	625,368	625,368	50,029
Insurance Cos, Securities Firms & Fund Managers	13,847	13,847	13,847	13,847	1,108
Corporate	31,773	31,773	31,773	31,773	2,542
Regulatory Retail	3,423	3,423	2,567	2,567	205
Residential Mortgages	157,953	157,953	85,499	85,499	6,840
Higher Risk Assets	–	–	–	–	–
Other Assets	321,477	321,477	321,301	321,301	25,704
Securitisation	–	–	–	–	–
Total Credit Risk	3,026,126	3,026,126	1,080,354	1,080,354	86,428
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			10,599	10,599	848
Foreign Currency Risk			23,847	23,847	1,908
Equity Risk			644	644	52
Commodity Risk			–	–	–
Options Risk			18,563	18,563	1,485
Total Market Risk			53,653	53,653	4,292
Operational Risk (BIA)			597,796	597,796	47,824
Total RWA and Capital Requirement			1,731,803	1,731,803	138,544

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (continued)

2015	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	881,584	881,584	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,565,871	1,565,871	645,949	645,949	51,676
Insurance Cos, Securities Firms & Fund Managers	15,571	15,571	15,571	15,571	1,246
Corporate	47,268	47,268	47,268	47,268	3,781
Regulatory Retail	9,995	9,995	8,928	8,928	714
Residential Mortgages	156,905	156,905	94,279	94,279	7,542
Higher Risk Assets	–	–	–	–	–
Other Assets	359,333	359,333	354,123	354,123	28,330
Securitisation	–	–	–	–	–
Total Credit Risk	3,036,527	3,036,527	1,166,117	1,166,117	93,289
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			12,380	12,380	990
Foreign Currency Risk			58,041	58,041	4,643
Equity Risk			3,191	3,191	255
Commodity Risk			–	–	–
Options Risk			12,933	12,933	1,035
Total Market Risk			86,545	86,545	6,924
Operational Risk (BIA)			631,580	631,580	50,526
Total RWA and Capital Requirement			1,884,242	1,884,242	150,739

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.

b) Assessing the capital adequacy and capital management strategies.

c) Monitoring compliance with regulatory requirement on capital adequacy.

d) Reporting to management and regulator on ICAAP.

e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRC for approval and the Board for notification.

CREDIT RISK

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) (CONTINUED)

Credit and counterparty risk is defined as the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to our Group.

Credit risk arises primarily from traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts.

In sales and trading activities, credit risk arises from the possibility that our Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

CREDIT RISK MANAGEMENT

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the risk-based delegated authority framework. This risk-based delegated authority framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committee.

The GRC with the support of Group Credit Committee, Group Asset Quality Committee and other relevant credit committees as well as GRD is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

It is our Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

CREDIT RISK MANAGEMENT (CONTINUED)

Credit reviews and rating are conducted on the non-retail credit exposures at least on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

SUMMARY OF CREDIT EXPOSURES

i) Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed.

The following tables represent the Group's credit exposures by geographic region:

Table 3(a): Geographic Distribution of Credit Exposures for CIMBBG

(RM'000) Exposure Class	CIMBBG Malaysia	Singapore	Thailand	Other Countries	Total
2016					
Sovereign	**42,746,229**	**2,972,420**	**2,561,981**	**610,403**	**48,891,033**
Bank	**18,844,045**	**3,270,352**	**6,211,718**	**1,187,615**	**29,513,730**
Corporate	**109,702,517**	**33,149,854**	**14,853,247**	**4,956,378**	**162,661,996**
Mortgage/RRE Financing	**60,413,881**	**5,641,577**	**6,772,799**	**–**	**72,828,258**
HPE	**14,860,775**	**–**	**–**	**–**	**14,860,775**
QRRE	**10,220,154**	**3,029,918**	**–**	**–**	**13,250,072**
Other Retail	**55,926,721**	**2,803,645**	**6,776,605**	**550,250**	**66,057,221**
Other Exposures	**6,377,485**	**521,432**	**4,106,822**	**340,765**	**11,346,504**
Total Gross Credit Exposure	**319,091,807**	**51,389,198**	**41,283,172**	**7,645,411**	**419,409,588**
2015					
Sovereign	40,140,885	2,617,287	1,355,656	945,009	45,058,836
Bank	15,360,920	6,231,709	7,876,811	3,329,736	32,799,176
Corporate	102,015,364	31,077,663	14,793,505	3,845,116	151,731,649
Mortgage/RRE Financing	53,606,915	5,532,036	6,019,697	–	65,158,648
HPE	14,416,468	–	–	–	14,416,468
QRRE	10,205,324	3,260,823	–	–	13,466,147
Other Retail	50,683,567	2,343,847	5,822,927	411,888	59,262,230
Other Exposures	7,478,039	350,545	5,167,122	154,734	13,150,439
Total Gross Credit Exposure	293,907,482	51,413,911	41,035,718	8,686,483	395,043,593

CREDIT RISK (CONT'D.)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

i) Gross Credit Exposures by Geographic Distribution (continued)

Table 3(b): Geographic Distribution of Credit Exposures for CIMBISLG

	CIMBISLG				
(RM'000) **Exposure Class**	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
2016					
Sovereign	**18,989,607**	**–**	**–**	**–**	**18,989,607**
Bank	**2,454,902**	**–**	**–**	**–**	**2,454,902**
Corporate	**25,062,050**	**–**	**–**	**–**	**25,062,050**
RRE Financing	**11,228,334**	**–**	**–**	**–**	**11,228,334**
HPE	**4,002,618**	**–**	**–**	**–**	**4,002,618**
QRRE	**221,412**	**–**	**–**	**–**	**221,412**
Other Retail	**7,418,563**	**–**	**–**	**–**	**7,418,563**
Other Exposures	**99,697**	**–**	**–**	**–**	**99,697**
Total Gross Credit Exposure	**69,477,183**	**–**	**–**	**–**	**69,477,183**
2015					
Sovereign	13,475,964	–	–	–	13,475,964
Bank	1,830,322	–	–	–	1,830,322
Corporate	18,576,481	–	–	–	18,576,481
RRE Financing	10,085,876	–	–	–	10,085,876
HPE	4,301,949	–	–	–	4,301,949
QRRE	208,616	–	–	–	208,616
Other Retail	7,145,542	–	–	–	7,145,542
Other Exposures	104,659	–	–	–	104,659
Total Gross Credit Exposure	55,729,410	–	–	–	55,729,410

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

i) Gross Credit Exposures by Geographic Distribution (continued)

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

	CIMBIBG				
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
2016					
Sovereign	**1,225,518**	**–**	**–**	**–**	**1,225,518**
Bank	**1,272,137**	**–**	**–**	**–**	**1,272,137**
Corporate	**45,619**	**–**	**–**	**–**	**45,619**
Mortgage	**157,953**	**–**	**–**	**–**	**157,953**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**3,423**	**–**	**–**	**–**	**3,423**
Other Exposures	**321,477**	**–**	**–**	**–**	**321,477**
Total Gross Credit Exposure	**3,026,126**	**–**	**–**	**–**	**3,026,126**
2015					
Sovereign	881,584	–	–	–	881,584
Bank	1,565,871	–	–	–	1,565,871
Corporate	62,839	–	–	–	62,839
Mortgage	156,905	–	–	–	156,905
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	9,995	–	–	–	9,995
Other Exposures	359,333	–	–	–	359,333
Total Gross Credit Exposure	3,036,527	–	–	–	3,036,527

CREDIT RISK (CONT'D.)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) Gross Credit Exposures by Sector

The following tables represent the Group's credit exposures analysed by sector:

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

	CIMBBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2016												
Sovereign	317,812	–	–	1,335,558	1,688,117	–	2,540,533	9,384,777	32,699,355	–	924,881	48,891,033
Bank	–	–	–	–	–	–	–	29,511,195	2,535	–	–	29,513,730
Corporate	7,427,613	8,216,532	13,846,130	7,155,522	13,873,807	18,708,396	13,908,213	43,048,538	13,103,635	7,400,924	15,972,686	162,661,996
Mortgage/RRE Financing	–	–	–	–	–	–	–	–	–	72,828,258	–	72,828,258
HPE	–	–	–	–	–	–	–	–	–	14,860,775	–	14,860,775
QRRE	–	–	–	–	–	–	–	–	–	13,250,072	–	13,250,072
Other Retail	230,006	57,662	1,057,773	29,819	780,421	1,908,437	223,930	2,197,612	6,628,060	52,181,433	762,067	65,295,154
Other Exposures	25,234	–	17,714	1,868	423	23,714	112	1,412,856	163,661	–	9,700,923	11,346,504
Total Gross Credit Exposure	8,000,666	8,274,193	14,921,616	8,522,767	16,342,768	20,640,547	16,672,789	85,554,978	52,597,246	160,521,461	27,360,557	419,409,588
2015												
Sovereign	325,457	–	–	1,302,686	1,290,445	–	2,105,161	9,529,448	30,505,339	–	300	45,058,836
Bank	–	–	–	–	–	–	–	32,681,052	118,124	–	–	32,799,176
Corporate	8,671,223	9,492,778	12,913,121	6,341,553	11,112,070	18,311,699	15,181,652	42,957,587	9,224,613	6,081	17,519,273	151,731,649
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	65,158,648	–	65,158,648
HPE	–	–	–	–	–	–	–	–	–	14,416,468	–	14,416,468
QRRE	–	–	–	–	–	–	–	–	–	13,466,147	–	13,466,147
Other Retail	262,968	52,159	910,604	29,372	741,294	1,677,868	182,916	2,537,712	5,500,524	47,366,813	–	59,262,230
Other Exposures	24,148	–	34,939	1,774	–	20,565	–	1,625,372	240,455	–	11,203,186	13,150,439
Total Gross Credit Exposure	9,283,796	9,544,937	13,858,664	7,675,385	13,143,809	20,010,132	17,469,728	89,331,172	45,589,055	140,414,157	28,722,758	395,043,593

* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) Gross Credit Exposures by Sector (continued)

Table 4(b): Distribution of Credit Exposures by Sector for CIMBISLG

	CIMBISLG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2016												
Sovereign	**54,449**	**–**	**–**	**275,969**	**493,294**	**–**	**215,883**	**8,277,840**	**9,046,545**	**–**	**625,625**	**18,989,607**
Bank	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,454,902**	**-**	**–**	**–**	**2,454,902**
Corporate	**1,315,099**	**916,236**	**1,325,589**	**680,744**	**3,742,765**	**1,069,014**	**2,521,173**	**5,674,387**	**1,359,166**	**6,407,453**	**50,425**	**25,062,050**
RRE Financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,228,334**	**–**	**11,228,334**
HPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,002,618**	**–**	**4,002,618**
QRRE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**221,412**	**–**	**221,412**
Other Retail	**12,631**	**7,777**	**52,532**	**2,015**	**65,563**	**146,012**	**5,235**	**209,594**	**35,303**	**6,846,610**	**35,292**	**7,418,563**
Other Exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**575**	**51,053**	**–**	**48,069**	**99,697**
Total Gross Credit Exposure	**1,382,179**	**924,013**	**1,378,120**	**958,728**	**4,301,622**	**1,215,026**	**2,742,291**	**16,617,298**	**10,492,068**	**28,706,426**	**759,411**	**69,477,183**
2015												
Sovereign	54,167	–	–	181,156	156,834	–	94,760	4,233,552	8,755,495	–	–	13,475,964
Bank	–	–	–	–	–	–	–	1,830,322	–	–	–	1,830,322
Corporate	1,354,458	911,253	1,232,881	424,122	2,685,376	1,029,524	2,326,512	5,037,844	849,207	2,522,590	202,714	18,576,481
RRE Financing	–	–	–	–	–	–	–	–	–	10,085,876	–	10,085,876
HPE	–	–	–	–	–	–	–	–	–	4,301,949	–	4,301,949
QRRE	–	–	–	–	–	–	–	–	–	208,616	–	208,616
Other Retail	12,743	9,271	52,487	2,266	77,670	154,362	9,186	207,191	38,422	6,542,502	39,441	7,145,542
Other Exposures	–	–	–	–	–	–	–	575	54,395	–	49,689	104,659
Total Gross Credit Exposure	1,421,369	920,524	1,285,368	607,544	2,919,880	1,183,885	2,430,458	11,309,484	9,697,519	23,661,534	291,845	55,729,410

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

CREDIT RISK (CONT'D.)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) Gross Credit Exposures by Sector (continued)

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

	CIMBIBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2016												
Sovereign	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,225,518**	**–**	**–**	**–**	**1,225,518**
Bank	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,246,439**	**920**	**–**	**24,778**	**1,272,137**
Corporate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,506**	**197**	**28,946**	**14,970**	**45,619**
Mortgage	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**157,953**	**–**	**157,953**
HPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,423**	**–**	**3,423**
Other Exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**360**	**321,117**	**321,477**
Total Gross Credit Exposure	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,473,463**	**1,117**	**190,680**	**360,865**	**3,026,126**
2015												
Sovereign	–	–	–	–	–	–	–	881,445	139	–	–	881,584
Bank	–	–	–	–	–	–	–	1,565,871	–	–	–	1,565,871
Corporate	–	–	–	–	–	–	–	6,241	217	8,000	48,380	62,839
Mortgage	–	–	–	–	–	–	–	–	–	156,905	–	156,905
HPE	–	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	9,995	–	9,995
Other Exposures	–	–	–	–	–	–	–	–	–	–	359,333	359,333
Total Gross Credit Exposure	–	–	–	–	–	–	–	2,453,557	356	174,900	407,713	3,036,527

* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

iii) Gross Credit Exposures by Residual Contractual Maturity

The following tables represent the Group's credit exposures analysed by residual contractual maturity:

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

	CIMBBG			
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2016				
Sovereign	**10,427,385**	**18,956,044**	**19,507,604**	**48,891,033**
Bank	**14,700,717**	**9,283,308**	**5,529,704**	**29,513,730**
Corporate	**45,470,672**	**59,971,820**	**57,219,504**	**162,661,996**
Mortgage/RRE Financing	**63,771**	**721,301**	**72,043,185**	**72,828,258**
HPE	**145,063**	**4,097,919**	**10,617,793**	**14,860,775**
QRRE	**13,250,072**	**–**	**–**	**13,250,072**
Other Retail	**4,072,326**	**6,104,973**	**55,879,922**	**66,057,221**
Other Exposures	**211,010**	**248,831**	**10,886,663**	**11,346,504**
Total Gross Credit Exposure	**88,341,016**	**99,384,196**	**231,684,376**	**419,409,588**
2015				
Sovereign	10,440,562	15,571,545	19,046,729	45,058,836
Bank	18,538,866	9,512,474	4,747,835	32,799,176
Corporate	38,904,253	59,370,448	53,456,948	151,731,649
Mortgage/RRE Financing	58,633	854,797	64,245,219	65,158,648
HPE	126,350	3,734,190	10,555,928	14,416,468
QRRE	13,466,147	–	–	13,466,147
Other Retail	3,243,999	5,732,710	50,285,521	59,262,230
Other Exposures	95,326	364,784	12,690,329	13,150,439
Total Gross Credit Exposure	84,874,136	95,140,947	215,028,510	395,043,593

CREDIT RISK (CONT'D.)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

iii) Gross Credit Exposures by Residual Contractual Maturity (continued)

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBISLG

(RM'000) Exposure Class	CIMBISLG Less than 1 year	1 to 5 years	More than 5 years	Total
2016				
Sovereign	**8,162,122**	**7,772,720**	**3,054,764**	**18,989,607**
Bank	**1,103,639**	**572,918**	**778,346**	**2,454,902**
Corporate	**5,328,456**	**4,839,350**	**14,894,245**	**25,062,050**
RRE Financing	**2,526**	**85,396**	**11,140,413**	**11,228,334**
HPE	**65,276**	**2,023,262**	**1,914,080**	**4,002,618**
QRRE	**221,412**	**–**	**–**	**221,412**
Other Retail	**51,591**	**308,014**	**7,058,958**	**7,418,563**
Other Exposures	**45,601**	**499**	**53,597**	**99,697**
Total Gross Credit Exposure	**14,980,623**	**15,602,158**	**38,894,402**	**69,477,183**
2015				
Sovereign	4,202,990	7,066,395	2,206,579	13,475,964
Bank	1,175,957	250,393	403,972	1,830,322
Corporate	3,646,571	4,174,636	10,755,274	18,576,481
RRE Financing	2,434	80,440	10,003,002	10,085,876
HPE	42,953	1,881,209	2,377,786	4,301,949
QRRE	208,616	–	–	208,616
Other Retail	49,785	362,951	6,732,807	7,145,542
Other Exposures	–	49,504	55,155	104,659
Total Gross Credit Exposure	9,329,306	13,865,528	32,534,575	55,729,410

Table 5(c): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBIBG

(RM'000) Exposure Class	CIMBIBG Less than 1 year	1 to 5 years	More than 5 years	Total
2016				
Sovereign	**1,225,201**	**–**	**317**	**1,225,518**
Bank	**778,361**	**7,713**	**486,063**	**1,272,137**
Corporate	**10**	**1,688**	**43,921**	**45,619**
Mortgage	**50**	**990**	**156,912**	**157,953**
HPE	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**
Other Retail	**235**	**2,872**	**316**	**3,423**
Other Exposures	**360**	**–**	**321,117**	**321,477**
Total Gross Credit Exposure	**2,004,217**	**13,264**	**1,008,646**	**3,026,126**
2015				
Sovereign	881,445	–	139	881,584
Bank	1,181,640	103	384,128	1,565,871
Corporate	3	930	61,906	62,839
Mortgage	19	1,469	155,417	156,905
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	211	5,244	4,541	9,995
Other Exposures	291	–	359,043	359,333
Total Gross Credit Exposure	2,063,608	7,746	965,173	3,036,527

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

i) Past Due But Not Impaired

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2016 and 31 December 2015 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMBBG	
	2016	2015
Primary Agriculture	**26,193**	70,608
Mining and Quarrying	**1,256**	6,983
Manufacturing	**158,264**	209,752
Electricity, Gas and Water Supply	**523**	768
Construction	**114,406**	102,718
Wholesale and Retail Trade, and Restaurants and Hotels	**165,445**	185,007
Transport, Storage and Communication	**58,321**	48,530
Finance, Insurance/Takaful, Real Estate and Business Activities	**339,012**	166,948
Education, Health and Others	**48,193**	84,273
Household	**13,211,654**	9,928,830
Others*	**6,827**	511,671
Total	**14,130,094**	11,316,088

* Others are exposures which are not elsewhere classified.

(RM'000)	CIMBISLG	
	2016	2015
Primary Agriculture	**12,971**	39,555
Mining and Quarrying	**35**	49
Manufacturing	**7,513**	1,883
Electricity, Gas and Water Supply	**–**	–
Construction	**33,638**	24,700
Wholesale and Retail Trade, and Restaurants and Hotels	**19,449**	15,357
Transport, Storage and Communication	**2,859**	3,241
Islamic Finance, Takaful, Real Estate and Business Activities	**48,394**	27,669
Education, Health and Others	**6,337**	16,712
Household	**2,935,679**	2,241,064
Others*	**2,120**	34
Total	**3,068,995**	2,370,264

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

CREDIT RISK (CONT'D.)

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

i) Past Due But Not Impaired (continued)

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector (continued)

(RM'000)	CIMBIBG	
	2016	**2015**
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Household	**–**	–
Others*	**–**	–
Total	**–**	–

* Others are exposures which are not elsewhere classified.

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMBBG	
	2016	**2015**
Malaysia	**11,726,437**	9,795,878
Singapore	**536,075**	129,242
Thailand	**1,867,356**	1,390,781
Other Countries	**226**	187
Total	**14,130,094**	11,316,088

(RM'000)	CIMBISLG	
	2016	**2015**
Malaysia	**3,068,995**	2,370,264
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**3,068,995**	2,370,264

(RM'000)	CIMBIBG	
	2016	**2015**
Malaysia	**–**	–
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**–**	–

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing

The Group deems a financial asset or a group of financial asset to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment losses are calculated on individual loans/financing and on loans/financing assessed collectively.

Losses for impaired loans/financing are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financing has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financing that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financing are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The following tables provide an analysis of the outstanding balances as at 31 December 2016 and 31 December 2015 which were impaired by sector and geographical respectively:

Table 7(a): Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMBBG	
	2016	2015
Primary Agriculture	**92,702**	49,939
Mining and Quarrying	**129,608**	45,737
Manufacturing	**986,416**	613,710
Electricity, Gas and Water Supply	**1,016**	2,704
Construction	**111,713**	148,719
Wholesale and Retail Trade, and Restaurants and Hotels	**499,211**	289,246
Transport, Storage and Communication	**1,224,748**	1,092,735
Finance, Insurance/Takaful, Real Estate and Business Activities	**292,586**	183,206
Education, Health and Others	**96,357**	128,917
Household	**2,143,643**	1,719,283
Others*	**7,752**	66,173
Total	**5,585,752**	4,340,369

* Others are exposures which are not elsewhere classified.

CREDIT RISK (CONT'D.)

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 7(a): Impaired Loans, Advances and Financing by Sector (continued)

(RM'000)	CIMBISLG	
	2016	**2015**
Primary Agriculture	**45,049**	6,860
Mining and Quarrying	**2,490**	307
Manufacturing	**20,348**	22,166
Electricity, Gas and Water Supply	**–**	365
Construction	**16,114**	43,504
Wholesale and Retail Trade, and Restaurants and Hotels	**16,845**	13,211
Transport, Storage and Communication	**69,253**	75,752
Islamic Finance, Takaful, Real Estate and Business Activities	**46,433**	7,161
Education, Health and Others	**19,200**	14,274
Household	**230,392**	240,508
Others*	**241**	276
Total	**466,365**	424,384

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

(RM'000)	CIMBIBG	
	2016	**2015**
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Household	**2,075**	1,228
Others*	**–**	–
Total	**2,075**	1,228

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMBBG 2016	CIMBBG 2015
Malaysia	**3,538,375**	3,460,219
Singapore	**412,208**	91,188
Thailand	**1,632,488**	788,425
Other Countries	**2,681**	537
Total	**5,585,752**	4,340,369

(RM'000)	CIMBISLG 2016	CIMBISLG 2015
Malaysia	**466,365**	424,384
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**466,365**	424,384

(RM'000)	CIMBIBG 2016	CIMBIBG 2015
Malaysia	**2,075**	1,228
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**2,075**	1,228

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBBG

	CIMBBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**35,595**	**18,125**	32,524	21,969
Mining and Quarrying	**34,747**	**18,476**	35,154	12,000
Manufacturing	**670,046**	**82,892**	411,040	95,932
Electricity, Gas and Water Supply	**672**	**14,153**	1,455	5,703
Construction	**42,611**	**71,822**	61,180	44,040
Wholesale and Retail Trade, and Restaurants and Hotels	**187,785**	**104,705**	114,035	118,499
Transport, Storage and Communication	**1,072,138**	**23,027**	1,035,146	22,356
Finance, Insurance/Takaful, Real Estate and Business Activities	**185,268**	**102,710**	142,335	101,047
Education, Health and Others	**25,299**	**20,727**	5,350	21,996
Household	**93,117**	**1,513,386**	48,197	1,384,120
Others*	**3,355**	**7,779**	35,586	142,680
Total	**2,350,633**	**1,977,802**	1,922,002	1,970,342

* Others are exposures which are not elsewhere classified.

CREDIT RISK (CONT'D.)

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 8(b): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBISLG

	CIMBISLG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**7,380**	**4,243**	32	10,595
Mining and Quarrying	**343**	**164**	–	285
Manufacturing	**1,306**	**3,709**	–	4,923
Electricity, Gas and Water Supply	**–**	**284**	–	640
Construction	**6,712**	**5,046**	11,509	8,582
Wholesale and Retail Trade, and Restaurants and Hotels	**5,280**	**4,806**	2,667	7,719
Transport, Storage and Communication	**19,295**	**2,040**	28,602	2,372
Islamic Finance, Takaful, Real Estate and Business Activities	**4,587**	**11,581**	1,890	12,582
Education, Health and Others	**3,159**	**4,987**	1,468	2,417
Household	**–**	**205,727**	–	263,595
Others*	**–**	**275**	–	344
Total	**48,062**	**242,862**	46,168	314,054

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Table 8(c): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBIBG

	CIMBIBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**–**	**–**	–	–
Mining and Quarrying	**–**	**–**	–	–
Manufacturing	**–**	**–**	–	–
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**–**	**–**	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	**–**	–	–
Transport, Storage and Communication	**–**	**–**	–	–
Finance, Insurance, Real Estate and Business Activities	**–**	**–**	–	–
Education, Health and Others	**–**	**–**	–	–
Household	**2,075**	**99**	1,228	159
Others*	**–**	**–**	–	–
Total	**2,075**	**99**	1,228	159

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 9(a): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBBG

	CIMBBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**1,536,356**	**1,290,567**	1,560,995	1,383,810
Singapore	**122,082**	**48,707**	28,054	38,921
Thailand	**691,035**	**618,499**	332,412	528,289
Other Countries	**1,160**	**20,029**	541	19,322
Total	**2,350,633**	**1,977,802**	1,922,002	1,970,342

Table 9(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBISLG

	CIMBISLG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**48,062**	**242,862**	46,168	314,054
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**48,062**	**242,862**	46,168	314,054

Table 9(c): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBIBG

	CIMBIBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**2,075**	**99**	1,228	159
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**2,075**	**99**	1,228	159

CREDIT RISK (CONT'D.)

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 10(a): Charges for Individual Impairment Provision and Write-Offs During the Year for CIMBBG

	CIMBBG			
	2016		2015	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	**6,903**	**186**	9,247	6,661
Mining and Quarrying	**1,364**	**3,938**	(3,594)	658
Manufacturing	**372,214**	**158,882**	96,236	79,010
Electricity, Gas and Water Supply	**(1,437)**	**–**	(5)	–
Construction	**(10,629)**	**5,527**	1,430	22,968
Wholesale and Retail Trade, and Restaurants and Hotels	**96,616**	**67,392**	12,679	33,980
Transport, Storage and Communication	**4,545**	**491**	15,502	–
Finance, Insurance/Takaful, Real Estate and Business Activities	**20,056**	**–**	3,804	10,611
Education, Health and Others	**18,808**	**50**	15	604
Household	**120,961**	**20,109**	20,633	6,754
Others*	**–**	**–**	(2,440)	13,376
Total	**629,401**	**256,575**	153,507	174,622

* Others are exposures which are not elsewhere classified.

Table 10(b): Charges for Individual Impairment Provision and Write-Offs During the Year for CIMBISLG

	CIMBISLG			
	2016		2015	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	**7,346**	**–**	(1,706)	1
Mining and Quarrying	**343**	**–**	–	–
Manufacturing	**1,315**	**–**	(25)	–
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**(3,138)**	**–**	3,695	520
Wholesale and Retail Trade, and Restaurants and Hotels	**2,596**	**–**	418	–
Transport, Storage and Communication	**(9,340)**	**–**	6,114	–
Islamic Finance, Takaful, Real Estate and Business Activities	**1,082**	**–**	(959)	–
Education, Health and Others	**1,690**	**–**	(101)	460
Household	**–**	**–**	–	–
Others*	**–**	**–**	–	–
Total	**1,894**	**–**	7,436	981

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 10(c): Charges for Individual Impairment Provision and Write-Offs During the Year for CIMBIBG

	CIMBIBG			
	2016		2015	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	–	–	–	–
Mining and Quarrying	–	–	–	–
Manufacturing	–	–	–	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–	–	–
Transport, Storage and Communication	–	–	–	–
Finance, Insurance, Real Estate and Business Activities	–	–	–	–
Education, Health and Others	–	–	–	–
Household	847	–	(44)	–
Others*	–	–	–	–
Total	**847**	–	(44)	–

* Others are exposures which are not elsewhere classified.

Table 11(a): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2016 and 31 December 2015 for CIMBBG

	CIMBBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	1,922,002	1,970,342	1,897,017	1,968,148
Allowance (written back)/made during the financial period/year	629,401	737,224	153,507	869,825
Amount transferred to portfolio impairment allowance	(11,402)	11,402	(6,876)	6,876
Amount written back in respect of recoveries	–	–	–	–
Allowance made and charged to deferred assets	–	–	–	–
Amount written off	(256,575)	(793,197)	(174,622)	(864,294)
Transfer (to)/from intercompany	–	–	–	–
Disposal of subsidiary	–	–	(44,110)	–
Unwinding income	–	–	–	–
Exchange fluctuation	67,207	52,031	97,086	75,589
Others (Allowance for Impaired loan disposal to third party)	–	–	–	(85,802)
Total	**2,350,633**	**1,977,802**	1,922,002	1,970,342

CREDIT RISK (CONT'D.)

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 11(b): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2016 and 31 December 2015 for CIMBISLG

	CIMBISLG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**46,168**	**314,054**	39,713	346,430
Allowance (written back)/made during the financial period/year	**1,894**	**54,681**	7,436	125,204
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**–**	**–**	–	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Amount written off	**–**	**(125,315)**	(981)	(157,580)
Transfer (to)/from intercompany	**–**	**(596)**	–	–
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**38**	–	–
Total	**48,062**	**242,862**	46,168	314,054

Table 11(c): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2016 and 31 December 2015 for CIMBIBG

	CIMBIBG			
	2016		2015	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**1,228**	**159**	1,271	2,729
Allowance (written back)/made during the financial period/year	**1,132**	**(60)**	1,115	(2,570)
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**(285)**	**–**	(1,158)	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Amount written off	**–**	**–**	–	–
Transfer (to)/from intercompany	**–**	**–**	–	–
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**–**	–	–
Total	**2,075**	**99**	1,228	159

CAPITAL TREATMENT FOR CREDIT RISK

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG

2016	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	48,350,235	3,263,728	371,967	–	1,949	14,803	–	–	7,107,420	–	59,110,101	–
6%	–	–	–	–	–	–	–	–	–	–	–	–
20%	156,232	3,516	775,527	376,732	–	–	–	–	37,394	484,419	1,833,820	366,764
35%	–	–	–	–	–	–	6,885,512	–	–	–	6,885,512	2,409,929
50%	374,451	–	1,725,153	948,882	147,080	678,862	330,202	–	69,046	–	4,273,676	2,136,838
75%	–	–	–	–	–	17,700,435	211,679	–	–	–	17,912,114	13,434,085
100%	0	198,210	752,588	456,724	8,514,412	2,878,693	321,381	–	2,413,488	–	15,535,496	15,535,496
107%	–	–	–	–	14,856,203	–	–	–	–	–	14,856,203	16,015,598
150%	10,114	–	9	–	95,668	64,214	165	1,234,737	–	–	1,404,907	2,107,361
150%< RW < 1250%	–	–	–	–	–	1,760,677	–	–	–	–	1,760,677	2,724,199
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	48,891,033	3,465,454	3,625,243	1,782,337	23,615,313	23,097,683	7,748,939	1,234,737	9,627,349	484,419	123,572,506	54,730,270
Average Risk Weight	0%	6%	49%	56%	104%	72%	39%	150%	26%	20%	42%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG (continued)

2015	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	43,911,067	4,230,085	58,830	–	–	–	–	–	7,710,763	–	55,910,745	–
6%	–	–	–	–	–	–	–	–	–	–	–	–
20%	97,443	13,087	669,046	293,620	–	–	–	–	228,523	473,270	1,778,127	354,998
35%	–	–	–	–	–	–	6,064,643	–	–	–	6,064,643	2,122,625
50%	902,338	113,084	1,571,039	1,518,703	160,287	731,866	183,566	–	128,755	–	5,306,499	2,654,819
75%	–	–	–	–	–	12,976,172	233,722	–	–	–	13,209,894	9,907,421
100%	90,059	–	88,065	418,811	6,143,295	5,804,726	268,084	–	3,096,320	–	15,909,360	15,909,360
107%	–	–	–	–	15,195,243	–	–	–	–	–	15,195,243	16,378,792
150%	57,929	1	239	–	37,955	42,878	189	1,512,809	–	–	1,652,000	2,478,000
150%< RW < 1250%	–	–	–	–	–	1,489,667	–	–	–	–	1,489,667	2,302,539
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	45,058,836	4,356,257	2,387,220	2,231,134	21,536,779	21,045,308	6,750,204	1,512,809	11,164,360	473,270	116,516,178	52,108,553
Average Risk Weight	1%	1%	42%	55%	105%	87%	39%	150%	29%	20%	43%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(b): Disclosure by Risk Weight under SA for CIMBISLG

2016

(RM'000) Risk Weights	CIMBISLG Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	18,965,116	–	221,329	–	–	–	–	–	11,531	–	19,197,976	–
20%	24,491	–	1	–	–	–	–	–	–	51,053	75,545	15,109
35%	–	–	–	–	–	–	1,256	–	–	–	1,256	440
50%	–	–	647,414	–	127,527	649,070	3,681	–	–	–	1,427,691	713,846
75%	–	–	–	–	–	454,660	–	–	–	–	454,660	340,995
100%	0	–	–	269	2,449,611	1,910,085	8,069	–	36,538	–	4,404,571	4,404,571
100%< RW < 1250%	–	–	–	–	6,197	1,529	–	575	–	–	8,301	12,451
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	18,989,607	–	868,743	269	2,583,334	3,015,344	13,006	575	48,069	51,053	25,570,000	5,487,411
Average Risk Weight	0%	–	37%	100%	98%	85%	80%	150%	76%	20%	21%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

2015

(RM'000) Risk Weights	CIMBISLG Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	13,452,281	–	–	–	–	–	–	–	8,758	–	13,461,039	–
20%	23,684	–	–	–	–	–	–	–	335	54,395	78,413	15,683
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	403,972	–	137,956	700,830	–	–	–	–	1,242,758	621,379
75%	–	–	–	–	–	508,251	–	–	–	–	508,251	381,189
100%	–	–	–	502	1,247,795	2,062,472	–	–	40,597	–	3,351,366	3,351,366
100%< RW < 1250%	–	–	–	–	1,133	896	–	575	–	–	2,604	3,906
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	13,475,964	–	403,972	502	1,386,884	3,272,450		575	49,689	54,395	18,644,432	4,373,523
Average Risk Weight	0%	–	50%	100%	95%	85%	–	150%	82%	20%	23%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG

2016	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	1,225,518	–	–	–	–	–	–	–	176	–	1,225,694	–
20%	–	–	35,668	–	–	–	–	–	–	–	35,668	7,134
35%	–	–	–	–	–	–	56,889	–	–	–	56,889	19,911
50%	–	–	1,236,469	–	–	–	70,830	–	–	–	1,307,299	653,649
75%	–	–	–	–	–	3,423	245	–	–	–	3,667	2,751
100%	–	–	–	13,847	31,773	–	29,989	–	321,301	–	396,910	396,910
100%< RW < 1250%	–	–	–	–	–	0	–	–	–	–	0	0
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,225,518	–	1,272,137	13,847	31,773	3,423	157,953	–	321,477		3,026,126	1,080,354
Average Risk Weight	0%	–	49%	100%	100%	75%	54%	–	100%	–	36%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

2015	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	881,584	–	–	–	–	–	–	–	82	–	881,666	–
20%	–	–	456,621	–	–	–	–	–	6,411	–	463,032	92,606
35%	–	–	–	–	–	–	57,876	–	–	–	57,876	20,257
50%	–	–	1,109,250	–	–	–	49,858	–	–	–	1,159,108	579,554
75%	–	–	–	–	–	4,271	310	–	–	–	4,581	3,436
100%	–	–	–	15,571	47,268	5,725	48,861	–	352,840	–	470,265	470,265
100%< RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	881,584	–	1,565,871	15,571	47,268	9,995	156,905	–	359,333		3,036,527	1,166,117
Average Risk Weight	0%	–	41%	100%	100%	89%	60%	–	99%	–	38%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

	CIMBBG			
(RM'000) **Exposure Class**	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
2016				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**3,602,123**	**–**	**354,589**	**3,956,712**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**1,775,109**	**141,375**	**370,123**	**2,286,607**
Corporate	**386,130**	**36,469**	**30,077,683**	**30,500,282**
Sovereign/Central Banks	**20,602,906**	**–**	**28,288,127**	**48,891,033**
Banks, MDBs and DFIs	**3,381,169**	**–**	**872,453**	**4,253,622**
Total	**29,747,437**	**177,844**	**59,962,976**	**89,888,256**
2015				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	5,522,317	–	299,890	5,822,207
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,486,308	83,937	891,334	3,461,579
Corporate	282,320	159,255	24,378,357	24,819,933
Sovereign/Central Banks	19,569,620	90,059	25,399,157	45,058,836
Banks, MDBs and DFIs	2,790,015	–	152,722	2,942,738
Total	30,650,580	333,252	51,121,461	82,105,293

Table 13(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) **Exposure Class**	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
2016				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Takaful Operators, Securities Firms & Fund Managers	**–**	**–**	**779**	**779**
Corporate	**–**	**–**	**7,155,608**	**7,155,608**
Sovereign/Central Banks	**1,844,848**	**–**	**17,144,758**	**18,989,607**
Banks, MDBs and DFIs	**647,415**	**–**	**221,329**	**868,743**
Total	**2,492,263**	**–**	**24,522,474**	**27,014,737**
2015				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Takaful Operators, Securities Firms & Fund Managers	–	–	1,022	1,022
Corporate	–	–	3,109,508	3,109,508
Sovereign/Central Banks	1,442,903	–	12,033,062	13,475,964
Banks, MDBs and DFIs	403,972	–	–	403,972
Total	1,846,874	–	15,143,592	16,990,467

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 13(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

(RM'000) Exposure Class	CIMBIBG Investment Grade	 Non-Investment Grade	 No Rating	 Total
2016				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Insurance Cos, Securities Firms & Fund Managers	**–**	**–**	**13,847**	**13,847**
Corporate	**–**	**–**	**31,773**	**31,773**
Sovereign/Central Banks	**–**	**–**	**1,225,518**	**1,225,518**
Banks, MDBs and DFIs	**1,254,154**	**–**	**17,983**	**1,272,137**
Total	**1,254,154**	**–**	**1,289,120**	**2,543,274**
2015				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	15,571	15,571
Corporate	–	–	47,268	47,268
Sovereign/Central Banks	–	–	881,584	881,584
Banks, MDBs and DFIs	1,565,754	–	117	1,565,871
Total	1,565,754	–	944,540	2,510,294

Table 14(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

(RM'000) Exposure Class	CIMBBG Investment Grade	 Non-Investment Grade	 No Rating	 Total
2016				
On and Off-Balance-Sheet Exposures				
Securitisation	**484,419**	**–**	**–**	**484,419**
2015				
On and Off-Balance-Sheet Exposures				
Securitisation	473,270	–	–	473,270

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 14(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) **Exposure Class**	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
2016				
On and Off-Balance-Sheet Exposures				
Securitisation	**51,053**	**–**	**–**	**51,053**
2015				
On and Off-Balance-Sheet Exposures				
Securitisation	54,395	–	–	54,395

As at 31 December 2016 and 31 December 2015, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMBBG and CIMBISLG adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMBISLG to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and limit management purposes.

For non-retail exposures, internal ratings are used to assist the approving committees in making informed decisions of the credit application. Product owners consult GRD for input on internal rating for consideration on pricing of product.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by GRD with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRC and subsequently BRC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

Retail Exposures

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages and business premises loans/financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. The models deployed for retail portfolio include application and behavioural scorecards or application and behavioural models, PD, LGD and EAD segmentation.

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective models risk estimate is developed based on expert judgement or aligned to available industry data with margins of conservatism applied.

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as "Central Tendency".

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan's/financing's EAD estimation includes the estimated net additional drawings for loans/financing defaulting over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from physical collaterals.
  (iii) Cash receipts from borrowers/customers.

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2016 and 31 December 2015:

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG

2016	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
Total Retail Exposure	**104,752,232**	**18,102,474**	**1,906,164**	**124,760,869**
Residential Mortgage/RRE Financing	**56,708,342**	**7,326,831**	**1,042,031**	**65,077,204**
QRRE	**9,216,474**	**3,900,598**	**133,000**	**13,250,072**
Hire Purchase	**12,295,077**	**2,283,060**	**282,638**	**14,860,775**
Other Retail	**26,532,339**	**4,591,985**	**448,495**	**31,572,819**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**23%**	**23%**	**28%**	
QRRE	**89%**	**89%**	**89%**	
Hire Purchase	**51%**	**53%**	**57%**	
Other Retail	**27%**	**31%**	**65%**	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	**13%**	**78%**	**143%**	
QRRE	**29%**	**131%**	**143%**	
Hire Purchase	**51%**	**86%**	**172%**	
Other Retail	**21%**	**52%**	**182%**	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG (continued)

2015	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
Total Retail Exposure	98,208,869	11,558,794	1,742,867	111,510,531
Residential Mortgage/RRE Financing	54,824,152	2,719,384	863,666	58,407,202
QRRE	8,939,656	4,420,087	106,403	13,466,147
Hire Purchase	11,868,288	2,278,737	269,443	14,416,468
Other Retail	22,576,773	2,140,587	503,354	25,220,714
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	23%	29%	
QRRE	89%	89%	89%	
Hire Purchase	52%	54%	58%	
Other Retail	28%	33%	69%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	29%	87%	93%	
QRRE	30%	131%	204%	
Hire Purchase	52%	91%	162%	
Other Retail	27%	52%	248%	

Table 15(b): Retail Credit Exposures by PD Band for CIMBISLG

2016	CIMBISLG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
Total Retail Exposure	**16,090,900**	**3,459,403**	**271,181**	**19,821,485**
RRE Financing	**9,557,916**	**1,532,512**	**124,899**	**11,215,328**
QRRE	**134,942**	**83,825**	**2,644**	**221,412**
Hire Purchase	**3,151,560**	**742,506**	**108,552**	**4,002,618**
Other Retail	**3,246,481**	**1,100,560**	**35,086**	**4,382,127**
Exposure Weighted Average LGD				
RRE Financing	**23%**	**24%**	**27%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**54%**	**58%**	
Other Retail	**28%**	**35%**	**54%**	
Exposure Weighted Average Risk Weight				
RRE Financing	**14%**	**76%**	**151%**	
QRRE	**32%**	**126%**	**2%**	
Hire Purchase	**51%**	**88%**	**180%**	
Other Retail	**24%**	**60%**	**123%**	

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 15(b): Retail Credit Exposures by PD Band for CIMBISLG (continued)

2015	CIMBISLG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
Total Retail Exposure	16,550,415	1,664,260	238,500	18,453,175
RRE Financing	9,607,678	391,352	86,847	10,085,876
QRRE	113,546	92,807	2,263	208,616
Hire Purchase	3,622,292	571,209	108,448	4,301,949
Other Retail	3,206,900	608,892	40,942	3,856,734
Exposure Weighted Average LGD				
RRE Financing	24%	25%	29%	
QRRE	90%	90%	90%	
Hire Purchase	52%	55%	58%	
Other Retail	30%	41%	59%	
Exposure Weighted Average Risk Weight				
RRE Financing	30%	83%	73%	
QRRE	34%	128%	–	
Hire Purchase	53%	97%	164%	
Other Retail	31%	66%	172%	

Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

2016	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure	**109,463,782**	**15,204,913**	**92,175**	**124,760,869**
Residential Mortgage/RRE Financing	**61,535,706**	**3,492,284**	**49,214**	**65,077,204**
QRRE	**7,468,958**	**5,781,113**	**–**	**13,250,072**
Hire Purchase	**12,310,312**	**2,548,270**	**2,193**	**14,860,775**
Other Retail	**28,148,805**	**3,383,246**	**40,768**	**31,572,819**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**23%**	**27%**	**37%**	
QRRE	**89%**	**89%**	**–**	
Hire Purchase	**51%**	**53%**	**59%**	
Other Retail	**27%**	**38%**	**72%**	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG (continued)

2015 (RM'000) EL Range of Retail Exposures	CIMBBG EL ≤ 1%	 1% < EL < 100%	 EL = 100%	 Total
Total Retail Exposure	98,572,772	12,828,146	109,613	111,510,531
Residential Mortgage/RRE Financing	56,094,918	2,250,240	62,045	58,407,202
QRRE	6,767,971	6,698,176	–	13,466,147
Hire Purchase	11,867,201	2,547,535	1,732	14,416,468
Other Retail	23,842,682	1,332,195	45,836	25,220,714
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	26%	38%	
QRRE	89%	89%	–	
Hire Purchase	52%	54%	62%	
Other Retail	28%	51%	74%	

Table 16(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBISLG

2016 (RM'000) EL Range of Retail Exposures	CIMBISLG EL ≤ 1%	 1% < EL < 100%	 EL = 100%	 Total
Total Retail Exposure	**17,434,487**	**2,386,192**	**806**	**19,821,485**
RRE Financing	**10,648,959**	**566,346**	**23**	**11,215,328**
QRRE	**93,825**	**127,587**	**–**	**221,412**
Hire Purchase	**3,157,029**	**845,214**	**375**	**4,002,618**
Other Retail	**3,534,673**	**847,045**	**408**	**4,382,127**
Exposure Weighted Average LGD				
RRE Financing	**23%**	**25%**	**15%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**51%**	**54%**	**57%**	
Other Retail	**28%**	**40%**	**95%**	

2015 (RM'000) EL Range of Retail Exposures	CIMBISLG EL ≤ 1%	 1% < EL < 100%	 EL = 100%	 Total
Total Retail Exposure	17,029,160	1,423,125	890	18,453,175
RRE Financing	9,799,452	286,402	22	10,085,876
QRRE	70,995	137,621	–	208,616
Hire Purchase	3,622,397	679,140	411	4,301,949
Other Retail	3,536,315	319,962	456	3,856,734
Exposure Weighted Average LGD				
RRE Financing	24%	26%	15%	
QRRE	90%	90%	–	
Hire Purchase	52%	56%	59%	
Other Retail	30%	57%	94%	

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2016 and 31 December 2015:

Table 17(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

	CIMBBG					
(RM'000) **Supervisory Categories**	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
2016						
Project Finance	**248,519**	**1,597,902**	**–**	**96,308**	**1,432,687**	**3,375,416**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**2,727,449**	**10,424,658**	**941,458**	**70,076**	**15,474**	**14,179,115**
RWA	**1,585,420**	**9,757,191**	**1,082,677**	**415,959**	**–**	**12,841,247**
2015						
Project Finance	189,060	1,146,498	104,584	52,743	1,392,307	2,885,192
Object Finance	220,848	27,844	174,514	–	7,750	430,956
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	3,005,818	7,240,162	577,199	142,563	1,932	10,967,672
RWA	1,964,615	6,622,384	984,742	488,264	–	10,060,005

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (continued)

Table 17(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBISLG

(RM'000) Supervisory Categories	CIMBISLG Strong	Good	Satisfactory	Weak	Default	Total
2016						
Project Finance	**107,344**	**157,807**	**–**	**–**	**–**	**265,150**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**350,275**	**1,230,022**	**12,926**	**20,819**	**13,378**	**1,627,420**
RWA	**228,809**	**1,064,489**	**14,865**	**52,048**	**–**	**1,360,212**
2015						
Project Finance	117,664	–	–	–	–	117,664
Object Finance	220,848	–	34,272	–	–	255,120
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	368,544	820,192	50,359	–	1,932	1,241,026
RWA	397,697	604,121	97,326	–	–	1,099,144

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Simple Risk Weight Approach.

Table 18(a): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBBG

2016 (RM'000) Internal Risk Grading	CIMBBG 1-3	4-9	10-13	Default	Total
Total Non-Retail Exposure	**44,524,833**	**65,228,043**	**21,661,296**	**2,209,800**	**133,623,972**
Sovereign/Central Banks	**–**	**–**	**–**	**–**	**–**
Bank	**17,709,700**	**3,497,575**	**96,121**	**0**	**21,303,396**
Corporate (excluding Specialised Lending/Financing)	**26,815,133**	**61,730,468**	**21,565,175**	**2,209,800**	**112,320,576**
Exposure Weighted Average LGD					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**38%**	**26%**	**45%**	**45%**	
Corporate (excluding Specialised Lending/Financing)	**45%**	**37%**	**34%**	**37%**	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**18%**	**24%**	**145%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**15%**	**65%**	**100%**	**–**	

CREDIT RISK (CONT'D.)

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (continued)

Table 18(a): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBBG (continued)

2015 (RM'000)	CIMBBG				
Internal Risk Grading	**1-3**	**4-9**	**10-13**	**Default**	**Total**
Total Non-Retail Exposure	46,885,855	65,150,573	19,445,778	1,718,342	133,200,548
Sovereign/Central Banks	–	–	–	–	–
Bank	21,365,518	2,633,503	35,210	0	24,034,231
Corporate (excluding Specialised Lending/Financing)	25,520,337	62,517,070	19,410,568	1,718,341	109,166,316
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	
Bank	35%	29%	45%	45%	
Corporate (excluding Specialised Lending/Financing)	45%	37%	31%	42%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	
Bank	15%	30%	137%	–	
Corporate (excluding Specialised Lending/Financing)	17%	64%	92%	–	

Table 18(b): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBISLG

2016 (RM'000)	CIMBISLG				
Internal Risk Grading	**1-3**	**4-9**	**10-13**	**Default**	**Total**
Total Non-Retail Exposure	**7,597,784**	**6,586,937**	**3,185,701**	**228,830**	**17,599,252**
Bank	**1,368,169**	**216,124**	**1,866**	**–**	**1,586,159**
Corporate (excluding Specialised Financing)	**6,229,616**	**6,370,813**	**3,183,835**	**228,830**	**16,013,093**
Exposure Weighted Average LGD					
Bank	**45%**	**45%**	**45%**	**–**	
Corporate (excluding Specialised Financing)	**45%**	**40%**	**37%**	**35%**	
Exposure Weighted Average Risk Weight					
Bank	**19%**	**44%**	**129%**	**–**	
Corporate (excluding Specialised Financing)	**11%**	**71%**	**98%**	**–**	

2015 (RM'000)	CIMBISLG				
Internal Risk Grading	**1-3**	**4-9**	**10-13**	**Default**	**Total**
Total Non-Retail Exposure	6,134,332	5,912,879	3,046,605	184,676	15,278,491
Bank	1,402,381	22,439	1,530	–	1,426,351
Corporate (excluding Specialised Financing)	4,731,951	5,890,440	3,045,075	184,676	13,852,141
Exposure Weighted Average LGD					
Bank	45%	45%	45%	–	
Corporate (excluding Specialised Financing)	45%	42%	38%	40%	
Exposure Weighted Average Risk Weight					
Bank	19%	44%	126%	–	
Corporate (excluding Specialised Financing)	15%	75%	107%	–	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Expected Losses versus Actual Losses by Portfolio Types

The following table summarises the expected losses versus actual losses by portfolio type:

Table 19(a): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBBG

	CIMBBG			
	2016		2015	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016	Regulatory Expected Losses as at 31 December 2014	Actual Losses for the year ended 31 December 2015
Sovereign	–	–	–	–
Bank	7,344	0	14,261	0
Corporate	666,270	152,002	711,739	24,075
Mortgage/RRE Financing	187,883	28,506	192,751	(2,729)
HPE	181,553	98,184	228,499	130,561
QRRE	474,948	189,521	440,631	152,836
Other Retail	115,013	(8,538)	108,912	(25,225)
Total	**1,633,011**	**459,675**	1,696,793	279,518

Table 19(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBISLG

	CIMBISLG			
	2016		2015	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016	Regulatory Expected Losses as at 31 December 2014	Actual Losses for the year ended 31 December 2015
Sovereign	–	–	–	–
Bank	347	–	371	–
Corporate	99,629	(555)	93,492	4,932
RRE Financing	27,385	2,914	23,016	593
HPE	54,241	11,341	82,384	55,534
QRRE	8,781	4,998	8,843	4,743
Other Retail	33,678	6,814	32,238	4,930
Total	**224,061**	**25,512**	240,344	70,732

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

CREDIT RISK (CONT'D.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2016, the additional collateral to be posted was RM6,729,000 while the amount was RM6,439,500 as at 31 December 2015.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2016 and 31 December 2015:

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2016	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,769,746		3,769,746	1,940,432
Transaction Related Contingent Items	5,518,432		2,733,797	1,774,521
Short Term Self Liquidating Trade Related Contingencies	3,676,905		735,381	338,402
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/ Commitments to buy back Islamic securities under Sales and Buy Back Agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	792,691,208	8,777,247	16,643,441	8,144,813
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	38,311,523		32,789,623	13,047,930
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,710,765		568,866	484,822
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	89,361,805		–	–
Unutilised credit card lines	23,333,329		6,519,796	2,590,498
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**959,373,711**	**8,777,247**	**63,760,649**	**28,321,419**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (continued)

2015	**CIMBBG**			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	3,645,454		3,645,454	1,861,047
Transaction Related Contingent Items	4,324,725		2,150,971	1,419,443
Short Term Self Liquidating Trade Related Contingencies	8,201,396		1,640,279	309,118
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/ Commitments to buy back Islamic securities under Sales and Buy Back Agreement	16,865		16,865	16,515
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	766,334,138	8,911,378	16,078,993	7,250,448
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	28,664,516		23,845,475	11,535,319
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,112,762		638,360	573,311
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	92,399,594		–	–
Unutilised credit card lines	22,627,657		6,745,294	3,011,932
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	929,327,106	8,911,378	54,761,691	25,977,133

CREDIT RISK (CONT'D.)

OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG

2016	CIMBISLG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	211,264		211,264	131,313
Transaction Related Contingent Items	514,540		257,270	131,047
Short Term Self Liquidating Trade Related Contingencies	145,808		29,162	8,792
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	42,705,317	597,254	1,426,557	293,176
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,258,432		5,149,243	1,729,335
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	3,129,008		–	–
Unutilised credit card lines	252,389		100,464	53,674
Off-balance sheet items for securitisation exposures	–		–	–
Total	**53,216,758**	**597,254**	**7,173,961**	**2,347,337**

OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG (continued)

2015	CIMBISLG			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	173,023		173,023	122,135
Transaction Related Contingent Items	516,888		258,444	178,235
Short Term Self Liquidating Trade Related Contingencies	146,447		29,289	11,414
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	21,157,738	278,326	714,094	184,738
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,695,400		3,079,191	1,529,298
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	2,766,516		–	–
Unutilised credit card lines	222,571		93,444	53,705
Off-balance sheet items for securitisation exposures	–		–	–
Total	28,678,582	278,326	4,347,486	2,079,526

CREDIT RISK (CONT'D.)

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2016	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	1,098,579		1,098,579	549,290
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	317,435	–	21,559	17,703
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,564		3,282	3,272
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**1,422,579**	**–**	**1,123,421**	**570,264**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (continued)

2015	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	977,644		977,644	488,822
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	161,972	–	15,674	15,622
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	18,394		9,197	8,941
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	1,158,010	–	1,002,515	513,385

CREDIT RISK (CONT'D.)

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 21(a): Disclosure on Credit Derivative Transactions for CIMBBG

	CIMBBG			
	2016		2015	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**2,450,248**	**3,162,680**	1,356,115	3,110,468
Client Intermediation Activities	**–**	**319,885**	–	400,735
Total	**2,450,248**	**3,482,565**	1,356,115	3,511,203
Credit Default Swaps	**2,450,248**	**3,266,430**	1,356,115	3,110,468
Total Return Swaps	**–**	**216,135**	–	400,735
Total	**2,450,248**	**3,482,565**	1,356,115	3,511,203

Table 21(b): Disclosure on Credit Derivative Transactions for CIMBISLG

	CIMBISLG			
	2016		2015	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**40,575**	–	52,260
Total	**–**	**40,575**	–	52,260
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**40,575**	–	52,260
Total	**–**	**40,575**	–	52,260

Table 21(c): Disclosure on Credit Derivative Transactions for CIMBIBG

	CIMBIBG			
	2016		2015	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**141,050**	–	144,800
Total	**–**	**141,050**	–	144,800
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**141,050**	–	144,800
Total	**–**	**141,050**	–	144,800

CREDIT RISK MITIGATION

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

CREDIT RISK (CONT'D.)

CREDIT RISK MITIGATION (CONTINUED)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2016 and 31 December 2015:

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG

(RM'000) Exposure Class	CIMBBG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
2016				
Performing Exposures				
Sovereign/Central Banks	**48,891,033**	**–**	**–**	**–**
Public Sector Entities	**3,956,712**	**3,263,728**	**138,271**	**–**
Banks, DFIs & MDBs	**25,557,018**	**36,336**	**5,146,151**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**2,286,607**	**2,500**	**499,674**	**–**
Corporate	**155,844,020**	**2,298,072**	**20,044,170**	**17,803,289**
Residential Mortgages/RRE Financing	**71,733,427**	**–**	**2,115**	**–**
Qualifying Revolving Retail	**13,136,949**	**–**	**–**	**–**
Hire Purchase	**14,578,137**	**–**	**–**	**–**
Other Retail	**65,409,960**	**–**	**11,004,685**	**–**
Securitisation	**484,419**	**–**	**–**	**–**
Higher Risk Assets	**1,234,737**	**–**	**–**	**–**
Other Assets	**9,627,349**	**3,341**	**–**	**–**
Defaulted Exposures	**3,845,496**	**13,117**	**397,314**	**378,192**
Total Exposures	**416,585,863**	**5,617,093**	**37,232,381**	**18,181,481**
2015				
Performing Exposures				
Sovereign/Central Banks	45,058,836	–	–	–
Public Sector Entities	5,822,206	4,230,085	1,163,772	–
Banks, DFIs & MDBs	27,057,462	–	6,697,251	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,461,564	429,335	1,224,572	–
Corporate	145,127,499	3,373,368	18,527,875	16,688,492
Residential Mortgages/RRE Financing	64,178,704	–	1,242	–
Qualifying Revolving Retail	13,384,416	–	–	–
Hire Purchase	14,147,025	–	–	–
Other Retail	58,652,108	–	12,594,614	–
Securitisation	473,270	–	–	–
Higher Risk Assets	1,512,809	–	–	–
Other Assets	11,164,356	–	–	–
Defaulted Exposures	2,784,140	–	29,580	377,408
Total Exposures	392,824,396	8,032,788	40,238,905	17,065,900

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 22(b): Disclosure on Credit Risk Mitigation for CIMBISLG

(RM'000) Exposure Class	Exposures before CRM	CIMBISLG Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
2016				
Performing Exposures				
Sovereign/Central Banks	**18,989,607**	**–**	**–**	**–**
Public Sector Entities	**–**	**–**	**–**	**–**
Banks, DFIs & MDBs	**2,454,902**	**–**	**–**	**–**
Takaful Operators, Securities Firms & Fund Managers	**779**	**–**	**510**	**–**
Corporate	**24,796,677**	**2,231,558**	**5,063,169**	**3,603,677**
RRE Financing	**11,140,031**	**–**	**–**	**–**
Qualifying Revolving Retail	**218,767**	**–**	**–**	**–**
Hire Purchase	**3,894,066**	**–**	**–**	**–**
Other Retail	**7,379,531**	**–**	**20,750**	**–**
Securitisation	**51,053**	**–**	**–**	**–**
Higher Risk Assets	**575**	**–**	**–**	**–**
Other Assets	**48,069**	**–**	**–**	**–**
Defaulted Exposures	**354,688**	**–**	**33,229**	**98,291**
Total Exposures	**69,328,744**	**2,231,558**	**5,117,658**	**3,701,968**
2015				
Performing Exposures				
Sovereign/Central Banks	13,475,964	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	1,830,322	–	–	–
Takaful Operators, Securities Firms & Fund Managers	1,022	–	520	–
Corporate	18,385,437	985,393	1,933,724	3,165,206
RRE Financing	9,999,030	–	–	–
Qualifying Revolving Retail	206,353	–	–	–
Hire Purchase	4,193,500	–	–	–
Other Retail	7,101,121	–	16,212	–
Securitisation	54,395	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	49,689	–	–	–
Defaulted Exposures	271,501	–	4,772	68,692
Total Exposures	55,568,911	985,393	1,955,228	3,233,898

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK (CONT'D.)

CREDIT RISK MITIGATION (CONTINUED)

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG

	CIMBIBG			
(RM'000) Exposure Class	**Exposures before CRM**	**Exposures Covered by Guarantees/ Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
2016				
Performing Exposures				
Sovereign/Central Banks	**1,225,518**	**–**	**–**	**–**
Public Sector Entities	**–**	**–**	**–**	**–**
Banks, DFIs & MDBs	**1,272,137**	**–**	**–**	**–**
Insurance Cos, Securities Firms & Fund Managers	**13,847**	**–**	**–**	**–**
Corporate	**31,773**	**–**	**–**	**–**
Residential Mortgages	**157,953**	**–**	**–**	**–**
Qualifying Revolving Retail	**–**	**–**	**–**	**–**
Hire Purchase	**–**	**–**	**–**	**–**
Other Retail	**3,423**	**–**	**–**	**–**
Securitisation	**–**	**–**	**–**	**–**
Higher Risk Assets	**–**	**–**	**–**	**–**
Other Assets	**321,477**	**–**	**–**	**–**
Defaulted Exposures	**–**	**–**	**–**	**–**
Total Exposures	**3,026,126**	**–**	**–**	**–**
2015				
Performing Exposures				
Sovereign/Central Banks	881,584	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	1,565,871	–	–	–
Insurance Cos, Securities Firms & Fund Managers	15,571	–	–	–
Corporate	47,268	–	–	–
Residential Mortgages	156,905	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	9,995	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	359,333	–	–	–
Defaulted Exposures	–	–	–	–
Total Exposures	3,036,527	–	–	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

SECURITISATION

THE ROLE CIMB PLAYS IN THE SECURITISATION PROCESS

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

Up to end-2016, CIMB Group has completed securitisations of corporate bonds/sukuks and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables.

CIMB'S INVOLVEMENT IN SECURITISATION IN 2016

In August 2016, CIMB Group (via CIMB Islamic Bank) undertook a securitisation of its Islamic auto hire purchase receivables raising RM630 million. In 2016, CIMB Group continues to advise, arrange and manage securitisation transactions for its clients.

All transactions involving securitisation of CIMB Group's assets were tabled to the Board of Directors of the relevant entities for deliberation and approval. For transactions involving the joint venture entity, these transactions were tabled to and approved by the Board of Directors of CIMB Bank and Proton Commerce Sdn Bhd.

CIMB Bank and CIMB Islamic Bank continues to administer the assets as servicer for the relevant SPV and monitors the various risks, including credit and market risk inherent in the underlying assets using the same mechanism in place for non-securitised assets.

SUMMARY OF ACCOUNTING POLICIES FOR SECURITISATION ACTIVITIES

CIMB has sponsored special purpose vehicles (SPVs) pursuant to securitisation activities involving assets of the Group. Such SPVs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, inter alia, an assessment of the Group's exposure to the risks and rewards of the assets of the SPV.

Assets that have been transferred wholly or proportionately to an unconsolidated entity will also remain on the Group balance sheet, with a liability recognised for the proceeds received, unless (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement. Other than (a) or (b) above, securitisations are treated as financing in the separate financial statements of these entities.

ECAIS USED FOR SECURITISATION PROCESS

CIMB may employ external credit assessment institutions to provide ratings for its asset-backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients for rated transactions. Note: there are transactions for which the investor does not require an external rating and in such instances, the investor performs his own due diligence.

For securitisations of CIMB-originated assets, RAM has rated a securitisation of corporate bonds/sukuks, and MARC has rated a securitisation of auto-hire purchase receivables. Both RAM Ratings and MARC have rated a securitisation programme for a joint-venture of auto-hire purchase receivables.

SECURITISATION (CONT'D.)

DISCLOSURE ON SECURITISATION FOR TRADING AND BANKING BOOK

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2016 and 31 December 2015:

Table 23(a): Disclosure on Securitisation for Trading and Banking Book

	CIMBBG			
(RM'000) Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
2016				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**799,552**	**276,143**	**2,916**	**249**
2015				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	14,751	6,552	2,569	1,448

Table 23(b): Disclosure on Securitisation for Trading and Banking Book

	CIMBISLG			
(RM'000) Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
2016				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**799,552**	**276,143**	**2,916**	**249**
2015				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	–	–	–	–

There were no outstanding exposures securitised by CIMBIBG as at 31 December 2016 and 31 December 2015.

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

2016			CIMBBG									
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	470,637	-	-	-	470,637	-	-	-	-			94,127
Mezzanine	13,782	-	-	-	13,782	-	-	-	-			2,756
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Originating Banking Institution												
On-Balance Sheet												
Most senior	-	-	-	-	-	-	-	-	-			-
Mezzanine												
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												-
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Total Exposures	**484,419**	**-**	**-**	**-**	**484,419**	**-**	**-**	**-**	**-**	**-**	**-**	**96,884**

SECURITISATION (CONT'D.)

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (continued)

2015	CIMBBG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	460,863	–	–	–	460,863	–	–	–	–			92,173
Mezzanine	12,407	–	–	–	12,407	–	–	–	–			2,481
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	473,270	–	–	–	473,270	–	–	–	–	–	–	94,654

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG

2016	CIMBISLG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	51,053	–	–	–	51,053	–	–	–	–			10,211
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	51,053	–	–	–	51,053	–	–	–	–	–	–	10,211

SECURITISATION (CONT'D.)

SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG (continued)

2015	CIMBISLG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
<u>Non-originating Banking Institution</u>												
On-Balance Sheet												
Most senior	54,395	–	–	–	54,395	–	–	–	–	–	–	10,879
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
<u>Originating Banking Institution</u>												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	54,395	–	–	–	54,395	–	–	–	–	–	–	10,879

As at 31 December 2016 and 31 December 2015, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 25: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

	CIMBBG				
(RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk-Weighted Assets
2016					
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	–	–	–	–	–
2015					
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	990	–	30	20	622
Off-Balance Sheet	–	–	–	–	–
Sub-total	990	–	30	20	622
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	990	–	30	20	622

As at 31 December 2016 and 31 December 2015, CIMBISLG and CIMBIBG have no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

MARKET RISK

Market risk is defined as any fluctuation in the market value of a trading position arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

MARKET RISK MANAGEMENT

Our Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. Our GRC with the assistance of GMRC and GUC ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board. GRC, GMRC and GUC, supported by the Market Risk CoE in GRD is responsible to measure and control our Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

The Market Risk Centre of Excellence undertakes the monitoring and oversight process at Treasury & Markets trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on the positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met. The valuation methods and models used are validated by the quantitative analysts.

CIMB Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/profit rate risk, foreign exchange risk and commodity risk. VaR limits are allocated for each type of market risk undertaken for effective risk monitoring and control.

All market risk limits are reviewed and recommended by GMRC for approval by GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are disseminated to Treasury and head of each business unit is accountable for market risk exposure under his/her purview. Any excess in limit will be escalated to management in accordance with the Group's exception management procedures. Apart from daily monitoring, market risk exposures and VaR of the Group will be summarised and submitted to GMRC, GRC and BRC on a monthly basis.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

CAPITAL TREATMENT FOR MARKET RISK

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal risk but excludes strategic and reputation risks.

OPERATIONAL RISK MANAGEMENT OVERSIGHT

The Operational Risk Management (ORM) department, a second line of defence function, provides the methodology, tools and processes for the identification, assessment, reporting, mitigation and control of operational risks for the implementation by respective risk owners across the Group. The ORM department also independently oversees the operational risk monitoring that resides within the first line of defence.

The identification of risks are rated using a universal risk rating methodology applied across the Group's three lines of defence. Monitoring of known risks is primarily done through a network of Operational Risk Committees operating in each material geography and business line. These committees report up to the relevant business function or country level committees.

The Group Operational Risk Management Committee (GORC) is the senior management group that reviews the operational risk framework and policies to ensure they are appropriate for the size and complexity of the current and future operations of CIMB Group and make recommendation to the Board Risk Committee (BRC) for approval. GORC oversees and monitors the overall control environment of CIMB Group and report to the Group Risk Committee (GRC) and Board Risk Committee (BRC) on material operational risks.

Escalation and reporting processes are well instituted through the various management Committees mentioned above. The responsibilities of the Committees and the Board include the following:

i) Oversight and implementation of the Operational Risk Management Framework
ii) Establish operational risk appetite
iii) Establish effective policies, processes and systems for managing operational risk and an internal governance structure
iv) Be aware of key operational risk issues
v) Ensure that product risks are well managed and the needs and rights of consumers are appropriately addressed
vi) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit Division performs regular reviews and assessments of the operational risk management framework, processes and systems. Results are communicated to the Board and senior management.

OPERATIONAL RISK MANAGEMENT APPROACH

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisational wide risk management discipline and culture. Our Group manages operational risks through the following key measures:

i) Sound risk management practices in accordance with Basel II and regulatory guidelines;
ii) Board and senior management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and
v) Deployment of ORM tools including:
    - Risk and Control Self-Assessment;
    - Control Issue Management;
    - Event Loss Data Reporting;
    - New Product Approval Process;
    - Key Risk Indicators; and
    - Control Effectiveness Testing

OPERATIONAL RISK (CONT'D.)

OPERATIONAL RISK MANAGEMENT APPROACH (CONTINUED)

These tools form part of the operational risk policy that allows CIMB Group to effectively identify, measure, mitigate and report the Group's operational risks. Each material division of the CIMB Group self-assesses their internal risk and control environment and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow are subjected to a rigorous risk review through sign-offs from the relevant stakeholders where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within our Group whereby the demand for integrity and honesty is non-negotiable remains the core theme in our operational risk awareness programme. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

However, the Group is now moving towards the Basel II Standardised Approach where the foundation pillars are in progress. Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as financial investments available-for-sale in the 2016 financial statements.

Details of the Group's and the CIMB Bank's investments in financial investments available-for-sale are also set out in the financial statements.

Realised and unrealised gains or losses arising from sales and liquidations of equities for CIMBBG for the year ended 31 December 2016 and 31 December 2015 is as follows:

Table 26: Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities for CIMBBG

	CIMBBG	
(RM'000)	**2016**	**2015**
Realised gains		
Shares, private equity funds and unit trusts	**20,313**	13,136
Unrealised gains		
Shares, private equity funds and unit trusts	**707,501**	619,206

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMBISLG and CIMBIBG as at 31 December 2016 and 31 December 2015.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2016 and 31 December 2015 for the Group:

Table 27(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

	CIMBBG			
	2016		2016	
(RM'000)	**Exposures subject to Risk-Weighting**	**RWA**	**Exposures subject to Risk-Weighting**	**RWA**
Privately held	**1,233,142**	**1,845,138**	1,515,297	2,266,701
Publicly traded	**12,752**	**12,752**	11,628	11,628
Total	**1,245,893**	**1,857,890**	1,526,925	2,278,329

EQUITY EXPOSURES IN BANKING BOOK (CONT'D.)

Table 27(b): Analysis of Equity Investments by Grouping and RWA for CIMBISLG

	CIMBISLG			
	2016		2016	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**575**	**863**	575	863
Publicly traded	**–**	**–**	–	–
Total	**575**	**863**	575	863

Table 27(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

	CIMBIBG			
	2016		2016	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**–**	**–**	–	–
Publicly traded	**–**	**–**	–	–
Total	**–**	**–**	–	–

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates. In the context of Pillar 2, this risk is confined to the banking book positions, given that the interest rate risk/rate of return risk in the trading book is covered under the Pillar 1 market risk regulations.

The material sources of IRRBB/RORBB are repricing risk (which arises from timing differences in the maturity and repricing dates of cash flows), yield curve risk (which arises from the changes in both the overall interest rates/profit rates and the relative level of rates across the yield curve), basis risk (arises from imperfect correlation between changes in the rates earned and paid on banking book positions), and option risk (arises from interest rate/rate of return related options embedded in banking book products).

IRRBB/RORBB MANAGEMENT

Our Group manages its exposure of fluctuations in the interest rates/profit rates through policies established by GALCO. IRRBB/RORBB undertaken by our Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by our Group. The risk appetite is established by the Board. GALCO is a Board delegated committee which reports to the GRC. With the support from ALM COE under GRD and CBSM under Group Finance, our GALCO is responsible for the review and monitoring of Group's balance sheet, business and hedging strategies, the overall interest rate risk/ rate of return risk profile and ensuring that such risk profile is within the established risk appetite. Treasury & Markets is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- **Economic Value of Equity (EVE) sensitivity:**

  which measures the long term impact of sudden interest rate/profit rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

  The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from economic value perspective:

Table 28(a): IRRBB – Impact on Economic Value for CIMBBG

	CIMBBG	
	2016	**2015**
Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(1,315,329)**	(1,129,880)
US Dollar	**(122,256)**	(198,683)
Thai Baht	**(219,296)**	(154,698)
Singapore Dollar	**(148,882)**	(116,425)
Others	**55,906**	48,625
Total	**(1,749,857)**	(1,551,061)

Note: Subsequent to the disclosure, there was an amendment to the 2015 figures

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONT'D.)

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Economic Value of Equity (EVE) sensitivity: (continued)**

Table 28(b): RORBB – Impact on Economic Value for CIMBISLG

	CIMBISLG	
	2016	**2015**
Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(531,142)**	(507,791)
US Dollar	**25,859**	15,187
Thai Baht	**(1)**	(1)
Singapore Dollar	**(167)**	1
Others	**562**	154
Total	**(504,889)**	(492,450)

Note: Subsequent to the disclosure, there was an amendment to the 2015 figures

Table 28(c): IRRBB – Impact on Economic Value for CIMBIBG

	CIMBIBG	
	2016	**2015**
Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(1,540)**	(1,905)
US Dollar	**7**	(198)
Thai Baht	**–**	–
Singapore Dollar	**–**	(13)
Others	**–**	1
Total	**(1,533)**	(2,115)

- **Earnings at risk:**

is the potential impact of interest/profit rate changes on the bank's accruing or reported earnings. It focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates/profit rate generally affect reported earnings through changes in the bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Earnings at Risk (EaR) (continued)**

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from the earnings perspective:

Table 29(a): IRRBB – Impact on Earnings for CIMBBG

	CIMBBG	
	2016	2015
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**94,284**	95,585
US Dollar	**(119,388)**	(35,738)
Thai Baht	**(26,177)**	(18,786)
Singapore Dollar	**(45,571)**	12,203
Others	**28,654**	8,336
Total	**(68,198)**	61,600

Note: Subsequent to the disclosure, there was an amendment to the 2015 figures

Table 29(b): RORBB – Impact on Earnings for CIMBISLG

	CIMBISLG	
	2016	2015
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(60,594)**	(54,666)
US Dollar	**(4,934)**	(6,817)
Thai Baht	**26**	13
Singapore Dollar	**3,942**	(25)
Others	**(626)**	(1,568)
Total	**(62,186)**	(63,063)

Note: Subsequent to the disclosure, there was an amendment to the 2015 figures

Table 29(c): IRRBB – Impact on Earnings for CIMBIBG

	CIMBIBG	
	2016	2015
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**2,772**	2,166
US Dollar	**(168)**	(170)
Thai Baht	**–**	–
Singapore Dollar	**–**	63
Others	**(4)**	(4)
Total	**2,600**	2,055

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