ASEAN CATALYST

FINANCIAL STATEMENTS **2017**

PG **8**

STRONGER PERFORMANCE

Net profit uplift of 25.6% YoY to RM4.5 billion on record revenues of RM17.6 billion.

PG **17**

STRICTER COST DISCIPLINE

Cost-to-income ratio improved to 51.8% for 2017 from 53.9% in 2016.

PG **10**

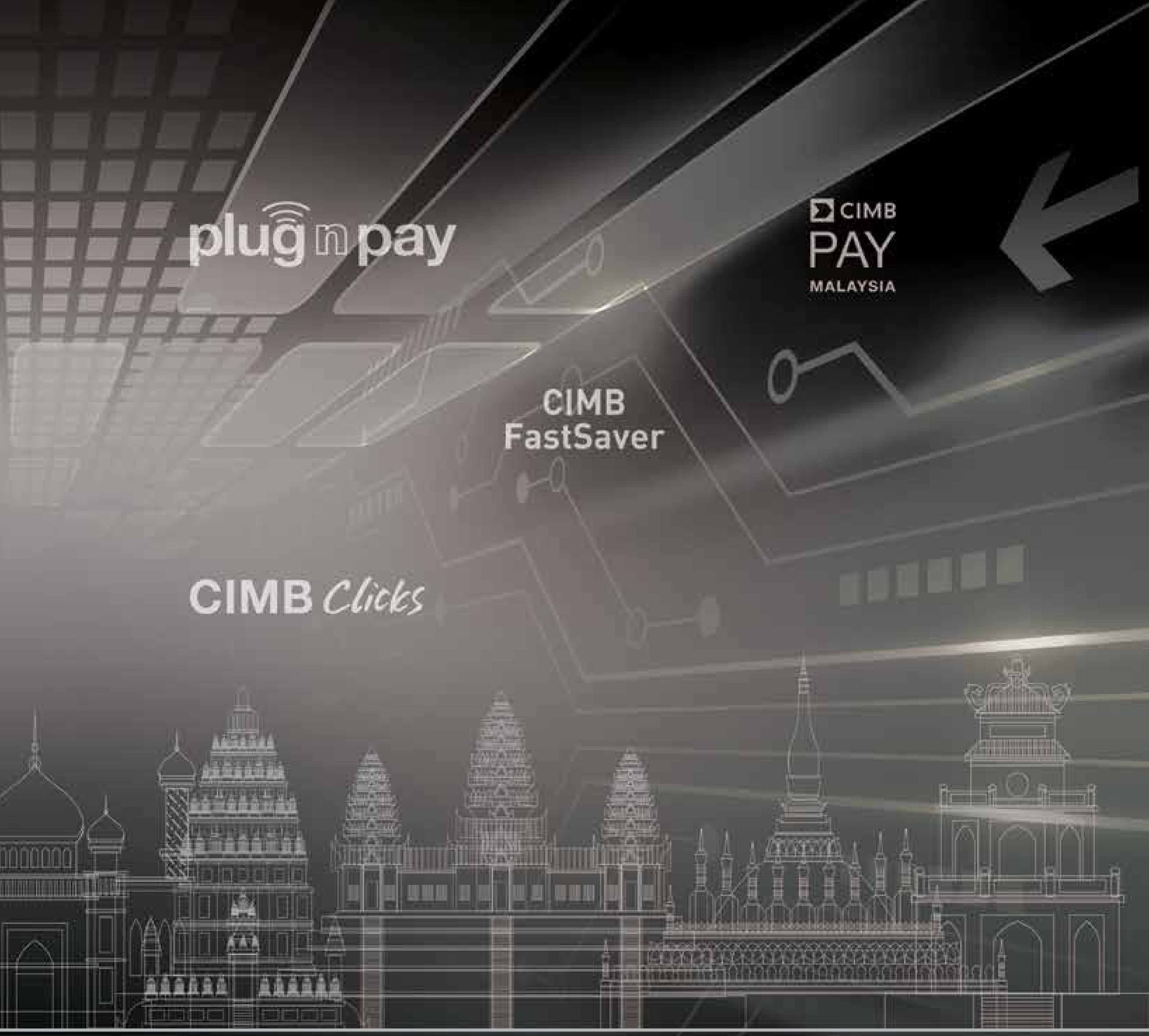
STRENGTHENED CAPITAL POSITION

Healthy capital ratios for all regulated banking entities in the Group.

FORWARD BANKING

View our Annual Report, Accounts and other information about CIMB Group Holdings Berhad at

www.cimb.com



The cover showcases the digital world and our ongoing commitment to deliver solutions that empower our customers, our people and our partners to fulfil their dreams and aspirations for a better future.

INSIDE THIS REPORT

61st 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

Thursday, 26 April 2018

TIME

9.00 a.m.

PERFORMANCE REVIEW

FINANCIAL STATEMENTS

BASEL II PILLAR 3 DISCLOSURES

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

Key Highlights	Financial Year Ended 31 December 2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Consolidated Statement of Income					
Operating income	**17,626,496**	16,065,255	15,395,790	14,145,924	14,671,835
Overheads	**9,133,575**	8,651,690	9,248,978	8,291,963	8,457,870
Profit before allowances	**8,492,921**	7,413,565	6,146,812	5,853,961	6,213,965
Allowance for impairment losses on loans, advances and financing	**2,230,907**	2,408,883	2,168,624	1,522,068	660,607
Profit before taxation and zakat	**6,109,985**	4,884,144	3,913,993	4,276,423	5,849,229
Net profit for the financial year	**4,475,175**	3,564,190	2,849,509	3,106,808	4,540,403
Consolidated Statement of Financial Position					
Gross loans, advances and financing	**324,218,054**	323,719,559	297,822,144	264,644,089	234,557,542
Total assets	**506,499,532**	485,766,887	461,577,143	414,156,356	370,912,797
Deposits from customers^	**356,994,529**	338,530,629	320,509,026	284,714,019	265,408,979
Total liabilities	**456,693,097**	438,687,729	419,344,515	375,765,233	339,684,237
Shareholders' funds	**48,245,479**	45,308,175	41,050,778	37,360,436	30,271,098
Commitments and contingencies	**875,879,316**	888,167,213	883,583,439	702,740,799	526,572,598
Financial Ratios (%)					
Common equity tier 1 ratio (CIMB Bank)#	**11.9**	11.5	11.5	11.2	9.6
Tier 1 ratio (CIMB Bank)#	**13.3**	13.1	12.7	12.6	11.6
Total capital ratio (CIMB Bank)#	**16.8**	16.2	15.8	14.7	12.9
Return on average equity	**9.6**	8.3	7.3	9.2	15.5
Return on average total assets	**0.90**	0.75	0.65	0.79	1.28
Net interest margin	**2.63**	2.63	2.66	2.80	2.85
Cost to income ratio	**51.8**	53.9	60.1	58.6	57.6
Gross impaired/non-performing loans to gross loans	**3.4**	3.3	3.0	3.1	3.2
Allowance coverage ratio	**70.5**	79.8	84.7	82.7	84.8
Loan loss charge	**0.69**	0.74	0.73	0.58	0.28
Loan deposit ratio	**90.8**	95.6	92.9	93.0	88.4
Net tangible assets per share (RM)	**4.14**	3.92	3.63	3.28	2.67
Book value per share (RM)	**5.23**	5.11	4.81	4.44	3.92
CASA ratio	**35.0**	35.7	34.1	34.7	34.3
Other Information					
Earnings per share (sen) – basic	**49.6**	41.0	33.6	37.5	60.0
Gross dividend per share (sen)	**25.00**	20.00	14.00	15.00	23.15*
Dividend payout ratio (%)	**51**	49	42	40	40
Number of shares in issue ('000)	**9,225,547**	8,868,384	8,527,272	8,423,751	7,729,346
Weighted average number of shares in issue ('000)	**9,016,943**	8,689,362	8,475,522	8,288,256	7,570,924
Non Financial Highlights					
Share price at year-end (RM)	**6.54**	4.51	4.54	5.56	7.62
Number of employees~	**37,597**	38,952	40,545	41,669	40,804

For financial years 2013 to 2017, CIMB Bank's capital adequacy ratios are based on revised guideline on capital adequacy framework issued by BNM on 28 November 2012, which was revised on 13 October 2015 and then subsequently on 4 August 2017. The revised guidelines took effect for all banking institutions on 1 January 2016 and 4 August 2017 respectively and will take effect for all financial holding companies on 1 January 2019. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets)/CAFIB (Basel II – Risk-Weighted Assets) issued on 28 November 2012 and was subsequently updated on 1 August 2016 and 2 March 2017.

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

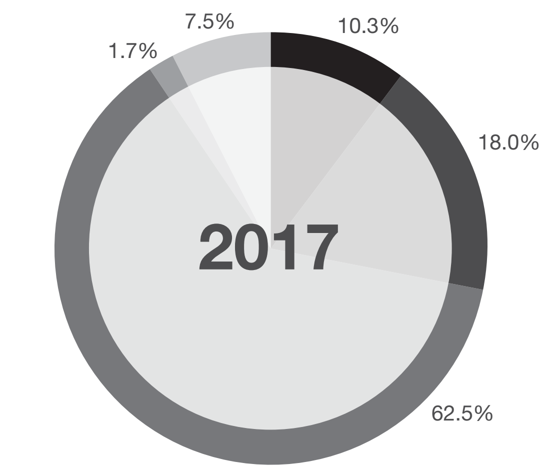
* *Based on the enlarged 8,229,341,531 ordinary shares, arising from the issuance of 500 million new ordinary shares pursuant to the private placement exercise completed in January 2014*

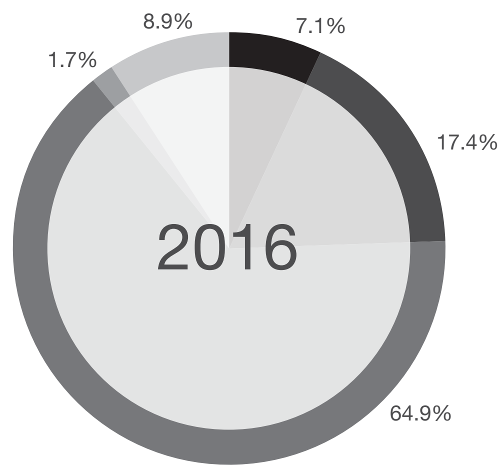
The capital ratio computed has not taken into account the effect of reinvestment of excess cash into CIMB Bank, pursuant to DRS implementation by CIMBGH on the proposed second interim dividend for financial years ended 31 December 2013 to 31 December 2017

~ *Excludes headcount borne by third parties*

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

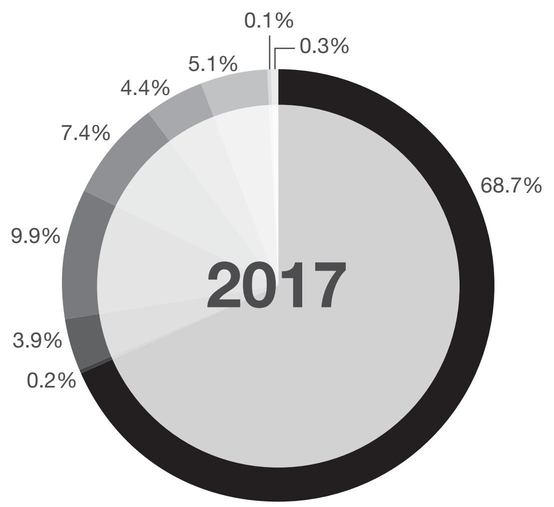
Assets

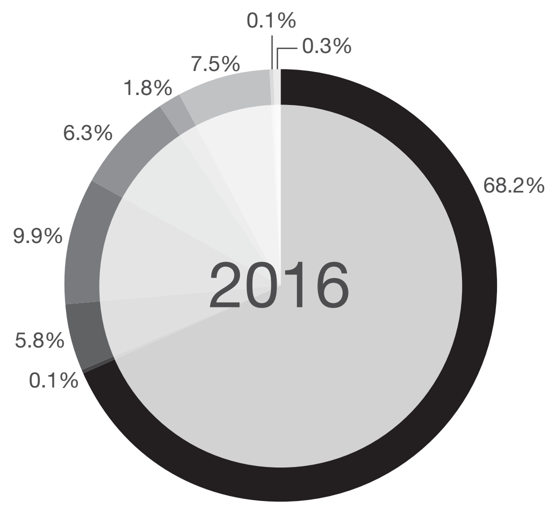




- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

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 2017		
	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	**45,723**	**2.28**	**1,148**
Financial assets held for trading	**21,657**	**2.56**	**665**
Financial investments available-for-sale	**32,404**	**3.87**	**1,198**
Financial investments held-to-maturity	**36,921**	**4.10**	**1,390**
Loans, advances and financing	**316,557**	**5.95**	**18,761**
Interest bearing liabilities:			
Total deposits*	**373,951**	**2.42**	**9,337**
Bonds, Sukuk, debentures and other borrowings	**24,953**	**3.24**	**770**
Subordinated obligations	**12,533**	**5.54**	**744**

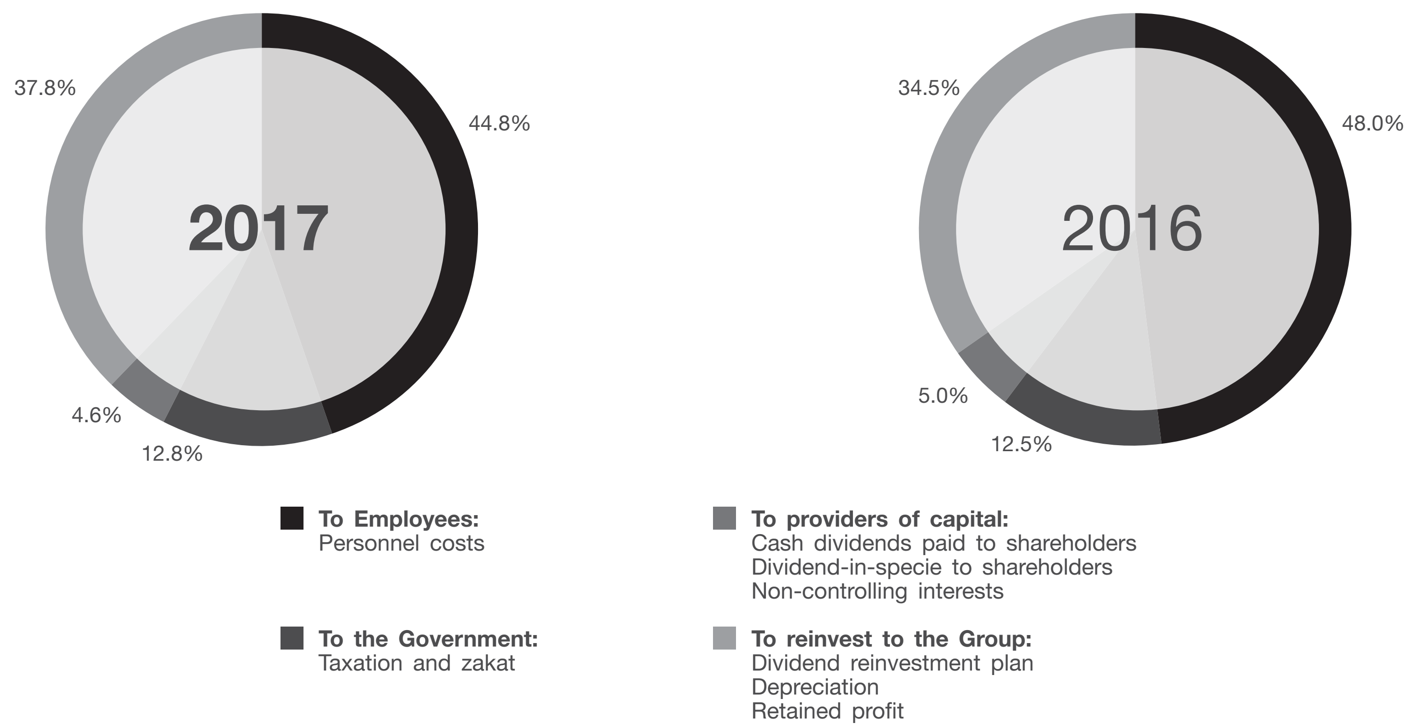
	Financial Year Ended 31 December 2016		
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	29,018	2.15	859
Financial assets held for trading	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	2.45	8,873
Bonds, Sukuk, debentures and other borrowings	16,926	3.46	661
Subordinated obligations	13,725	5.65	801

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

VALUE ADDED STATEMENTS

	2017 RM'000	2016 RM'000
Value added		
Net interest income	**10,459,097**	9,825,926
Income from Islamic banking operations	**2,131,813**	1,704,043
Non-interest income	**5,035,586**	4,535,286
Overheads excluding personnel costs and depreciation	**(3,527,033)**	(3,505,157)
Allowances for impairment losses on loans, advances and financing	**(2,230,907)**	(2,408,883)
Other allowances made	**(164,803)**	(236,226)
Share of results of joint ventures	**12,895**	4,236
Share of results of associates	**(121)**	111,452
Value added available for distribution	**11,716,527**	10,030,677

	2017 RM'000	2016 RM'000
Distribution of Value Added		
To employees:		
Personnel costs	**5,254,514**	4,820,659
To the Government:		
Taxation and zakat	**1,502,019**	1,251,187
To providers of capital:		
Cash dividends paid to shareholders	**402,338**	223,334
Dividend-in-specie to shareholders	**–**	205,048
Non-controlling interests	**132,791**	68,767
To reinvest to the Group:		
Dividend reinvestment plan	**1,838,642**	1,412,974
Depreciation	**352,028**	325,874
Retained profit	**2,234,195**	1,722,834
Value added available for distribution	**11,716,527**	10,030,677



QUARTERLY FINANCIAL PERFORMANCE

RM'000	2017			
	Q1	Q2	Q3	Q4
Operating revenue	**4,360,497**	**4,327,360**	**4,423,144**	**4,515,495**
Net interest income	**2,645,545**	**2,684,156**	**2,603,020**	**2,526,376**
Net non-interest income and income from Islamic banking operations	**1,714,952**	**1,643,204**	**1,820,124**	**1,989,119**
Overheads	**(2,295,732)**	**(2,262,940)**	**(2,267,083)**	**(2,307,820)**
Profit before taxation and zakat	**1,613,598**	**1,433,657**	**1,527,351**	**1,535,379**
Net profit attributable to equity holders of the Company	**1,180,258**	**1,102,464**	**1,132,224**	**1,060,229**
Earning per share (sen)	**13.31**	**12.25**	**12.50**	**11.57**
Dividend per share (sen)	**–**	**13.00**	**–**	**12.00**

RM'000	2016			
	Q1	Q2	Q3	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

ANALYSIS OF FINANCIAL STATEMENTS

ANALYSIS OF STATEMENT OF INCOME

	2017 RM'million	2016 RM'million	Increase/ (Decrease)
Net interest income^	**12,207**	11,263	8.4%
Net non-interest income^	**5,419**	4,802	12.8%
Operating income	**17,626**	16,065	9.7%
Overheads	**(9,133)**	(8,651)	5.6%
Pre-provision operating profit	**8,493**	7,414	14.6%
Allowance for impairment losses on loans, advances and financing	**(2,231)**	(2,409)	(7.4%)
Other allowances made	**(165)**	(236)	(30.1%)
Share of results of joint venture and associates	**13**	115	(88.7%)
Profit before taxation and zakat	**6,110**	4,884	25.1%
Net profit	**4,475**	3,564	25.6%
EPS (sen)	**49.6**	41.0	21.0%

^ *inclusive of income from Islamic banking operations*

Net interest income

The Group's Net interest income (NII) rose 8.4% YoY to RM12.207 billion in FY17 from RM11.263 billion in FY16. The improvement was attributed to improved liability management across businesses and geographies, which brought about flat NIMs of 2.63%. The Group's gross loans (excluding bad bank) increased 0.2% YoY or 3.1% excluding foreign exchange fluctuations. The growth in loans was predominantly driven by the Consumer and Commercial Banking segment which grew 4.0% and 3.1% respectively, Corporate loans declined 5.9% during the year following several large repayments. By country, loans were largely underpinned by Malaysia at 6.5% YoY.

Net non-interest income

Total net non-interest income (NOII) expanded by 12.8% YoY (or RM617 million) to RM5.419 billion compared to RM4.802 billion in FY16. The better performance was attributed to several factors, including: i) a buoyant capital market environment which brought about stronger trading income, foreign exchange volumes and investment banking deal flows; ii) improved wealth management and bancassurance fees at the Consumer segment; iii) sustained growth in Transaction Banking and Private Banking.

Overheads

The Group's total overhead expenses increased by RM482 million or 5.6% YoY to RM9.133 billion from RM8.651 billion in FY16. Excluding foreign exchange effects, total expenses were 3.4% higher. The Group continues to adopt strict financial discipline across all divisions, with numerous completed and on-going initiatives to improve productivity and operational efficiency.

Allowance for impairment losses on loans, advances and financing

Total net impairment allowances for losses on loans, advances and financing of RM2.231 billion in FY17 was 7.4% lower YoY compared to RM2.409 billion in FY16. The improvement was primarily from lower corporate provisions, partially offset by higher Consumer provisions following write-backs in FY16 and an uptick in Commercial Banking, particularly in Thailand and Singapore. For FY17, the Group's total loan loss charge was 0.69% with a gross impaired loans ratio of 3.4% and an allowance coverage of 70.5%.

Net profit

For FY17, the Group posted a net profit of RM4.475 billion, a 25.6% YoY increase from RM3.564 billion in FY16. The stronger performance came from a combination of improved operating income and controlled operating expenses, which brought about a third consecutive year of positive JAW. Loan impairment losses were also lower for FY17. The Group's reported net EPS came in at 49.6 sen compared to 41.0 sen in FY16.

ANALYSIS OF FINANCIAL STATEMENTS

SIGNIFICANT MOVEMENT IN STATEMENT OF FINANCIAL POSITION

	2017 RM'million	2016 RM'million	Increase/ (Decrease)
Assets			
Cash and short-term funds	**41,668**	26,710	56.0%
Deposits and placements with banks and other financial institutions	**4,055**	2,308	75.7%
Financial investment portfolio	**90,982**	84,680	7.4%
Loans, advances and financing	**316,557**	315,373	0.4%
Other assets (including intangible assets)	**53,238**	56,696	(6.1%)
Total assets	**506,500**	485,767	4.3%
Liabilities			
Deposits from customers^	**349,426**	331,773	5.3%
Deposits and placements of banks and other financial institutions	**19,752**	28,378	(30.4%)
Other borrowings	**10,057**	9,290	8.3%
Bonds, Sukuk and debentures	**14,896**	7,636	95.1%
Subordinated obligations	**12,533**	13,725	(8.7%)
Other liabilities	**50,029**	47,886	4.5%
Total liabilities	**456,693**	438,688	4.1%

^ includes investment accounts of customers

Total assets

As at 31 December 2017, CIMB Group's total assets rose RM20.7 billion or 4.3% higher at RM506.5 billion. The increase was largely attributed to a RM15.0 billion or 56.0% rise in cash and short-term funds and a 7.4% or RM6.3 billion increase in the financial investment portfolio. Loans, advances and financing rose RM1.2 billion or 0.4% for the year. This was partially offset by a 6.1% reduction in other assets (including intangible assets).

Total loans, advances and financing

The Group's loans, advances and financing stood at RM316.6 billion as at 31 December 2017, increasing by RM1.2 billion or 0.4% YoY. Malaysia loans grew 6.5% during the year, while loans from Indonesia and Thailand were 2.8% and 2.9% higher YoY in Rupiah and Baht-terms respectively. Singapore loans contracted 2.7% in Dollar terms in FY17. The Group's gross impaired loans ratio rose to 3.4% as at end-2017 compared to 3.3% as at a year previously. Consumer and Commercial Banking loans increased 4.0% and 3.1% respectively, while Wholesale loans declined by 5.9% YoY.

Other assets (including intangible assets)

The total amount of other assets reduced by 6.1% YoY or RM3.5 billion to RM53.2 billion as at 31 December 2017 compared to RM56.7 billion in FY16. The reduction was from a combination of decreases in derivative financial instruments, structured financing products and collateral pledged for derivative transactions, partially offset by an increase in non-current assets held for sale and reverse purchase agreements.

Total liabilities

As at 31 December 2017, the Group's total liabilities rose by RM18.0 billion or 4.1% YoY at RM456.7 billion. The increase was predominantly due to the RM17.7 billion or 5.3% growth in deposit from customers and a RM7.3 billion or 95.1% YoY rise in bonds, sukuk and debentures, partially offset by a RM8.6 billion or 30.4% reduction in deposits and placements of banks and other institutions. In line with regulatory requirements towards longer-term and more stable sources of funding, the Group sustained a conservative asset liability management strategy and has made concerted efforts to reduce the level of shorter-term deposit products.

Total deposits from customers

Total Group deposits from customers grew by 5.3% YoY or a RM17.7 billion rise to RM349.4 billion as at 31 December 2017. All business divisions posted positive momentum with Consumer Banking chalking the largest 9.1% YoY growth, followed by Wholesale and Commercial deposits at 3.0% and 0.9% respectively. From a geographical perspective, deposit growth was strongest in Malaysia at 12.4%, while Indonesia and Singapore deposits (in local currency terms) rose 4.8% and 2.5% respectively. In Thailand, total customer deposits were 3.4% lower YoY. The Group's CASA ratio stood at 35.0% from 35.7% last year while overall Group net interest margin remained steady at 2.63% in FY17.

Other liabilities

The total amount of other liabilities rose by 4.5% YoY or RM2.1 billion to RM50.0 billion as at 31 December 2017 compared to RM47.9 billion in FY16. The higher amount resulted from an increase in non-current liabilities held for sale, repurchase agreements and recourse obligation on loans and financing sold to Cagamas, partially offset by a decrease in derivative financial instruments and bills and acceptance payables.

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, external rating agencies and other stakeholders. 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 following table 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.

CAPITAL RATIOS (AFTER PROPOSED DIVIDEND)	COMMON EQUITY TIER 1 CAPITAL		TIER 1 CAPITAL		TOTAL CAPITAL	
	As at 31 December 2017	Minimum Regulatory Ratio	As at 31 December 2017	Minimum Regulatory Ratio	As at 31 December 2017	Minimum Regulatory Ratio
CIMB Bank	11.88%	4.50%	13.35%	6.00%	16.80%	8.00%
CIMB Islamic	13.29%	4.50%	13.89%	6.00%	16.29%	8.00%
CIMB Investment Bank	30.87%	4.50%	30.87%	6.00%	30.87%	8.00%
CIMB Niaga	17.01%	4.50%	17.01%	6.00%	18.23%	8.00%
CIMB Thai	12.47%	4.50%	12.47%	6.00%	16.63%	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 2017 calendar year include:

(1) The DRS was continued with a reinvestment rate averaging 82.0% in the year, reflecting investor confidence in the Group and generating an additional RM1.8 billion of capital.

(2) CIMB Group issued RM1.5 billion Basel III T2 Subordinated Debt on 30 November 2017.

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

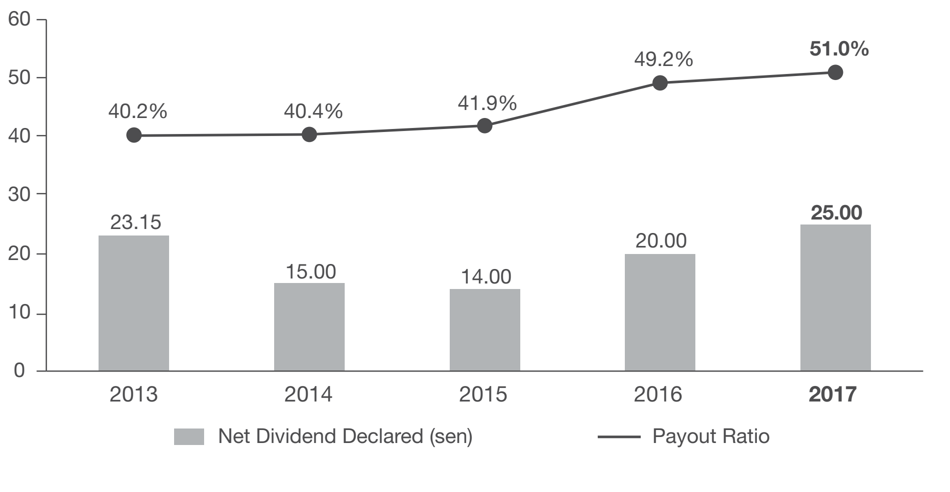
DIVIDEND POLICY

For the financial year ended 31 December 2017, the first interim single tier dividend of 13.00 sen per ordinary share, on 9,052,105,590 ordinary shares amounted to RM1,176,773,727 was approved by the Board of Directors on 28 July 2017. The dividend consisted of an electable portion of 13.00 sen per ordinary share which shareholders could elect to reinvest in new ordinary shares in accordance with the DRS. Following the completion of the DRS, a total cash dividend of RM208,995,579 was paid on 10 November 2017.

A second interim single tier dividend of 12.00 sen per ordinary share, on 9,225,542,534 ordinary shares amounting to RM1,107,065,104 in respect of the financial year ended 2017 was approved by the Board of Directors on 29 January 2018 and Bank Negara Malaysia on 27 February 2018. The second interim single tier dividend will be payable in May 2018 and will consist of an electable portion of 12.00 sen per ordinary share which shareholders can elect to reinvest in new ordinary shares in accordance with the DRS.

DIVIDEND REINVESTMENT SCHEME

The DRS was implemented in 2013 to provide shareholders with an option to reinvest dividends into new ordinary shares of CIMB and at the same time to help preserve the Group's capital. It was first applied to the Group's second interim dividend for the 2012 financial year. The dividend reinvestment rate has been encouraging, with an average rate of 80.8%.



FINANCIAL CALENDAR

28 February 2017

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2016

16 March 2017

Notice of book closure for single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2016

30 March 2017

- Notice of 60th Annual General Meeting
- Issuance of Annual Report for the financial year ended 31 December 2016
- Date of entitlement for the single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2016

4 April 2017

Notice of election in relation to the dividend reinvestment scheme that provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of CIMB

21 April 2017

Errata to the Annual Report 2016 – Financial Statements 2016

28 April 2017

- 60th Annual General Meeting
- Payment of the single tier interim dividend of 11.00 sen per share for the financial year ended 31 December 2016
- Additional listing of 183,726,322 new ordinary shares, via the Dividend Reinvestment Scheme

24 May 2017

Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2017

28 August 2017

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

28 September 2017

Notice of book closure for the single tier first interim dividend of 13.00 sen per share for the financial year ending 31 December 2017

12 October 2017

Date of entitlement for the single tier interim dividend of 13.00 sen per share for the financial year ending 31 December 2017

17 October 2017

Notice of election in relation to the dividend reinvestment scheme that provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares in CIMB

10 November 2017

Payment of the single tier interim dividend of 13.00 sen per share for the financial year ending 31 December 2017

13 November 2017

Additional listing of 173,436,944 new ordinary shares via the dividend reinvestment scheme

28 November 2017

Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2017

2018 TENTATIVE DATES

30 May 2018

1Q18 Financial Results

29 August 2018

2Q18 Financial Results

21 November 2018

3Q18 Financial Results

February 2019

4Q18 Financial Results

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, 2016 and the Main Market 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 2017, 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 2017

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 2017.

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	4,475,175	1,527,355
– Non-controlling interests	132,791	–
	4,607,966	1,527,355

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016: Dividend on 8,868,379,268 ordinary shares, paid on 28 April 2017 – single tier second interim dividend of 12.00 sen per ordinary share, consists of cash portion of 2.18 sen per ordinary shares and an electable portion of 9.82 sen per ordinary shares which was reinvested in new ordinary shares	1,064,206
In respect of the financial year ended 31 December 2017: Dividend on 9,052,105,590 ordinary shares, paid on 10 November 2017: – single tier first interim dividend of 13.00 sen per ordinary shares, consists of cash portion of 2.31 sen per ordinary shares and an electable portion of 10.69 sen per ordinary shares which was reinvested in new ordinary shares	1,176,774

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(c), on 9,225,542,534 ordinary shares amounting to RM1,107 million in respect of the financial year ended 31 December 2017. The single tier second interim dividend was approved by the Board of Directors on 29 January 2018.

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 2017.

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 357,163,266 via:

(a) Issuance of 183,726,322 new ordinary shares arising from the DRS relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2016, as disclosed in Note 43(a) to the Financial Statements; and

(b) Issuance of 173,436,944 new ordinary shares arising from the DRS relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2017, as disclosed in Note 43(b) to the Financial Statements.

Directors' Report
for the financial year ended 31 December 2017

SHARE BUY-BACK AND CANCELLATION

The shareholders of the Company, had via an ordinary resolution passed at the Annual General Meeting held on 28 April 2017, 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 did not buy back any of its issued share capital from the open market. As at 31 December 2017, 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 2017 was 9,225,542,534 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 127 of the Companies Act, 2016.

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 prepared, 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 prepared, 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, including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets 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.

Directors' Report
for the financial year ended 31 December 2017

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

The Directors of the Company who have held office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Sri Mohamed Nazir bin Abdul Razak
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Glenn Muhammad Surya Yusuf
Robert Neil Coombe
Watanan Petersik
Teoh Su Yin
Datuk Mohd Nasir Ahmad
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din
Ahmad Zulqarnain bin Che On (Appointed on 3 November 2017)
Hiroaki Demizu (Resigned on 16 October 2017)
Datuk Joseph Dominic Silva (Resigned on 3 November 2017)

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:

Dato' Sri Mohamed Nazir bin Abdul Razak
Glenn Muhammad Surya Yusuf
Watanan Petersik

In accordance with Article 83 of the Articles of Association, the following Director will retire from the Board at the forthcoming AGM and being eligible, offer himself for re-election:

Ahmad Zulqarnain bin Che On

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, 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 or its subsidiaries during the financial year are as follows:

	No. of ordinary shares			
	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
*Dato' Lee Kok Kwan	2,779,365	80,072[b]	(1,560,877)	1,298,560
^Dato' Sri Mohamed Nazir bin Abdul Razak	46,505,760	2,119,952[c]	(5,000,000)	43,625,712
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	1,040,332	807,262[a]	(303,013)[d]	1,544,581
**Teoh Su Yin	113,737	5,595[b]	–	119,332

Directors' Report
for the financial year ended 31 December 2017

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

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

	No. of ordinary shares			
	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
*Datin Rosemary Yvonne Fong	80,948	9,445[(b)]	(5,463)	84,930
**Stephen John Watson Hagger	113,737	5,595[(b)]	–	119,332

(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	–	–	7,490,371
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	60,031	–	–	60,031
*Dato' Lee Kok Kwan	427,305	–	–	427,305
**Teoh Su Yin	17,486	–	–	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	–	–	338,342
*Datin Rosemary Yvonne Fong	12,445	–	–	12,445
**Stephen John Watson Hagger	17,486	–	–	17,486

	Debentures held			
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	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' 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.

SUBSIDIARIES

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 12 to the Financial Statements.

(b) Subsidiaries' holding of shares in other related corporations

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 12 to the Financial Statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are as set out in Note 37 to the Financial Statements.

2017 BUSINESS PLAN AND STRATEGY

The Group's 2017 performance was largely influenced by domestic, regional and global economic activity. These included global developments like the new US leadership, geopolitical uncertainties across the various jurisdictions, the rise of crypto-currencies and numerous regulatory developments across all jurisdictions which resulted in markets and currency volatility. The Malaysian economy was robust in 2017 with a strong GDP growth of 5.9% and a strengthened Ringgit through the year, which translated to buoyant equity and fixed income markets. Nevertheless, the Group maintained a cautious stance with regards to asset and liability growth, increased vigilance on risk and asset quality management and remained in capital accumulation mode.

The 2017 theme for the Group was "Forward Towards T18", focused on driving the key business pillars based on the 5Cs – Customer, Culture, Compliance, Cost and Capital – towards achieving the Group's regional ambitions and the T18 strategic and financial targets. The operational advances and financial performance in 2017 has positioned the Group well to achieve these end-2018 targets. The major strategic developments for the year included recalibration of the consumer banking business in CIMB Thai and the auto finance business in CIMB Niaga, securing approval to establish and operate a branch in the Philippines, entering into a 50:50 joint venture with China Galaxy Securities for the regional cash equities business, completion of the disposal of the Group's 18.21% interest in the Bank of Yingkou as well as a milestone joint venture between Touch 'n Go and Alipay.

The Group posted a 9.7% year on year (Y-o-Y) growth in revenue to RM17.6 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) expanded by 8.4% Y-o-Y to RM12.2 billion supported by loans and credit growth with net interest margins (NIM) remaining flat. Non-interest income grew 12.8% Y-o-Y in line with increased capital market activity at Treasury & Markets and Investment Banking with improved wealth management and bancassurance revenues. The Group's profit before tax (PBT) of RM6.1 billion was 25.1% higher Y-o-Y from a positive revenue and cost JAW with a 5.6% Y-o-Y increase in operating costs and lower loan loss provisions. This translated to a net return on equity (ROE) of 9.6%.

The regional Consumer PBT was 11.8% higher Y-o-Y at RM2.6 billion. The larger Malaysian Consumer operations grew 13.1% Y-o-Y, while Thailand was firmly profitable with a 108.0% Y-o-Y PBT improvement. The Indonesia Consumer operations declined 42.9% due to contracting auto finance book and higher provisions, while Singapore performed better with better liability management. The PBT for regional Wholesale Banking grew by 53.0% Y-o-Y to RM2.6 billion as all business units posted improved performances. Corporate Banking improved from lower corporate provisions while both Treasury & Markets and Investment Banking had a stronger year from increased capital market activity. The regional Commercial Banking PBT reduced by 18.1% Y-o-Y on the back of continued high provisions in Thailand and Singapore, with Malaysia and Indonesia staying steady. CIMB Niaga's PBT expanded by 45.7% Y-o-Y to IDR4,155 billion driven by revenue growth, controlled cost management and lower loan provisions. CIMB Thai posted a THB489 million PBT from a pretax loss in 2016 largely attributed to the 19.5% decline in provisions. CIMB Singapore's PBT increased 46.9% to RM354 million on the back better revenues and lower deposit costs.

Excluding the bad bank, the Group's total gross loans was 0.2% higher Y-o-Y. After adjusting for foreign exchange fluctuations, the Group's total gross loans increased by 3.1% Y-o-Y. Consumer Banking loans increased 4.0% with commercial loans growing 3.1% and Wholesale Banking loans declining 5.9%. Total Group deposits grew by 5.5% Y-o-Y but were 8.0% higher Y-o-Y after excluding foreign exchange fluctuations. The Group's CASA ratio stood at 35.0% from 35.7% last year while overall net interest margin remained unchanged Y-o-Y at 2.63%.

The Group's cost to income ratio improved to 51.8% compared to 53.9% in FY16, from revenue growth and improved cost management. The Group's allowances for impairment losses were 7.4% lower at RM2.231 billion in FY17 compared to RM2.409 billion in FY16. The Group's total loan loss charge was 0.69%. The Group's gross impairment ratio stood at 3.4% for FY17 from 3.3% as at FY16, with an allowance coverage of 70.5%.

Directors' Report
for the financial year ended 31 December 2017

OUTLOOK FOR 2018

CIMB Group is optimistic about 2018 and confident of achieving its T18 targets, on the back of continued momentum in Malaysia and the expectation of further improvement in loan growth and asset quality across Indonesia, Thailand and Singapore. This year will also see the Group completes its presence in all 10 ASEAN countries with its first branch opening in the Philippines by end-2018. The Group is also excited to launch its digital banking proposition in Vietnam in 1H18. The Group strongly believes that these, coupled with its strengthened foundation, strategic partnerships and extensive ASEAN network will help to deliver real value to all its stakeholders and further entrench CIMB's position as a leading ASEAN universal bank.

RATINGS BY EXTERNAL RATING AGENCY

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service (Moody's)	October 2017	1. Long-term Issuer Rating 2. Short-term Issuer Rating	Baa1 P-2	Stable
Malaysian Rating Corporation Berhad (MARC)	November 2017	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme	AA+ MARC-1 AA	Stable
RAM Rating Services Berhad (RAM)	December 2017	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM6.0 billion Conventional/ Islamic Commercial Papers/Medium-term Notes Programme 4. RM3.0 billion Subordinated Notes Programme 5. RM6.0 billion Conventional and Islamic Commercial Paper Programme 6. RM10.0 billion Additional Tier I Capital Securities Programme	AA_1 P1 AA_1/P1 AA_3 P1 A_1	Stable

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 Professor Dr. Mohammad Hashim Kamali
2. Sheikh Dr. Nedham Yaqoobi
3. Sheikh Yang Amat Arif Professor Adjung Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar
4. Sheikh Associate Professor Dr. Shafaai bin Musa
5. Sheikh Professor Dr. Yousef Abdullah Al Shubaily
6. Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil (contract of appointment expired on 31 October 2017)

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.

Directors' Report
for the financial year ended 31 December 2017

ZAKAT OBLIGATIONS

CIMB Islamic Bank Berhad pays business zakat by adopting the Adjusted Growth Method to state zakat authorities in line with the methodology approved by Board Shariah Committee. However, the amount payable by the CIMB Islamic Bank Berhad is at the discretion of the management of CIMB Islamic Bank Berhad and it is the shareholder's responsibility to ensure that their own zakat obligation are fulfilled in relation to their ownership of the share.

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 PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office. PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 6 March 2018.

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 2018

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

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 28 to 251 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2018

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

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 28 to 251 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 2018.

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, for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non Compliant risk 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 (excluding PT Bank CIMB Niaga Tbk) as follows:

(1) Within CIMB Bank Berhad, London Branch, due to the conventional terms and conditions ("T&Cs") being provided to some customers of Wadi'ah Current Account-i – single event.

(2) Within CIMB Bank Berhad, Labuan Offshore Branch, due to the recognition of Additional Installment Amount ("AIA") in one of the Islamic syndication deals as an income without obtaining proper approval from Board Shariah Committee – single event. Refer to Note 58(aj).

Board Shariah Committee's Report
for the financial year ended 31 December 2017

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. Introduction of Commodity Murabahah Current Account-i at CIMB Bank Berhad, London Branch.

2. Establishing an appropriate mechanism to recognise the AIA for Islamic deals.

3. Reviewing the Policies & Procedures to reflect the Shariah requirements applicable to the Islamic business, and having them 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 2017 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;

3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and

4. The zakat calculation is in compliance with Shariah principles.

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 2017 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
6 March 2018

INDEPENDENT AUDITORS' REPORT

to the members of CIMB Group Holdings Berhad

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 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 financial year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 28 to 251.

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
for the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group key audit matters

Key audit matters	How our audit addressed the key audit matters
Assessment of the carrying value of loans, advances and financing, and its impairment Refer to accounting policy I(a) and Notes 8, 38 and 53(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 62% of total assets of the Group. 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 assessed on a portfolio basis, the Group made subjective judgements on the assumptions used in the loss models.	We performed the following audit procedures: **Individual impairment assessment** • 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 and formed our own judgement as to whether there was any objective evidence of impairment. • 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, challenging the assumptions and comparing estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed. **Portfolio impairment assessment** • 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 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 on individual and portfolio impairment assessment, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.
Accounting and valuation for complex financial instruments Refer to accounting policy Q and Notes 53(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 on the contractual terms and accounting treatment proposed by 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 standards 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 exceptions in the accounting for and estimates used in the valuation of these complex financial instruments.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group key audit matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Assessment of the carrying value of goodwill and its impairment Refer to accounting policy M(a), V and Notes 18 and 53(c) of the Financial Statements. The Group recorded goodwill of RM8,226 million as at 31 December 2017 which arose from a number of acquisitions in prior years. 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 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 goodwill resulted in this matter being identified as an area of audit focus.	We performed the following audit procedures: • Assessed the determination of each CGU by comparing against the business and geographical segments within the Group. • 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 2017.

Company key audit matters

We have determined that there are no key audit matters to communicate in our report which arise from the audit of the financial statements of the Company.

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 2017 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.

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, 2016 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.

Independent Auditors' Report

for the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

Independent Auditors' Report
for the financial year ended 31 December 2017

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Chartered Accountants

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

Kuala Lumpur
6 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	2	**41,667,884**	26,709,687
Reverse repurchase agreements		**6,484,687**	5,315,287
Deposits and placements with banks and other financial institutions	3	**4,055,330**	2,307,968
Financial assets held for trading	4	**21,657,212**	22,768,648
Derivative financial instruments	7	**8,447,957**	12,006,184
Financial investments available-for-sale	5	**32,403,986**	31,530,263
Financial investments held-to-maturity	6	**36,921,215**	30,381,305
Loans, advances and financing	8	**316,557,012**	315,372,898
Other assets	9	**12,147,332**	16,525,138
Tax recoverable		**129,072**	64,338
Deferred tax assets	10	**386,850**	387,306
Statutory deposits with central banks	11	**8,630,454**	8,484,387
Investment in associates	13	**76,199**	77,661
Investment in joint ventures	14	**183,731**	173,680
Property, plant and equipment	15	**1,991,646**	2,140,479
Investment properties	16	**–**	–
Prepaid lease payments	17	**101,913**	113,929
Goodwill	18	**8,225,745**	8,472,340
Intangible assets	19	**1,820,369**	2,036,600
		501,888,594	484,868,098
Non-current assets held for sale	54	**4,610,938**	898,789
Total assets		**506,499,532**	485,766,887
Liabilities			
Deposits from customers	20	**348,518,277**	331,518,138
Investment accounts of customers	21	**907,763**	254,408
Deposits and placements of banks and other financial institutions	22	**19,751,576**	28,377,775
Repurchase agreements		**6,122,273**	4,397,454
Financial liabilities designated at fair value	23	**4,773,440**	4,367,577
Derivative financial instruments	7	**8,751,383**	12,137,592
Bills and acceptances payable		**3,177,182**	3,661,743
Other liabilities	24	**17,789,579**	18,425,685
Recourse obligation on loans and financing sold to Cagamas	25	**5,195,248**	4,498,369
Current tax liabilities		**507,940**	341,487
Deferred tax liabilities	10	**80,943**	56,556
Bonds, Sukuk and debentures	27	**14,895,625**	7,635,784
Other borrowings	28	**10,057,295**	9,289,859
Subordinated obligations	29	**12,532,965**	13,725,302
		453,061,489	438,687,729
Non-current liabilities held for sale	54	**3,631,608**	–
Total liabilities		**456,693,097**	438,687,729

Consolidated Statement of Financial Position
for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Equity			
Capital and reserves attributable to owners of the Parent			
Ordinary Share capital	30	**22,183,226**	8,868,384
Reserves	32	**26,062,859**	36,440,397
Less: Shares held under trust	33(a)	**(563)**	(563)
Treasury shares, at cost	33(b)	**(43)**	(43)
		48,245,479	45,308,175
Perpetual preference shares	31	**200,000**	200,000
Non-controlling interests		**1,360,956**	1,570,983
Total equity		**49,806,435**	47,079,158
Total equity and liabilities		**506,499,532**	485,766,887
Commitments and contingencies	48	**875,879,316**	888,167,213
Net assets per share attributable to owners of the Parent (RM)		**5.23**	5.11

CONSOLIDATED STATEMENT OF INCOME

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Interest income	34	**19,508,690**	18,826,017
Interest expense	35	**(9,049,593)**	(9,000,091)
Net interest income		**10,459,097**	9,825,926
Income from Islamic banking operations	58	**2,131,813**	1,704,043
Net non-interest income	36	**5,035,586**	4,535,286
		17,626,496	16,065,255
Overheads	37	**(9,133,575)**	(8,651,690)
Profit before allowances		**8,492,921**	7,413,565
Allowance made for impairment losses on loans, advances and financing	38	**(2,230,907)**	(2,408,883)
Allowance made for impairment losses on other receivables		**(76,103)**	(87,160)
Allowance written back/(made) for commitments and contingencies	24	**10,364**	(30,461)
Allowance made for other impairment losses	39	**(99,064)**	(118,605)
		6,097,211	4,768,456
Share of results of joint ventures	14	**12,895**	4,236
Share of results of associates	13	**(121)**	111,452
Profit before taxation and zakat		**6,109,985**	4,884,144
Taxation and zakat			
– Company and subsidiaries	41	**(1,502,019)**	(1,251,187)
Profit for the financial year		**4,607,966**	3,632,957
Profit attributable to:			
Owners of the Parent		**4,475,175**	3,564,190
Non-controlling interests		**132,791**	68,767
		4,607,966	3,632,957
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic	42	**49.63**	41.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	2017 RM'000	2016 RM'000
Profit for the financial year	**4,607,966**	3,632,957
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation		
– Actuarial loss	**(50,252)**	(28,134)
– Income tax effects	**(1,988)**	7,269
– Currency translation difference	**(1,152)**	(1,524)
	(53,392)	(22,389)
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve-financial investments available-for-sale	**373,584**	299,400
– Net gain from change in fair value	**579,942**	528,612
– Realised gain transferred to statement of income on disposal and impairment	**(156,244)**	(175,175)
– Income tax effects	**(56,850)**	(30,712)
– Currency translation difference	**6,736**	(23,325)
Net investment hedge	**393,257**	(228,739)
Hedging reserve – cash flow hedge	**7,498**	13,767
– Net gain from change in fair value	**10,295**	19,698
– Income tax effects	**(2,797)**	(5,931)
Exchange fluctuation reserve	**(2,121,728)**	1,426,527
Share of other comprehensive income/(expense) of		
– Associates	**2,712**	(1,946)
– Joint ventures	**(58)**	1,087
	(1,344,735)	1,510,096
Other comprehensive (expense)/income during the financial year, net of tax	**(1,398,127)**	1,487,707
Total comprehensive income for the financial year	**3,209,839**	5,120,664
Total comprehensive income attributable to:		
Owners of the Parent	**3,162,280**	4,977,320
Non-controlling interests	**47,559**	143,344
	3,209,839	5,120,664

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	2	**182,809**	587,828
Financial investments available-for-sale	5	**1,433,024**	1,432,249
Financial investments held-to-maturity	6	**3,518,264**	2,012,667
Other assets	9	**42,195**	632
Tax recoverable		**109,243**	37,921
Amount owing by subsidiaries net of allowance for doubtful debts of RM775,424 (2016: RM775,424)		**–**	1
Investment in subsidiaries	12	**27,052,448**	27,173,351
Investment in associates	13	**3,834**	3,834
Property, plant and equipment	15	**1,117**	1,491
Investment properties	16	**417**	435
		32,343,351	31,250,409
Non-current assets held for sale	54	**1,038,859**	7,862
Total assets		**33,382,210**	31,258,271
Liabilities			
Other liabilities	24	**1,717**	2,070
Deferred tax liabilities	10	**361**	353
Other borrowings	28	**3,553,113**	4,060,493
Subordinated obligations	29	**6,904,556**	5,399,121
Total liabilities		**10,459,747**	9,462,037
Equity			
Ordinary Share capital	30	**22,183,226**	8,868,384
Reserves	32	**739,280**	12,927,893
Less: Treasury shares, at cost	33(b)	**(43)**	(43)
Total equity		**22,922,463**	21,796,234
Total equity and liabilities		**33,382,210**	31,258,271

COMPANY STATEMENT OF INCOME

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Interest income	34	**204,824**	153,609
Interest expense	35	**(470,471)**	(436,832)
Net interest expense		**(265,647)**	(283,223)
Net non-interest income	36	**1,831,118**	1,804,543
		1,565,471	1,521,320
Overheads	37	**(13,519)**	(10,777)
Profit before allowances		**1,551,952**	1,510,543
Allowance for other impairment losses	39	**(22,265)**	(150,310)
Profit before taxation		**1,529,687**	1,360,233
Taxation	41	**(2,332)**	(4,018)
Profit for the financial year		**1,527,355**	1,356,215

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	2017 RM'000	2016 RM'000
Profit for the financial year	**1,527,355**	1,356,215
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve-financial investments available-for-sale	**1,213**	25,406
– Net gain from change in fair value	**1,213**	25,406
Other comprehensive income during the financial year, net of tax	**1,213**	25,406
Total comprehensive income for the financial year	**1,528,568**	1,381,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

		Attributable to owners of the Parent															
The Group	Note	Ordinary 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 2017		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
Profit for the financial year		–	–	–	–	–	–	–	–	–	–	–	4,475,175	4,475,175	–	132,791	4,607,966
Other comprehensive income/(expense)(net of tax)		–	–	(196)	–	(2,023,789)	–	–	365,229	347,363	(1,502)	–	–	(1,312,895)	–	(85,232)	(1,398,127)
Financial investments available-for-sale		–	–	–	–	–	–	–	365,229	–	–	–	–	365,229	–	8,355	373,584
Net investment hedge		–	–	–	–	–	–	–	–	393,257	–	–	–	393,257	–	–	393,257
Hedging reserve – cash flow hedge		–	–	–	–	–	–	–	–	7,498	–	–	–	7,498	–	–	7,498
Remeasurement of post employment benefits obligations		–	–	–	–	–	–	–	–	(53,392)	–	–	–	(53,392)	–	–	(53,392)
Currency translation difference		–	–	(196)	–	(2,026,443)	–	–	–	–	(1,502)	–	–	(2,028,141)	–	(93,587)	(2,121,728)
Share of other comprehensive income/(expense) of																	
– Associate		–	–	–	–	–	–	–	2,712	–	–	–	–	2,712	–	–	2,712
– Joint venture		–	–	–	–	2,654	–	–	(2,712)	–	–	–	–	(58)	–	–	(58)
Total comprehensive (expense)/income for the financial year		–	–	(196)	–	(2,023,789)	–	–	365,229	347,363	(1,502)	–	4,475,175	3,162,280	–	47,559	3,209,839
Transition to no-par value regime on 31 January 2017**		11,476,201	(11,476,201)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Second interim dividend for the financial year ended 31 December 2016	43	–	–	–	–	–	–	–	–	–	–	–	(1,064,206)	(1,064,206)	–	–	(1,064,206)
First interim dividend for the financial year ended 31 December 2017	43	–	–	–	–	–	–	–	–	–	–	–	(1,176,774)	(1,176,774)	–	–	(1,176,774)
Non-controlling interest share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(32,017)	(32,017)
Transfer from statutory reserve	32(a)	–	–	(6,444,510)	–	–	–	–	–	–	–	–	6,444,510	–	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	–	–	–	–	180,880	(180,880)	–	–	–	–
Issuance of shares arising from:																	
– dividend reinvestment scheme	30	1,838,641	–	–	–	–	–	–	–	–	–	–	–	1,838,641	–	–	1,838,641
Purchase of treasury shares	33(b)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share-based payment expense	45	–	–	–	–	–	–	–	–	–	56,617	–	–	56,617	–	–	56,617
Purchase of shares in relation to Equity Ownership Plan ("EOP")		–	–	–	–	–	–	–	–	(63,995)	–	–	–	(63,995)	–	–	(63,995)
Shares released under EOP		–	–	–	–	–	–	–	–	52,782	(46,560)	–	–	6,222	–	–	6,222
Contributions by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	28,003	28,003
Liquidation of subsidiaries		–	–	(863)	–	–	–	–	–	–	–	–	–	(863)	–	–	(863)
Arising from dilution/disposal of equity interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	179,382	179,382	–	(180,957)	(1,575)
Non-controlling interest share of subsidiary treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(72,615)	(72,615)
Total transactions with owners/other equity movements, recognised directly in equity		1,838,641	–	(6,445,373)	–	–	–	–	–	(11,213)	10,057	180,880	4,202,032	(224,976)	–	(257,586)	(482,562)
At 31 December 2017		22,183,226	–	131,155	137,104	423,263	(563)	(43)	499,476	(1,374,602)	60,002	1,502,520	24,683,941	48,245,479	200,000	1,360,956	49,806,435

** *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the Act, 2016, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Act. Refer to Note 30.*

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2017

The Group	Note	Attributable to owners of the Parent															
		Ordinary 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/ (expense) (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 expense of																	
– Associate		–	–	–	–	–	–	–	(1,946)	–	–	–	–	(1,946)	–	–	(1,946)
– Joint venture		–	–	–	–	1,465	–	–	(378)	–	–	–	–	1,087	–	–	1,087
Total comprehensive (expense)/ 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		–	–	–	–	–	–	–	–	–	–	–	(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 to 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

for the financial year ended 31 December 2017

			Non-distributable				Distributable	
The Company	**Note**	**Ordinary 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 2017		**8,868,384**	**11,476,201**	**55,982**	**(43)**	**25,406**	**1,370,304**	**21,796,234**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**1,527,355**	**1,527,355**
Other comprehensive income (net of tax)		**–**	**–**	**–**	**–**	**1,213**	**–**	**1,213**
Financial investments available-for-sale		**–**	**–**	**–**	**–**	**1,213**	**–**	**1,213**
Total comprehensive income for the financial year		**–**	**–**	**–**	**–**	**1,213**	**1,527,355**	**1,528,568**
Transition to no-par value regime on 31 January 2017**		**11,476,201**	**(11,476,201)**	**–**	**–**	**–**	**–**	**–**
Second interim dividend for the financial year ended 31 December 2016	43	**–**	**–**	**–**	**–**	**–**	**(1,064,206)**	**(1,064,206)**
First interim dividend for the financial year ended 31 December 2017	43	**–**	**–**	**–**	**–**	**–**	**(1,176,774)**	**(1,176,774)**
Issue of share capital arising from:								
– dividend reinvestment plan	30	**1,838,641**	**–**	**–**	**–**	**–**	**–**	**1,838,641**
At 31 December 2017		**22,183,226**	**–**	**55,982**	**(43)**	**26,619**	**656,679**	**22,922,463**
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*

** *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, 2016, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 30.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Operating Activities			
Profit before taxation and zakat		**6,109,985**	4,884,144
Adjustments for:			
Accretion of discounts less amortisation of premiums	34	**1,963**	45,892
Amortisation of prepaid lease payments	37	**11,187**	11,332
Allowance made for impairment losses on other receivables		**76,103**	87,160
Allowance made for other impairment losses	39	**99,064**	118,605
Allowance made for impairment losses on loans, advances and financing		**2,747,518**	2,767,934
Allowance (written back)/made for commitments and contingencies		**(10,364)**	30,461
Amortisation of intangible assets	37	**345,470**	349,976
Depreciation of property, plant and equipment	37	**352,028**	325,874
Dividends from financial investments available-for-sale	36	**(31,788)**	(20,538)
Dividends from financial assets held-for-trading	36	**(58,550)**	(47,169)
Gain on disposal of associates and joint ventures	36	**(46,020)**	–
Loss/(Gain) on deemed disposal/disposal of interest in subsidiaries	36	**7,699**	(149,272)
Gain on disposal of property, plant and equipment/assets held for sale	36	**(25,659)**	(11,661)
Gain on disposal of leased assets	36	**(212)**	(181)
Gain on sale of financial investments available-for-sale	36	**(174,206)**	(204,925)
Gain on sale of financial assets held for trading and derivative financial instruments	36	**(821,536)**	(1,520,474)
Loss on disposal of foreclosed properties	36	**42,313**	27,361
Net (gain)/loss from redemption/maturity of financial investments held-to-maturity	36	**(1,878)**	6
Net loss arising from hedging activities	36	**9,599**	24,432
Property, plant and equipment written off	37	**1,921**	3,329
Share-based payment expense	45	**56,617**	55,104
Share of results of associates		**121**	(111,452)
Share of results of joint ventures		**(12,895)**	(4,236)
Unrealised loss on financial liabilities designated at fair value	36	**205,184**	219,432
Unrealised (gain)/loss on foreign exchange		**(1,310,207)**	954,214
Unrealised loss/(gain) on revaluation of derivative financial instruments	36	**1,018,552**	(460,465)
Unrealised gain on revaluation of financial assets held for trading	36	**(461,329)**	(104,858)
		2,020,695	2,385,881
		8,130,680	7,270,025
Decrease/(increase) in operating assets			
Reverse repurchase agreements		**(1,202,566)**	4,398,825
Deposits and placements with banks and other financial institutions		**(1,967,293)**	(504,289)
Financial assets held for trading		**1,594,769**	(2,611,124)
Loans, advances and financing		**(4,545,490)**	(28,794,981)
Other assets		**3,963,661**	14,064
Derivative financial instruments		**10,978**	1,405,298
Statutory deposits with central banks		**(146,067)**	(784,566)
		(2,292,008)	(26,876,773)
Increase/(decrease) in operating liabilities			
Deposits from customers		**17,000,139**	14,094,557
Investment accounts of customers		**653,355**	21,692
Deposits and placements of banks and other financial institutions		**(8,626,199)**	4,685,825
Financial liabilities designated at fair value		**200,679**	(804,626)
Repurchase agreements		**1,724,819**	(4,130,009)
Amount due to Cagamas Berhad		**10,316**	44,054
Bills and acceptances payable		**(484,561)**	1,332,784
Other liabilities		**3,045,185**	6,483,610
		13,523,733	21,727,887
Cash flows generated from operations		**19,362,405**	2,121,139

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Taxation paid		**(1,403,507)**	(1,103,631)
Net cash flows generated from operating activities		**17,958,898**	1,017,508
Investing Activities			
Distributions and capital repayment from a joint venture	14	**–**	157
Distribution from associates	13	**–**	6,710
Dividend from an associate	13	**2,550**	27,355
Dividend from joint venture	14	**2,800**	10,094
Dividends received from financial investments available-for-sale		**31,788**	20,538
Dividends received from financial assets held for trading		**58,550**	47,169
Investment in associates	13	**(2,463)**	(30,631)
Net (purchase)/proceed of financial investments available-for-sale		**(458,195)**	1,516,197
Net purchase of financial investments held-to-maturity		**(6,543,459)**	(4,655,378)
Net cash (outflow)/inflow from disposal of interest in subsidiaries	55	**(7,699)**	151,765
Proceeds from disposal of certain interest in associates		**49,736**	–
Proceeds from disposal of prepaid lease payment		**–**	209
Proceeds from disposal of property, plant and equipment/asset held for sale		**185,094**	402,299
Purchase of property, plant and equipment	15	**(626,110)**	(549,591)
Proceeds from disposal of intangible assets		**31,076**	98,100
Purchase of intangible assets	19	**(85,809)**	(487,504)
Net cash flows used in investing activities		**(7,362,141)**	(3,442,511)
Financing Activities			
Acquisition of additional interest in subsidiary from non-controlling interests		**(1,576)**	(8,282)
Contribution from non-controlling interests		**28,003**	–
Dividends paid to non-controlling interests		**(32,017)**	(21,574)
Dividends paid to shareholders	43(a),(b)	**(402,338)**	(223,334)
Interest paid on bonds, Sukuk and debentures (i)		**(907,241)**	(224,552)
Interest paid on commercial papers and medium term notes (i)		**(7,184)**	(14,934)
Interest paid on subordinated obligations (i)		**(655,838)**	(725,806)
Interest paid on term loan facility and other borrowings (i)		**(315,324)**	(324,056)
Proceeds of commercial papers and medium term notes (i)		**350,000**	–
Proceeds from issuance of bonds, Sukuk and debentures (i)		**12,537,937**	5,039,140
Proceeds from issuance of subordinated obligations (i)		**1,500,000**	2,850,000
Proceeds from recourse loans sold to Cagamas (i)		**1,780,001**	2,636,499
Proceeds from revolving credit and overdraft (i)		**32,497**	10,000
Proceeds from term loan facility and other borrowings (i)		**5,248,656**	6,917,920
Redemption of bonds and debentures (i)		**(3,712,162)**	(8,407,445)
Repayment of commercial papers and medium term notes (i)		**–**	(969,521)
Repayment of recourse loans sold to Cagamas (i)		**(1,093,439)**	–
Repayment of revolving credit and overdraft (i)		**–**	(8,238)
Repayment of subordinated obligations (i)		**(2,690,053)**	(2,937,263)
Repayment from term loan facility and other borrowings (i)		**(2,870,991)**	(5,888,559)
Net cash flows generated from/(used in) financing activities		**8,788,931**	(2,300,005)
Net increase/(decrease) in cash and short-term funds during the financial year		**19,385,688**	(4,725,008)
Effects of exchange rate changes		**(3,979,672)**	2,115,865
Cash and short-term funds at beginning of the financial year		**26,709,687**	29,318,830
Cash and cash equivalent for asset classified as held for sale	54	**(447,819)**	–
Cash and short-term funds at end of the financial year	2	**41,667,884**	26,709,687
Statutory deposits with Bank Indonesia*		**(3,444,702)**	(4,452,880)
Monies held in trust		**(96,921)**	(91,343)
Cash and cash equivalents at end of the financial year		**38,126,261**	22,165,464

* *This represents non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM3,444,702,000 (2016: RM4,452,880,000), which is not readily available for use by the Group.*

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Operating Activities			
Profit before taxation		**1,529,687**	1,360,233
Adjustments for:			
Accretion of discounts less amortisation of premiums	34	**–**	4,124
Depreciation of property, plant and equipment	15	**374**	138
Depreciation of investment properties	16	**18**	18
Dividends from subsidiaries	36	**(2,036,853)**	(1,982,412)
Dividend from an associate	36	**–**	(929)
Gain on disposal of asset held for sale	36	**–**	(3,987)
Interest expense on term loan		**134,187**	143,313
Interest expense on commercial papers and medium term notes		**8,000**	14,934
Interest expense on subordinated debts	35	**328,284**	278,585
Interest income from financial investments available-for-sale and financial investments held-to-maturity		**(189,899)**	(139,364)
Loss on redemption of redeemable preference shares	36	**–**	183,133
Allowance for impairment of subsidiary	39	**22,265**	150,310
Unrealised loss/(gain) on foreign exchange		**205,988**	(3)
Unrealised loss on revaluation of derivative financial instruments	36	**–**	74
		(1,527,636)	(1,352,066)
		2,051	8,167
Decrease in operating assets			
Other assets		**(112,833)**	(191)
		(112,833)	(191)
Increase in operating liabilities			
Other liabilities		**15,488**	10,154
		15,488	10,154
Cash flows (used in)/generated from operations		**(95,294)**	18,130
Net taxation payment		**(1,937)**	(6,177)
Net cash flows used in operating activities		**(97,231)**	11,953
Investing Activities			
Acquisition of additional interest in subsidiaries		**(1,174,229)**	(275,000)
Dividends from subsidiaries	36	**2,036,853**	1,982,412
Dividend from an associate	36	**–**	929
Proceeds from disposal of property, plant and equipment/asset held for sale		**–**	7,050
Interest received on AFS securities		**80,000**	29,239
Net purchase of AFS securities		**–**	(1,400,000)
Net (purchase)/proceeds of HTM securities		**(1,395,697)**	93,155
Repayment from subsidiaries		**–**	(7)
Net cash flows (used in)/generated from investing activities		**(453,073)**	437,778

Company Statement of Cash Flows

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Financing Activities			
Dividends paid to shareholders	43(a),(b)	**(402,338)**	(223,334)
(Repayment)/Interest paid on commercial papers and medium term notes (i)		**(7,185)**	(14,934)
(Repayment)/Interest paid on term loan (i)		**(131,825)**	(135,102)
Interest paid on subordinated debts (i)		**(322,849)**	(278,585)
(Repayment)/Proceeds from term loan facility (i)		**(840,518)**	300,000
Proceeds from commercial papers and medium term notes (i)		**350,000**	–
Proceeds from issuance of subordinated debts (i)		**1,500,000**	1,400,000
Repayment of commercial papers and medium term notes (i)		**–**	(969,521)
Net cash flows generated from financing activities		**145,285**	78,524
Net (decrease)/increase in cash and cash equivalents during the financial year		**(405,019)**	528,255
Cash and cash equivalents at beginning of the financial year		**587,828**	59,573
Cash and cash equivalents at end of the financial year	2	**182,809**	587,828

(i) An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2017 is as follows:

	The Group					The Company		
	Recourse obligation on loans and financing sold to Cagamas RM'000	Bonds, Sukuk and debentures RM'000	Other borrowings RM'000	Subordinated obligations RM'000	Total RM'000	Other borrowings RM'000	Subordinated obligations RM'000	Total RM'000
At 1 January 2017	**4,498,369**	**7,635,784**	**9,289,859**	**13,725,302**	**35,149,314**	**4,060,493**	**5,399,121**	**9,459,614**
Proceeds from issuance	**1,780,001**	**12,537,937**	**5,631,153**	**1,500,000**	**21,449,091**	**350,000**	**1,500,000**	**1,850,000**
Repayment and redemption	**(1,093,439)**	**(3,712,162)**	**(2,870,991)**	**(2,690,053)**	**(10,366,645)**	**(840,518)**	**–**	**(840,518)**
Interest paid	**–**	**(907,241)**	**(322,508)**	**(655,838)**	**(1,885,587)**	**(139,010)**	**(322,849)**	**(461,859)**
Exchange fluctuation	**–**	**(781,069)**	**(913,419)**	**(42,659)**	**(1,737,147)**	**–**	**–**	**–**
Other non cash movement	**10,317**	**122,376**	**(756,799)**	**696,213**	**72,107**	**122,148**	**328,284**	**450,432**
At 31 December 2017	**5,195,248**	**14,895,625**	**10,057,295**	**12,532,965**	**42,681,133**	**3,553,113**	**6,904,556**	**10,457,669**

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

for the financial year ended 31 December 2017

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, 2016 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 53.

(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 2017 are as follows:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to MFRSs 2014 – 2016 Cycle
  - Amendments to MFRS 12 "Disclosure of Interests in Other Entities"

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods 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 2018

- Amendments to MFRS 140 "Classification on "Change in Use" – Assets transferred to, or from, Investment Properties" clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the "date of the transaction" to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

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

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

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

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

Classification and measurements

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 cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an 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:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2017.

However, the Group and the Company have identified certain financial investments held at both held-to-maturity and available-for-sale which fail the solely for the payment of principal and interest ("SPPI") test to be reclassified as fair value through profit or loss ("FVTPL") accordingly on 1 January 2018.

Following the Group and the Company's business model in managing its financial assets, certain debt instruments which pass the SPPI test have been re-designated from held-to-maturity to fair value through OCI; held-to-maturity to FVTPL; available-for-sale to amortised cost; and held-for-trading to amortised cost. Additionally, several term loans identified for sell-down have also been re-designated from held-to-maturity to FVTPL.

The Group and the Company have classified and measure all equity instruments that are not held for trading at FVTPL except for certain equity instruments which have been identified to elect, at inception, the irrevocable option to present changes in fair value in OCI.

The Group and the Company do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no changes to the Group's and the Company's accounting for financial liabilities. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at fair value, which are at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

Impairment of financial assets

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

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 2018 (Continued)

MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (Continued)

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss and allowance for credit losses will be more volatile under MFRS 9.

Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationship might be eligible for hedge accounting, as the standard introduces a more principles based approach. The Group has confirmed that its current hedging relationships continues to qualify for hedge accounting upon the adoption of MFRS 9.

Disclosures

The new standard requires more extensive disclosures especially in the areas of ECL. The Group and the Company expect changes in the extent of disclosures in the Financial Statements for 31 December 2018.

The Group and the Company are still in the midst of finalising the financial impact in relation to the adoption of MFRS 9. Based on the preliminary assessments undertaken to-date, the Group and the Company expect an increase in the allowance for impairment on loans, advances and financing and other impairment losses under the new impairment requirements, which will result in a reduction in the Group's and the Company's opening retained profits and overall capital position as of 1 January 2018.

The Group and Company are in finalisation stages of the MFRS 9 implementation with a view to ensure full compliance by 31 December 2018.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

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 2018 (Continued)

- 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.

  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.

  The Group and the Company are in the process of finalising the financial implication arising from the adoption of this new standard and expects no significant impact to the fees and other income for the Group and the Company.

(ii) 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.

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 2019 (Continued)

- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"

  The amendments allow entities to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model. The amendments will be applied retrospectively.

- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"

  The amendments clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle

  - Amendments to MFRS 3 "Business Combinations" clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 "Joint Arrangements" clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  - Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 "Borrowing Costs" clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

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, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Company except for the cumulative impact on the adoption of MFRS 9 which will be recognised in retained earnings as at 1 January 2018, and enhanced disclosures.

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 deconsolidated 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(a). 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 remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement 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.

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.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

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 remeasured 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.

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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(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.

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 investments 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.

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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

E FINANCIAL ASSETS (CONTINUED)

(a) Classification (Continued)

(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.

(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 derecognition 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.

E FINANCIAL ASSETS (CONTINUED)

(d) Reclassification of financial assets (Continued)

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).

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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

F FINANCIAL LIABILITIES (CONTINUED)

(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 and the Company test 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 and the Company under standard repurchase agreements transactions is not derecognised because the Group and the Company retain 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 is 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.

I IMPAIRMENT OF FINANCIAL ASSETS

(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.

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	3-7 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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

K PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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.

M INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (Continued)

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
Core deposits	8 – 20 years
Computer software	1 – 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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

P BILLS AND ACCEPTANCES PAYABLE

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

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.

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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

S INCOME AND DEFERRED TAXES (CONTINUED)

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 or 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.

(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.

U EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (Continued)

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.

(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.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2017

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 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	**12,803,346**	12,545,939	**1,177**	1,193
Money at call and deposit placements maturing within one month	**28,864,538**	14,163,748	**181,632**	586,635
	41,667,884	26,709,687	**182,809**	587,828

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

(i) Non-interest bearing statutory deposits of a foreign subsidiary of RM3,444,702,000 (2016: RM4,452,880,000) maintained with Bank Indonesia in compliance with their applicable legislation.

(ii) Monies held in trust in relation to the Group's stockbroking business and unutilised value of contactless smart cards and amounts due to service providers for value utilised:

	The Group	
	2017 RM'000	2016 RM'000
Money held in trust for unutilised value of contactless smart cards and amounts due to service providers for value utilised	**71,060**	63,511
Remisiers' trust balances	**25,861**	27,832
	96,921	91,343

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2017 RM'000	2016 RM'000
Licensed banks	**1,575,241**	1,869,061
Licensed investment banks	**60,000**	39,678
Bank Negara Malaysia and other central banks	**2,419,978**	330,923
Other financial institutions	**111**	68,306
	4,055,330	2,307,968

Included in deposits and placements with banks and other financial institutions are monies held in trust in relation to the Group's unutilised value of contactless smart cards and amounts due to service providers for value utilised of RM444,822,512 (2016: RM396,494,164).

4 FINANCIAL ASSETS HELD FOR TRADING

	The Group	
	2017 RM'000	2016 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	**365,484**	651,044
Cagamas bonds	**188,085**	155,954
Malaysian Government treasury bills	**25,298**	184,701
Bank Negara Malaysia Monetary Notes	**99,343**	–
Negotiable instruments of deposit	**6,288,869**	5,746,031
Bankers' acceptances	**22,149**	–
Commercial papers	**72,816**	14,864
Other Government securities	**2,273,146**	2,722,901
Other Government treasury bills	**4,099,551**	6,613,654
Government Investment Issues	**451,167**	88,842
	13,885,908	16,177,991
Quoted securities:		
In Malaysia		
Shares	**819,147**	445,965
Outside Malaysia		
Shares	**511,385**	529,159
Corporate bond and Sukuk	**289,339**	169,861
Other Government bonds	**942,214**	1,002,564
Investment linked funds	**18,133**	82,132
	2,580,218	2,229,681
Unquoted securities:		
In Malaysia		
Corporate bond and Sukuk	**2,087,738**	1,927,113
Shares	**1**	1
Outside Malaysia		
Corporate bond and Sukuk	**2,939,105**	2,255,412
Private equity funds	**164,242**	178,450
	5,191,086	4,360,976
Total financial assets held for trading	**21,657,212**	22,768,648

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	**289,569**	492,289	**–**	–
Cagamas bonds	**140,874**	127,295	**–**	–
Khazanah bonds	**132,052**	167,700	**–**	–
Other Government securities	**598,316**	1,433,272	**–**	–
Government Investment Issues	**696,373**	202,788	**–**	–
Negotiable instruments of deposit	**482,401**	597,838	**–**	–
Malaysian Government Sukuk	**22,107**	29,622	**–**	–
Commercial papers	**39,825**	49,727	**–**	–
	2,401,517	3,100,531	**–**	–
Quoted securities:				
In Malaysia				
Shares	**159,003**	167,493	**–**	–
Outside Malaysia				
Shares	**82,267**	83,529	**–**	–
Corporate bond and Sukuk	**2,051,746**	1,872,670	**–**	–
Other Government bonds	**5,602,641**	3,480,792	**–**	–
Unit trusts	**24,511**	25,983	**–**	–
	7,920,168	5,630,467	**–**	–
Unquoted securities:				
In Malaysia				
Corporate bond and Sukuk	**13,763,383**	13,118,868	**1,433,024**	1,432,249
Shares	**1,172,471**	1,138,312	**–**	–
Loan stocks	**10,087**	10,087	**–**	–
Property funds	**355**	350	**–**	–
Unit trusts	**10,274**	5,017	**–**	–
Outside Malaysia				
Shares	**52,734**	52,846	**–**	–
Private equity funds and unit trust funds	**480,263**	504,091	**–**	–
Corporate bond and Sukuk	**7,164,958**	8,468,080	**–**	–
Loan stocks	**1,105**	1,445	**–**	–
	22,655,630	23,299,096	**1,433,024**	1,432,249
	32,977,315	32,030,094	**1,433,024**	1,432,249
Allowance for impairment losses:				
Corporate bond	**(67,809)**	(30,487)	**–**	–
Private equity funds	**(124,472)**	(145,715)	**–**	–
Quoted shares	**(170,361)**	(138,256)	**–**	–
Unquoted shares	**(184,020)**	(174,922)	**–**	–
Unit trusts	**(16,580)**	(364)	**–**	–
Loan stocks	**(10,087)**	(10,087)	**–**	–
	(573,329)	(499,831)	**–**	–
	32,403,986	31,530,263	**1,433,024**	1,432,249

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

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 RM4,159 million (2016: RM4,160 million).

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

	The Group	
	2017 RM'000	2016 RM'000
At 1 January	**499,831**	463,713
Net allowance made during the financial year	**99,091**	61,467
Disposal of securities	**(10,533)**	(30,000)
Exchange fluctuation	**(15,060)**	4,651
At 31 December	**573,329**	499,831

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	**2,978,916**	2,122,657	**–**	–
Cagamas bonds	**203,649**	267,938	**–**	–
Other Government securities	**1,004,223**	1,499,993	**–**	–
Other Government treasury bills	**2,311,257**	20,089	**–**	–
Government Investment Issues	**8,328,896**	7,035,108	**–**	–
Khazanah bonds	**448,191**	446,155	**–**	–
	15,275,132	11,391,940	**–**	–
Quoted securities:				
Outside Malaysia				
Corporate bond	**193,329**	217,481	**–**	–
Islamic bonds	**7,485**	8,355	**–**	–
Other Government bonds	**2,233,123**	2,363,526	**–**	–
Bank Indonesia certificates	**157,895**	158,899	**–**	–
	2,591,832	2,748,261	**–**	–
Unquoted securities:				
In Malaysia				
Corporate bond	**16,613,688**	13,665,073	**3,518,264**	2,012,667
Loan stocks	**7,020**	7,020	**–**	–
	16,620,708	13,672,093	**3,518,264**	2,012,667
Outside Malaysia				
Corporate bond and sukuk	**2,398,812**	2,575,653	**–**	–
	36,886,484	30,387,947	**3,518,264**	2,012,667
Accretion of discount net of amortisation of premium	**47,031**	6,283	**–**	–
Less: Allowance for impairment losses	**(12,300)**	(12,925)	**–**	–
	36,921,215	30,381,305	**3,518,264**	2,012,667

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 RM918 million (2016: RM873 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

There is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale during the year. In 2016, 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 RM1,181,982,000, RM1,201,448,000 and RM19,466,000 respectively.

As at 31 December 2017, the fair value and carrying amount of the financial investments that have been reclassified in the current and previous financial year are RM6,627,520,000 (2016: RM6,646,312,000) and RM6,554,448,000 (2016: RM6,590,291,000) respectively.

As at 31 December 2017, the fair value gain that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM122,485,000 (2016: fair value gain of RM81,562,000) for the Group.

As at 31 December 2017, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM161,924,000 (2016: RM187,933,000).

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

	The Group	
	2017 RM'000	**2016 RM'000**
At 1 January	**12,925**	12,573
Allowance written back during the financial year	**(27)**	(40)
Exchange fluctuation	**(598)**	392
At 31 December	**12,300**	12,925

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		
		Fair Values	
	Principal amount RM'000	**Assets RM'000**	**Liabilities RM'000**
2017			
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**30,650,864**	**447,022**	**(847,056)**
– Less than 1 year	**25,589,202**	**374,435**	**(577,935)**
– 1 year to 3 years	**4,258,040**	**70,555**	**(134,093)**
– More than 3 years	**803,622**	**2,032**	**(135,028)**
Currency swaps	**191,607,681**	**1,573,517**	**(1,912,692)**
– Less than 1 year	**190,540,762**	**1,521,788**	**(1,900,228)**
– 1 year to 3 years	**669,086**	**27,302**	**(8,730)**
– More than 3 years	**397,833**	**24,427**	**(3,734)**
Currency spots	**3,721,198**	**4,093**	**(4,116)**
– Less than 1 year	**3,721,198**	**4,093**	**(4,116)**
Currency options	**20,909,231**	**288,249**	**(317,387)**
– Less than 1 year	**18,055,237**	**142,115**	**(156,045)**
– 1 year to 3 years	**1,368,848**	**40,130**	**(42,368)**
– More than 3 years	**1,485,146**	**106,004**	**(118,974)**

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Cross currency interest rate swaps	62,981,380	2,624,011	(2,639,922)
– Less than 1 year	14,969,608	310,704	(615,139)
– 1 year to 3 years	20,683,076	1,049,313	(887,072)
– More than 3 years	27,328,696	1,263,994	(1,137,711)
	309,870,354	4,936,892	(5,721,173)
Interest rate derivatives			
Interest rate swaps	388,905,122	2,522,630	(1,716,361)
– Less than 1 year	124,703,031	305,799	(281,144)
– 1 year to 3 years	129,982,397	755,858	(510,184)
– More than 3 years	134,219,694	1,460,973	(925,033)
Interest rate futures	11,984,251	8,834	(7,682)
– Less than 1 year	9,311,645	8,289	(6,953)
– 1 year to 3 years	2,165,607	545	(616)
– More than 3 years	506,999	–	(113)
Interest rate options	559,753	3,162	(2,896)
– Less than 1 year	373,126	2,896	(2,896)
– More than 3 years	186,627	266	–
	401,449,126	2,534,626	(1,726,939)
Equity related derivatives			
Equity futures	343,155	782	(3,362)
– Less than 1 year	343,155	782	(3,362)
Equity options	10,164,147	57,553	(117,163)
– Less than 1 year	4,177,734	6,472	(68,004)
– 1 year to 3 years	5,840,125	47,509	(46,139)
– More than 3 years	146,288	3,572	(3,020)
Equity swaps	921,931	39,245	(1,618)
– Less than 1 year	5,312	–	(662)
– 1 year to 3 years	89,002	38,106	–
– More than 3 years	827,617	1,139	(956)
	11,429,233	97,580	(122,143)
Commodity related derivatives			
Commodity options	3,784,702	214,223	(217,139)
– Less than 1 year	3,671,685	214,223	(217,139)
– 1 year to 3 years	113,017	–	–
Commodity swaps	2,542,518	297,788	(350,028)
– Less than 1 year	2,247,712	282,310	(232,654)
– 1 year to 3 years	294,806	15,478	(117,374)
Commodity futures	1,147,390	111,671	(53,468)
– Less than 1 year	1,147,390	111,671	(53,468)
	7,474,610	623,682	(620,635)
Credit related contract			
Credit default swaps	2,826,699	4,249	(947)
– Less than 1 year	271,116	339	(94)
– 1 year to 3 years	279,788	1,384	(220)
– More than 3 years	2,275,795	2,526	(633)
Total return swaps	362,918	5,130	(5,820)
– Less than 1 year	60,818	554	–
– More than 3 years	302,100	4,576	(5,820)
Credit Spread Option	16,218	–	(310)
– Less than 1 year	16,218	–	(310)
	3,205,835	9,379	(7,077)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Bond contract			
Bond forward	**1,170,651**	**5,674**	**(15,830)**
– Less than 1 year	**198,940**	**455**	**(2,681)**
– 1 year to 3 years	**335,711**	**495**	**(6,124)**
– More than 3 years	**636,000**	**4,724**	**(7,025)**
Hedging derivatives			
Interest rate swaps	**25,444,828**	**87,581**	**(280,685)**
– Less than 1 year	**1,755,945**	**1,567**	**(10,871)**
– 1 year to 3 years	**6,335,536**	**17,253**	**(95,027)**
– More than 3 years	**17,353,347**	**68,761**	**(174,787)**
Currency swaps	**4,149,117**	**147,419**	**(18,633)**
– Less than 1 year	**4,149,117**	**147,419**	**(18,633)**
Cross currency interest rate swaps	**4,158,467**	**5,124**	**(238,268)**
– Less than 1 year	**225,545**	**–**	**(5,800)**
– 1 year to 3 years	**1,865,418**	**5,124**	**(159,755)**
– More than 3 years	**2,067,504**	**–**	**(72,713)**
	33,752,412	**240,124**	**(537,586)**
Total derivative assets/(liabilities)	**768,352,221**	**8,447,957**	**(8,751,383)**

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities 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	15,616,068	545,674	(572,324)
– Less than 1 year	12,931,158	283,550	(323,530)
– 1 year to 3 years	838,743	37,932	(42,281)
– More than 3 years	1,846,167	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)
	271,056,840	7,820,712	(7,931,609)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Interest rate derivatives			
Interest rate swaps	439,987,712	2,714,322	(2,029,719)
– Less than 1 year	170,950,348	146,710	(151,805)
– 1 year to 3 years	121,428,928	791,409	(549,879)
– More than 3 years	147,608,436	1,776,203	(1,328,035)
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)
	447,096,726	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)
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)

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for the financial year ended 31 December 2017

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Hedging derivatives			
Interest rate swaps	25,791,078	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	15,789,847	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)
	35,248,110	283,141	(943,222)
Total derivative assets/(liabilities)	786,972,353	12,006,184	(12,137,592)

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Gain on hedging instruments*	**(80,008)**	(115,852)	**(35,882)**	36,670
Gain/(Loss) on the hedged items attributable to the hedged risk	**68,706**	67,828	**35,882**	(36,670)

* *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 RM47,738,619 (2016: RM166,610,479). No amounts were withdrawn from equity during the financial year as there was no disposal of net investment.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(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.

The Group also hedge 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 2017 was RM4,484,430,195 (2016: RM4,081,972,374). 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 RM234,288 (2016: RM360,633) was recognised in the statement of income for the financial year ended 31 December 2017 due to hedge ineffectiveness from cash flow hedges.

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

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	> 5 years RM'000
As at 31 December 2017						
Cash inflows (assets)	**180,205**	**9,919**	**5,733**	**8,582**	**3,798,178**	**–**
Cash outflows (liabilities)	**(27,833)**	**(969)**	**(4,907)**	**(34,144)**	**(1,155,861)**	**(520,587)**
Net cash (outflows)/inflows	**152,372**	**8,950**	**826**	**(25,562)**	**2,642,317**	**(520,587)**
As at 31 December 2016						
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)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

8 LOANS, ADVANCES AND FINANCING

(i) By type:

	The Group	
	2017 RM'000	**2016 RM'000**
Overdrafts	**5,389,504**	5,363,185
Term loans/financing		
– Housing loans/financing	**87,868,442**	81,362,800
– Syndicated term loans	**16,393,012**	20,564,303
– Hire purchase receivables	**19,672,035**	19,987,998
– Lease receivables	**59,395**	139,939
– Factoring receivables	**13,225**	38,594
– Other term loans/financing	**113,732,153**	121,719,863
Bills receivable	**9,695,303**	6,555,064
Trust receipts	**1,822,183**	1,704,124
Claims on customers under acceptance credits	**5,050,615**	4,850,336
Staff loans [of which RM46,704,157 (2016: RM54,800,014) are to Directors]	**1,337,784**	1,287,433
Credit card receivables	**9,567,761**	9,823,080
Revolving credits	**52,726,001**	48,796,358
Share margin financing	**888,736**	1,523,475
Other loans	**1,905**	3,007
Gross loans, advances and financing	**324,218,054**	323,719,559
Fair value changes arising from fair value hedge	**86,537**	149,815
	324,304,591	323,869,374
Less: Allowance for impairment losses		
– Individual impairment allowance	**(4,613,542)**	(4,735,298)
– Portfolio impairment allowance	**(3,134,037)**	(3,761,178)
	(7,747,579)	(8,496,476)
Total net loans, advances and financing	**316,557,012**	315,372,898

(a) Included in the Group's loans, advances and financing balances are RM39,767,000 (2016: RM44,994,000) 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 RM4,271,223,000 (2016: RM4,647,826,000) loans, advances and financing using interest rate swaps.

(ii) By type of customer:

	The Group	
	2017 RM'000	**2016 RM'000**
Domestic banking financial institutions	**17,862**	96,082
Domestic non-bank financial institutions		
– Stockbroking companies	**102,604**	3
– Others	**3,887,681**	2,083,165
Domestic business enterprises		
– Small medium enterprises	**48,873,016**	51,055,378
– Others	**57,184,402**	60,638,463
Government and statutory bodies	**10,018,671**	9,857,704
Individuals	**159,515,156**	154,666,779
Other domestic entities	**5,449,813**	4,337,367
Foreign entities	**39,168,849**	40,984,618
Gross loans, advances and financing	**324,218,054**	323,719,559

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) By interest/profit rate sensitivity:

	The Group	
	2017 RM'000	2016 RM'000
Fixed rate		
– Housing loans	**2,523,614**	2,845,154
– Hire-purchase receivables	**11,684,046**	11,361,142
– Other fixed rate loans	**37,665,013**	40,737,679
Variable rate		
– BLR plus	**145,508,709**	150,723,542
– Cost plus	**41,836,963**	42,368,628
– Other variable rates	**84,999,709**	75,683,414
Gross loans, advances and financing	**324,218,054**	323,719,559

(iv) By economic purposes:

	The Group	
	2017 RM'000	2016 RM'000
Personal use	**13,116,119**	12,429,682
Credit card	**9,567,761**	9,823,080
Purchase of consumer durables	**90,220**	100,997
Construction	**12,261,920**	11,877,324
Residential property (Housing)	**90,672,129**	84,219,483
Non-residential property	**24,942,544**	24,822,758
Purchase of fixed assets other than land and building	**14,142,544**	18,160,304
Mergers and acquisitions	**2,241,907**	4,600,566
Purchase of securities	**25,104,374**	26,587,098
Purchase of transport vehicles	**21,587,679**	22,720,915
Working capital	**85,385,032**	86,641,012
Other purpose	**25,105,825**	21,736,340
Gross loans, advances and financing	**324,218,054**	323,719,559

(v) By geographical distribution:

	The Group	
	2017 RM'000	2016 RM'000
Malaysia	**189,151,339**	181,699,039
Indonesia	**59,764,044**	65,314,761
Thailand	**30,691,840**	30,454,951
Singapore	**26,295,806**	30,694,519
China	**4,601,331**	1,956,349
United Kingdom	**3,890,933**	4,331,749
Hong Kong	**2,390,059**	2,204,945
Other countries	**7,432,702**	7,063,246
Gross loans, advances and financing	**324,218,054**	323,719,559

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vi) By residual contractual maturity:

	The Group	
	2017 RM'000	**2016 RM'000**
Within one year	**82,511,335**	74,087,837
One year to less than three years	**33,496,186**	39,229,772
Three years to less than five years	**29,526,751**	35,849,237
Five years and more	**178,683,782**	174,552,713
Gross loans, advances and financing	**324,218,054**	323,719,559

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

	The Group	
	2017 RM'000	**2016 RM'000**
Personal use	**432,552**	346,573
Credit card	**175,120**	260,232
Purchase of consumer durables	**342**	329
Construction	**1,520,589**	1,268,991
Residential property (Housing)	**1,417,968**	1,596,083
Non-residential property	**271,156**	265,796
Purchase of fixed assets other than land and building	**861,549**	1,309,408
Mergers and acquisitions	**152,701**	–
Purchase of securities	**143,268**	172,356
Purchase of transport vehicles	**296,207**	369,322
Working capital	**4,591,169**	4,115,409
Other purpose	**1,131,059**	940,840
Gross impaired loans	**10,993,680**	10,645,339

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

	The Group	
	2017 RM'000	**2016 RM'000**
Malaysia	**3,555,830**	3,716,471
Indonesia	**3,880,630**	4,154,621
Thailand	**2,557,106**	2,127,898
Singapore	**710,639**	438,360
China	**23,234**	67,095
United Kingdom	**7,499**	4,855
Other countries	**258,742**	136,039
Gross impaired loans	**10,993,680**	10,645,339

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group	
	2017 RM'000	2016 RM'000
At 1 January	**10,645,339**	9,081,759
Classified as impaired during the financial year	**6,823,059**	6,641,453
Reclassified as not impaired during the financial year	**(2,237,254)**	(2,356,374)
Amount written back in respect of recoveries	**(1,141,212)**	(995,260)
Amount written off	**(2,606,446)**	(2,279,957)
Sale of impaired loans	**(523,904)**	–
Reclassification to non-current asset held for sale	**(21,666)**	–
Exchange fluctuation	**55,764**	553,718
At 31 December	**10,993,680**	10,645,339
Ratio of gross impaired loans to gross loans, advances and financing	**3.39%**	3.29%

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

	The Group	
	2017 RM'000	2016 RM'000
Individual impairment allowance		
At 1 January	**4,735,298**	4,256,108
Net allowance made during the financial year	**1,464,245**	1,351,850
Amount written off	**(1,013,707)**	(1,052,020)
Amount transferred from portfolio impairment allowance	**–**	(11,402)
Allowance transferred to non-current asset held for sale	**(22,223)**	–
Allowance for impaired loan disposed to third party	**(323,132)**	–
Unwinding income	**(35,836)**	(9,274)
Exchange fluctuation	**(191,103)**	200,036
At 31 December	**4,613,542**	4,735,298
Portfolio impairment allowance		
At 1 January	**3,761,178**	3,435,066
Net allowance made during the financial year	**1,264,288**	1,399,726
Amount transferred from individual impairment allowance	**–**	11,402
Amount written off	**(1,591,550)**	(1,208,889)
Unwinding income	**(47,517)**	(52,341)
Allowance for impaired loan disposed to third party	**(19,187)**	–
Exchange fluctuation	**(233,175)**	176,214
At 31 December	**3,134,037**	3,761,178
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing (excluding RPSIA financing) less individual impairment allowance	**1.49%**	1.64%

9 OTHER ASSETS

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Due from brokers and clients net of allowance for impairment losses of RM6,331,487 (2016: RM60,056,466)	(a)	**1,333,540**	4,599,166	**–**	–
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM47,491,622 (2016: RM71,389,655)	(b)	**5,836,209**	3,979,408	**42,195**	632
Structured financing		**1,393,843**	1,997,845	**–**	–
Foreclosed assets net of allowance for impairment losses of RM51,624,914 (2016: RM98,344,624)	(c)	**225,572**	300,527	**–**	–
Collateral pledged for derivative transactions		**2,232,436**	4,260,509	**–**	–
Due from joint venture	(d)	**1,060,030**	1,197,832	**–**	–
Collateral for securities borrowing		**65,702**	189,851	**–**	–
		12,147,332	16,525,138	**42,195**	632

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

	The Group 2017 Individual impairment allowance RM'000	The Group 2017 Portfolio impairment allowance RM'000	The Group 2017 Total RM'000	The Group 2016 Individual impairment allowance RM'000	The Group 2016 Portfolio impairment allowance RM'000	The Group 2016 Total RM'000
At 1 January	**53,397**	**6,659**	**60,056**	29,447	7,571	37,018
Net allowance made/(write back) during the financial year	**50,978**	**(381)**	**50,597**	22,630	(912)	21,718
Write off	**–**	**–**	**–**	(867)	–	(867)
Reclassification to non-current asset held for sale	**(53,398)**	**–**	**(53,398)**	–	–	–
Exchange fluctuation	**(50,977)**	**54**	**(50,923)**	2,187	–	2,187
At 31 December	**–**	**6,332**	**6,332**	53,397	6,659	60,056

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

	The Group 2017 Individual impairment allowance RM'000	The Group 2016 Individual impairment allowance RM'000
At 1 January	**71,390**	123,004
Net allowance written back during the financial year	**(3,412)**	(4,443)
Write off	**(528)**	(44,981)
Reclassification to non-current asset held for sale	**(12,446)**	–
Exchange fluctuation	**(7,512)**	(2,190)
At 31 December	**47,492**	71,390

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 2017. 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	
	2017 RM'000	2016 RM'000
At 1 January	**98,344**	50,739
Net allowance made during the financial year	**28,918**	69,885
Write off	**(65,848)**	–
Disposal during the financial year	**(19,222)**	(15,533)
Exchange fluctuation	**9,433**	(6,747)
At 31 December	**51,625**	98,344

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	**386,850**	387,306	**–**	–
Deferred tax liabilities	**(80,943)**	(56,556)	**(361)**	(353)
	305,907	330,750	**(361)**	(353)

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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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets (before offsetting)				
Loans, advances and financing	**179,403**	189,033	**–**	–
Financial investments available-for-sale	**–**	26,467	**–**	–
Unutilised tax losses	**15,463**	34,067	**–**	–
Post employment benefits obligations	**100,674**	81,815	**–**	–
Provision for expenses	**317,673**	307,254	**–**	–
Cash flow hedge	**6**	2,795	**–**	–
Property, plant and equipment	**16,540**	10,802	**–**	–
EOP reserves	**10,454**	7,907	**–**	–
Other temporary differences	**55,365**	64,291	**–**	–
	695,578	724,431	**–**	–
Offsetting	**(308,728)**	(337,125)	**–**	–
Deferred tax assets (after offsetting)	**386,850**	387,306	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(90,998)**	(100,900)	**(361)**	(353)
Financial investments available-for-sale	**(126,636)**	(97,831)	**–**	–
Intangible assets	**(145,059)**	(174,339)	**–**	–
Other temporary differences	**(26,978)**	(20,611)	**–**	–
	(389,671)	(393,681)	**(361)**	(353)
Offsetting	**308,728**	337,125	**–**	–
Deferred tax liabilities (after offsetting)	**(80,943)**	(56,556)	**(361)**	(353)

10 DEFERRED TAXATION (CONTINUED)

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

	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
The Group										
Deferred tax assets/(liabilities)										
At 1 January 2017		**189,033**	**(90,097)**	**(71,364)**	**85,654**	**(174,340)**	**307,254**	**2,795**	**81,815**	**330,750**
Credited/(charged) to statements of income	41	**2,867**	**10,351**	**2,011**	**2,938**	**29,987**	**15,909**	**–**	**1,562**	**65,625**
(Under)/over provision in prior year		**(249)**	**932**	**–**	**(5,126)**	**(706)**	**2,536**	**–**	**–**	**(2,613)**
Transferred to equity		**–**	**–**	**(58,852)**	**206**	**–**	**–**	**(2,797)**	**17,603**	**(43,840)**
Exchange difference		**(10,215)**	**7,943**	**1,569**	**(1,978)**	**–**	**(8,026)**	**8**	**(306)**	**(11,005)**
Reclassified to non-current assets held for sale		**(2,033)**	**(3,587)**	**–**	**(27,390)**	**–**	**–**	**–**	**–**	**(33,010)**
At 31 December 2017		**179,403**	**(74,458)**	**(126,636)**	**54,304**	**(145,059)**	**317,673**	**6**	**100,674**	**305,907**
The Group										
Deferred tax assets/(liabilities)										
At 1 January 2016		112,388	(29,161)	(46,494)	101,077	(206,667)	326,464	8,597	78,189	344,393
Credited/(charged) to statements of income	41	66,096	(46,290)	593	(2,606)	32,339	(15,633)	–	(241)	34,258
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	(90,097)	(71,364)	85,654	(174,340)	307,254	2,795	81,815	330,750

	Note	Accelerated tax depreciation RM'000	Provision for expenses RM'000	Other temporary differences RM'000	Total RM'000
The Company					
Deferred tax assets/(liabilities)					
At 1 January 2017		**(353)**	**–**	**–**	**(353)**
Charged to statements of income	41	**(8)**	**–**	**–**	**(8)**
At 31 December 2017		**(361)**	**–**	**–**	**(361)**
The Company					
Deferred tax assets/(liabilities)					
At 1 January 2016		(345)	15	53	(277)
(Charged)/Credited to statements of income	41	(11)	–	18	7
Over/(under) accrual in prior year		3	(15)	(71)	(83)
At 31 December 2016		(353)	–	–	(353)

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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	
	2017 RM'000	**2016 RM'000**
Ordinary shares	**7,420,254**	7,336,383
Redeemable preference shares*	**19,633,469**	19,746,683
	27,053,723	27,083,066
Fair value changes arising from fair value hedge	**–**	241,870
	27,053,723	27,324,936
Less: Allowance for impairment loss of a subsidiary	**(1,275)**	(151,585)
	27,052,448	27,173,351

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

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

The recoverable amount of investment in CSI is RM1,056 million based on value in use and was determined using discount rate of 7.68% on a post-tax basis.

As at 31 December 2017, the investment in CSI has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd ("CIMBG") entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited ("CGI") to sell 50% of the issued and paid-up share capital of CSI to CGI for a total consideration approximated to S$167 million (approximately RM515 million) ("Proposed Disposal"). The Proposed Disposal was completed on 18 January 2018. Refer to Note 54(c).

(a) Information about principal subsidiaries:

The direct subsidiaries of the Company are:

		Percentage of equity held	
Name of Subsidiary	**Principal activities**	**2017 %**	**2016 %**
CIMB Berhad	Investment holding	**100**	100
CIMB Group Sdn. Bhd.	Investment holding	**100**	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.*

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMB Berhad are:

		Percentage of equity held			
		Directly by CIMB Berhad		Indirectly by the company	
Name of Subsidiary	**Principal activities**	2017 %	2016 %	2017 %	2016 %
CIMB Islamic Trustee Berhad	Trustee services	**20**	20	**100**	100
CIMB Commerce Trustee Berhad	Trustee services	**20**	20	**100**	100

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**	2017 %	2016 %	2017 %	2016 %
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**	91.5	**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.) (Incorporated in the Federal Territory of Labuan)	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

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for the financial year ended 31 December 2017

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	2017 %	2016 %	2017 %	2016 %
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	–	–	90.0	90.0
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
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	–	–

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	2017 %	2016 %	2017 %	2016 %
CIG Berhad	Insurance holding company	**100**	100	**–**	–
PT CIMB Sun Life +^ (Incorporated in the Republic of Indonesia)	Life assurance business	**–**	–	**–**	–
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	**–**	–	**–**	–
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
Peranan Dinamik Sdn. Bhd.	Investment holding	**–**	–	**33.3**	33.3
Pesat Dinamik Sdn. Bhd. ^	Investment holding	**–**	–	**–**	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**	33.3
Kota Bumimas Sdn. Bhd. &	Investment holding	**–**	–	**33.3**	33.3
Jernih Hartamas Sdn. Bhd. &	Investment holding	**–**	–	**33.3**	33.3
Limpahan Suria Sdn. Bhd. &	Investment holding	**–**	–	**33.3**	33.3
Lot A Sentral Sdn. Bhd.	Property investment	**–**	–	**100**	100

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for the financial year ended 31 December 2017

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMB		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2017 %	2016 %	2017 %	2016 %
CIMB Middle East BSC+^ (Incorporated in the Kingdom of Bahrain)	Islamic investment	**–**	99	**–**	1
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	**–**	–	**99.9**	99.9
PT CIMB Futures Indonesia (Incorporated in Indonesia)	Stockbroking business	**–**	–	**95**	95
CIMB Private Limited (Incorporated in Sri Lanka)	Stock and share broking	**–**	–	**45**	45
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	**–**	–	**76.6**	76.6
CSI Investment Limited+ (Incorporated in British Virgin Island)	Investment holding	**–**	–	**100**	100
MinorCap Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Dormant	**–**	–	**100**	100
Southern Asia Special Asset Vehicle Limited (formerly known as SBB Capital Corporation)	Special purpose vehicle	**–**	–	**100**	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/liquidation 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:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment Bank's subsidiary company	
		2017 %	2016 %	2017 %	2016 %
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:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2017 %	2016 %	2017 %	2016 %
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 the business of a Labuan bank	**100**	100	**–**	–
Mutiara Aset Berhad	Financial services	**100**	100	**–**	–
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	**100**	100	**–**	–
CIMB Group Nominees Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Tempatan) Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Asing) Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
Semerak Services Sdn. Bhd.	Provide security, maintenance and related services	**100**	100	**–**	–

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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	2017 %	2016 %	2017 %	2016 %
CIMB Islamic Bank Berhad	Islamic banking and 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**	100	**100**	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**100**	100	**100**	100
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of 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.	Provision of nominee services	**100**	100	**–**	–
SBB Nominees (Asing) Sdn. Bhd.^	Provision of nominee services	**100**	100	**–**	–
CIMB Nominees (S) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Provision of nominee services	**100**	100	**–**	–
SFB Auto Berhad	Financial services	**100**	100	**–**	–
CIMB Bank (Vietnam) Limited (Incorporated in Vietnam)+	Banking activities	**100**	–	**–**	–
CIMB Bank PLC+ (Incorporated in Cambodia)	Commercial banking and related financial services	**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	2017 %	2016 %	2017 %	2016 %
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 dealing	**80**	80	**–**	–
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of 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	**94.1**	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	**–**	–	**–**	–

** *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 in 2016.

On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to MKB.

*** *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*

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 2017 %	2016 %
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	**^^**	^^

^^ *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.*

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

Name of Subsidiary	Principal activities	Percentage of equity held 2017 %	2016 %
CT Coll Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Services of debt collection and debt restructuring	**99.99**	99.99
Center Auto Lease Co.,Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase sale & leaseback and financial lease	**99.99**	99.99
Worldlease Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**99.99**	99.99
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*

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:

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2017 %	2016 %	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CIMB Thai Bank Public Company Limited Group (Incorporated in the Kingdom of Thailand)	**5.9**	6.3	**5,205**	(4,958)	**236,613**	385,584
CIMB-Principal Asset Management Berhad Group	**40.0**	40.0	**49,254**	36,541	**351,104**	335,033
PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia)	**7.5**	7.5	**72,610**	6,817	**763,267**	777,295
Touch'n Go Shd. Bhd.	**47.8**	47.8	**14,640**	9,001	**80,831**	66,491
Individually immaterial subsidiaries with non-controlling interests					**(70,859)**	6,580
					1,360,956	1,570,983

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.

	CIMB Thai Bank Public Company Limited Group		CIMB-Principal Asset Management Berhad Group		PT Bank CIMB Niaga Tbk Group		Touch'n Go Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total assets	**37,188,183**	37,102,051	**1,332,602**	1,163,118	**78,683,981**	79,550,112	**838,607**	772,474
Total liabilities	**(33,173,350)**	(33,883,764)	**(454,169)**	(324,722)	**(68,556,303)**	(69,185,670)	**(668,303)**	(632,838)
Net assets	**4,014,833**	3,218,287	**878,433**	838,396	**10,127,678**	10,364,442	**170,304**	139,636
Equity attributable to owners of the Company	**(4,014,833)**	(3,218,287)	**(614,781)**	(623,998)	**(10,127,419)**	(10,364,174)	**(170,304)**	(139,636)
Non-controlling interests ("NCI")	**–**	–	**(263,652)**	(214,398)	**(259)**	(268)	**–**	–
Revenue	**1,716,745**	1,557,012	**329,744**	279,823	**4,942,312**	4,694,943	**122,025**	114,727
Profit before taxation	**93,450**	(94,591)	**137,876**	105,805	**1,346,644**	899,060	**32,529**	34,945
Taxation	**(13,644)**	15,890	**(14,742)**	(14,453)	**(378,356)**	(239,614)	**(1,889)**	(16,106)
Other comprehensive income	**25,873**	103,271	**(2,957)**	3,091	**(1,137,264)**	797,300	**27**	(10)
Total comprehensive income	**105,679**	24,570	**120,177**	94,443	**(168,976)**	1,456,746	**30,667**	18,829
Net cash (used in)/generated from operating activities	**(2,461,466)**	1,720,850	**176,008**	(179,250)	**5,927,118**	1,165,839	**100,455**	96,732
Net cash generated from/(used in) investing activities	**1,831,208**	204,949	**(3,073)**	(11,181)	**(2,875,112)**	(1,281,177)	**(27,516)**	(22,246)
Net cash generated from/(used in) financing activities	**593,801**	(2,060,484)	**(78,151)**	(78,264)	**49,841**	(1,199,763)	**–**	5,355
Net (decrease)/increase in cash and cash equivalents	**(36,457)**	(134,685)	**94,784**	(268,695)	**3,101,847**	(1,315,101)	**72,939**	79,841
Profit allocated to NCI of the Group	**5,205**	(4,958)	**49,254**	36,541	**72,610**	6,817	**14,640**	9,001
Dividends paid to NCI of the Group	**–**	1,335	**32,000**	18,000	**–**	–	**–**	–

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

(i) On 15 June 2016, the Company announced a special interim dividend-in-specie 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 result, 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 previous 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

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

(ii) 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 offering 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. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank has increased from 93.71% to 94.11% due to the full subscription to its allotment of shares and the subscription of excess shares which were not taken up by the minority shareholders.

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

	2017 RM'000
Carrying amount of non-controlling interests deemed acquired	663,891
Consideration paid to non-controlling interests	(482,935)
Excess of consideration received in equity attributable to owners of the Group	180,956

On 23 March 2017, CIMB Bank completed the capital injection of USD12.5 million into new ordinary shares of CIMB Bank PLC. The new 12,500,000 ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank.

(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 MFRS 10.

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 2017			31 December 2016		
	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
Financial investments available-for-sale	–	**77,330**	–	–	79,063	–
Total assets	–	**77,330**	–	–	79,063	–

	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*	–	**4,197,981**	–	–	4,591,348	–

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

(iii) Income/losses from structured entities

	Income recognised in the statements of income for the financial year ended 31 December 2017	
	Dividend income RM'000	Total RM'000
Investment Vehicle 2	4,000	4,000
	4,000	4,000

	Income/gains/(losses) recognised in the statements of income for the financial year ended 31 December 2016						
	Investment Vehicle 1 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)*	(342,620)
Investment Vehicle 2	–	–	**4,000**	–	–	–	4,000
Third Party Funding Entity	**33,601***	**27,338**	–	84,697*	–	–	145,636
	33,601	**32,911**	**4,000**	84,697	776	(348,969)	(192,984)

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

13 INVESTMENT IN ASSOCIATES

	Note	The Group	
		2017 RM'000	**2016 RM'000**
At 1 January		**77,661**	858,840
Share of (loss)/profits for the financial year		**(121)**	111,452
Additional investment in associates		**2,463**	30,631
Share of other comprehensive income for the financial year		**2,712**	(1,946)
Disposal of associates		**(3,966)**	–
Reclassification to non-current assets held for sale	54	**–**	(886,354)
Allowance made for impairment losses	39	**–**	(897)
Dividend payment		**(2,550)**	(27,355)
Profit distribution/redemption		**–**	(6,710)
At 31 December		**76,199**	77,661

	The Company	
	2017 RM'000	**2016 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:

		Percentage of equity held	
Name of Associate	**Principal activities**	**2017 %**	**2016 %**
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.*

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

		Percentage of equity held	
Name of Associate	**Principal activities**	**2017 %**	**2016 %**
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:

		Percentage of equity held	
Name of Associate	**Principal activities**	**2017 %**	**2016 %**
Landas Bina Aquaventures Sdn. Bhd.^	Aquaculture	**–**	13.3

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

^ *Voluntary winding up during the financial year*

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates (Continued):

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
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 2017 %	2016 %
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

The associates held through CIMB Bank is:

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
Bank of Yingkou Co. Ltd. (Incorporated in the People's Republic of China)*	Banking	**–**	18.21

* *On 30 December 2016, CIMB Bank 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. ("Proposed Divestment") for a total consideration of RMB1.507 billion (approximately RM972 million). The Group has reclassified its investment in BYK to non-current assets held for sale in 2016. Refer to Note 54(b).*

The above Proposed Divestment has been completed on 19 December 2017 with a gain on disposal of RM43,365,000.

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

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
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.*

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

13 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates (Continued):

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

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
Mezzanine Holdings Sdn. Bhd.	Investment holding	**18.5**	18.5

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

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
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:

Name of Associate	Principal activities	Percentage of equity held 2017 %	2016 %
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).

	CIMB Howden Insurance Brokers Sdn. Bhd.	
	2017 RM'000	**2016 RM'000**
Total assets	**137,574**	114,662
Total liabilities	**(114,679)**	(95,320)
Net assets	**22,895**	19,342
Revenue	**31,786**	25,345
Profit for the financial year/Total comprehensive income for the financial year	**8,553**	11,348
Dividends paid by the associate during the financial year	**5,000**	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:

	CIMB Howden Insurance Brokers Sdn. Bhd.	
	2017 RM'000	**2016 RM'000**
Opening net assets as at 1 January	**19,342**	15,120
Profit for the financial year	**8,553**	11,348
Dividend paid	**(5,000)**	(7,126)
Closing net assets as at 31 December	**22,895**	19,342
Interest in associate (%)	**51.00%**	51.00%
Interest in associate	**10,098**	8,286
Goodwill	**765**	765
Remeasurement gain	**30,987**	30,987
Carrying value	**41,850**	40,038

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

	2017 RM'000	**2016 RM'000**
The Group's share of profit for the financial year	**(4,483)**	(4,745)
The Group's share of other comprehensive expense for the financial year	**2,712**	(1,946)
The Group's share of total comprehensive income for the financial year	**(1,771)**	(6,691)
Aggregate carrying amount of the Group's interest in these associates	**34,349**	37,623

14 INVESTMENT IN JOINT VENTURES

	The Group	
	2017 RM'000	2016 RM'000
At 1 January	**173,680**	178,608
Share of profit for the financial year	**12,895**	4,236
Share of other comprehensive (expense)/income for the financial year	**(58)**	1,087
Capital repayment and profit distribution	**–**	(157)
Disposal of joint ventures	**14**	–
Dividend payment	**(2,800)**	(10,094)
At 31 December	**183,731**	173,680

(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 of Joint Ventures	Principal activities	Percentage of equity held through subsidiary company 2017 %	2016 %
Proton Commerce Sdn. Bhd.	Development management and marketing of hire purchase or leasing facilities in respect of the purchase or use of Proton and other 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
SEASAF Power Sdn. Bhd.^	Investment holding	**–**	25.1
SEASAF Highway Sdn. Bhd.^	Investment holding	**–**	25.1
SEASAF 1 Resources Pte. Ltd.^ (Incorporated in the Republic of Singapore)	Investment holding	**–**	25.1
Bangsar Capital Holdings (L) Limited^ (Incorporated in the Federal Territory of Labuan)	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
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

^ *Company has been dissolved/liquidation during the financial year*

(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.

14 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	PCSB	
	2017 RM'000	**2016 RM'000**
Non-current assets	**1,324,956**	1,546,990
Current assets	**899,319**	787,919
Current liabilities (non-trade)	**(1,600,878)**	(1,717,420)
Non-current liabilities (non-trade)	**(284,022)**	(287,431)
Net assets	**339,375**	330,058
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**326,702**	325,983
Revenue	**84,382**	82,066
Profit for the financial year/Total comprehensive income for the financial year	**9,317**	3,174
The above profit for the financial year include the following:		
Interest income	**72,277**	78,967
Interest expense	**(46,360)**	(50,752)
Taxation	**(3,675)**	(3,255)

(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	
	2017 RM'000	**2016 RM'000**
Opening net assets 1 January	**330,058**	325,550
Profit for the financial year	**9,317**	4,508
Closing net assets as at 31 December	**339,375**	330,058
Interest in joint venture (%)	**50%**	50%
Interest in joint venture	**169,688**	165,029

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

	PCSB	
	2017 RM'000	**2016 RM'000**
The Group's share of profit for the financial year	**8,236**	1,982
The Group's share of other comprehensive income/(expense) for the financial year	**(58)**	1,087
The Group's share of total comprehensive income for the financial year	**8,178**	3,069
Aggregate carrying amount of the Group's interest in these joint ventures	**14,043**	8,651

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15 PROPERTY, PLANT AND EQUIPMENT

The Group 2017	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		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
Additions		874	1,200	–	–	375	18,705	466,537	125,455	2,569	10,395	626,110
Reclassified to non-current assets held for sale	54	(1,604)	–	–	(6,632)	–	–	(80,632)	(141,016)	(1,917)	(4,209)	(236,010)
Disposals/Written off		(1,175)	(884)	–	(4,401)	(392)	(11,102)	(215,838)	(117,152)	(5,620)	(39,992)	(396,556)
Reclassification		–	–	–	–	–	–	(44,322)	32,272	12,050	–	–
Reclassified (to)/from intangible assets	19	–	–	–	–	–	–	(154,164)	4,689	1,332	43	(148,100)
Exchange fluctuation		(16,493)	–	–	(1,454)	(151)	(40,530)	(123,834)	(7,385)	(45)	(590)	(190,482)
At 31 December		190,755	24,646	1,804	873,919	43,297	387,666	1,881,987	1,214,009	69,505	116,775	4,804,363
Accumulated depreciation and impairment loss												
At 1 January		6,948	7,882	1,004	146,577	26,093	260,704	1,411,530	987,363	55,885	104,936	3,008,922
Charge for the financial year		–	575	–	15,816	778	25,256	150,960	129,594	6,391	22,658	352,028
Disposals/Written off		–	(412)	–	(6,401)	(183)	(9,010)	(88,325)	(113,731)	(5,496)	(37,486)	(261,044)
Reclassified (to)/from intangible assets	19	–	–	–	–	–	–	(122)	–	1,332	–	1,210
Reclassified to non-current assets held for sale	54	–	–	–	(4,569)	–	–	(53,758)	(113,464)	(1,917)	(3,083)	(176,791)
Exchange fluctuation		(50)	–	–	(793)	(52)	(25,816)	(76,130)	(7,481)	(55)	(1,231)	(111,608)
At 31 December		6,898	8,045	1,004	150,630	26,636	251,134	1,344,155	882,281	56,140	85,794	2,812,717
Net book value at 31 December 2017		183,857	16,601	800	723,289	16,661	136,532	537,832	331,728	13,365	30,981	1,991,646

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM13,296,139 for the Group.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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)	(538,267)	(34,874)	(1,536)	(30,304)	(645,100)
Reclassification		–	–	–	–	–	–	(5,125)	4,488	–	–	(637)
Reclassified (to)/from intangible assets	19	–	–	–	–	–	596	(160,677)	(1,579)	(308)	–	(161,968)
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		–	–	–	–	–	–	–	(2,210)	–	–	(2,210)
Impairment changed 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.

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for the financial year ended 31 December 2017

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2017	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
Cost						
At 1 January/At 31 December	**648**	**864**	**1,095**	**6**	**1,526**	**4,139**
Accumulated depreciation						
At 1 January	**97**	**679**	**739**	**6**	**1,127**	**2,648**
Charge for the financial year	**6**	**13**	**38**	**–**	**317**	**374**
At 31 December	**103**	**692**	**777**	**6**	**1,444**	**3,022**
Net book value at 31 December 2017	**545**	**172**	**318**	**–**	**82**	**1,117**

The Company 2016	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
Cost						
At 1 January/At 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

16 INVESTMENT PROPERTIES

The Group	Buildings on freehold land RM'000	Total RM'000
2017		
At 1 January/31 December	**–**	**–**
2016		
At 1 January	**1,120**	1,120
Disposal	**(1,120)**	(1,120)
At 31 December	**–**	–

The Company	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2017			
Cost			
At 1 January/31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**361**	**361**
Charge for the financial year	**–**	**18**	**18**
At 31 December	**–**	**379**	**379**
Net book value at 31 December 2017	**235**	**182**	**417**
Fair value as at 31 December 2017	**1,300**	**1,060**	**2,360**
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

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	
	2017 RM'000	2016 RM'000
Rental income	**–**	63
Operating expenses arising from investment properties that generated the rental income	**–**	(9)

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for the financial year ended 31 December 2017

17 PREPAID LEASE PAYMENTS

The Group	Leasehold land less than 50 years RM'000	Total RM'000
2017		
Cost		
At 1 January	**288,540**	**288,540**
Reclassified to non-current assets held for sale	**(1,778)**	**(1,778)**
Exchange fluctuation	**(32)**	**(32)**
At 31 December	**286,730**	**286,730**
Amortisation and impairment loss		
At 1 January	**174,611**	**174,611**
Reclassified to non-current assets held for sale	**(954)**	**(954)**
Amortisation during the financial year	**11,187**	**11,187**
Exchange fluctuation	**(27)**	**(27)**
At 31 December	**184,817**	**184,817**
Net book value at 31 December 2017	**101,913**	**101,913**
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

Future amortisation of prepaid land lease is as follows:

Leasehold land less than 50 years	2017 RM'000	2016 RM'000
The Group		
– Not later than one year	**11,187**	11,332
– Later than one year and not later than five years	**44,748**	45,328
– More than five years	**45,978**	57,269
	101,913	113,929

18 GOODWILL

	The Group	
	2017 RM'000	2016 RM'000
Cost		
At 1 January	**8,667,305**	8,436,170
Exchange fluctuation	**(246,595)**	231,135
At 31 December	**8,420,710**	8,667,305
Impairment		
At 1 January	**(194,965)**	(138,684)
Impairment charge during the financial year	**–**	(56,281)
At 31 December	**(194,965)**	(194,965)
Net book value at 31 December	**8,225,745**	8,472,340

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:

	The Group	
	2017 RM'000	2016 RM'000
CGU		
Consumer Banking	**1,262,272**	1,262,272
Retail Finance Services	**136,000**	136,000
Islamic Banking	**425,803**	425,803
Group Cards	**911,000**	911,000
Commercial Banking		
Wholesale Banking	**419,000**	419,000
Corporate Banking	**200,500**	200,500
Retail and Institutional Equity	**537,000**	537,000
Treasury		
Asset Management	**281,772**	281,772
Malaysia	**8,734**	8,734
Thailand		
Foreign Banking Operations	**2,578,349**	2,578,349
Indonesia	**1,199,277**	1,199,277
Thailand		
Others		
Touch 'n Go	**51,082**	51,082
Exchange fluctuation	**214,956**	461,551
	8,225,745	8,472,340

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 2018 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.

18 GOODWILL (CONTINUED)

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

	2017		2016	
	Terminal Growth rate	Discount rate	Terminal Growth rate	Discount rate
Retail Finance Services	**4.20%**	**6.92%**	4.20%	7.12%
Islamic Banking	**4.20%**	**6.92%**	4.20%	7.12%
Group Cards	**4.20%**	**6.92%**	4.20%	7.12%
Commercial Banking	**4.20%**	**6.92%**	4.20%	7.12%
Corporate Banking	**4.20%**	**6.92%**	4.20%	7.12%
Retail and Institutional Equity	**2.00%**	**8.19%**	2.00%	9.11%
Financial Advisories, Underwriting and Other Fees	**–**	**–**	2.00%	9.11%
Treasury	**4.20%**	**6.92%**	4.20%	7.12%
Asset Management				
– Malaysia	**4.20%**	**6.92%**	4.20%	7.12%
– Thailand	**2.00%**	**5.05%**	2.00%	5.20%
Foreign banking operations				
– Indonesia	**2.00%**	**11.16%**	2.00%	10.35%
– Thailand	**2.00%**	**5.05%**	2.00%	5.20%
Others – Touch ’n Go	**4.20%**	**6.92%**	4.20%	7.12%

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

There was no impairment charge for the financial year ended 31 December 2017

During the financial year ended 31 December 2016, a full impairment charge of RM56.3 million was made for the 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 was 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	Total RM'000
2017							
Cost							
At 1 January		**211,988**	**1,348,558**	**38,892**	**3,248,532**	**22,672**	**4,870,642**
Additions during the financial year		**–**	**–**	**–**	**85,809**	**–**	**85,809**
Disposals/write off during the financial year		**–**	**–**	**–**	**(66,152)**	**–**	**(66,152)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**148,100**	**–**	**148,100**
Reclassified to non-current assets held for sale	54	**–**	**–**	**(38,041)**	**(15,004)**	**(17,678)**	**(70,723)**
Exchange fluctuation		**(8)**	**–**	**(851)**	**(90,777)**	**(1,954)**	**(93,590)**
At 31 December		**211,980**	**1,348,558**	**–**	**3,310,508**	**3,040**	**4,874,086**
Accumulated amortisation and impairment							
At 1 January		**194,763**	**899,258**	**38,892**	**1,700,047**	**1,082**	**2,834,042**
Amortisation during the financial year		**12,762**	**77,689**	**–**	**254,950**	**69**	**345,470**
Disposals/write off during the financial year		**–**	**–**	**–**	**(31,624)**	**–**	**(31,624)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**(1,210)**	**–**	**(1,210)**
Reclassified to non-current assets held for sale	54	**–**	**–**	**(38,041)**	**(11,723)**	**(406)**	**(50,170)**
Exchange fluctuation		**(8)**	**–**	**(851)**	**(41,969)**	**37**	**(42,791)**
At 31 December		**207,517**	**976,947**	**–**	**1,868,471**	**782**	**3,053,717**
Net book value at 31 December 2017		**4,463**	**371,611**	**–**	**1,442,037**	**2,258**	**1,820,369**
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		–	–	–	487,449	55	487,504
Disposals/write off during the financial year		–	–	–	(145,795)	–	(145,795)
Reclassified from property, plant and equipment	15	–	–	–	161,968	–	161,968
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/write off 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

The above intangible asset include software under construction at cost of RM173,919,502 (2016: RM200,416,565).

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:

	2017
Customer relationships:	
– Credit card	0.5 year
Core deposits	1 – 11 years
Computer software	1 – 15 years
Club debentures	6 – 7 years

20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2017 RM'000	**2016 RM'000**
Demand deposits	**79,756,629**	73,468,034
Savings deposits	**44,866,036**	47,032,189
Fixed deposits	**150,964,116**	144,772,954
Negotiable instruments of deposit	**757,296**	596,189
Others	**72,174,200**	65,648,772
	348,518,277	331,518,138

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

	The Group	
	2017 RM'000	**2016 RM'000**
Due within six months	**128,680,616**	125,549,363
Six months to one year	**21,691,798**	18,256,401
One year to three years	**817,391**	1,306,359
Three years to five years	**503,703**	257,020
More than five years	**27,904**	–
	151,721,412	145,369,143

(ii) By type of customer

	The Group	
	2017 RM'000	**2016 RM'000**
Government and statutory bodies	**12,138,585**	11,292,422
Business enterprises	**125,298,378**	114,824,850
Individuals	**152,824,739**	142,911,827
Others	**58,256,575**	62,489,039
	348,518,277	331,518,138

21 INVESTMENT ACCOUNTS OF CUSTOMERS

		The Group	
	Note	2017 RM'000	2016 RM'000
Unrestricted investment accounts	58(o)	**907,763**	254,408

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2017 RM'000	2016 RM'000
Licensed banks	**16,147,617**	24,720,127
Licensed finance companies	**1,223,313**	892,184
Licensed investment banks	**28,577**	19,263
Bank Negara Malaysia	**6,176**	51,747
Other financial institutions	**2,345,893**	2,694,454
	19,751,576	28,377,775

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

	The Group	
	2017 RM'000	2016 RM'000
Due within six months	**18,881,063**	25,269,266
Six months to one year	**768,501**	2,816,063
One year to three years	**1,581**	191,819
Three years to five years	**100,431**	100,627
	19,751,576	28,377,775

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM124,867,000 (2016: RM158,865,000) using interest rate swaps.

23 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	The Group	
	2017 RM'000	2016 RM'000
Deposits from customers - structured investments	**1,903,205**	2,006,644
Debentures	**650,016**	807,881
Bills payable	**2,220,219**	1,553,052
	4,773,440	4,367,577

The Group has issued structured investments, bills payables and debentures, and have designated them at fair value in accordance with MFRS 139. 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 2017 of financial liabilities designated at fair value were RM282,365,000 (2016: RM431,079,000) lower than the contractual amount at maturity for the structured investments, RM18,142,000 (2016: RM12,538,000) lower than the contractual amount at maturity for the debentures and RM345,801,000 (2016: RM182,391,000) 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.

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24 OTHER LIABILITIES

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Due to brokers and clients		**1,218,166**	4,107,351	**–**	–
Expenditure payable		**2,272,653**	2,065,129	**1,356**	2,069
Provision for legal claims		**72,959**	65,601	**–**	–
Sundry creditors		**3,941,563**	1,495,400	**–**	1
Structured deposits		**6,281,745**	5,085,740	**–**	–
Allowance for commitments and contingencies	(a)	**32,592**	43,169	**–**	–
Post employment benefit obligations	26	**469,270**	467,151	**–**	–
Credit card expenditure payable		**201,714**	212,089	**–**	–
Collateral pledged for derivative transactions		**1,626,637**	3,148,558	**–**	–
Collateral for securities lending		**72,023**	10,559	**–**	–
Others		**1,600,257**	1,724,938	**361**	–
		17,789,579	18,425,685	**1,717**	2,070

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

	The Group 2017 RM'000	The Group 2016 RM'000
At 1 January	**43,169**	9,219
Net allowance (written back)/made during the financial year	**(10,364)**	30,461
Exchange fluctuation	**(213)**	3,489
At 31 December	**32,592**	43,169

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.

26 POST EMPLOYMENT BENEFIT OBLIGATIONS

	Note	The Group 2017 RM'000	The Group 2016 RM'000
Defined contribution plan – EPF	(a)	**34,183**	28,650
Defined benefit plans	(b)	**435,087**	438,501
		469,270	467,151

(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 has 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 2017.

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

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

	The Group	
	2017 RM'000	2016 RM'000
Present value of funded obligations	**519,106**	508,441
Fair value of plan assets	**(262,913)**	(290,919)
Status of funded plan	**256,193**	217,522
Present value of unfunded obligations	**178,894**	220,979
Status of defined benefit pension plans	**435,087**	438,501
Liability in statement of financial position	**435,087**	438,501

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 2017	729,420	(290,919)	438,501	–	438,501
Current service costs	59,344	–	59,344	–	59,344
Underrprovision in prior year	(3,555)	–	(3,555)	–	(3,555)
Interest expense/(income)	41,966	(22,320)	19,646	–	19,646
Components of defined benefits costs recognised in statement of income	97,755	(22,320)	75,435	–	75,435
Remeasurement:					
– Return on plan assets, excluding amounts included in interest expense	–	(3,816)	(3,816)	–	(3,816)
– Loss from changes in demographic assumptions	1,871	–	1,871	–	1,871
– Loss from changes in financial assumptions	52,805	–	52,805	–	52,805
– Experience gains	17,617	–	17,617	–	17,617
Components of defined benefits costs recognised in statement of comprehensive expense/(income)	72,293	(3,816)	68,477	–	68,477
Exchange fluctuation	(58,815)	30,279	(28,536)	–	(28,536)
Contributions:					
– Employer contributions	–	(2,011)	(2,011)	–	(2,011)
– Plan participant	–	(8,015)	(8,015)	–	(8,015)
Receivables	(1)	–	(1)	–	(1)
Payments from plans – benefits paid	(105,950)	29,770	(76,180)	–	(76,180)
Reclassification to non-current liabilities held for sale	(36,702)	4,119	(32,583)		(32,583)
At 31 December 2017	698,000	(262,913)	435,087	–	435,087

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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 2016	709,820	(278,150)	431,670	8,846	440,516
Current service costs	70,243	–	70,243	–	70,243
Over provision 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 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

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:

	2017		2016	
The Group	Thailand %	Indonesia %	Thailand %	Indonesia %
Discount rates	**2.75**	**7.25**	2.00 – 2.25	8.00 – 8.50
Expected return on plan assets	**N/A**	**8.50**	N/A	8.50
Future salary increases	**5.00**	**6.00**	5.00	6.00 – 7.00
Rate of price inflation – other fixed allowance	**2.00**	**N/A**	2.00	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
2017			
Discount rates	**0.5% – 1%**	**Decreased by 12%**	**Increased by 6.5%**
Expected return on plan assets	**1.0%**	**Decreased by 0.4%**	**Increased by 0.4%**
Future salary increases	**1.0%**	**Increased by 8%**	**Decreased by 13.3%**
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%

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.

26 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The Group's plan assets are comprised as follows:

	The Group					
	2017			2016		
	Quoted RM'000	Unquoted RM'000	Total RM'000	Quoted RM'000	Unquoted RM'000	Total RM'000
Equity instruments (by geography)						
Indonesia	**51,460**	**–**	**51,460**	55,526	–	55,526
Debt instruments (by type)						
Government bonds	**19,844**	**–**	**19,844**	36,881	–	36,881
Corporate bonds (investment grade)	**62,948**	**–**	**62,948**	60,006	–	60,006
Cash and cash equivalent	**–**	**83,532**	**83,532**	–	52,951	52,951
Mutual funds	**39,474**	**–**	**39,474**	38,377	–	38,377
Others	**–**	**5,655**	**5,655**	–	47,178	47,178
	173,726	**89,187**	**262,913**	190,790	100,129	290,919

The expected contribution to post employment benefits plan for the financial year ending 31 December 2018 is RM22,461,000 to the Group.

The weighted average duration of the defined benefit obligation is 12.5 years (2016: 12.8 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
2017					
Defined benefits plan	**37,611**	**27,542**	**104,511**	**918,000**	**1,087,664**
2016					
Defined benefits plan	32,055	27,850	99,129	848,536	1,007,570

27 BONDS, SUKUK AND DEBENTURES

		The Group	
		2017 RM'000	2016 RM'000
HKD462 million notes (2012/2017)	(a)	**–**	271,351
USD350 million notes (2012/2017)	(b)	**–**	1,585,206
IDR2,000,000 million bonds (Series A: 2012/2015; Series B: 2012/2017)	(c)	**–**	475,233
THB Short term debenture	(d)	**380,044**	495,323
HKD171 million notes (2013/2018)	(e)	**66,821**	66,848
SGD20 million notes (2013/2018)	(f)	**60,930**	62,023
IDR1,450,000 million bonds (Series A: 2013/2015; Series B: 2013/2016; Series C: 2013/2018)	(g)	**256,539**	285,954
HKD300 million notes (2014/2019)	(h)	**129,017**	129,310
HKD150 million notes (2014/2019)	(i)	**78,030**	87,008
AUD100 million notes (2014/2019)	(j)	**292,534**	292,320
HKD1,130 million notes (2014/2019)	(k)	**532,872**	562,862
USD313 million notes (2015/2045; callable in 2020)	(l)	**1,426,725**	1,510,589
SGD100 million notes (2015/2018)	(m)	**306,512**	310,187
CNY220 million notes (2015/2018)	(n)	**137,326**	137,403
Equity link notes	(o)	**–**	252,659
CNY130 million notes (2016/2019)	(p)	**82,494**	82,563
CNY130 million notes (2016/2019)	(q)	**78,801**	78,849
Ziya Capital Berhad Sukuk (2016/2021)	(r)	**462,256**	586,488
IDR1,000,000 million bonds (Series A: 2016/2017; Series B: 2016/2019; Series C: 2016/2021)	(s)	**170,860**	334,784
USD15 million bonds (2017/2022)	(t)	**60,919**	–
US600 million notes (2017/2020)	(u)	**2,435,444**	–
USD500million bonds (2017/2022)	(v)	**2,046,727**	–
USD2.65 million bonds (2017/2022)	(w)	**10,780**	–
Merdeka Kapital (2017/2024)	(x)	**829,234**	–
THB2.0 billion Debenture (2017/2020)	(y)	**249,572**	–
HKD874 million notes (2017/2021)	(z)	**495,252**	–
RM1 billion notes (2017/2022)	(aa)	**1,005,063**	–
RM1.2 billion notes (2017/2024)	(aa)	**1,206,352**	–
RM800 million notes (2017/2027)	(aa)	**804,327**	–
IDR 2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(ab)	**601,327**	–
IDR 2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(ac)	**603,515**	–
RM1 million Sukuk Wakalah (2017/2018)	(ad)	**–**	–
THB Structured debentures	(ae)	**137,331**	6,258
		14,947,604	7,613,218
Fair value changes arising from fair value hedges		**(51,979)**	22,566
		14,895,625	7,635,784

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for the financial year ended 31 December 2017

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(a) HKD 462 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.

On 8 May 2017, CIMB Bank has redeemed its HKD462 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(b) 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. It bears a coupon rate of 2.375% per annum payable semi-annually in arrears.

On 26 July 2017, CIMB Bank has redeemed its USD350 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(c) 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 matured on 30 October 2017. It bears fixed interest rate of 7.75% per annum.

On 30 October 2017, CIMB Niaga has redeemed its 5 years Series B Bond amounted to IDR1,400,000 million.

(d) THB Short term debentures

CIMB Thai Bank issued various unsecured short term debentures with maturity dates varying from 1 months to 6 months. The debentures carry fixed interest rates of 1.21% to 1.45%, payable at respective maturity dates.

(e) 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.

(f) 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.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(n) 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.

(o) Equity link notes

In 2016, CIMB Securities (Thailand) issued a THB4,170.7 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.

CIMB Securities (Thailand) has redeemed THB2,017.2 million in 2016.

In 2017, the note is transferred to non-current liabilities held for sale following the announcement made by CIMB Group that CIMBG entered into a Share Purchase Agreement with CGI to sell 50% of the issued and paid-up share capital of CSI to CGI. Refer to Note 50(a).

(p) 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.

CIMB Bank 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.

(q) 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.

CIMB Bank 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.

(r) Ziya Capital Berhad Sukuk

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 profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021.

Ziya is a special purpose vehicle set up to undertake multi securitisation transactions. During the financial year, CIMB Islamic Bank has partially redeemed RM124 million (2016: RM44 million).

(s) 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 has matured 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.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(t) USD15 million bonds

On 8 March 2017, CIMB Bank issued USD15 million 5-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 8 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

(u) USD600 million bonds

On 15 March 2017, CIMB Bank issued USD600 million 3-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 the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly.

(v) USD500 million bonds

On 15 March 2017, CIMB Bank issued USD500 million 5-year senior fixed rate notes (the "FXD Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.263% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD500 million notes using interest rate swaps.

(w) USD2.65 million bonds

On 28 March 2017 and 27 April 2017, CIMB Bank issued USD2.15 million and USD0.5 million credit linked notes (the "CLN") under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme, which was established on 12 May 2014, respectively. The CLN, which is linked to a specified Reference Entity, will mature on 20 June 2022 and bears a coupon rate of 3.80% per annum payable semi-annually.

(x) Merdeka Kapital

On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, CIMB Bank has undertook a partial redemption of the MTN amounting to RM49.6 million.

CIMB Bank has undertaken fair value hedge on the interest rate of the MTN using interest rate swaps.

(y) THB2.0 billion Debenture

On 8 May 2017, Center Auto Lease Co. Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debentures will mature on 8 May 2020 and bears a coupon rate of 2.44% per annum payable semi annually. The debenture is guaranteed by CIMB Thai Bank.

(z) HKD874 million notes

On 9 May 2017, CIMB Bank issued HKD874 million 4-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 the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD874 million notes using cross currency interest rate swaps.

27 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(aa) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes

On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually. CIMB Bank has undertaken fair value hedge on the interest rate of the RM2.8 billion notes using interest rate swaps.

(ab) IDR 2,000,000 million bonds

On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 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 IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively.

(ac) IDR2,000,000 million bonds

On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 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 IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively.

(ad) RM1.0 million Sukuk Wakalah

On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually.The Sukuk was held by a subsidiary of the Company, hence the amount was eliminated at consolidated level.

(ae) 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.

28 OTHER BORROWINGS

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Commercial Papers/Medium Term Notes	(a)	**350,816**	–	**350,816**	–
Term loan	(b)	**8,102,875**	6,567,898	**3,002,191**	3,860,430
Others	(c)	**1,603,604**	2,721,961	**200,106**	200,063
		10,057,295	9,289,859	**3,553,113**	4,060,493

(a) MTNs of the Company

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.

On 9 June 2017, the Company issued RM350 million MTNs which will mature on 11 June 2018. The MTNs carry an interest rate of 4.05% per annum annum payable semi-annually in arrears.

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% (2016: 3.55%) 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 3.61% (2016: 3.57%) 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 fully drawdown as of 31 December 2013. The term loan has matured 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% (2016: 3.63%) 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.

In 2017, the Company secured an unsecured term loan amounting RM1.0 billion refinance its existing borrowings. The term loan is repayable in full on 28 October 2022. It bears a floating interest rate of 3.61% per annum. The term loan is withdrawn in October 2017.

Term loans of the Group

Included in term loans of the Group are term loans of RM5,100,684,000 (2016: RM3,565,826,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 2 February 2018 (2016: 24 March 2017) being the earliest to mature and 3 October 2022 (2016: 30 August 2019) being the latest to mature. Interest rates charged are between 2.15% to 2.50% per annum (2016: 1.47% to 1.89% 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 RM1,736,812,305 (2016: RM1,822,644,000) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from 1 month to 4 years (2016: 1 month to 5 years), with interest rates charged ranging from 0.08% to 10.50% per annum (2016: 0.08% to 13.00% per annum).

Notes to the Financial Statements
for the financial year ended 31 December 2017

29 SUBORDINATED OBLIGATIONS

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subordinated Notes 2010/2017 IDR1,380,000 million	(a)	**–**	473,662	**–**	–
Subordinated Notes 2010/2020 IDR1,600,000 million	(b)	**478,507**	533,769	**–**	–
Subordinated Bonds 2008/2038 RM1.0 billion	(c)	**1,014,906**	1,015,787	**–**	–
Subordinated Notes THB544 million	(d)	**–**	68,196	**–**	–
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(e)	**165,134**	452,358	**–**	–
Subordinated Debt 2010/2025 RM2 billion, (1st tranche due in 2020, redeemed in 2015; 2nd tranche due in 2025, optional redemption in 2020)	(f)	**1,011,964**	1,018,265	**–**	–
Subordinated Notes 2009/2059 RM1.38 billion	(g)	**1,380,828**	1,380,552	**1,380,828**	1,380,552
Subordinated Notes 2010/2060 RM150 million and RM600 million, callable with step-up in 2020	(h)	**523,264**	511,375	**609,186**	609,186
Subordinated Debt RM1.5 billion (1st tranche due in 2021, redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(i)	**93,590**	87,386	**–**	–
Subordinated Notes 2012/2022 THB3 billion	(j)	**–**	378,352	**–**	–
Subordinated Debt 2012/2022 RM1.5 billion	(k)	**–**	1,465,993	**–**	–
Subordinated Debts 2013/2023 RM1.05 billion	(l)	**1,061,951**	1,060,910	**–**	–
Subordinated Notes 2014/2024 RM400 million	(m)	**409,920**	411,130	**–**	–
Subordinated Debts 2015/2025 RM2 billion	(n)	**2,001,693**	2,002,341	**2,001,693**	2,002,540
Additional Tier 1 Securities RM1.0 billion	(o)	**1,004,899**	1,005,167	**1,005,562**	1,005,879
Subordinated debts 2016/2026 RM570 million	(p)	**103,696**	102,931	**–**	–
Subordinated debts 2016/2026 RM1.35 billion	(q)	**1,375,758**	1,375,758	**–**	–
Additional Tier 1 Securities RM400 million	(r)	**399,936**	390,699	**400,844**	400,964
Subordinated debts 2017/2027 RM1.5 billion	(s)	**1,506,443**	–	**1,506,443**	–
Subordinated Sukuk 2017/2027 RM300 million	(t)	**–**	–	**–**	–
		12,532,489	13,734,631	**6,904,556**	5,399,121
Fair value changes arising from fair value hedges		**476**	(9,329)	**–**	–
		12,532,965	13,725,302	**6,904,556**	5,399,121

(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. On 8 July 2017, CIMB Niaga has fully redeemed the Notes.

(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.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(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 III).

(d) 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.

CIMB Thai has written-off the THB544 million Notes during the financial year.

(e) 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 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. Included in the RM300 million subordinated Sukuk was RM138.55 million (2016: RM141.05 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.

CIMB Islamic redeemed in full, the second tranche of the Sukuk of RM250 million on its first optional redemption date of 21 April 2016.

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.

Included in the RM300 million subordinated Sukuk was RM Nil (2016: RM13,425,000) subordinated Sukuk which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

CIMB Islamic redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

The Sukuk qualifies 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 III).

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(f) 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 III).

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.

(g) 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.

(h) 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 RM85,922,000 (2016: RM97,810,000) 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.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(i) 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.

CIMB Bank redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt on its first optional redemption date of 8 August 2016.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM150 million subordinated debts using interest rate swaps.

Included in the Subordinated Debt was RM58,955,000 (2016: RM65,435,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

The 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).

(j) 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.

On 9 November 2017, CIMB Thai exercised its option to early redeem all unsecured subordinated notes amounting to THB3 billion, maturing on 9 November 2022, which CIMB Thai Bank was able to early redeem (under the specified conditions). This early redemption was approved by BoT notification For Kor Kor (02) 439/2560 The approval of redemption of subordinated notes.

(k) 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.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(k) Subordinated Debt 2012/2022 RM1.5 billion (Continued)

Included in the RM1.5 billion subordinated debt was RM Nil (2016: RM39,465,000) 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 III).

CIMB Bank redeemed its RM1.5 billion Subordinated Debt on its first optional redemption date of 30 November 2017.

(l) Subordinated Debts 2013/2023 RM1.05 billion

On 1 August 2013 CIMB Bank has successfully set up a Basel III 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.

(m) Subordinated Debts 2014/2024 RM400 million

On 7 July 2014, CIMB Thai Bank issued RM400 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes ("RM400 million Notes") to their overseas investors. The RM400 million 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.

(n) 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 the RM2.0 Billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM2.0 billion Subordinated Debt qualifies as Tier II capital under 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 RM2.0 billion subordinated debts using interest rate swaps.

(o) 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.

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.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

29 SUBORDINATED OBLIGATIONS (CONTINUED)

(p) 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 million 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 THB 4,710,435,721) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

(q) Subordinated debts 2016/2026 RM1.35 billion

On 8 August 2016, CIMB Bank completed the fourth issuance of a RM1.35 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.35 billion at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

The RM1.35 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.

Redemption of the Subordinated Debts on the call dates shall be subject to 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.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion subordinated debts using interest rate swaps.

(r) 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.

The Group has undertaken fair value hedge on the interest rate risk of the RM400 million Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

(s) Subordinated debts 2017/2027 RM1.5 billion

On 30 November 2017, the Company issued RM1.5 billion 10 years non-callable 5 years Tier II subordinated debt ("RM1.5 billion Subordinated Debt") bearing a fixed rate coupon of 4.90% p.a.. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM1.5 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM1.5 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.

During the financial year, the Group has undertaken fair value hedge on the interest rate risk of the RM500 million subordinated debts using interest rate swaps.

(t) Subordinated debts 2017/2027 RM300 million

On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% 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.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

The RM300 million subordinated Sukuk was held by a subsidiary of the Company, hence the amount was eliminated at consolidated level.

Notes to the Financial Statements
for the financial year ended 31 December 2017

30 SHARE CAPITAL

	Note	The Group and the Company	
		2017 RM'000	2016 RM'000
Ordinary shares			
Authorised:			
At 1 January/31 December		–	10,000,000
Issued and fully paid shares:			
At 1 January		**8,868,384**	8,527,272
Transition to no–par value regime on 31 January 2017	(a)	**11,476,201**	–
Issued during the financial year:			
– Dividend reinvestment scheme issued on:			
– 2 May 2017	(b)(i)	**870,863**	–
– 13 November 2017	(b)(ii)	**967,778**	–
– 26 April 2016	(b)(iii)	**–**	201,588
– 31 October 2016	(b)(iv)	**–**	139,524
At 31 December		**22,183,226**	8,868,384

(a) Transition to no-par value regime on 31 January 2017

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(b) Increase in issued and paid-up capital

During the financial year, the Company increased its issued and paid-up capital from 8,868,384,176 to 9,225,547,442 via:

(i) Issuance of 183,726,322 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2016, as disclosed in Note 43(a);

(ii) Issuance of 173,436,944 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2017, as disclosed in Note 43(b).

In respect of financial year 31 December 2016, the Company increased its issued and paid-up capital from RM8,527,272,238 to RM8,868,384,176 via:

(iii) 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(c);

(iv) 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(e).

(c) 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)

(c) 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.

(ii) 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 PERPETUAL PREFERENCE SHARES

	The Group	
	2017 RM'000	**2016 RM'000**
Authorised		
Perpetual preference shares		
At 1 January/31 December	–	500,000
Issued and fully paid		
Perpetual preference shares		
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, 2016 and as approved by Bank Negara Malaysia.

32 RESERVES

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share premium – ordinary shares	30(a)	**–**	11,476,201	**–**	11,476,201
Statutory reserves	(a)	**131,155**	6,576,724	**–**	–
Regulatory reserve	(b)	**1,502,520**	1,321,640	**–**	–
Capital reserve	(c)	**137,104**	137,104	**55,982**	55,982
Exchange fluctuation reserves	(d)	**423,263**	2,447,052	**–**	–
Revaluation reserve					
– Financial investments available-for-sale	(e)	**499,476**	134,247	**26,619**	25,406
Retained earnings	(f)	**24,683,941**	16,006,734	**656,679**	1,370,304
Share–based payment reserve	(g)	**60,002**	51,447	**–**	–
Other reserves					
– Hedging reserve – net investment hedge	(h)	**(1,190,339)**	(1,583,594)	**–**	–
– Hedging reserve – cash flow hedge	(i)	**(205)**	(7,705)	**–**	–
– EOP reserve – shares purchased pending release	(j)	**(96,349)**	(85,136)	**–**	–
– Defined benefits reserves	(k)	**(87,709)**	(34,317)	**–**	–
		26,062,859	36,440,397	**739,280**	12,927,893

(a) The statutory reserves of the Group are maintained by 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. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective 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 2017, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2016: 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.

(i) The Group have entered into cash flow hedges on 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	
	2017 RM'000	2016 RM'000
At 1 January/31 December	**563**	563

As an integral part of the CIMB Berhad's ("CIMBB") 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 2017, there are 258,000 (2016: 258,000) units remain unexercised.

(b) Treasury shares, at cost

	The Group and the Company			
	2017		2016	
	Units '000	RM'000	Units '000	RM'000
At 1 January	**5**	**43**	5	43
Purchased during the financial year	**–**	**–**	*	^
At 31 December	**5**	**43**	5	43

** denote 100 units*
^ denote RM478

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 28 April 2017, 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 did not buy back any of its issued share capital from the open market (2016: 100 buy back of issued share capital at an average price (including transaction costs) of RM4.34 per share). As at 31 December 2017, there were 4,908 ordinary shares held as treasury shares (2016: 4,908). The total consideration paid for the share buyback during the financial year 2016, including transaction costs is RM478 and was financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

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34 INTEREST INCOME

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans, advances and financing:				
– Interest income other than recoveries	**15,531,675**	15,296,878	**–**	–
– Unwinding income ^	**157,743**	112,277	**–**	–
Money at call and deposits with financial institutions	**779,068**	534,289	**14,925**	18,242
Reverse repurchase agreements	**165,338**	174,652	**–**	–
Financial assets held for trading	**484,550**	452,178	**–**	–
Financial investments available-for-sale	**1,139,255**	1,230,462	**80,000**	36,082
Financial investments held-to-maturity	**1,194,351**	1,036,976	**109,899**	103,409
Others	**58,673**	34,197	**–**	–
	19,510,653	18,871,909	**204,824**	157,733
Accretion of discounts less amortisation of premiums	**(1,963)**	(45,892)	**–**	(4,124)
	19,508,690	18,826,017	**204,824**	153,609

^ *Unwinding income is interest income earned on impaired financial assets*

35 INTEREST EXPENSE

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deposits and placements of banks and other financial institutions	**359,625**	261,805	**–**	–
Deposits from other customers	**6,570,580**	6,610,285	**–**	–
Repurchase agreements	**104,086**	198,741	**–**	–
Bonds, Sukuk and debentures	**406,322**	295,401	**–**	–
Subordinated obligations	**717,206**	767,208	**328,284**	278,585
Financial liabilities designated at fair value	**124,282**	124,289	**–**	–
Negotiable certificates of deposits	**110,807**	169,824	**–**	–
Other borrowings	**348,832**	358,241	**142,187**	158,247
Recourse obligation on loan and financing sold to Cagamas	**119,156**	110,491	**–**	–
Structured deposits	**143,296**	82,246	**–**	–
Others	**45,401**	21,560	**–**	–
	9,049,593	9,000,091	**470,471**	436,832

36 NET NON-INTEREST INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net fee and commission income:				
Commissions	**1,253,589**	970,725	**–**	–
Fee on loans, advances and financing	**542,324**	582,133	**–**	–
Portfolio management fees	**15**	24,261	**–**	–
Service charges and fees	**702,791**	667,196	**–**	–
Corporate advisory and arrangement fees	**55,650**	51,198	**–**	–
Guarantee fees	**65,919**	66,553	**–**	–
Other fee income	**245,616**	283,655	**–**	–
Placement fees	**18,094**	19,002	**–**	–
Underwriting commission	**15,809**	15,226	**–**	–
Fee and commission income	**2,899,807**	2,679,949	**–**	–
Fee and commission expense	**(701,845)**	(648,159)	**–**	–
Net fee and commission income	**2,197,962**	2,031,790	**–**	–
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**2,036,853**	1,982,412
– Associates	**–**	–	**–**	929
– Financial assets held for trading	**50,365**	44,108	**–**	–
– Financial investments available-for-sale	**30,031**	18,237	**–**	–
Outside Malaysia				
– Financial assets held for trading	**8,185**	3,061	**–**	–
– Financial investments available-for-sale	**1,757**	2,301	**–**	–
	90,338	67,707	**2,036,853**	1,983,341
Net gain/(loss) arising from financial assets held for trading:				
– Realised ^	**242,107**	(153,409)	**–**	–
– Unrealised	**461,329**	104,858	**–**	–
	703,436	(48,551)	**–**	–
Net gain/(loss) arising from derivative financial instruments:				
– Realised	**579,429**	1,673,883	**–**	75
– Unrealised	**(1,018,552)**	460,465	**–**	(74)
	(439,123)	2,134,348	**–**	1
Net loss arising from financial liabilities designated at fair value:				
– Realised	**(26,167)**	(10,391)	**–**	–
– Unrealised	**(205,184)**	(219,432)	**–**	–
	(231,351)	(229,823)	**–**	–
Net loss arising from hedging activities	**(9,599)**	(24,432)	**–**	–

36 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gain from sale of financial investments available-for-sale	**174,206**	204,925	**–**	–
Net gain/(loss) from redemption/maturity of financial investments held-to-maturity	**1,878**	(6)	**–**	–
Income from assets management and securities services	**395,641**	314,954	**–**	–
Brokerage income	**406,507**	359,591	**–**	–
Other non-interest income:				
Foreign exchange gain/(loss)	**1,533,632**	(642,461)	**(206,019)**	(4)
(Loss)/gain on disposal of interests in subsidiaries	**(7,699)**	149,272	**–**	–
Rental income	**30,322**	28,843	**284**	284
Gain on disposal of property, plant and equipment/assets held for sale	**25,659**	11,661	**–**	3,987
Gain on disposal of leased assets	**212**	181	**–**	–
Loss on redemption of redeemable preference shares	**–**	–	**–**	(183,133)
Gain on disposal of associates and joint ventures	**46,020**	–	**–**	–
Other non–operating income	**159,858**	198,628	**–**	67
Underwriting surplus before management expenses (Note 36 (a))	**–**	6,020	**–**	–
Loss on disposal of foreclosed properties	**(42,313)**	(27,361)	**–**	–
	1,745,691	(275,217)	**(205,735)**	(178,799)
	5,035,586	4,535,286	**1,831,118**	1,804,543

^ *Included in 2016 was a loss on early termination of unconsolidated structured entity of RM230,671,000. Refer to Note 12 (d).*

(a) Underwriting surplus before management expenses is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Insurance premium earned	**–**	108,810
Net claims incurred	**–**	(90,816)
Net commissions	**–**	(11,974)
	–	6,020

37 OVERHEADS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Personnel costs				
– Salaries, allowances and bonus	**4,176,924**	3,846,875	**–**	–
– Pension costs (defined contribution plan)	**333,991**	290,580	**–**	–
– Pension costs (defined benefit plans (Note 26(b))	**75,435**	87,627	**–**	–
– Overtime	**31,377**	30,981	**–**	–
– Staff incentives and other staff payments	**248,702**	245,866	**131**	3,509
– Medical expenses	**111,299**	108,505	**–**	–
– Others	**276,786**	210,225	**–**	6
Establishment costs				
– Depreciation of property, plant and equipment	**352,028**	325,874	**374**	138
– Amortisation of intangible assets	**345,470**	349,976	**–**	–
– Depreciation of investment properties	**–**	–	**18**	18
– Amortisation of prepaid lease payments	**11,187**	11,332	**–**	–
– Rental	**511,008**	516,354	**–**	–
– Repair and maintenance	**518,916**	489,042	**24**	27
– Outsourced services	**83,047**	97,308	**–**	–
– Security expenses	**118,442**	121,678	**–**	–
– Others	**190,443**	196,462	**76**	70
Marketing expenses				
– Sales commission	**6,459**	8,191	**–**	–
– Advertisement	**222,536**	230,262	**–**	–
– Others	**72,692**	73,155	**–**	3
Administration and general expenses				
– Legal and professional fees	**178,037**	175,599	**4,892**	4,555
– Stationery	**60,218**	60,925	**–**	–
– Communication	**110,602**	113,929	**26**	5
– Incidental expenses on banking operations	**37,574**	48,780	**–**	–
– Insurance	**260,868**	276,091	**–**	–
– Others	**799,534**	736,073	**7,978**	2,446
	9,133,575	8,651,690	**13,519**	10,777

37 OVERHEADS (CONTINUED)

The above expenditure includes the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 40)	**16,876**	14,166	**3,532**	3,652
Rental of premises	**308,057**	306,439	**–**	–
Hire of equipment	**19,445**	15,361	**–**	–
Lease rental	**32,501**	34,057	**–**	–
Auditors' remuneration				
Audit				
– Statutory audit (PricewaterhouseCoopers Malaysia*)	**4,907**	4,808	**530**	565
– Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)	**6,540**	7,079	**–**	–
– Limited review (PricewaterhouseCoopers Malaysia*)	**897**	885	**22**	21
– Limited review (other member firms of PricewaterhouseCoopers International Limited*)	**993**	974	**–**	–
– Other audit related (PricewaterhouseCoopers Malaysia*)	**591**	471	**26**	25
– Other audit related (other member firms of PricewaterhouseCoopers International Limited*)	**299**	293	**–**	–
Non-audit				
– Non-audit services (PricewaterhouseCoopers Malaysia*)	**899**	1,282	**354**	116
– Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)	**3,166**	2,191	**–**	–
Property, plant and equipment written off	**1,921**	3,329	**–**	–

* *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	
	2017 RM'000	2016 RM'000
Net allowance made during the financial year:		
– Individual impairment allowance	**1,464,245**	1,351,850
– Portfolio impairment allowance	**1,264,288**	1,399,726
Impaired loans and financing:		
– Recovered	**(516,611)**	(359,051)
– Written off	**18,985**	16,358
	2,230,907	2,408,883

39 ALLOWANCE MADE/(WRITTEN BACK) FOR OTHER IMPAIRMENT LOSSES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial investments available-for-sale:				
– Net allowance made during the financial year	**99,091**	61,467	**–**	–
Financial investments held-to-maturity:				
– Net allowance written back during the financial year	**(27)**	(40)	**–**	–
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	**–**	–	**22,265**	150,310
	99,064	118,605	**22,265**	150,310

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
Dato' Sri Mohamed Nazir bin Abdul Razak
Watanan Petersik
Teoh Su Yin
Datuk Mohd Nasir Ahmad
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din
Ahmad Zulqarnain bin Che On (Appointed on 3 November 2017)
Hiroaki Demizu (Resigned on 16 October 2017)
Datuk Joseph Dominic Silva (Resigned on 3 November 2017)

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40 DIRECTORS' REMUNERATION (CONTINUED)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Directors				
– Salary and other remuneration	**9,861^**	7,611^	**–**	–
– Benefits-in-kind	**24**	17	**–**	–
	9,885	7,628	**–**	–
Non-Executive Directors				
– Fees	**3,901**	3,830	**1,403**	2,186
– Other remuneration	**3,090^**	2,708^	**2,129**	1,466
– Benefits-in-kind	**–**	–	**–**	–
	6,991	6,538	**3,532**	3,652
	16,876	14,166	**3,532**	3,652

^ *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 2017 will be paid in tranches, spread over financial year 2018, while for financial year 2016, it was similarly paid in tranches, spread over financial year 2017. A similar condition is also imposed on the cash bonus for certain key personnel.*

	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-in-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-in-kind RM'000	The Company Total RM'000
2017								
Executive Directors								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	9,861	24	9,885	–	–	–	–
	–	9,861	24	9,885	–	–	–	–
Non-Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	843	917	–	1,760	155	752	–	907
Dato' Mohamed Ross bin Mohd Din	269	432	–	701	155	202	–	357
Watanan Petersik	274	109	–	383	151	109	–	260
Glenn Muhammad Surya Yusuf	916	276	–	1,192	155	276	–	431
Datuk Mohd Nasir Ahmad	277	572	–	849	151	252	–	403
Dato' Lee Kok Kwan	427	287	–	714	151	119	–	270
Datuk Joseph Dominic Silva	46	28	–	74	44	28	–	72
Robert Neil Coombe	149	74	–	223	147	74	–	221
Teoh Su Yin	157	234	–	391	155	234	–	389
Hiroaki Demizu	112	53	–	165	112	53	–	165
Ahmad Zulqarnain bin Che On	431	108	–	539	27	30	–	57
	3,901	3,090	–	6,991	1,403	2,129	–	3,532
	3,901	12,951	24	16,876	1,403	2,129	–	3,532

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM988,137.

40 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-in-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/ or other remuneration RM'000	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

41 TAXATION AND ZAKAT

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation based on the profit for the financial year:				
– Malaysian income tax	**1,058,363**	867,014	**3,650**	4,290
– Foreign tax	**533,465**	298,865	**–**	–
	1,591,828	1,165,879	**3,650**	4,290
Deferred taxation (Note 10)	**(65,625)**	(34,258)	**8**	(7)
(Under)/Over provision in prior years	**(25,434)**	119,266	**(1,326)**	(265)
	1,500,769	1,250,887	**2,332**	4,018
Zakat	**1,250**	300	**–**	–
	1,502,019	1,251,187	**2,332**	4,018

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41 TAXATION AND ZAKAT (CONTINUED)

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation and zakat	**6,109,985**	4,884,144	**1,529,687**	1,360,233
Less: Share of results of joint ventures	**(12,895)**	(4,236)	**–**	–
Share of results of associates	**121**	(111,452)	**–**	–
	6,097,211	4,768,456	**1,529,687**	1,360,233
Tax calculated at a rate of 24% (2016: 24%)	**1,463,331**	1,144,429	**367,125**	326,456
Income not subject to tax	**(110,291)**	(219,507)	**(440,850)**	(478,413)
Effects of different tax rates in other countries	**(127,483)**	(178,994)	**–**	–
Effects of change in tax rates	**–**	890	**–**	–
Expenses not deductible for tax purposes	**301,917**	386,222	**77,383**	156,240
Utilisation of previously unrecognised tax losses	**(1,271)**	(1,419)	**–**	–
(Over)/Under provision in prior years	**(25,434)**	119,266	**(1,326)**	(265)
Tax charge of current financial year	**1,500,769**	1,250,887	**2,332**	4,018

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.

	2017 RM'000	2016 RM'000
Profit for the financial year (RM'000)	**4,475,175**	3,564,190
Weighted average number of ordinary shares in issue ('000)	**9,016,943**	8,689,362
Basic earnings per share (expressed in sen per share)	**49.63**	41.02

(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			
	2017		2016	
	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	**12.00**	**1,064,206**[a]	11.00	937,999[c]
Special interim dividend-in-specie	**–**	**–**	2.00	205,048[d]
Interim dividend	**13.00**	**1,176,774**[b]	8.00	698,309[e]
	25.00	**2,240,980**	21.00	1,841,356

(a) The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 9.82 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM870,862,766 and a total of RM193,342,746 cash dividend was paid on 28 April 2017.

(b) The dividend consists of electable portion of 13.00 sen per ordinary shares, of which 10.69 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM967,778,148 and a total of RM208,995,579 cash dividend was paid on 10 November 2017.

(c) 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.

(d) 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.

(e) The dividend consists of electable portion of 8.00 sen per ordinary shares, of which 6.86 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.

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 26 January 2017 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 first interim dividend of 13.00 sen per ordinary share on 9,052,105,590 ordinary shares amounting to RM1,177 million for the financial year ended 31 December 2017 under DRS. The interim dividend of 13.00 sen per ordinary share was approved by the Board of Directors on 28 July 2017 and paid on 10 November 2017.

The Directors have proposed a single-tier second interim dividend of 12.00 sen per ordinary share, on 9,225,542,534 ordinary shares amounting to RM1,107 million in respect of the financial year ended 31 December 2017, to be paid in 2018. The single-tier second interim dividend was approved by the Board of Directors on 29 January 2018. 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 2018.

The Directors do not recommend the payment of any final dividend for the financial year ended 2017.

Notes to the Financial Statements
for the financial year ended 31 December 2017

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.

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Related party transactions						
The Group						
Income earned						
Interest on deposits and placements with financial institutions	–	–	–	283	–	–
Interest on loans, advances and financing	–	–	–	–	222	191
Brokerage income	–	–	–	–	232	85
Others	–	–	45,006	47,415	–	–
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	–	–	10,231	7,176	373	1,397
The Company						
Income earned						
Interest on fixed deposits and money market	14,925	18,242	–	–	–	–
Dividend income	2,036,853	1,983,341	–	929	–	–
Rental income	284	284	–	–	–	–
Interest income from HTM	109,898	103,409	–	–	–	–
Interest income from IRS	–	75	–	–	–	–
Interest income from AFS	80,000	36,082	–	–	–	–
Group services – back office	–	2,704	–	–	–	–
Expenditure incurred						
Interest on term loan	17,846	26,357	–	–	–	–
Interest on revolving credit	7,752	8,047	–	–	–	–
Interest on subordinated obligations	6,021	6,508	–	–	–	–
Professional fees	877	1,073	–	–	–	–
Group services – back office	357	–	–	–	–	–

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Related party balances						
The Group						
Amount due from						
Current accounts, deposits and placements with banks and other financial institutions	**–**	–	**–**	26,916	**–**	–
Loans, advances and financing	**–**	–	**–**	–	**25,168**	34,949
Others	**–**	–	**1,075,250**	1,197,832	**–**	–
Amount due to						
Deposits from customers and securities sold under repurchase agreements	**–**	–	**–**	1,524	**104,376**	103,640
Others	**–**	–	**–**	448,204	**–**	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	**182,809**	587,828	**–**	–	**–**	–
Subordinated debts – HTM	**3,518,263**	2,012,666	**–**	–	**–**	–
Subordinated debts – AFS	**1,433,024**	1,443,430	**–**	–	**–**	–
Amount due to						
Revolving credit	**200,106**	200,063	**–**	–	**–**	–
Subordinated obligations	**87,534**	108,990	**–**	–	**–**	–
Term loans from CIMB Bank Berhad	**–**	858,358	**–**	–	**–**	–

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other employee benefits#	**120,476**	97,736	**13,421**	10,146
Shares of the Company (units)	**4,125,374**	4,082,357	**442,902**	502,570

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 2017 and 2016 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	
	2017 RM'000	2016 RM'000
Outstanding credit exposures with connected parties	**10,315,907**	15,003,886
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.51%**	3.93%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.00%**	0.00%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the Company, owns 27.3% of the issued share capital of the Company (2016: 29.3%). 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 of the Group recognised in statement of income during the financial year amounted to RM56,617,000 (2016: RM55,104,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.38 per ordinary share (2016: RM4.17), based on observable market price.

Movements in the number of the Company's ordinary shares awarded are as follows:

	2017	2016
	Total Shares (units '000)	Total Shares (units '000)
At 1 January	**18,717**	18,074
Awarded	**13,281**	13,757
Released	**(10,387)**	(13,114)
At 31 December	**21,611**	18,717

46 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group	
	2017 RM'000	2016 RM'000
Capital expenditure:		
Authorised and contracted for	**158,169**	249,113
Authorised but not contracted for	**1,157,884**	656,116
	1,316,053	905,229

Analysed as follows:

	The Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment	**1,004,198**	654,531
Subscription for investments	**12,787**	12,787
Bank guarantee	**–**	90,423
Software development	**–**	5,657
Computer software	**291,212**	55,791
Others	**7,856**	86,040
	1,316,053	905,229

Notes to the Financial Statements
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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	
	2017 RM'000	2016 RM'000
Within one year	**229,986**	59,626
One year to less than five years	**335,865**	394,165
Five years and more	**72,490**	691

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:

	2017 Principal RM'000	2016 Principal RM'000
The Group		
Credit-related		
Direct credit substitutes	**7,515,388**	7,031,342
Certain transaction-related contingent items	**7,579,091**	7,076,233
Short-term self-liquidating trade-related contingencies	**3,767,991**	4,437,262
Obligations under underwriting agreement	**–**	13,500
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**57,735,266**	51,984,418
– Maturity exceeding one year	**29,785,979**	28,267,348
Miscellaneous commitments and contingencies	**1,143,380**	2,384,757
Total credit-related commitments and contingencies	**107,527,095**	101,194,860
Total treasury-related commitments and contingencies (Note 7)	**768,352,221**	786,972,353
	875,879,316	888,167,213

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 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"), and obtained a stand over of taxes from IRB on 13 April 2017. No provision has been made in the financial statements for any potential contingent liabilities up to the reporting date, based on independent legal advice. The potential liability of the Company 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.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2017

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

Definition of segments (Continued)

(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.

Group	31 December 2017 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
Net interest income						
– External income/(expense)	5,486,000	1,520,244	2,753,373	30,557	668,923	10,459,097
– Inter-segment income	(413,189)	57,011	395,836	(184)	(39,474)	–
	5,072,811	1,577,255	3,149,209	30,373	629,449	10,459,097
Income from Islamic Banking operations	934,842	209,612	692,598	(25)	294,786	2,131,813
Net non-interest income	1,893,126	396,439	2,117,146	488,183	102,371	4,997,265
Gain on disposal of subsidiaries and associates	–	–	–	2,655	35,666	38,321
	7,900,779	2,183,306	5,958,953	521,186	1,062,272	17,626,496
Overheads of which:	(4,393,153)	(1,155,546)	(2,825,746)	(304,209)	(454,921)	(9,133,575)
– Depreciation of property, plant and equipment	(142,606)	(6,347)	(48,293)	(7,749)	(147,033)	(352,028)
– Amortisation of prepaid lease payments	–	(46)	(168)	–	(10,973)	(11,187)
– Amortisation of intangible assets	(57,234)	(3,791)	(28,810)	(12,932)	(242,703)	(345,470)
Profit before allowances	3,507,626	1,027,760	3,133,207	216,977	607,351	8,492,921
Allowance made for impairment losses on loans, advances and financing	(938,965)	(800,158)	(490,857)	–	(927)	(2,230,907)
Allowance (made)/written back for losses on other receivables	(5,995)	(4,279)	(17,337)	(50,701)	2,209	(76,103)
Allowance written back/(made) for commitments and contingencies	–	12,586	(2,222)	–	–	10,364
Allowance written back/(made) for other impairment losses	13	(140)	(55,507)	(42,128)	(1,302)	(99,064)
Segment results	2,562,679	235,769	2,567,284	124,148	607,331	6,097,211
Share of results of joint ventures	4,659	–	–	8,236	–	12,895
Share of results of associates	–	–	–	(121)	–	(121)
Profit before taxation and zakat	2,567,338	235,769	2,567,284	132,263	607,331	6,109,985
Taxation and zakat						(1,502,019)
Profit for the financial year						4,607,966

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	31 December 2017					
	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
Group						
Segment assets	169,224,525	52,685,568	235,661,389	1,234,602	34,341,542	493,147,626
Investment in associates and joint ventures	169,687	–	–	90,067	176	259,930
	169,394,212	52,685,568	235,661,389	1,324,669	34,341,718	493,407,556
Unallocated assets	–	–	–	–	–	13,091,976
Total assets	169,394,212	52,685,568	235,661,389	1,324,669	34,341,718	506,499,532
Segment liabilities	164,841,096	52,193,495	208,342,179	668,320	19,023,300	445,068,390
Unallocated liabilities	–	–	–	–	–	11,624,707
Total liabilities	164,841,096	52,193,495	208,342,179	668,320	19,023,300	456,693,097
Other segment items						
Incurred capital expenditure	354,354	5,672	61,705	29,543	260,645	711,919
Investment in joint ventures	169,687	–	–	14,044	–	183,731
Investment in associates	–	–	–	76,023	176	76,199

Notes to the Financial Statements
for the financial year ended 31 December 2017

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)	5,154,549	1,439,530	2,778,888	38,519	414,440	9,825,926
– Inter-segment income	(427,992)	79,719	271,789	(116)	76,600	–
	4,726,557	1,519,249	3,050,677	38,403	491,040	9,825,926
Income from Islamic Banking operations	835,343	183,562	491,743	2,430	190,965	1,704,043
Net non-interest income	1,690,500	320,798	1,872,145	442,011	60,560	4,386,014
Gain on disposal of subsidiaries and associates	–	–	–	(606)	149,878	149,272
	7,252,400	2,023,609	5,414,565	482,238	892,443	16,065,255
Overheads of which:	(4,127,250)	(1,106,889)	(2,663,121)	(320,453)	(433,977)	(8,651,690)
– Depreciation of property, plant and equipment	(132,353)	(8,621)	(51,189)	(21,254)	(112,457)	(325,874)
– Amortisation of prepaid lease payments	627	(49)	(173)	–	(11,737)	(11,332)
– Amortisation of intangible assets	(71,798)	(5,238)	(29,074)	(13,396)	(230,470)	(349,976)
Profit before allowances	3,125,150	916,720	2,751,444	161,785	458,466	7,413,565
Allowance made for impairment losses on loans, advances and financing	(827,782)	(596,798)	(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 made for commitments and contingencies	–	(30,461)	–	–	–	(30,461)
Allowance written back/(made) for other impairment losses	–	–	124	(62,745)	(55,984)	(118,605)
Segment results	2,294,225	287,702	1,677,929	104,673	403,927	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	2,296,479	287,702	1,677,929	218,107	403,927	4,884,144
Taxation and zakat						(1,251,187)
Profit for the financial year						3,632,957

49 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	31 December 2016					
	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
Group						
Segment assets	161,601,169	53,394,071	215,494,612	1,898,210	33,052,317	465,440,379
Investment in associates and joint ventures	165,028	–	–	53,247	33,066	251,341
	161,766,197	53,394,071	215,494,612	1,951,457	33,085,383	465,691,720
Unallocated assets	–	–	–	–	–	20,075,167
Total assets	161,766,197	53,394,071	215,494,612	1,951,457	33,085,383	485,766,887
Segment liabilities	150,671,545	52,075,479	204,502,872	632,917	18,636,838	426,519,651
Unallocated liabilities	–	–	–	–	–	12,168,078
Total liabilities	150,671,545	52,075,479	204,502,872	632,917	18,636,838	438,687,729
Other segment items						
Incurred capital expenditure	370,657	8,793	68,009	6,081	583,555	1,037,095
Investment in joint ventures	165,028	–	–	8,652	–	173,680
Investment in associates	–	–	–	44,595	33,066	77,661

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.

(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.

49 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting (Continued)

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
2017					
Malaysia	**4,627,048**	**14,510,750**	**323,933,541**	**346,660,261**	**389,948**
Indonesia	**3,767,857**	**1,038,917**	**79,003,053**	**68,511,126**	**232,015**
Thailand	**1,362,791**	**758,567**	**37,468,931**	**33,273,870**	**47,741**
Other countries	**701,401**	**9,719,611**	**66,094,007**	**8,247,840**	**42,215**
	10,459,097	**26,027,845**	**506,499,532**	**456,693,097**	**711,919**
2016					
Malaysia	4,321,285	15,320,812	296,968,221	269,008,765	774,506
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	1,037,095

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed disposal of equity business of CIMB Securities International Pte. Ltd. ("CSI")

On 17 October 2016, the Group announced that CIMB Group Sdn Bhd ("CIMBG"), a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal").

The consideration, for the Proposed Disposal amounts to approximately S$167 million (approximately RM515 million), and was arrived at based on a multiple of 1.3 times to the consolidated net asset value of CSI as at 31 December 2015, is subject to completion of audit adjustment, if any.

On 6 September 2017, CIMBG signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities") for a cash consideration of RM55 million. The proposed acquisition is in connection with the proposed partnership with CGI, wherein Jupiter Securities shall be the platform for the partnership's operations in Malaysia.

The Proposed Disposal is completed on 18 January 2018.

(b) 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). The Proposed Divestment has been completed on 19 December 2017 at a gain on disposal of RM43,365,000.

(c) Full redemption of bonds

The redemptions during the financial year are as follows:

(i) On 8 May 2017, CIMB Bank has redeemed its HKD462 million senior unsecured notes as disclosed in Note 27(a);

(ii) On 26 July 2017, CIMB Bank has redeemed its USD350 million senior unsecured notes as disclosed in Note 27(b);

(iii) On 30 October 2017, CIMB Niaga has redeemed its 5 years Series B Bond amounted to IDR1,400,000 million as disclosed in Note 27 (c); and

(iv) On 13 November 2017, CIMB Niaga has redeemed its series A Bond of IDR1,000,000 million bonds amounted to IDR432,000 million as disclosed in Note 27(s).

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Rights issue at CIMB Thai Bank

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 offering 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. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank has increased from 93.71% to 94.11% due to the full subscription to its allotment of shares and the subscription of excess shares which were not taken up by the minority shareholders.

(e) Proposed joint venture between Touch 'n Go ("TnG") and Alipay Singapore E-Commerce Pte Ltd ("Alipay")

On 24 July 2017, TnG, a 52.22% subsidiary of CIMB Group has entered into an Investment Agreement with Alipay Singapore E-commerce Pte Ltd ("Alipay"), a subsidiary of Ant Financial Services Group to set up a joint venture entity to be incorporated in Malaysia, where TnG will participate as a majority shareholder and Alipay will participate as a minority shareholder to launch a new mobile platform for payments and other related financial services in Malaysia.

On 8 November 2017, BNM has approved the incorporation of TNG Digital Sdn Bhd ("TNG Digital") which is intended to become the joint venture entity. On 8 January 2018, BNM has granted to TNG Digital the approval to issue Designated Payment Instrument under Section 11 of the Financial Services Act 2013.

On 14 February 2018, the Proposed joint venture has been completed.

(f) Full redemption of subordinated obligations of the Group

The redemptions during the financial year are as follows:

(i) On 8 July 2017, CIMB Niaga has redeemed its IDR1,380,000 million Subordinated Notes as disclosed in Note 29(a);

(ii) On 18 September 2017, CIMB Islamic has redeemed its RM300 million Sukuk as disclosed in Note 29(e);

(iii) On 9 November 2017, CIMB Thai Bank has redeemed its THB3 billion Subordinated Notes as disclosed in Note 29(j); and

(v) On 30 November 2017, CIMB Bank has redeemed its RM1.5 billion Subordinated Debt on its first optional redemption date as disclosed in Note 29(k).

(g) Issuance of medium term notes of the Company

On 9 June 2017, the Company issued RM350 million MTNs which will mature on 11 June 2018. The MTNs carry an interest rate of 4.05% per annum payable semi-annually in arrears (see Note 28(a)).

(h) Issuance of subordinated obligations

Issuance during the financial year are as follows:

(i) On 30 November 2017, the Company issued RM1.5 billion 10 years non-callable 5 years Tier II subordinated debt, bearing a fixed rate coupon of 4.90%p.a.(see Note 29(s)); and

(ii) On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum (see Note 29(t)).

(i) Rights issue at CIMB Bank

On 21 June 2017, CIMB Bank Berhad issued 91 million Rights Issue at RM5.39 for each Rights Share. The issuance has resulted in an increase in its ordinary shares of RM490 million. On 22 December 2017, CIMB Bank issued 168 million Rights Issue at RM5.55 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM934 million.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) Issuance of bonds and sukuk

Issuance during the financial year are as follows:

(i) On 8 March 2017, CIMB Bank issued USD15 million 5-year senior floating rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly (see Note 27(t));

(ii) On 15 March 2017, CIMB Bank issued USD600 million 3-year senior floating rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD3-month LIBOR+0.80% per annum payable quarterly (see Note 27(u));

(iii) On 15 March 2017, CIMB Bank Berhad issued USD500 million 5-year senior fixed rate notes (the "FXD Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 and bears a coupon rate of 3.263% per annum payable semi-annually (see Note 27(v));

(iv) On 28 March 2017 and 27 April 2017, CIMB Bank issued USD2.15 million and USD0.5 million credit linked notes (the "CLN") under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme, which was established on 12 May 2014, respectively. The CLN, which is linked to a specified Reference Entity, will mature on 20 June 2022 and bears a coupon rate of 3.80% per annum payable semi-annually (see Note 27(w));

(v) On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, CIMB Bank has undertook a partial redemption of the MTN amounting to RM49.6 million (see Note 27(x));

(vi) On 8 May 2017, Center Auto Lease Co. Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debentures will mature on 8 May 2020 and bears a coupon rate of 2.44% per annum payable semi annually (see Note 27(y));

(vii) On 9 May 2017, CIMB Bank issued HKD874 million 4-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 the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually (see Note 27(z));

(viii) On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually (see Note 27(aa));

(ix) On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 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 IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively (see Note 27(ab));

(x) On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 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 IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively (see Note 27(ac)); and

(xi) On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually (see Note 27(ad)).

(k) Establish and operate a branch in Republic of the Philippines

On 16 November 2017, CIMB Bank Berhad obtained an approval from Monetary Board of the Bangko Sentral ng Pilipinas to establish and operate a branch in Republic of the Philippines.

(l) Capital injection into CIMB Bank PLC by CIMB Bank

On 23 March 2017, CIMB Bank Berhad completed the capital injection of USD12.5 million into new ordinary shares of CIMB Bank PLC. The new 12,500,000 ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank Berhad. On 15 December 2017, CIMB Bank injected USD6.2 million into CIMB Bank PLC. The amount is recorded under other receivables pending the approval from National Bank of Cambodia and Ministry of Commerce on the registration of CIMB Bank PLC's share capital.

CIMB Bank PLC obtained the approval from National Bank of Cambodia and Ministry of Commerce on the registration of its share capital on 19 January 2018 and 13 February 2018 respectively.

51 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) Proposed divestment of 20% equity stake in CIMB-Principal Asset Management Bhd ("CPAM") and 10% equity stake in CIMB-Principal Islamic Asset Management Sdn Bhd ("CPIAM")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CIMB-Principal Asset Management Bhd ("CPAM") to Principal International (Asia) Limited ("PIA") and 10% equity stake in CIMB-Principal Islamic Asset Management Sdn Bhd ("CPIAM") to Principal Financial Services Inc. ("PFI") for a total consideration of RM470,294,050 ("Proposed Divestment"). PIA and PFI are the existing shareholders of CPAM and CPIAM respectively, and are subsidiaries of Principal Financial Group Inc. Upon the completion of the Proposed Divestment, CPAM will cease to be a subsidiary of the Group and the Group is expected to recognise a gain on disposal of approximately RM950 million and a Common Equity Tier 1 ("CET1") ratio improvement of approximately 18 bps.

(b) Redemption of HKD171 million notes

On 22 January 2018, CIMB Bank has redeemed its HKD171 million senior unsecured notes as disclosed in Note 27(e).

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 CIMB Group Strategic Oversight Committee 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)/Capital Adequacy Framework for Islamic Bank ("CAFIB") (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015 and then subsequently on 4 August 2017. The revised guidelines took effect for all banking institutions on 1 January 2016 and 4 August 2017 respectively and will take effect for all financial holding companies on 1 January 2019. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets)/CAFIB (Basel II – Risk-Weighted Assets) issued on 28 November 2012 and was subsequently updated on 1 August 2016 and 2 March 2017.

The Internal Ratings Based ("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 adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014, amended by circular 06/2016/TT-NHNN dated 27 May 2016 with minimum compliance of 9%. On 30 December 2016, SBV officially issued circular 41/2016/TT-NHNN (effective 1 January 2020) requiring banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk.

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 2017. 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
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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 Group, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai, CIMB Bank PLC and CIMB Bank (Vietnam) Ltd for the financial year ended 31 December 2017 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 2017	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	CIMB Bank (Vietnam) Ltd RM'000
Before deducting proposed dividends								
Common equity tier I ratio	12.866%^	13.286%	12.471%	12.942%^	35.950%	17.010%	N/A	N/A
Tier I ratio	14.333%^	13.892%	12.471%	14.095%^	35.950%	17.010%	N/A	N/A
Total capital ratio	17.784%^	16.291%	16.631%	17.700%^	35.950%	18.225%	16.622%	332.242%
After deducting proposed dividends								
Common equity tier I ratio	11.879%^	13.286%	12.471%	12.227%^	30.867%	17.010%	N/A	N/A
Tier I ratio	13.347%^	13.892%	12.471%	13.381%^	30.867%	17.010%	N/A	N/A
Total capital ratio	16.797%^	16.291%	16.631%	16.986%^	30.867%	18.225%	16.622%	332.242%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:								
Credit risk	138,811,146	27,492,260	23,081,198	193,146,506	1,110,035	52,021,720	1,912,198	172,160
Market risk	11,050,726	629,312	4,560,714	14,125,733	56,342	807,243	–	–
Operational risk	14,330,500	2,371,944	2,146,905	19,782,736	643,358	7,428,716	–	–
Large exposure risk	768,600	–	–	768,600	–	–	–	–
	164,960,972	30,493,516	29,788,817	227,823,575	1,809,735	60,257,679	1,912,198	172,160

^ *CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of CIMB Bank, successfully completed its ninth Dividend Reinvestment Scheme ("DRS") of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.*

CIMB Group successfully completed its tenth DRS of which RM968 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM934 million into CIMB Bank via rights issue which was completed on 22 December 2017.

CIMB Group implemented a DRS for the second interim dividend in respect of the financial year ended 2017. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

52 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2017 are as follows:

31 December 2017	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	CIMB Bank (Vietnam) Ltd RM'000
Tier I capital								
Ordinary shares	17,610,939*	1,000,000	1,882,481	17,610,939*	100,000	409,368	253,406	571,904
Other reserves	13,904,088*	3,575,715	2,010,652	20,007,741*	583,317	10,118,418	25,858	42
Qualifying non-controlling interests	–	–	–	152,698	–	–	–	–
Less: Proposed dividends	(1,627,553)	–	–	(1,627,553)	(92,000)	–	–	–
Common Equity Tier I capital before regulatory adjustments	29,887,474	4,575,715	3,893,133	36,143,825	591,317	10,527,786	279,264	571,946
Less: Regulatory adjustments								
Goodwill	(3,555,075)	(136,000)	–	(5,177,536)	(964)	–	–	–
Intangible assets	(832,713)	(78,777)	(36,301)	(951,237)	–	–	(1,705)	–
Deferred tax assets	(157,309)	(18,110)	(127,240)	(382,224)	(21,344)	(45,207)	–	–
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,260,702)	–	–	–	(6,859)	(232,828)	–	–
Deduction in excess of Tier II capital	–	–	–	–	(1,417)	–	–	–
Others	(1,485,929)	(291,600)	(14,548)	(1,775,705)	(2,126)	–	(4,414)	–
Common Equity Tier I capital after regulatory adjustments	19,595,746	4,051,228	3,715,044	27,857,123	558,607	10,249,751	273,145	571,946
Additional Tier I capital								
Perpetual preference shares	200,000	185,000	–	200,000	–	–	–	–
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	–	–	–	30,301	–	–	–	–
Additional Tier I capital before regulatory adjustments	2,600,000	185,000	–	2,630,301	–	–	–	–
Less: Regulatory adjustments								
Investments in Additional Tier I capital instruments of subsidiaries and other financial and insurance/takaful entities	(178,641)	–	–	(2,641)	–	–	–	–
Additional Tier I capital after regulatory adjustments	2,421,359	185,000	–	2,627,660	–	–	–	–
Total Tier I Capital	22,017,105	4,236,228	3,715,044	30,484,783	558,607	10,249,751	273,145	571,946

* *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of CIMB Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act, 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of CIMB Bank's share premium account has become part of its share capital. Notwithstanding this provision, CIMB Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.*

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52 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2017 are as follows (Continued):

31 December 2017	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	CIMB Bank (Vietnam) Ltd RM'000
Tier II capital								
Subordinated notes	7,050,000	610,000	1,129,779	7,050,000	–	190,362	28,382	–
Redeemable preference shares	29,740	–	–	29,740	5	–	–	–
Surplus of eligible provision over expected loss	267,987	40,691	–	118,446	–	–	–	39
Qualifying capital instruments held by third parties	–	–	–	363,627	–	–	–	–
Portfolio impairment allowance & Regulatory reserve√	254,766	80,754	109,306	651,277	2,037	541,685	16,321	4
Tier II capital before regulatory adjustments	7,602,493	731,445	1,239,085	8,213,090	2,042	732,047	44,703	43
Less: Regulatory adjustments								
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,911,008)	–	–	(660)	(3,459)	–	–	–
Total Tier II capital	5,691,485	731,445	1,239,085	8,212,430	–	732,047	44,703	43
Total capital base	27,708,590	4,967,673	4,954,129	38,697,213	558,607	10,981,798	317,848	571,989

√ *The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2017 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM165 million, RM151 million and RM14 million respectively.*

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Investment Bank Group, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai and CIMB Bank PLC 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
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

^ *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)

(d) 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	–	–	–
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
for the financial year ended 31 December 2017

52 CAPITAL ADEQUACY (CONTINUED)

(d) 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 2017 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM186 million, RM166 million and RM20 million respectively.*

53 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.

53 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(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, judgment is required to establish fair values. The judgments 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.

(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.

Notes to the Financial Statements
for the financial year ended 31 December 2017

54 NON-CURRENT ASSETS/DISPOSAL GROUP HELD FOR SALE

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets held for sale:					
Property, plant and equipment (Note 15)	(a)	**14,855**	12,435	**7,862**	7,862
Investment in associates (Note 13)	(b)	**–**	886,354	**–**	–
Disposal group held for sale	(c)	**4,596,083**	–	**1,030,997**	–
Total non-current assets held for sale		**4,610,938**	898,789	**1,038,859**	7,862
Non-current liabilities held for sale:					
Disposal group held for sale	(c)	**3,631,608**	–	**–**	–
Total non-current liabilities held for sale		**3,631,608**	–	**–**	–

(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 2018.

Fair value of property plant and equipment and investment properties held for sale

In accordance with MFRS 5, 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 2017, the property plant and equipment and investment properties held for sale that were stated at fair value less cost to sell was RM4,612,000 (2016: 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 Bank's investment in BYK have been presented as held for sale as at 31 December 2016 following the Share Transfer Agreement entered by the Bank on 30 December 2016 to sell its 18.21% stake in BYK to Shanghai Guozhijie Investment Development Co., Ltd. ("Proposed Divestment") for a total consideration of RMB1.507 billion (approximately RM972 million).

The above Proposed Divestment has been completed on 19 December 2017.

54 NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(c) The Group's investment in CSI has been presented as held for sale as at 31 December 2017 following the announcement made by CIMB Group that CIMBG entered into a Share Purchase Agreement with CGI to sell 50% of the issued and paid-up share capital of CSI to CGI for a total consideration approximated to S$167 million (approximately RM515 million). The carrying amounts of the assets are measured in accordance with their applicable accounting policies before the initial classification of the assets as held for sale. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Refer to Note 50(a). The disposal group is presented in the wholesale banking segment in Note 49.

The assets and liabilities of the disposal group of CSI are as follows:

	The Group	The Company
	2017 RM'000	2017 RM'000
Assets classified as held for sale		
Cash and short term funds	447,819	–
Reverse repurchase agreements	33,167	–
Deposits and placements with banks and other financial institutions	219,931	–
Financial assets held for trading	319,612	–
Financial investments available-for-sale	3,139	–
Financial investments held-to-maturity	4,534	–
Derivative financial instruments	15,303	–
Loans, advances and financing	960,153	–
Other assets	2,481,608	–
Taxation recoverable	5	–
Deferred tax assets	33,010	–
Investment in a subsidiary	–	1,030,997
Property, plant and equipment	56,425	–
Prepaid lease payments	824	–
Goodwill	–	–
Intangible assets	20,553	–
	4,596,083	1,030,997
Liabilities classified as held for sale		
Derivative financial instruments	1,681	–
Other liabilities	2,304,681	–
Taxation	4,959	–
Bonds and debentures	227,606	–
Other borrowings	1,092,681	–
	3,631,608	–

55 SIGNIFICANT DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

Disposal in prior year

(a) Disposal of interest in subsidiary that resulted in loss of control

On 23 March 2016, the Group, through its subsidiaries, 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.

(b) Effect of disposals

The cash flows and net assets of subsidiary disposed are as follows:

	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	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

56 COMPARATIVES

(a) Adoption of Bank Negara Malaysia's Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013

The following comparatives were restated to conform to the above Policy Document:

Impact on the Group's Statements of Financial Position as at 31 December 2016:

Group	As previously Reported RM'000	Reclassification/ Restatement RM'000	As restated RM'000
Statement of Financial Position			
Liabilities			
Deposits from customers	336,245,542	(4,727,404)	331,518,138
Deposits and placements of banks and other financial institutions	28,736,111	(358,336)	28,377,775
Other liabilities	13,339,945	5,085,740	18,425,685

(b) Certain comparatives were restated to adjust the principal amount of derivative financial instruments. There was no impact to the financial performance and position for the financial year ended 31 December 2016.

	Principal Amount		
	As previously Reported RM'000	Restatement RM'000	As restated RM'000
Derivative financial instruments (Principal Amount)			
Trading derivatives			
Foreign exchange derivatives			
Currency options	21,015,778	(5,399,710)	15,616,068
Interest rate derivatives			
Interest rate swaps	358,599,763	81,387,949	439,987,712
Hedging derivatives			
Interest rate swaps	31,182,045	(5,390,967)	25,791,078
Commitments and contingencies	817,569,941	70,597,272	888,167,213

57 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral part 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, thus enabling risk to be priced appropriately in relation to the return.

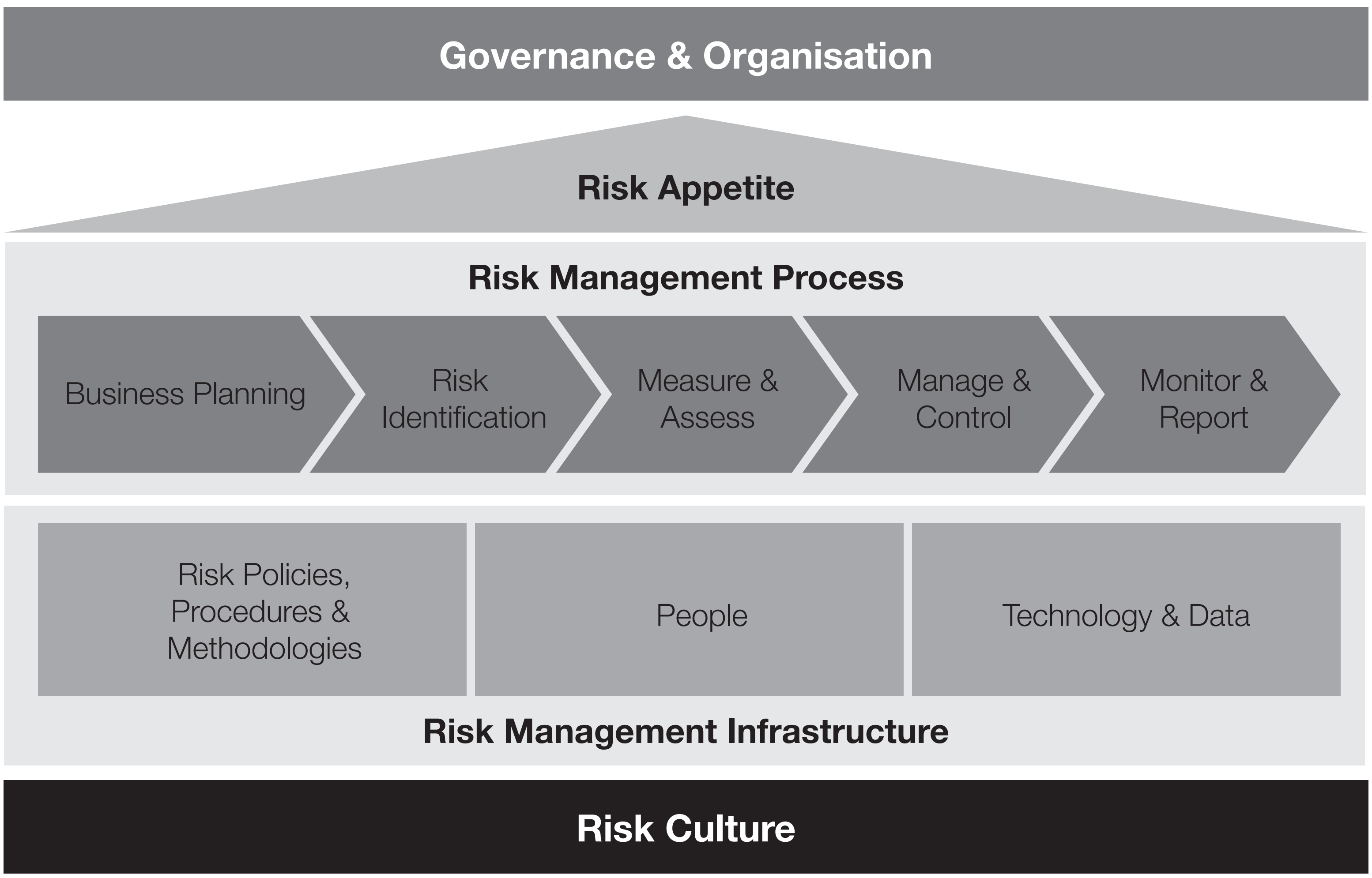
Generally, the objectives of the Group's risk management activities are to:

- 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 shareholders' value through proper allocation of capital and facilitate development of new businesses.

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework as a standardised approach to effectively manage its risks and opportunities. 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, external environment and/or regulatory environment.

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.

The key features of the EWRM framework include:

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 strategic directions, which is supported by the risk appetite and 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.

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.

iii) Risk Management Process

- Business Planning: Risk management is central to 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.

- 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.

iv) 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 in order to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.

- People: Attracting the right talent and skillset 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 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.

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. The BRC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of GRC.

To facilitate the effective implementation of the EWRM framework, BRC has established various specialised/sub-risk risk committees within the Group, each 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, comprised of 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; or investment exposure arising from changes to market risk factors such as interest/profit 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 an obligor or, market counterparty or issuer of securities or other instruments held, having failed 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;

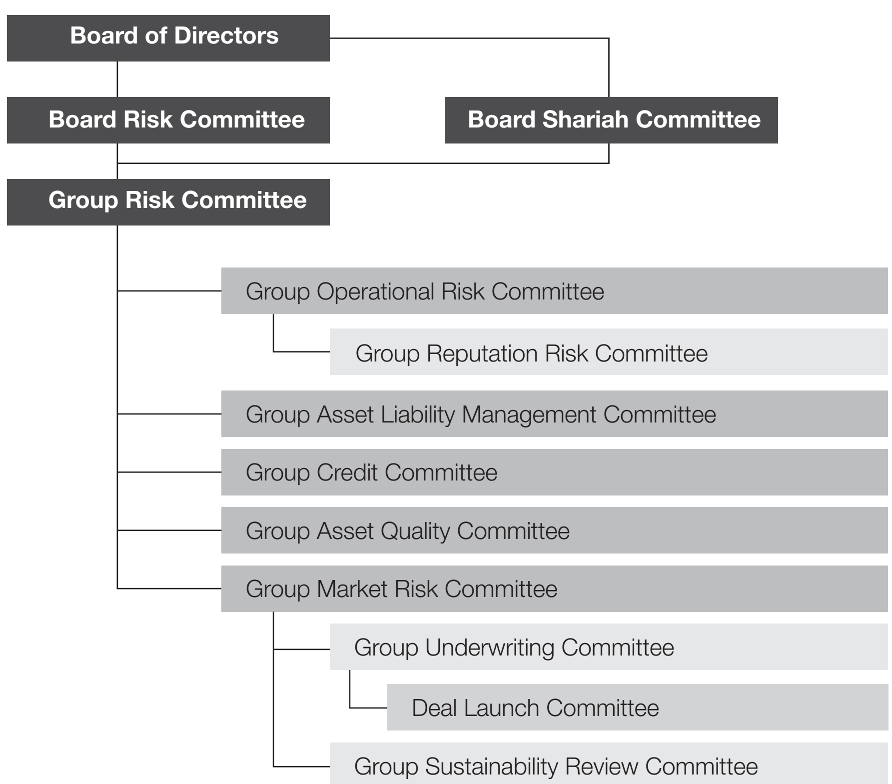
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return 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/rate of return;

(vi) Capital risk, arising from the failure to meet the minimum regulatory and internal requirements which could incur regulatory sanction of the Group, resulting in a potential capital charge; and

(vii) Shariah Non Compliance (SNC) risk, arising from possible 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.

The structure of CIMB Group Risk Committees is depicted in the following chart:



57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

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 regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus allowing the Board with 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. Line management (including all business units and units which undertake client facing activities) provides the first line of defence. It is 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 reporting to management to ensure that the Group is conducting business and operating within the approved appetite, and is also in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management process.

The Roles of Group Chief Risk Officer (CRO) and Group Risk

Within the second line of defence is Group Risk, a function independent of business units. It assists the Group's management and and stakeholders in the monitoring and controlling risk exposures within the Board-approved risk appetite statement.

The organisational structure of Group Risk is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE"). Group Risk is headed by the Group CRO, who is appointed by the Board to lead the Group-wide risk management functions including implementation of the EWRM framework. The Group 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 operations, there is a local CRO or a local Head of Risk Management, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The Group Risk 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/rate of return risk 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.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk (Continued)

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 (SRM CoE)

The SRM 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.

In addition to the above Risk Centre of Excellences, there is also specialised team within Group Risk:

- The Regional Risk & CRO International Offices team oversees the risk management functions of the regional offices, the Group's unit trust 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 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 risk management department, all risk management activities are 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 risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises 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 are unable or unwilling to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling 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

Without effective credit risk management, the impact of the potential losses can be overwhelming. 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 framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line of defence. This enhances the collaboration between Group Risk 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.

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 Group Risk, 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; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. 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 committees.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

Credit Risk Management (Continued)

The GRC with the support of Group Credit Committee (GCC), other relevant credit committees as well as Group Risk 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 Group Risk, 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 Group Risk.

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 minimum 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.

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, must 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.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

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.

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 Swaps 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 2017, the additional collateral to be posted was RM Nil (2016: RM6,729,000).

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	
	2017 RM'000	2016 RM'000
Financial guarantees	**9,609,108**	9,690,332
Credit related commitments and contingencies	**87,690,118**	84,116,841
	97,299,226	93,807,173

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 74% (2016: 82%) while the financial effect of collateral for derivatives for the Group is 60% (2016: 77%). 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		
	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
Financial assets												
2017												
Derivatives	**8,447,957**	**–**	**8,447,957**	**(4,261,243)**	**(612,255)**	**3,574,459**	–	–	–	–	–	–
Reverse repurchase agreements	**6,484,687**	**–**	**6,484,687**	**(506,656)**	**(5,902,331)**	**75,700**	–	–	–	–	–	–
Loans, advances and financing												
– Share margin financing	**888,736**	**–**	**888,736**	**–**	**(885,034)**	**3,702**	–	–	–	–	–	–
Total	**15,821,380**	**–**	**15,821,380**	**(4,767,899)**	**(7,399,620)**	**3,653,861**	–	–	–	–	–	–
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	–	–	–	–	–	–

Notes to the Financial Statements
for the financial year ended 31 December 2017

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		
	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 collaterals 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 collaterals pledged RM'000	Net amount RM'000
Financial liabilities												
2017												
Derivatives	**8,751,383**	**–**	**8,751,383**	**(4,227,422)**	**(508,094)**	**4,015,867**	**–**	**–**	**–**	**–**	**–**	**–**
Repurchase agreements	**6,122,273**	**–**	**6,122,273**	**(6,109,256)**	**–**	**13,017**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**14,873,656**	**–**	**14,873,656**	**(10,336,678)**	**(508,094)**	**4,028,884**	**–**	**–**	**–**	**–**	**–**	**–**
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	–	–	–	–	–	–

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 2017 and 31 December 2016 are as follows:

The Group 2017	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
Cash and short-term funds	26,768,352	3,548,480	203,023	618,807	3,093,765	1,007,115	277,574	276,101	2,036,154	37,829,371
Reverse repurchase agreements	2,095,743	933	1,484,655	923,600	39,046	349,334	85,809	76,947	1,428,620	6,484,687
Deposits and placements with banks and other financial institutions	940,084	2,418,394	–	234	–	164,585	–	331,343	200,690	4,055,330
Financial assets held for trading	9,662,113	1,350,700	1,349,163	4,413,625	84,040	534,142	547,288	397,974	1,805,259	20,144,304
Financial investments available-for-sale	15,109,556	7,798,972	2,668,424	2,226,509	10,292	456,304	1,336,513	413,265	890,718	30,910,553
Financial investments held-to-maturity	28,456,408	2,193,354	1,705,420	4,438,946	–	–	79,709	–	47,378	36,921,215
Derivative financial instruments	2,834,577	235,286	2,438,362	963,199	1,704	897,172	566,921	–	510,736	8,447,957
Loans, advances and financing	186,875,906	56,915,412	28,625,602	26,269,938	238,374	3,786,145	2,294,923	4,878,343	6,672,368	316,557,012
Other assets	7,648,576	65,499	481,102	767,720	215,067	319,176	168,725	257	965,709	10,631,831
Financial guarantees	2,504,695	979,371	407,683	4,101,084	60,111	91,446	251,976	36,994	1,175,748	9,609,108
Credit related commitments and contingencies	74,919,550	5,487,805	1,434,205	1,548,973	1,454	645,828	737,892	707,985	2,206,426	87,690,118
Total credit exposures	357,815,560	80,994,206	40,797,639	46,272,635	3,743,853	8,251,247	6,347,330	7,119,209	17,939,806	569,281,486

The Group 2016	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
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

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 2017 and 31 December 2016 are as follows (Continued):

The Company	Malaysia RM'000	Indonesia RM'000	Total RM'000
2017			
Cash and short-term funds	**182,807**	**2**	**182,809**
Financial investments available-for-sale	**1,433,024**	**–**	**1,433,024**
Financial investments held-to-maturity	**3,518,264**	**–**	**3,518,264**
Other assets	**41,596**	**–**	**41,596**
	5,175,691	**2**	**5,175,693**

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

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 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows:

The Group 2017	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
Primary agriculture	–	–	–	2,554	371,339	–	53,238	11,044,217	114	11,471,462
Mining and quarrying	–	–	–	281,043	448,428	1,132,352	91,342	6,701,707	–	8,654,872
Manufacturing	–	–	–	81,811	438,503	103,565	123,228	24,254,437	6,001	25,007,545
Electricity, gas and water	–	–	–	801,127	3,763,358	1,398,505	243,116	2,955,552	1,568,373	10,730,031
Construction	–	–	–	336,632	1,886,346	754,426	59,381	12,383,982	325	15,421,092
Transport, storage and communications	–	–	–	451,093	2,871,934	2,113,599	310,140	9,226,847	230,911	15,204,524
Education and health	–	–	–	–	10,324	–	6,813	9,632,934	–	9,650,071
Wholesale and retail trade, and restaurant	–	–	–	66	148,185	5,027	6,276	28,708,601	1,035	28,869,190
Finance, insurance/takaful, real estate and business activities	9,620,078	5,493,702	4,055,330	9,301,935	10,893,029	8,843,227	6,601,876	39,759,163	7,476,298	102,044,638
Others:										
Government and government agencies	28,208,716	–	–	8,057,742	8,422,893	21,761,468	175,375	9,095,626	365,403	76,087,223
Household	–	–	–	–	–	–	2,673	148,556,153	635,917	149,194,743
Others	577	990,985	–	830,301	1,656,214	809,046	774,499	14,237,793	347,454	19,646,869
	37,829,371	6,484,687	4,055,330	20,144,304	30,910,553	36,921,215	8,447,957	316,557,012	10,631,831	471,982,260

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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 items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows (Continued):

The Group 2016	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
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

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	Other financial assets* RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total credit exposures RM'000
2017					
Finance, insurance/takaful, real estate and business activities	**182,809**	**41,422**	**1,433,024**	**3,518,264**	**5,175,519**
Others:					
Others	**–**	**174**	**–**	**–**	**174**
	182,809	**41,596**	**1,433,024**	**3,518,264**	**5,175,693**
2016					
Finance, insurance/takaful, real estate and business activities	587,828	–	1,432,249	2,012,667	4,032,744
Others:					
Others	–	632	–	–	632
	587,828	632	1,432,249	2,012,667	4,033,376

* *Other financial assets include amount owing by subsidiaries and other financial assets.*

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 2017 RM'000	Credit related commitments and contingencies 2017 RM'000	Financial guarantees 2016 RM'000	Credit related commitments and contingencies 2016 RM'000
Primary agriculture	**81,454**	**1,598,887**	30,304	1,295,247
Mining and quarrying	**152,547**	**567,239**	187,804	960,607
Manufacturing	**610,326**	**5,653,838**	544,810	5,074,518
Electricity, gas and water	**138,522**	**604,802**	87,244	1,170,242
Construction	**593,325**	**6,136,815**	705,700	7,127,018
Transport, storage and communications	**228,837**	**2,050,166**	445,454	2,683,984
Education and health	**91,722**	**3,575,248**	87,511	3,419,036
Wholesale and retail trade, and restaurant	**2,359,781**	**6,715,281**	2,366,764	6,723,228
Finance, insurance/takaful, real estate and business activities	**5,177,019**	**14,870,863**	4,340,302	14,925,135
Others:				
Household	**61,925**	**40,374,674**	780,379	36,289,567
Others	**113,650**	**5,542,305**	114,060	4,448,259
	9,609,108	**87,690,118**	9,690,332	84,116,841

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
2017				
Overdrafts	**4,628,064**	**410,802**	**350,638**	**5,389,504**
Term loans/financing	**218,360,435**	**13,432,104**	**7,370,044**	**239,162,583**
Bills receivable	**9,143,679**	**14,757**	**536,867**	**9,695,303**
Trust receipts	**1,665,781**	**16,608**	**139,794**	**1,822,183**
Claim on customers under acceptance credit	**4,931,781**	**21,377**	**97,457**	**5,050,615**
Credit card receivables	**8,881,403**	**511,104**	**175,254**	**9,567,761**
Revolving credit	**50,131,281**	**273,830**	**2,320,890**	**52,726,001**
Share margin financing	**887,905**	**-**	**831**	**888,736**
Other loans	**-**	**-**	**1,905**	**1,905**
Total	**298,630,329**	**14,680,582**	**10,993,680**	**324,304,591**
Less: Impairment allowances *				**(7,747,579)**
Total net amount				**316,557,012**
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

* *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
2017				
Overdrafts	**2,208,057**	**180,985**	**2,239,022**	**4,628,064**
Term loans/financing	**60,091,957**	**959,175**	**157,309,303**	**218,360,435**
Bills receivable	**7,789,283**	**118,841**	**1,235,555**	**9,143,679**
Trust receipts	**1,296,296**	**65,350**	**304,135**	**1,665,781**
Claim on customers under acceptance credit	**3,292,186**	**35,842**	**1,603,753**	**4,931,781**
Credit card receivables	**2,226,063**	**–**	**6,655,340**	**8,881,403**
Revolving credit	**41,072,504**	**145,186**	**8,913,591**	**50,131,281**
Share margin financing	**–**	**–**	**887,905**	**887,905**
Total	**117,976,346**	**1,505,379**	**179,148,604**	**298,630,329**
2017				
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

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.

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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)

(ii) Loans, advances and financing that are "past due but not impaired" (Continued)

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
2017			
Overdrafts	**368,182**	**42,620**	**410,802**
Term loans/financing	**10,083,984**	**3,348,120**	**13,432,104**
Bills receivable	**12,572**	**2,185**	**14,757**
Trust receipts	**6,452**	**10,156**	**16,608**
Claim on customers under acceptance credit	**12,149**	**9,228**	**21,377**
Credit card receivables	**375,153**	**135,951**	**511,104**
Revolving credit	**180,671**	**93,159**	**273,830**
Total	**11,039,163**	**3,641,419**	**14,680,582**
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

(iii) Impaired loans, advances and financing

	The Group	
	2017 RM'000	2016 RM'000
Total gross impaired loans	**10,993,680**	10,645,339
Less: Impairment allowances	**(5,756,138)**	(6,125,251)
Total net impaired loans	**5,237,542**	4,520,088

Refer to Note 8(vii) and Note 8(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(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
2017			
Financial assets held for trading	**20,144,304**	**–**	**20,144,304**
Financial investments available-for-sale	**30,916,618**	**77,714**	**30,994,332**
Financial investments held-to-maturity	**36,921,851**	**11,664**	**36,933,515**
Total	**87,982,773**	**89,378**	**88,072,151**
Less: Impairment allowance*			**(96,079)**
Total net amount			**87,976,072**
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

** Impairment allowance represents allowance made against financial assets that have been impaired.*

The Company	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
2017			
Financial investments available-for-sale	**1,433,024**	**–**	**1,433,024**
Financial investments held-to-maturity	**3,518,264**	**–**	**3,518,264**
Total	**4,951,288**	**–**	**4,951,288**
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

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 2017 and 31 December 2016 for the Group and the Company.

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"

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 2017	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
2017					
Financial assets held for trading	**8,581,921**	**10,791,574**	**20,737**	**750,072**	**20,144,304**
Financial investments available-for-sale	**9,604,198**	**18,758,971**	**54,120**	**2,499,329**	**30,916,618**
Financial investments held-to-maturity	**27,752,850**	**5,602,760**	**153,720**	**3,412,521**	**36,921,851**
Total	**45,938,969**	**35,153,305**	**228,577**	**6,661,922**	**87,982,773**
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

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
2017			
Financial investments available-for-sale	**1,433,024**	–	**1,433,024**
Financial investments held-to-maturity	**3,518,264**	**–**	**3,518,264**
Total	**4,951,288**	**–**	**4,951,288**
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

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
2017				
Cash and short-term funds	**37,829,371**	**–**	**–**	**37,829,371**
Reverse repurchase agreements	**6,484,687**	**–**	**–**	**6,484,687**
Deposits and placements with banks and other financial institutions	**4,055,330**	**–**	**–**	**4,055,330**
Other assets	**10,603,870**	**22,726**	**56,538**	**10,683,134**
Derivative financial instruments	**8,447,957**	**–**	**–**	**8,447,957**
Total	**67,421,215**	**22,726**	**56,538**	**67,500,479**
Less: Impairment allowance *				**(51,303)**
Total net amount				**67,449,176**
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

* *Impairment allowance represents allowances made against financial assets that have been impaired.*

Notes to the Financial Statements
for the financial year ended 31 December 2017

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets

(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
2017			
Cash and short-term funds	**182,809**	**–**	**182,809**
Other assets	**41,596**	**–**	**41,596**
Amount owing by subsidiaries	**–**	**775**	**775**
Total	**224,405**	**775**	**225,180**
Less: Impairment allowance *			**(775)**
Total net amount			**224,405**
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

* *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 2017 and 31 December 2016 for the Company.

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
2017					
Cash and short-term funds	**28,255,310**	**8,271,485**	**8,072**	**1,294,504**	**37,829,371**
Reverse repurchase agreements	**–**	**5,427,055**	**569**	**1,057,063**	**6,484,687**
Deposits and placements with banks and other financial institutions	**2,419,978**	**1,201,100**	**236,810**	**197,442**	**4,055,330**
Other assets	**177,416**	**3,960,077**	**1,169,357**	**5,297,020**	**10,603,870**
Derivative financial instruments	**225,232**	**5,300,095**	**1,699,788**	**1,222,842**	**8,447,957**
Total	**31,077,936**	**24,159,812**	**3,114,596**	**9,068,871**	**67,421,215**
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

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
2017			
Cash and short-term funds	**182,809**	**–**	**182,809**
Other assets	**–**	**41,596**	**41,596**
Total	**182,809**	**41,596**	**224,405**
2016			
Cash and short-term funds	587,828	–	587,828
Other assets	–	632	632
Total	587,828	632	588,460

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.1 Credit risk (Continued)

57.1.4 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(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 2017 and 31 December 2016 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**
2017			
Other assets	**4,896**	**17,830**	**22,726**
2016			
Other assets	728,445	28,412	756,857

57.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as at 31 December 2017 and 31 December 2016 are as follows:

Nature of assets	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2017		
Industrial and residential properties, development land and motor	**225,572**	**–**
2016		
Industrial and residential properties, development land and motor	300,527	–

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 or investment 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 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, are responsible for measuring and controlling 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.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out on held for trading and available-for-sale positions on a daily basis in compliance with the independent price verification requirements. This valuation methodology is applied to restate the security value to its current value for the purpose of calculating the profits and losses or to confirm that margins requirements are being met.

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

Market Risk Management (MRM) (Continued)

Treasury products approval processes shall be coordinated by the Market Risk CoE to ensure operational readiness before launching. The proposed new products are assessed to ensure financial risks are accurately identified, monitored and effectively managed.

The valuation methods and models used are validated by the quantitative analysts to assess their applicability relative to market conditions. The process includes verification of the inputs, assumptions used, programming codes and model reporting capability. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. Backtesting is performed to validate and reassess the accuracy of the existing VaR model. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Back-testing involves the comparison of the daily model-generated VaR against the actual or hypothetical profit or loss data over the corresponding period. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2017 is shown in Note 57.2.1.

Stress testing is conducted to complement VaR to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

Market Risk CoE undertakes the monitoring and oversight process on treasury activities, which include monitoring limits utilisation, reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices. All approved market risk limits are monitored on daily basis. Any excess in limit will be escalated to management in accordance with the exception management procedures.

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	2017 RM'000	2016 RM'000
Foreign exchange risk	**7,647**	11,619
Interest rate risk	**17,871**	24,067
Equity risk	**4,726**	6,635
Commodity risk	**1,555**	1,294
Total	**31,799**	43,615
Total shareholder's fund	**48,245,479**	45,308,175
Percentage of shareholder's fund	**0.07%**	0.10%

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.

	← Non-trading book →								
The Group 2017	**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	35,081,761	–	–	–	–	–	6,586,123	–	41,667,884
Reverse repurchase agreements	4,940,107	1,245,097	131,095	141,756	9,163	–	17,469	–	6,484,687
Deposits and placements with banks and other financial institutions	2,716,054	1,097,966	183,799	53,621	–	–	3,890	–	4,055,330
Financial assets held for trading	–	–	–	–	–	–	–	21,657,212	21,657,212
Financial investments available-for-sale	372,390	1,730,851	1,198,502	2,527,456	13,075,370	11,786,274	1,713,143	–	32,403,986
Financial investments held-to-maturity	2,495,201	1,921,726	941,023	2,523,628	16,099,429	12,582,829	357,379	–	36,921,215
Derivative financial instruments	24,083	67,241	51,343	6,320	47,039	44,095	–	8,207,836	8,447,957
Loans, advances and financing	223,989,110	17,411,064	8,375,635	12,403,854	30,075,678	24,301,135	536	–	316,557,012
Other assets	2,642,233	379,236	17,764	489,921	647,005	2,819	6,452,853	–	10,631,831
Total financial assets	272,260,939	23,853,181	10,899,161	18,146,556	59,953,684	48,717,152	15,131,393	29,865,048	478,827,114
Financial liabilities									
Deposits from customers	185,840,458	56,745,459	44,406,818	25,442,347	2,689,976	1,181,959	32,211,260	–	348,518,277
Investment accounts of customers	289,484	522,310	92,529	–	–	–	3,440	–	907,763
Deposits and placements of banks and other financial institutions	10,650,254	5,530,008	1,614,566	1,226,135	126,029	–	604,584	–	19,751,576
Repurchase agreements	75,273	1,941,226	780,129	139,702	362,304	–	2,823,639	–	6,122,273
Derivative financial instruments	4,387	6,216	9,062	14,990	336,661	166,268	–	8,213,799	8,751,383
Bills and acceptances payable	1,359,381	609,097	434,274	51,217	6,133	680,115	36,965	–	3,177,182
Financial liabilities designated at fair value	125,079	908,122	1,806,814	218,915	1,503,329	151,000	14,887	45,294	4,773,440
Other liabilities	2,994,655	1,578,523	192,399	123,430	2,314,908	197,382	9,846,048	–	17,247,345
Other borrowings	2,638,669	3,927,732	1,350,000	1,168,463	949,253	–	23,178	–	10,057,295
Subordinated obligations	–	–	–	2,048,743	10,027,712	317,564	138,946	–	12,532,965
Bonds, Sukuk and debentures	98,662	2,691,652	573,393	797,733	7,683,321	2,811,691	239,173	–	14,895,625
Recourse obligation on loans and financing sold to Cagamas	350,003	940,018	–	–	3,377,862	484,282	43,083	–	5,195,248
Total financial liabilities	204,426,305	75,400,363	51,259,984	31,231,675	29,377,488	5,990,261	45,985,203	8,259,093	451,930,372
Net interest sensitivity gap	67,834,634	(51,547,182)	(40,360,823)	(13,085,119)	30,576,196	42,726,891		21,605,955	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	9,609,108	–	9,609,108
Credit related commitments and contingencies	–	–	–	–	–	–	87,690,118	–	87,690,118
Treasury related commitments and contingencies (hedging)	88,708	–	740,851	5,301,048	18,513,735	9,108,070	–	–	33,752,412
Net interest sensitivity gap	88,708	–	740,851	5,301,048	18,513,735	9,108,070	97,299,226	–	131,051,638

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 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	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	183,114,462	61,562,707	33,158,748	22,260,462	3,437,800	1,014,148	26,969,811	–	331,518,138
Investment accounts of customers	254,408	–	–	–	–	–	–	–	254,408
Deposits and placements of banks and other financial institutions	13,408,956	10,952,287	2,187,109	981,246	350,444	318,009	179,724	–	28,377,775
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	2,358,429	4,371,341	97,707	235,279	2,565,024	174,817	8,146,293	–	17,948,890
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	36,124,214	10,924,726	437,812,891
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 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
2017									
Financial assets									
Cash and short-term funds	**181,514**	**–**	**–**	**–**	**–**	**–**	**1,295**	**–**	**182,809**
Financial investments available-for-sale	**–**	**–**	**–**	**–**	**1,426,619**	**–**	**6,405**	**–**	**1,433,024**
Financial investments held-to-maturity	**–**	**–**	**–**	**–**	**–**	**3,509,999**	**8,265**	**–**	**3,518,264**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**41,596**	**–**	**41,596**
Total financial assets	**181,514**	**–**	**–**	**–**	**1,426,619**	**3,509,999**	**57,561**	**–**	**5,175,693**
Financial liabilities									
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**1,717**	**–**	**1,717**
Other borrowings	**200,000**	**–**	**1,350,000**	**1,000,000**	**1,000,000**	**–**	**3,113**	**–**	**3,553,113**
Subordinated obligations	**–**	**–**	**–**	**–**	**3,380,000**	**3,500,000**	**24,556**	**–**	**6,904,556**
Total financial liabilities	**200,000**	**–**	**1,350,000**	**1,000,000**	**4,380,000**	**3,500,000**	**29,386**	**–**	**10,459,386**
Net interest sensitivity gap	**(18,486)**	**–**	**(1,350,000)**	**(1,000,000)**	**(2,953,381)**	**9,999**		**–**	
Net interest sensitivity gap									
Treasury related commitments and contingencies	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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	–	–	–	–	–	–	–	–	–

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		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2017				
Impact to profit (after tax)	**(42,804)**	**42,804**	**(8,447)**	**8,447**
2016				
Impact to profit (after tax)	(206,404)	206,404	(705)	705

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.

(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		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2017				
Impact to revaluation reserve-financial investments available-for-sale	**(1,209,442)**	**1,209,442**	**(46,588)**	**46,588**
2016				
Impact to revaluation reserve-financial investments available-for-sale	(1,210,329)	1,210,329	(58,021)	58,021

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.

Notes to the Financial Statements
for the financial year ended 31 December 2017

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

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.

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.

The Group 2017	MYR RM'000	IDR M'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	24,824,949	3,698,320	340,768	883,485	8,541,158	296,623	1,061,080	174,521	245,810	116,963	419,137	1,065,070	16,842,935	41,667,884
Cash and short-term funds	1,924,008	–	1,484,086	414,470	2,243,899	64,405	80,632	194,283	–	13,524	63,182	2,198	4,560,679	6,484,687
Reverse repurchase agreements	675,866	2,419,978	132	234	805,735	245	736	–	93,868	–	–	58,536	3,379,464	4,055,330
Deposits and placements with banks and other financial institutions	10,286,413	1,208,068	1,219,217	4,445,781	2,475,954	432,502	–	692,365	–	38,920	232,418	625,574	11,370,799	21,657,212
Financial assets held for trading	15,838,955	7,011,446	2,609,598	1,979,228	4,205,896	278,535	336,710	–	–	93,950	49,668	–	16,565,031	32,403,986
Financial investments available-for-sale	27,910,070	2,070,655	1,223,433	4,269,075	1,447,982	–	–	–	–	–	–	–	9,011,145	36,921,215
Financial investments held-to-maturity	20,049,096	159,793	48,086,858	14,714,808	(84,675,060)	1,390,148	1,040,732	(70,963)	3,872,797	(1,371,400)	3,931,855	1,319,293	(11,601,139)	8,447,957
Derivative financial instruments	181,397,935	46,527,548	23,812,103	24,198,700	32,804,032	446,498	4,044,949	999,961	443,039	1,116,933	623,623	141,691	135,159,077	316,557,012
Loans, advances and financing	5,447,006	514,394	534,296	78,851	3,394,233	15,481	77,038	3,196	145	138,355	36,059	392,777	5,184,825	10,631,831
Other assets														
	288,354,298	63,610,202	79,310,491	50,984,632	(28,756,171)	2,924,437	6,641,877	1,993,363	4,655,659	147,245	5,355,942	3,605,139	190,472,816	478,827,114
Financial liabilities														
Deposits from customers	210,211,129	43,623,186	21,855,029	30,293,062	35,021,304	1,447,918	2,601,716	338,648	1,113,656	730,522	481,361	800,746	138,307,148	348,518,277
Investment accounts of customers	347,143	–	–	–	560,620	–	–	–	–	–	–	–	560,620	907,763
Deposits and placements of banks and other financial institutions	3,046,275	1,787,828	1,590,012	1,397,573	9,313,350	143,997	1,874,685	12,330	37,702	312,432	209,163	26,229	16,705,301	19,751,576
Repurchase agreements	1,207,356	2,803,757	–	432,564	1,678,596	–	–	–	–	–	–	–	4,914,917	6,122,273
Financial liabilities designated at fair value	1,902,296	–	2,870,235	909	–	–	–	–	–	–	–	–	2,871,144	4,773,440
Derivatives financial instruments	26,579,371	87,473	48,554,533	19,088,395	(96,601,277)	710,486	1,479,560	1,567,959	3,031,750	(2,428,637)	4,538,093	2,143,677	(17,827,988)	8,751,383
Bills and acceptances payable	790,447	474,550	405,667	116,481	1,222,735	–	117,995	16,666	21,806	–	10,835	–	2,386,735	3,177,182
Other liabilities	9,812,690	2,875,238	481,251	500,406	2,905,317	94,744	274,720	58,023	4,111	119,680	97,707	23,458	7,434,655	17,247,345
Recourse obligation on loans and financing sold to Cagamas	5,195,248	–	–	–	–	–	–	–	–	–	–	–	–	5,195,248
Other borrowings	3,113,818	766,398	–	–	6,177,079	–	–	–	–	–	–	–	6,943,477	10,057,295
Bonds, Sukuk and debentures	4,282,087	1,632,240	766,947	367,976	5,882,696	325,939	–	–	292,130	1,345,610	–	–	10,613,538	14,895,625
Subordinated obligations	12,054,458	478,507	–	–	–	–	–	–	–	–	–	–	478,507	12,532,965
	278,542,318	54,529,177	76,523,674	52,197,366	(33,839,580)	2,723,084	6,348,676	1,993,626	4,501,155	79,607	5,337,159	2,994,110	173,388,054	451,930,372
Financial guarantees	2,192,379	205,326	363,459	2,854,116	3,740,737	–	75,977	23,014	2,616	94,103	54,059	3,322	7,416,729	9,609,108
Credit related commitments and contingencies	69,596,664	4,774,063	1,227,189	1,186,867	7,830,248	3,449	1,276,901	108,074	443,104	1,114,619	124,803	4,137	18,093,454	87,690,118
	71,789,043	4,979,389	1,590,648	4,040,983	11,570,985	3,449	1,352,878	131,088	445,720	1,208,722	178,862	7,459	25,510,183	97,299,226

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk

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 2016	MYR RM'000	IDR M'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	(40,391,247)	221,431	(44,853,024)	(11,643,104)	118,631,468	(164,769)	(2,230,267)	(2,628,971)	(2,769,079)	84,154	(2,448,576)	198,168	52,397,431	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
	197,000,946	65,870,454	(13,534,841)	27,108,667	177,319,036	751,138	3,618,520	1,224,337	(2,146,503)	2,369,957	(1,175,334)	2,780,423	264,185,854	461,186,800
Financial liabilities														
Deposits from customers	184,605,359	48,070,232	22,738,474	31,669,985	36,755,922	1,231,261	3,130,018	128,331	1,296,946	622,054	524,591	744,965	146,912,779	331,518,138
Investment accounts of customers	254,408	–	–	–	–	–	–	–	–	–	–	–	–	254,408
Deposits and placements of banks and other financial institutions	3,836,988	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	28,377,775
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	(34,267,927)	157,628	(45,676,584)	(7,850,727)	109,293,620	(1,490,036)	(1,386,162)	(678,276)	(4,200,478)	(204,631)	(1,940,200)	381,365	46,405,519	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	5,242,247	2,491,987	845,394	678,820	5,842,240	381,361	64,435	1,166,571	8,726	488,330	49,320	689,458	12,706,642	17,948,889
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
	183,580,854	56,131,833	(16,415,130)	28,774,709	179,548,893	780,412	3,294,286	634,333	(2,289,370)	3,054,916	(1,250,120)	1,967,274	254,232,036	437,812,890
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

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk

(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
2017					
Financial assets					
Cash and short-term funds	**182,130**	**2**	**677**	**679**	**182,809**
Financial investments available-for-sale	**1,433,024**	**–**	**–**	**–**	**1,433,024**
Financial investments held-to-maturity	**3,518,264**	**–**	**–**	**–**	**3,518,264**
Other assets	**41,596**	**–**	**–**	**–**	**41,596**
	5,175,014	**2**	**677**	**679**	**5,175,693**
Financial liabilities					
Other liabilities	**1,717**	**–**	**–**	**–**	**1,717**
Other borrowings	**3,553,113**	**–**	**–**	**–**	**3,553,113**
Subordinated obligations	**6,904,556**	**–**	**–**	**–**	**6,904,556**
	10,459,386	**–**	**–**	**–**	**10,459,386**
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

(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
2017				
Impact to profit (after tax)	**5,309**	**(5,309)**	**5**	**(5)**
Impact to reserves	**(53,655)**	**53,655**	**–**	**–**
2016				
Impact to profit (after tax)	5,727	(5,727)	(6,518)	6,518
Impact to reserves	(46,932)	46,932	–	–

57 FINANCIAL RISK MANAGEMENT (CONTINUED)

57.2 Market risk (Continued)

57.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves (Continued)

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.

57.3 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 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 normal business 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.

The day-to-day responsibility for liquidity risk management and control in each individual entity 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. 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. For overseas branches and subsidiaries, they 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 Triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected 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) which took effect from June 2015 in Malaysia. 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. The Group also performs a consolidated stress test, including liquidity stress test, 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 combined 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
for the financial year ended 31 December 2017

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 2017	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	41,667,884	–	–	–	–	–	–	41,667,884
Reverse repurchase agreements	5,061,206	1,176,170	131,252	116,059	–	–	–	6,484,687
Deposits and placements with banks and other financial institutions	2,551,402	1,258,616	189,848	55,464	–	–	–	4,055,330
Financial assets held for trading	3,871,560	5,301,788	2,263,558	1,180,410	2,729,503	4,799,253	1,511,140	21,657,212
Financial investments available-for-sale	456,687	1,264,897	1,209,588	2,547,701	13,501,555	11,930,124	1,493,434	32,403,986
Financial investments held-to-maturity	1,492,293	1,278,716	890,543	2,561,168	16,967,171	13,731,324	–	36,921,215
Derivative financial instruments	428,594	1,107,230	1,049,475	809,511	3,457,841	1,595,306	–	8,447,957
Loans, advances and financing	44,705,680	16,171,986	9,764,685	18,220,021	58,180,613	169,514,027	–	316,557,012
Other assets	9,487,582	99,897	336,921	281,679	805,484	1,058,136	77,633	12,147,332
Taxation recoverable	129,072	–	–	–	–	–	–	129,072
Deferred tax assets	–	–	–	–	–	–	386,850	386,850
Statutory deposits with central banks	–	–	–	–	–	–	8,630,454	8,630,454
Investment in associates	–	–	–	–	–	–	76,199	76,199
Investment in joint ventures	–	–	–	–	–	–	183,731	183,731
Property, plant and equipment	–	–	–	–	–	–	1,991,646	1,991,646
Prepaid lease payment	–	–	–	–	–	–	101,913	101,913
Goodwill	–	–	–	–	–	–	8,225,745	8,225,745
Intangible assets	–	–	–	–	–	–	1,820,369	1,820,369
Non-current assets held for sale	–	–	–	–	–	–	4,610,938	4,610,938
Total assets	109,851,960	27,659,300	15,835,870	25,772,013	95,642,167	202,628,170	29,110,052	506,499,532
Liabilities								
Deposits from customers	214,817,569	55,913,536	45,659,588	27,844,358	2,988,248	1,294,978	–	348,518,277
Investment accounts of customers	289,488	524,984	93,291	–	–	–	–	907,763
Deposits and placements of banks and other financial institutions	11,924,181	5,502,469	1,456,411	766,509	102,006	–	–	19,751,576
Repurchase agreements	3,462,901	1,876,936	781,189	1,247	–	–	–	6,122,273
Derivatives financial instruments	549,203	1,234,781	1,148,138	1,338,405	3,181,593	1,299,263	–	8,751,383
Bills and acceptances payable	1,396,346	609,097	434,274	51,217	6,133	680,115	–	3,177,182
Other liabilities	11,387,206	504,828	252,066	270,087	3,967,386	930,240	477,766	17,789,579
Recourse obligation on loans and financing sold to Cagamas	43,086	157,000	–	973,004	3,377,860	644,298	–	5,195,248
Deferred tax liabilities	–	–	–	–	–	–	80,943	80,943
Current tax liabilities	507,940	–	–	–	–	–	–	507,940
Financial liabilities designated at fair value	21,235	6,857	223,276	171,723	1,742,074	2,608,275	–	4,773,440
Bonds, Sukuk and debentures	162,080	199,121	573,304	803,713	10,345,359	2,812,048	–	14,895,625
Other borrowings	1,035,751	1,025,757	1,355,653	1,176,530	5,286,265	177,339	–	10,057,295
Subordinated obligations	103,714	–	24,556	2,048,743	10,169,041	186,911	–	12,532,965
Non-current liabilities held for sale	–	–	–	–	–	–	3,631,608	3,631,608
Total liabilities	245,700,700	67,555,366	52,001,746	35,445,536	41,165,965	10,633,467	4,190,317	456,693,097
Net liquidity gap	(135,848,740)	(39,896,066)	(36,165,876)	(9,673,523)	54,476,202	191,994,703	24,919,735	49,806,435

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 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	40,255,373	15,749,638	9,851,800	12,905,382	70,898,484	165,712,221	–	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
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	91,733,017	27,051,594	16,583,846	20,915,958	107,766,160	195,913,892	25,802,420	485,766,887
Liabilities								
Deposits from customers	206,709,925	60,804,261	32,988,796	23,005,831	6,880,203	1,129,122	–	331,518,138
Investment accounts of customers	254,408	–	–	–	–	–	–	254,408
Deposits and placements of banks and other financial institutions	12,885,293	12,500,903	2,545,620	323,052	122,907	–	–	28,377,775
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	12,519,839	349,424	126,495	558,408	3,369,799	739,406	762,314	18,425,685
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	(145,443,063)	(53,056,483)	(22,534,065)	(12,488,539)	67,157,677	188,460,081	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 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
2017								
Assets								
Cash and short-term funds	182,809	–	–	–	–	–	–	182,809
Financial investments available-for-sale	–	–	6,405	–	1,426,619	–	–	1,433,024
Financial investments held-to-maturity	–	–	8,264	–	–	3,510,000	–	3,518,264
Other assets	–	–	–	–	–	–	42,195	42,195
Taxation recoverable	109,243	–	–	–	–	–	–	109,243
Investment in subsidiaries	–	–	–	–	–	–	27,052,448	27,052,448
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	1,117	1,117
Investment properties	–	–	–	–	–	–	417	417
Non-current assets held for sale	–	–	–	–	–	–	1,038,859	1,038,859
Total assets	292,052	–	14,669	–	1,426,619	3,510,000	28,138,870	33,382,210
Liabilities								
Other liabilities	1,356	–	–	–	–	–	361	1,717
Deferred tax liabilities	–	–	–	–	–	–	361	361
Other borrowings	202,297	–	1,350,816	1,000,000	1,000,000	–	–	3,553,113
Subordinated obligations	–	–	24,556	–	6,880,000	–	–	6,904,556
Total liabilities	203,653	–	1,375,372	1,000,000	7,880,000	–	722	10,459,747
Net liquidity gap	88,399	–	(1,360,703)	(1,000,000)	(6,453,381)	3,510,000	28,138,148	22,922,463
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

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
2017								
Non-derivative financial liabilities								
Deposits from customers	215,123,953	56,343,383	46,302,665	28,508,977	3,603,734	1,566,156	–	351,448,868
Investment accounts of customers	292,927	526,215	93,713	–	–	–	–	912,855
Deposits and placements of banks and other financial institutions	11,929,351	5,518,546	1,467,225	775,849	102,079	–	–	19,793,050
Repurchase agreements	3,463,798	1,880,235	782,344	4,113	21,352	–	–	6,151,842
Bills and acceptances payable	1,396,454	609,972	438,011	60,528	74,377	773,894	–	3,353,236
Financial liabilities designated at fair value	347,107	21,592	248,285	203,543	1,908,497	2,613,177	–	5,342,201
Other liabilities	10,218,069	510,523	253,748	273,128	4,071,860	937,710	477,766	16,742,804
Recourse obligation on loans and financing sold to Cagamas	47,725	179,781	30,378	1,058,426	3,738,696	823,077	–	5,878,083
Other borrowings	1,048,926	1,059,744	1,392,183	1,253,196	5,908,929	247,704	–	10,910,682
Bonds, Sukuk and debentures	164,728	375,134	678,530	1,017,746	11,538,387	3,063,770	–	16,838,295
Subordinated obligations	105,065	38,478	341,126	2,593,412	12,391,470	353,955	–	15,823,506
Financial guarantees	6,208,388	532,782	42,828	40,279	21,094	–	2,763,737	9,609,108
Credit related commitments and contingencies	50,157,552	1,829,121	1,891,331	4,818,137	3,147,077	25,379,397	467,503	87,690,118
	300,504,043	69,425,506	53,962,367	40,607,334	46,527,552	35,758,840	3,709,006	550,494,648
2016								
Non-derivative financial liabilities								
Deposits from customers	207,078,361	61,234,143	33,354,135	23,746,573	7,612,640	1,375,016	–	334,400,868
Investment accounts of customers	254,409	–	–	–	–	–	–	254,409
Deposits and placements of banks and other financial institutions	13,519,142	13,358,413	2,781,242	327,043	123,037	–	–	30,108,877
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	12,061,324	349,019	126,756	551,072	3,372,444	713,181	755,220	17,929,016
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	31,653,729	4,048,017	530,867,760

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
2017								
Non-derivative financial liabilities								
Other liabilities	**1,356**	**–**	**–**	**–**	**–**	**–**	**361**	**1,717**
Other borrowings	**210,026**	**18,154**	**1,383,804**	**1,036,674**	**1,137,970**	**–**	**–**	**3,786,628**
Subordinated obligations	**–**	**–**	**203,579**	**198,521**	**7,691,112**	**–**	**–**	**8,093,212**
	211,382	**18,154**	**1,587,383**	**1,235,195**	**8,829,082**	**–**	**361**	**11,881,557**
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

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
2017							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	**(519,169)**	**–**	**–**	**–**	**–**	**–**	**(519,169)**
– Interest rate derivatives	**(1,726,939)**	**–**	**–**	**–**	**–**	**–**	**(1,726,939)**
– Equity related derivatives	**(122,143)**	**–**	**–**	**–**	**–**	**–**	**(122,143)**
– Commodity related derivatives	**(620,635)**	**–**	**–**	**–**	**–**	**–**	**(620,635)**
– Credit related contracts	**(7,077)**	**–**	**–**	**–**	**–**	**–**	**(7,077)**
– Bond contract	**(15,830)**	**–**	**–**	**–**	**–**	**–**	**(15,830)**
Hedging derivatives							
– Foreign exchange derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Interest rate derivatives	**(39,565)**	**28,642**	**(65,904)**	**(54,230)**	**(172,878)**	**(45,592)**	**(349,527)**
	(3,051,358)	**28,642**	**(65,904)**	**(54,230)**	**(172,878)**	**(45,592)**	**(3,361,320)**
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)

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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
2017								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	**(5,202,004)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,202,004)**
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	**(601,577)**	**(3,075,275)**	**(2,429,104)**	**(293,407)**	**(3,645,591)**	**(534,919)**	**–**	**(10,579,873)**
– Inflow	**614,234**	**3,135,256**	**2,486,097**	**303,778**	**3,481,412**	**519,689**	**–**	**10,540,466**
	(5,189,347)	**59,981**	**56,993**	**10,371**	**(164,179)**	**(15,230)**	**–**	**(5,241,411)**
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)

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. Judgment 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 market data reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- 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
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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			
2017	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
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
– Money market instruments	13,885,908	–	13,885,908	–	13,885,908	–	–	–	–	–
– Quoted securities	2,580,218	2,290,879	289,339	–	2,580,218	–	–	–	–	–
– Unquoted securities	5,191,086	–	5,026,843	164,243	5,191,086	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	2,401,517	–	2,401,517	–	2,401,517	–	–	–	–	–
– Quoted securities	7,733,589	4,367,944	3,365,645	–	7,733,589	–	–	–	–	–
– *Unquoted securities*	22,268,880	–	20,914,524	1,354,356	22,268,880	1,433,024	–	1,433,024	–	1,433,024
Derivative financial instruments										
– Trading derivatives	8,207,833	122,342	8,029,095	56,396	8,207,833	–	–	–	–	–
– Hedging derivatives	240,124	–	240,124	–	240,124	–	–	–	–	–
Total	62,509,155	6,781,165	54,152,995	1,574,995	62,509,155	1,433,024	–	1,433,024	–	1,433,024
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	8,213,797	157,099	8,032,594	24,104	8,213,797	–	–	–	–	–
– Hedging derivatives	537,586	–	537,586	–	537,586	–	–	–	–	–
Financial liabilities designated at fair value	4,773,440	–	4,378,382	395,058	4,773,440	–	–	–	–	–
Total	13,524,823	157,099	12,948,562	419,162	13,524,823	–	–	–	–	–

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):

2016	The Group					The Company				
	Carrying amount RM'000	Fair Value				Carrying amount RM'000	Fair Value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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	11,203,242	96,182	11,723,043	–	–	–	–	–
– Hedging derivatives	283,141	–	283,141	–	283,141	–	–	–	–	–
Total	66,305,095	5,084,455	59,617,468	1,603,172	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	–	–	–	–	–

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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 2017 and 31 December 2016 for the Group:

The Group 2017	Financial Assets				Financial Liabilities		
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Financial liabilities designated at fair value	Derivative financial instruments	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	RM'000	Trading derivatives RM'000	Total RM'000
At 1 January	178,451	1,328,539	96,182	1,603,172	(386,462)	(140,510)	(526,972)
Total gains/(losses) recognised in statement of income	3,136	(6,572)	(38,693)	(42,129)	(32,607)	64,662	32,055
Total gains recognised in other comprehensive income	–	76,463	–	76,463	–	–	–
Purchases	–	27,412	36,054	63,466	–	(44,016)	(44,016)
Sales and redemption	–	(38,358)	–	(38,358)	–	–	–
Settlements	–	–	(36,621)	(36,621)	24,011	95,329	119,340
Exchange fluctuation	(17,344)	(33,128)	(526)	(50,998)	–	431	431
At 31 December	164,243	1,354,356	56,396	1,574,995	(395,058)	(24,104)	(419,162)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:							
– net non–interest income	3,136	(6,094)	(38,693)	(41,651)	(15,465)	64,662	49,197
– interest expense	–	–	–	–	(17,142)	–	(17,142)
– allowances for other impairment losses	–	(478)	–	(478)	–	–	–
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	76,463	–	76,463	–	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	3,136	–	2,577	5,713	(15,465)	18,127	2,662

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 2017 and 31 December 2016 for the Group (Continued):

	Financial Assets				Financial Liabilities		
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Financial liabilities designated at fair value	Derivative financial instruments	
The Group 2016	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	RM'000	Trading derivatives RM'000	Total RM'000
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)	(69,781)	(90,990)	(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	96,182	1,603,172	(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)	(69,781)	(87,132)	(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	–	11,111	24,038	(30,236)	62,697	32,461

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 2017 and 31 December 2016, but for which fair value is disclosed:

	The Group					The Company				
		Fair Value					Fair Value			
2017	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
Financial assets										
Cash and short-term funds	41,667,884	34,349,550	7,318,334	–	41,667,884	182,809	182,809	–	–	182,809
Reverse repurchase agreements	6,484,687	–	6,484,327	–	6,484,327	–	–	–	–	–
Deposits and placement with banks and other financial institutions	4,055,330	–	4,055,330	–	4,055,330	–	–	–	–	–
Financial investments held-to-maturity	36,921,215	2,395,833	34,765,601	–	37,161,434	3,518,264	–	3,549,437	–	3,549,437
Loans, advances and financing	316,557,012	–	257,600,315	55,837,818	313,438,133	–	–	–	–	–
Other assets	12,147,332	–	12,181,242	–	12,181,242	42,195	–	42,195	–	42,195
Total	417,833,460	36,745,383	322,405,149	55,837,818	414,988,350	3,743,268	182,809	3,591,632	–	3,774,441
Financial liabilities										
Deposits from customers	348,518,277	–	348,439,530	–	348,439,530	–	–	–	–	–
Investment accounts of customers	907,763	–	907,763	–	907,763	–	–	–	–	–
Deposits and placements of banks and other financial institutions	19,751,576	–	19,739,136	–	19,739,136	–	–	–	–	–
Repurchase agreements	6,122,273	–	6,119,474	–	6,119,474	–	–	–	–	–
Bills and acceptances payable	3,177,182	–	3,177,703	–	3,177,703	–	–	–	–	–
Other liabilities	17,789,579	–	17,781,893	–	17,781,893	1,717	–	1,717	–	1,717
Recourse obligation on loans and financing sold to Cagamas	5,195,248	–	5,256,535	–	5,256,535	–	–	–	–	–
Bonds, Sukuk and debentures	14,895,625	–	14,885,849	–	14,885,849	–	–	–	–	–
Other borrowings	10,057,295	–	10,217,032	–	10,217,032	3,553,113	–	3,727,758	–	3,727,758
Subordinated obligations	12,532,965	–	12,820,556	–	12,820,556	6,904,556	–	7,036,399	–	7,036,399
Total	438,947,783	–	439,345,471	–	439,345,471	10,459,386	–	10,765,874	–	10,765,874

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 2017 and 31 December 2016, but for which fair value is disclosed (Continued):

	The Group					The Company				
		Fair Value					Fair Value			
2016	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
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	331,518,138	–	331,469,159	–	331,469,159	–	–	–	–	–
Investment accounts of customers	254,408	–	254,408	–	254,408	–	–	–	–	
Deposits and placements of banks and other financial institutions	28,377,775	–	28,280,667	–	28,280,667	–	–	–	–	–
Repurchase agreements	4,397,454	–	4,390,776	–	4,390,776	–	–	–	–	–
Bills and acceptances payable	3,661,743	–	3,057,611	–	3,057,611	–	–	–	–	–
Other liabilities	18,425,685	–	19,001,511	–	19,001,511	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	–	7,615,292	–	7,615,292	–	–	–	–	–
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	–	421,897,110	–	421,897,110	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 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.

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.

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)

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.

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.

Notes to the Financial Statements
for the financial year ended 31 December 2017

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

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
2017						
Derivative financial instruments – Trading derivatives Credit derivatives	**725**	**(464)**	**Discounted Cash Flow, Stochastic Default and FX Correlation Model**	**Credit Default/ FX Correlation**	**-55.00% to -8.48%**	**Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement**
Fund derivatives	**620**	**(2,917)**	**Option pricing**	**Fund Volatility**	**1.00% to 3.33%**	**Higher volatility results in lower fair value based on a net short fund option position**
Equity derivatives	**55,051**	**(20,723)**	**Option pricing**	**Equity Volatility**	**7.45% to 96.41%**	**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	**164,243**	**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	**1,354,356**	**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**	**(395,058)**	**Discounted cash flow**	**Internal deposit rates**	**1.26% to 3.57%**	**Higher internal deposit rates results in decrease in fair value measurement**
2016						
Derivative financial instruments – Trading derivatives Credit derivatives	4,995	(5,083)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/ FX Correlation	-58.00% to -3.00%	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

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
2017			
Derivative financial instruments – trading			
– Credit derivatives	+10%	–*	–
	-10%	–	–**
– Fund derivatives	+25%	–	(770)
	-25%	756	–
– Equity derivatives	+25%	7,651	–
	-25%	–	(6,771)
Financial liabilities designated at fair value			
- Credit linked structured deposits	+1%	947	–
	-1%	–	(947)
Total		9,354	(8,488)
2016			
Derivative financial instruments – trading			
– Credit derivatives	+10%	9	–
	-10%	–	(9)
– 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		10,127	(11,783)

* *Denoted favorable changes of RM150*

** *Denoted unfavorable changes of RM190*

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING

Statement of Financial Position as at 31 December 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	(a)	**14,672,304**	9,110,838
Deposits and placements with banks and other financial institutions	(b)	**2,456,177**	761,871
Financial assets held for trading	(c)	**3,547,420**	2,949,804
Islamic derivative financial instruments	(d)(i)	**662,899**	885,452
Financial investments available-for-sale	(e)	**2,707,721**	1,951,060
Financial investments held-to-maturity	(f)	**5,241,403**	3,838,845
Financing, advances and other financing/loans	(g)	**67,914,990**	54,888,460
Deferred tax assets	(h)	**17,917**	15,452
Amount due from conventional operations		**2,506,840**	4,864,731
Statutory deposits with Bank Negara Malaysia	(i)	**1,554,286**	1,384,859
Property, plant and equipment	(j)	**8,790**	13,124
Other assets	(k)	**1,417,469**	1,933,435
Goodwill	(l)	**136,000**	136,000
Intangible assets	(m)	**79,584**	81,877
Total assets		**102,923,800**	82,815,808
Liabilities			
Deposits from customers	**(n)**	**74,879,644**	59,581,884
Investment accounts of customers	**(o)**	**907,763**	254,408
Deposits and placements of banks and other financial institutions	(p)	**1,897,975**	2,264,927
Investment accounts due to designated financial institutions	(q)	**8,145,684**	3,912,011
Islamic derivative financial instruments	(d)(i)	**707,081**	985,995
Amount due to conventional operations		**1,208,445**	1,545,256
Provision for taxation	(r)	**56,012**	45,676
Other liabilities	(s)	**4,443,630**	5,100,164
Financial liabilities designated at fair value	(t)	**2,233**	2,181
Other borrowings	(u)	**246,633**	183,511
Recourse obligation on loans and financing sold to Cagamas	(v)	**2,072,300**	1,353,390
Sukuk	(w)	**463,257**	586,488
Subordinated Sukuk	(x)	**615,006**	617,563
Total liabilities		**95,645,663**	76,433,454
Equity			
Islamic banking funds		**55,696**	55,696
Ordinary share capital	(y)	**1,000,000**	1,000,000
Perpetual preference shares	(y)	**220,000**	220,000
Reserves	(z)	**5,976,274**	5,091,007
		7,251,970	6,366,703
Non-controlling interests		**26,167**	15,651
Total equity		**7,278,137**	6,382,354
Total equity and liabilities		**102,923,800**	82,815,808
Commitments and contingencies	(d)(ii)	**57,491,224**	54,361,954

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Income for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds and others	(aa)	**3,611,871**	2,785,090
Income derived from investment of investment account	(ab)	**252,057**	188,683
Net income derived from investment of shareholders' funds	(ac)	**403,380**	448,025
Allowance made for impairment losses on financing, advances and other financing/loans	(ad)	**(171,693)**	(77,058)
Allowance made for impairment losses on other receivables		**(29)**	(255)
Allowance for other impairment losses		**–**	(3,160)
Total distributable income		**4,095,586**	3,341,325
Income attributable to depositors	(ae)	**(2,152,295)**	(1,722,819)
Profit distributed to investment account holder	(af)	**(188,508)**	(133,058)
Total net income		**1,754,783**	1,485,448
Personnel expenses	(ag)	**(66,751)**	(68,109)
Other overheads and expenditures	(ah)	**(548,298)**	(480,810)
Profit before taxation and zakat		**1,139,734**	936,529
Taxation and zakat	(ai)	**(184,593)**	(194,091)
Profit after taxation		**955,141**	742,438
Profit attributable to:			
Owners of the Parent		**943,338**	738,145
Non-controlling interests		**11,803**	4,293
		955,141	742,438

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Comprehensive Income for the financial year ended 31 December 2017

	2017 RM'000	2016 RM'000
Net profit after taxation	**955,141**	742,438
Other comprehensive income:		
Revaluation reserve-financial investments available-for-sale	**16,120**	(563)
– Net gain from change in fair value	**21,018**	7,813
– Realised gain transferred to statement of income on disposal	**(4,621)**	(7,797)
– Income tax effects	**(1,523)**	(260)
– Currency translation difference	**1,246**	(319)
Exchange fluctuation reserve	**(20,120)**	(3,607)
Other comprehensive expense for the financial year, net of tax	**(4,000)**	(4,170)
Total comprehensive income for the financial year	**951,141**	738,268
Total comprehensive income attributable to:		
Owners of the Parent	**952,428**	737,808
Non-controlling interests	**(1,287)**	460
	951,141	738,268
Income from Islamic Banking operations:		
Total net income	**1,754,783**	1,485,448
Add: Allowance made for impairment losses on financing, advances and other financing/loans	**171,693**	77,058
Add: Allowance made for impairment losses on other receivables	**29**	255
Add: Allowance for other impairment losses	**–**	3,160
	1,926,505	1,565,921
Elimination for transaction with conventional operations	**205,308**	138,122
	2,131,813	1,704,043

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Changes in Equity for the financial year ended 31 December 2017

2017	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
At 1 January 2017	1,000,000	220,000	55,696	1,097,655	(23,120)	9,680	201,344	580	3,804,868	6,366,703	15,651	6,382,354
Net profit for the financial year	–	–	–	–	–	–	–	–	943,338	943,338	11,803	955,141
Other comprehensive income (net of tax)	–	–	–	–	16,120	(18,833)	–	–	–	(2,713)	(1,287)	(4,000)
Financial investments available-for-sale	–	–	–	–	16,120	–	–	–	–	16,120	–	16,120
Currency translation difference	–	–	–	–	–	(18,833)	–	–	–	(18,833)	(1,287)	(20,120)
Total comprehensive income for the financial year	–	–	–	–	16,120	(18,833)	–	–	943,338	940,625	10,516	951,141
Final dividend paid in respect of financial year ended 31 December 2016	–	–	–	–	–	–	–	–	(57,000)	(57,000)	–	(57,000)
Share-based payment expense	–	–	–	–	–	–	–	745	–	745	–	745
Transfer from statutory reserve	–	–	–	(1,097,655)	–	–	–	–	1,097,655	–	–	–
Transfer from regulatory reserve	–	–	–	–	–	–	90,256	–	(90,256)	–	–	–
Transfer to conventional	–	–	–	–	–	–	–	–	1,456	1,456	–	1,456
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(559)	–	(559)	–	(559)
At 31 December 2017	1,000,000	220,000	55,696	–	(7,000)	(9,153)	291,600	766	5,700,061	7,251,970	26,167	7,278,137

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Changes in Equity for the financial year ended 31 December 2017 (Continued)

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
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)	–	–	–	–	(563)	(4,067)	–	–	–	(4,630)	460	(4,170)
Financial investments available-for-sale	–	–	–	–	(563)	–	–	–	–	(563)	–	(563)
Currency translation difference	–	–	–	–	–	(4,067)	–	–	–	(4,067)	460	(3,607)
Total comprehensive income for the financial year	–	–	–	–	(563)	(4,067)	–	–	738,145	733,515	4,753	738,268
Final dividend paid in respect of financial year ended 31 December 2015	–	–	–	–	–	–	–	–	(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	(23,120)	9,680	201,344	580	3,804,868	6,366,703	15,651	6,382,354

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Cash Flows for the financial year ended 31 December 2017

	2017 RM'000	2016 RM'000
Operating activities		
Profit before taxation	**1,139,734**	936,529
Adjustments for:		
Depreciation of property, plant and equipment	**7,171**	5,522
Written off property, plant and equipment	**–**	204
Amortisation of intangible assets	**8,443**	11,316
Net unrealised (gain)/loss on revaluation of financial assets held for trading	**(13,026)**	2,142
Net unrealised gain on derivatives	**(7,037)**	(264)
Accretion of discount less amortisation of premium	**(98,436)**	(59,339)
Net gain from sale of financial investments available-for-sale	**(4,621)**	(7,692)
Profit income from financial investments held-to-maturity	**(202,451)**	(132,950)
Profit income from financial investments available-for-sale	**(88,688)**	(75,057)
Profit expense on Subordinated Sukuk	**27,359**	34,175
Profit expense on Sukuk	**18,390**	8,063
Profit expense on recourse obligation on loans and financing sold to Cagamas	**59,912**	53,072
Share-based payment expense	**745**	858
Unrealised loss from financial liabilities designated at fair value	**52**	8,520
Net (gain)/loss from foreign exchange transactions	**(127,344)**	37,047
Net loss from hedging derivatives	**1,305**	3,175
Allowance made for impairment losses on other receivables	**29**	255
Allowance made for impairment losses on financing, advances and other financing/loans	**231,890**	126,985
	953,427	952,561
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**(1,694,306)**	(254,022)
Financial assets held for trading	**(486,020)**	52,838
Islamic derivative financial instruments	**(49,324)**	2,897
Financing, advances and other financing/loans	**(13,233,351)**	(7,738,744)
Statutory deposits with Bank Negara Malaysia	**(169,427)**	(127,681)
Other assets	**338,598**	(961,906)
Amount due from conventional operations	**2,529,185**	(598,335)
	(12,764,645)	(9,624,953)
Increase/(decrease) in operating liabilities		
Deposits from customers	**15,077,300**	10,471,155
Deposits and placements of banks and other financial institutions	**(366,952)**	(1,331,379)
Other liabilities	**(308,060)**	(568,521)
Financial liabilities designated at fair value	**–**	(205,402)
Amount due to conventional operations	**(336,811)**	342,983
Investment accounts of customers	**4,887,028**	1,032,721
	18,952,505	9,741,557
Cash flows generated from operations	**7,141,287**	1,069,165
Taxation paid	**(169,777)**	(172,759)
Net cash flows generated from operating activities	**6,971,510**	896,406

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Cash Flows for the financial year ended 31 December 2017 (Continued)

	Note	2017 RM'000	2016 RM'000
Investing activities			
Net proceeds of financial investments available-for-sale		**(743,294)**	381,118
Purchase of property, plant and equipment		**(2,986)**	(3,471)
Purchase of intangible assets		**(6,178)**	(8,914)
Net purchase of financial investments held-to-maturity		**(1,360,987)**	(1,550,817)
Profit income from financial investments held-to-maturity		**160,880**	109,790
Profit income from financial investments available-for-sale		**96,146**	84,977
Proceeds from disposal of intangible assets		**–**	49
Net cash flows used in investing activities		**(1,856,419)**	(987,268)
Financing activities			
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas (i)		**1,157,000**	845,507
Proceeds from issuance of subordinated sukuk (i)		**300,000**	10,000
Proceeds from issuance of other borrowings (i)		**88,380**	171,378
Repayment of other borrowing (i)		**–**	(17,138)
Profit expense paid on subordinated Sukuk (i)		**(30,586)**	(36,194)
Profit expense paid on Sukuk (i)		**(18,621)**	–
Profit expense paid on recourse obligation on loans and financing sold to Cagamas (i)		**(52,502)**	(47,558)
Profit expense paid on other borrowings (i)		**(3,497)**	(224)
Dividends paid		**(57,000)**	(66,000)
Issuance of Sukuk (i)		**1,000**	578,425
Redemption of Suikuk (i)		**(124,000)**	–
Repayment of subordinated Sukuk (i)		**(300,000)**	(250,000)
Repayment of recourse obligation on loans and financing sold to Cagamas (i)		**(445,500)**	–
Issuance of capital funds		**–**	446
Net cash flows generated from financing activities		**514,674**	1,188,642
Net increase in cash and cash equivalents		**5,629,765**	1,097,780
Cash and cash equivalents at beginning of financial year		**9,110,838**	8,046,054
Effect of exchange rate changes		**(68,299)**	(32,996)
Cash and cash equivalents at end of financial year		**14,672,304**	9,110,838
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	**14,672,304**	9,110,838

(i) An analysis of debt movements for the financial year ended 31 December 2017 is as follows:

	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Subordinated Sukuk RM'000	Other borrowings RM'000	Total RM'000
At 1 January 2017	586,488	1,353,390	617,563	183,511	2,740,952
Proceeds from issuance	1,000	1,157,000	300,000	88,380	1,546,380
Repayment and redemption	(124,000)	(445,500)	(300,000)	–	(869,500)
Profit expense paid	(18,621)	(52,502)	(30,586)	(3,497)	(105,206)
Exchange fluctuation	–	–	–	(21,761)	(21,761)
Other non cash movement	18,390	59,912	28,029	–	106,331
At 31 December 2017	463,257	2,072,300	615,006	246,633	3,397,196

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(a) Cash and short-term funds

	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	**3,461,425**	2,163,652
Money at call and deposit placements maturing within one month	**11,210,879**	6,947,186
	14,672,304	9,110,838

(b) Deposits and placements with banks and other financial institutions

	2017 RM'000	2016 RM'000
Licensed banks	**2,456,177**	761,871
	2,456,177	761,871

(c) Financial assets held for trading

	2017 RM'000	2016 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	**347,099**	55,459
Malaysian Government treasury bills	**1,357**	120,987
Islamic negotiable instruments of deposits	**2,764,951**	2,425,600
Cagamas bonds	**50,759**	–
Other Government securities	**41,546**	–
	3,205,712	2,602,046
Unquoted securities:		
In Malaysia		
Corporate Sukuk	**136,022**	40,778
Outside Malaysia		
Corporate Sukuk	**205,686**	306,980
	341,708	347,758
	3,547,420	2,949,804

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 2017		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	7,565,881	153,933	(223,012)
– Up to 1 year	4,826,174	49,946	(134,707)
– More than 1 year to 3 years	2,173,333	39,289	(30,752)
– More than 3 years	566,374	64,698	(57,553)
Currency swaps	10,748,117	193,435	(97,959)
– Up to 1 year	10,719,703	191,079	(95,573)
– 1 year to 3 years	28,414	2,356	(2,386)
Currency spots	11,778	19	(9)
– Up to 1 year	11,778	19	(9)
Cross currency profit rate swaps	3,252,984	185,841	(180,773)
– Up to 1 year	756,509	27,164	(26,936)
– 1 year to 3 years	793,190	23,837	(22,981)
– More than 3 years	1,703,285	134,840	(130,856)
Profit rate derivatives			
Islamic profit rate swaps	17,934,812	121,675	(107,951)
– Up to 1 year	3,267,422	2,322	(2,046)
– More than 1 year to 3 years	6,062,218	20,273	(17,396)
– More than 3 years	8,605,172	99,080	(88,509)
Equity derivatives			
Equity options	619,185	2,953	(2,953)
– More than 1 year to 3 years	311,399	1,546	(1,546)
– More than 3 years	307,786	1,407	(1,407)
Credit related contracts			
Total return swaps	327,100	5,178	(5,795)
– More than 3 years	327,100	5,178	(5,795)
Hedging derivatives			
Islamic profit rate swaps	3,593,712	(135)	(88,629)
– Less than 1 year	300,000	(135)	(1,165)
– More than 1 year to 3 years	3,275,000	–	(87,375)
– More than 3 years	18,712	–	(89)
Total derivative assets/(liabilities)	44,053,569	662,899	(707,081)

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
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)
– 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)
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)

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(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.

The notional or principal amount of the commitments and contingencies constitute the following:

	2017 Principal RM'000	2016 Principal RM'000
Credit related		
Direct credit substitutes	**229,687**	207,083
Certain transaction-related contingent items	**712,390**	520,884
Short-term self-liquidating trade-related contingencies	**23,014**	153,685
Irrevocable commitments to extend credit:		
– Maturity less than one year	**6,901,712**	6,236,307
– Maturity exceeding one year	**5,507,311**	3,388,319
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	**63,541**	57,374
Total credit-related commitments and contingencies	**13,437,655**	10,563,652
Total treasury-related commitments and contingencies (Note 58(d)(i))	**44,053,569**	43,798,302
Total commitments and contingencies	**57,491,224**	54,361,954

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Financial investment available-for-sale

	2017 RM'000	2016 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	**355,065**	111,863
Islamic Cagamas bonds	**5,524**	40,772
Malaysian Government Securities	**22,107**	29,622
	382,696	182,257
Quoted securities:		
Outside Malaysia		
Government bonds	**324,557**	32,397
	324,557	32,397
Unquoted securities:		
In Malaysia		
Corporate Sukuk	**1,549,527**	1,468,354
Placements with Islamic Banking and Finance Institute Malaysia	**575**	575
Outside Malaysia		
Corporate Sukuk	**339,670**	151,930
Private equity funds	**113,787**	118,967
	2,003,559	1,739,826
	2,710,812	1,954,480
Less: Allowance for impairment losses	**(3,091)**	(3,420)
	2,707,721	1,951,060

The table below shows the movement for impairment losses during the year:

	2017 RM'000	2016 RM'000
At 1 January	**3,420**	4,659
Allowance made during the financial year	**–**	3,160
Disposal of securities	**–**	(4,659)
Exchange fluctuation	**(329)**	260
At 31 December	**3,091**	3,420

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) Financial investments held-to-maturity

	2017 RM'000	2016 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issue	**1,556,967**	811,683
Khazanah bonds	**12,662**	12,662
Cagamas notes	**–**	30,945
	1,569,629	855,290
Quoted securities:		
Outside Malaysia		
Government bonds	**203,772**	205,692
Bank Indonesia Certificates	**76,499**	68,689
	280,271	274,381
Unquoted securities:		
In Malaysia		
Corporate Sukuk	**3,157,520**	2,472,854
Outside Malaysia		
Corporate Sukuk	**228,817**	233,947
	3,386,337	2,706,801
Amortisation of premium less accretion of discount	**5,241**	2,456
Less: Allowance for impairment loss	**(75)**	(83)
	5,241,403	3,838,845

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.

There is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale during the year. In 2016, 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, RM266,431,000 and RM2,900,000 respectively.

The fair value and carrying amount of the financial investments as at 31 December 2017 are RM748,341,000 (2016: RM743,790,000) and RM738,373,000 (2016: RM736,176,000) respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM14,530,000 (2016: RM9,979,000).

As at 31 December 2017, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM17,532,000 (2016: RM20,470,300).

The table below shows the movement for impairment losses during the year:

	2017 RM'000	2016 RM'000
At 1 January	**83**	78
Exchange fluctuation	**(8)**	5
At 31 December	**75**	83

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans

(i) By type and Shariah contract

	The Group													
	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others		
2017 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^	–	14,452	4,221	–	777,355	–	–	–	–	2,064	–	–	798,092
Term financing													
House financing	341,350	6,329,300	–	–	6,775,695	1,433,334	–	–	1,098,957	–	–	–	15,978,636
Syndicated financing	496,721	–	228,506	–	2,092,012	59,738	–	739	–	–	–	–	2,877,716
Hire purchase receivables	344,084	–	–	–	–	–	5,709,622	–	–	–	–	–	6,053,706
Other term financing	1,703,832	1,720,870	9,305,762	–	19,486,424	206,666	–	39,271	508,663	–	–	–	32,971,488
Bills receivable	–	–	–	1,567,399	–	–	–	–	–	292	–	–	1,567,691
Islamic trust receipts	153,508	–	–	–	–	–	–	–	–	–	–	–	153,508
Claims on customers under acceptance credits	699,677	–	–	152,731	–	–	–	–	–	–	–	–	852,408
Staff financing	–	–	–	–	57,729	–	–	–	1,466	–	–	–	59,195
Revolving credits	–	–	–	–	4,929,326	–	–	–	–	–	–	–	4,929,326
Credit card receivables	–	–	–	–	–	–	–	–	–	194,741	–	128,947	323,688
Share purchase financing	3,737	–	–	–	–	–	–	5,246	1,698,569	–	–	–	1,707,552
Gross financing, advances and other financing/loans	3,742,909	8,064,622	9,538,489	1,720,130	34,118,541	1,699,738	5,709,622	45,256	3,307,655	197,097	–	128,947	68,273,006
Fair value changes arising from fair value hedge													69,873
													68,342,879
Less: Allowance for impairment losses													
– Individual impairment allowance													(134,937)
– Portfolio impairment allowance													(292,952)
													(427,889)
Net financing, advances and other financing/loans													67,914,990

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

	The Group												
	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others		
2016 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	25,862	–	260,465	–	2,239,750	110,216	–	898	–	–	–	–	2,637,191
Hire purchase receivables	591,207	–	–	–	–	–	4,004,807	–	–	–	–	–	4,596,014
Other term financing	1,746,933	1,971,036	10,090,242	–	14,043,365	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	–	–	–	–	15,205	–	–	–	–	–	–	–	15,205
Revolving credits	–	–	–	–	3,917,703	–	–	–	–	–	–	–	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	4,124,223	8,940,260	10,362,479	115,722	24,562,876	1,661,648	4,004,807	15,386	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)

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 pledgee (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 RM3,695,054,000 (2016: RM3,575,000,000) 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 2017, the gross exposures to RPSIA financing is RM6,123,712,000 (2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM10,248,000 (2016: RM5,374,000) is recognised in the Financial Statements of CIMB Bank. There was no individual impairment provided on this RPSIA financing.

(c) Movement of Qard financing

	2017 RM'000	2016 RM'000
At 1 January	**177,965**	82,677
New disbursement	**126,993**	124,764
Repayment	**(86,859)**	(41,077)
Exchange fluctuation	**(21,002)**	11,601
At 31 December	**197,097**	177,965
Sources and uses of Qard Financing		
Sources of Qard fund:		
Depositors fund	**196,961**	177,709
Shareholders fund	**136**	256
	197,097	177,965
Uses of Qard fund:		
Personal use	**194,903**	174,346
Business use	**2,194**	3,619
	197,097	177,965

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(ii) By type of customers:

	2017 RM'000	2016 RM'000
Domestic banking institutions	**39,126**	43,256
Domestic non-bank financial institutions	**2,659,598**	1,583,695
Domestic business enterprises		
– Small medium enterprises	**10,706,066**	8,411,560
– Others	**7,017,482**	5,737,919
Government and statutory bodies	**7,060,073**	7,279,784
Individuals	**35,166,546**	27,684,816
Other domestic entities	**84,783**	92,658
Foreign entities	**5,539,332**	4,335,340
	68,273,006	55,169,028

(iii) By profit sensitivity:

	2017 RM'000	2016 RM'000
By profit sensitivity:		
Fixed rate		
– House financing	**1,527,316**	936,380
– Hire purchase receivables	**4,563,427**	4,551,032
– Other fixed rate financing	**12,673,079**	12,005,745
Variable rate		
– House financing	**14,451,320**	12,006,662
– Others	**35,057,864**	25,669,209
	68,273,006	55,169,028

(iv) By economic purposes:

	2017 RM'000	2016 RM'000
Personal use	**2,555,430**	2,580,191
Credit card	**323,688**	295,240
Purchase of consumer durables	**17,950**	19,049
Construction	**1,822,160**	1,341,384
Residential property	**16,584,092**	13,472,776
Non-residential property	**4,760,381**	4,620,311
Purchase of fixed assets other than land and building	**611,028**	140,923
Purchase of securities	**9,029,785**	6,071,444
Purchase of transport vehicles	**6,733,652**	5,103,588
Working capital	**15,386,247**	13,045,146
Other purpose	**10,448,593**	8,478,976
	68,273,006	55,169,028

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(v) By geographical distribution:

	2017 RM'000	2016 RM'000
Malaysia	**57,877,095**	47,536,921
Indonesia	**5,071,479**	3,509,711
Singapore	**4,150,641**	2,885,809
Other countries	**1,173,791**	1,236,587
	68,273,006	55,169,028

(vi) By residual contractual maturity:

	2017 RM'000	2016 RM'000
Within one year	**12,694,039**	7,566,485
One year to less than three years	**9,344,004**	8,314,966
Three years to less than five years	**4,025,291**	7,599,058
Five years and more	**42,209,672**	31,688,519
	68,273,006	55,169,028

(vii) Impaired financing, advances and other financing/loans by economic purposes:

	2017 RM'000	2016 RM'000
Personal use	**17,573**	22,088
Credit cards	**6,721**	9,682
Residential property	**145,911**	102,910
Non-residential property	**64,736**	67,424
Construction	**31,093**	34,221
Purchase of securities	**1,370**	654
Purchase of transport vehicles	**88,358**	115,947
Working capital	**40,091**	97,444
Other purpose	**162,933**	159,538
	558,786	609,908

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

	2017 RM'000	2016 RM'000
Malaysia	**456,100**	558,920
Indonesia	**64,525**	38,938
Singapore	**8,369**	12,050
Other countries	**29,792**	–
	558,786	609,908

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(ix) Movements in impaired financing, advances and other financing/loans:

	2017 RM'000	2016 RM'000
At 1 January	**609,908**	466,538
Classified as impaired during the financial year	**522,673**	729,045
Reclassified as not impaired during the financial year	**(310,749)**	(300,429)
Amount recovered	**(107,680)**	(139,867)
Amount written off	**(185,734)**	(179,620)
Exchange fluctuation	**30,368**	34,241
At 31 December	**558,786**	609,908
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**0.82%**	1.11%

(x) Movements in allowance for impaired financing, advances and other financing/loans:

	2017 RM'000	2016 RM'000
Individual impairment allowance		
At 1 January	**87,298**	79,321
Net allowance made during the financial year	**62,718**	5,947
Amount written off	**(9,800)**	–
Exchange fluctuation	**(5,279)**	2,030
At 31 December	**134,937**	87,298
Portfolio impairment allowance		
At 1 January	**304,252**	357,976
Net allowance made during the financial year	**164,727**	118,152
Amount written off	**(175,934)**	(179,694)
Allowance transferred to conventional operations	**(73)**	(596)
Exchange fluctuation	**(20)**	8,414
At 31 December	**292,952**	304,252
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**1.06%**	1.13%

Notes to the Financial Statements
for the financial year ended 31 December 2017

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:

	2017 RM'000	2016 RM'000
Deferred tax assets	**19,122**	17,373
Deferred tax liabilities	**(1,205)**	(1,921)
	17,917	15,452

Further breakdown are as follows:

	2017 RM'000	2016 RM'000
Accelerated tax depreciation	**(1,885)**	(2,605)
Revaluation reserve – financial investments available-for-sale	**7,270**	8,793
Provision for expenses	**12,532**	9,264
Deferred tax assets	**17,917**	15,452

The movements in deferred tax assets and liabilities during the financial year comprise the following:

Deferred tax assets/(liabilities)	Note	Accelerated tax depreciation RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Provision for expenses RM'000	Total RM'000
2017					
At 1 January		**(2,605)**	**8,793**	**9,264**	**15,452**
Credited to statement of income	(ai)	**1,276**	**–**	**3,202**	**4,478**
(Under)/over provision in prior year		**(556)**	**–**	**66**	**(490)**
Transferred from equity		**–**	**(1,523)**	**–**	**(1,523)**
At 31 December 2016		**(1,885)**	**7,270**	**12,532**	**17,917**
2016					
At 1 January		(1,091)	9,053	22,579	30,541
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 2015		(2,605)	8,793	9,264	15,452

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) Statutory deposits with Bank Negara Malaysia

	2017 RM'000	2016 RM'000
Statutory deposits with Bank Negara Malaysia	**1,554,286**	1,384,859

The non-profit bearing 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
2017					
Cost					
At 1 January		**13,391**	**2,260**	**23,988**	**39,639**
Additions		**662**	**601**	**1,723**	**2,986**
Disposals		**(1,046)**	**(2,353)**	**(1,383)**	**(4,782)**
Reclassified from intangible assets	(m)	**–**	**–**	**1,332**	**1,332**
Written off		**–**	**–**	**(3)**	**(3)**
Exchange fluctuation		**(1,063)**	**–**	**(532)**	**(1,595)**
At 31 December		**11,944**	**508**	**25,125**	**37,577**
Accumulated depreciation					
At 1 January		**10,221**	**1,114**	**15,180**	**26,515**
Charge for the financial year		**1,124**	**1,188**	**4,859**	**7,171**
Disposals		**(55)**	**(2,136)**	**(1,383)**	**(3,574)**
Reclassified from intangible assets	(m)	**–**	**–**	**1,332**	**1,332**
Written off		**–**	**–**	**(3)**	**(3)**
Exchange fluctuation		**(2,080)**	**–**	**(574)**	**(2,654)**
At 31 December		**9,210**	**166**	**19,411**	**28,787**
Net book value at 31 December		**2,734**	**342**	**5,714**	**8,790**

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(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		11,409	2,988	22,046	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		13,391	2,260	23,988	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		3,170	1,146	8,808	13,124

(k) Other assets

	2017 RM'000	2016 RM'000
Deposits and prepayments	**13,297**	7,932
Clearing accounts	**298,753**	221,335
Collateral pledged for derivative transactions	**187,104**	717,298
Sundry debtors	**918,315**	986,870
	1,417,469	1,933,435

(l) Goodwill

	2017 RM'000	2016 RM'000
At 1 January/31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU").

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(l) Goodwill (Continued)

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 2018 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% (2016: 4.20%). 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 6.92% (2016: 7.12%) 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	2017 RM'000	2016 RM'000
Computer software			
Cost			
At 1 January		**137,735**	128,233
Additions		**6,178**	8,914
Disposals		**(3,332)**	(49)
Reclassified (to)/from property, plant and equipment	(j)	**(1,332)**	306
Exchange fluctuation		**(532)**	331
At 31 December		**138,717**	137,735
Accumulated amortisation			
At 1 January		**55,858**	44,276
Charge for the financial year		**8,443**	11,316
Disposals		**(3,332)**	–
Reclassified to property, plant and equipment	(j)	**(1,332)**	–
Exchange fluctuation		**(504)**	266
At 31 December		**59,133**	55,858
Net book value at 31 December		**79,584**	81,877

The above intangible assets include computer software under construction at cost of RM4,405,484 (2016: RM85,216).

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

	2017 RM'000	2016 RM'000
(i) By type of deposits		
Savings deposit		
Wadiah	**3,999,138**	3,786,238
Qard	**610**	–
Commodity Murabahah (via Tawarruq arrangement)	**10,451**	–
Mudharabah	**743,600**	596,643
	4,753,799	4,382,881
Demand deposit		
Wadiah	**11,725,297**	9,379,174
Qard	**210,386**	201,919
Mudharabah	**105,832**	118,037
	12,041,515	9,699,130
Term deposit		
Commodity Murabahah (via Tawarruq arrangement)*	**53,531,392**	43,348,305
Islamic Negotiable instruments	**398,199**	–
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**398,199**	–
Short term money market deposit-i	**21,477**	198,010
Wakalah	**11,961**	20,415
Wadiah	**9,516**	177,595
Other term deposit	**8,981**	10,147
Wadiah	**8,981**	10,147
General investment account	**3,993,941**	1,814,729
Mudharabah	**3,993,941**	1,814,729
Specific investment account	**113,014**	114,978
Mudharabah	**113,014**	114,978
	58,067,004	45,486,169
Others	**17,326**	13,704
Qard	**17,326**	13,704
	74,879,644	59,581,884

* *Included Qard contract of RM297,971,000 (2016: RM554,168,000)*

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Deposits from customers (Continued)

The maturity structure of term deposit is as follows:

	2017 RM'000	2016 RM'000
Due within six months	**51,988,978**	42,181,669
Six months to one year	**5,850,344**	3,156,766
One year to three years	**112,556**	30,113
Three years to five years	**2,114**	2,643
More than five years	**113,012**	114,978
	58,067,004	45,486,169
(ii) By type of customer		
Government and statutory bodies	**3,745,450**	4,006,241
Business enterprises	**31,504,977**	21,293,514
Individuals	**19,805,459**	17,482,982
Others	**19,823,758**	16,799,147
	74,879,644	59,581,884

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

	2017 RM'000	2016 RM'000
Unrestricted investment accounts		
– without maturity		
Special Mudharabah Investment Account	**289,203**	254,408
– with maturity		
Term Investment Account-i	**618,560**	–
	907,763	254,408

(i) Movement in the investment accounts of customers

	2017 RM'000	2016 RM'000
Mudharabah		
Unrestricted Investment Account		
At 1 January	**254,408**	232,716
Funding inflows/outflows		
New placement during the year	**744,068**	95,665
Redemption during the year	**(94,717)**	(74,526)
Income from investment	**14,966**	11,076
Company's share of profit		
Profit distributed to mudarib	**(10,962)**	(10,523)
At 31 December	**907,763**	254,408
Investment asset:		
House financing	**710,520**	189,054
Other term financing	**197,243**	65,354
Total investment	**907,763**	254,408

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) Investment accounts of customers (Continued)

(ii) Profit Sharing Ratio and Rate of Return

	2017		2016	
	Investment account holder		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**	**0.21**	5.00	0.23
between 3 to 6 months	**88.11**	**4.22**	–	–

(iii) By type of customers

	2017 RM'000	2016 RM'000
Business enterprises	**52,512**	41,603
Individuals	**855,178**	212,749
Others	**73**	56
	907,763	254,408

(p) Deposits and placements of banks and other financial institutions

	2017 RM'000	2016 RM'000
Licensed banks	**796,223**	926,999
Licensed investment banks	**340**	920
Other financial institutions	**1,101,412**	1,337,008
	1,897,975	2,264,927

(q) Investment accounts due to designated financial institutions

	2017 RM'000	2016 RM'000
Restricted investment accounts		
Mudharabah	**8,145,684**	3,912,011
By type of counterparty		
Lisenced banks	**8,145,684**	3,912,011

Notes to the Financial Statements
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58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(q) Investment accounts due to designated financial institutions (Continued)

(i) Movement in the investment accounts due to designated financial institutions

	2017 RM'000	2016 RM'000
Mudharabah		
Restricted Profit Sharing Investment Account-RPSIA		
At 1 January	**3,912,011**	2,900,982
Funding inflows/outflows		
New placement during the year	**9,638,037**	3,963,997
Redemption during the year	**(5,588,865)**	(3,085,478)
Income from investment	**236,867**	177,812
CIMB Islamic Bank's share of profit		
Profit distributed to mudarib	**(2,369)**	(1,778)
Incentive fee	**(49,997)**	(43,524)
At 31 December	**8,145,684**	3,912,011
Investment asset:		
Other term financing	**6,061,977**	3,197,184
Marketable securities	**1,768,887**	650,881
Miscellaneous other assets	**314,820**	63,946
Total investment	**8,145,684**	3,912,011

(ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	2017			2016		
	Investment account holder			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**	**3.54**	**0.98**	99.00	3.69	1.22

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM8,145,684,000 (2016: RM3,912,011,000) for tenures between 1 month to 3 months at indicative profit rates from 2.02% to 3.83% per annum (2016: 3.16% to 3.85% 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.

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(r) Provision for taxation

	2017 RM'000	2016 RM'000
Taxation	**56,012**	45,676
	56,012	45,676

(s) Other liabilities

	2017 RM'000	2016 RM'000
Clearing accounts	**2,764,556**	4,002,111
Due to brokers	**17,073**	49,403
Structured deposits	**40,782**	220,460
Accruals and other payables	**1,621,219**	828,190
	4,443,630	5,100,164

(t) Financial liabilities designated at fair value

	2017 RM'000	2016 RM'000
Deposits from customers – structured investments	**2,233**	2,181

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 2017 of financial liabilities designated at fair value were RM10,000 (2016: RM62,000) 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 2017 and 2016.

(u) Other borrowings

	2017 RM'000	2016 RM'000
Others – Interbank Certificate of Mudharabah Investment (SIMA) with maturity date 2/1/2018 and interest rate 4.95%, 5.35% and 5.50%	**246,633**	183,511

(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.

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58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(w) Sukuk

	Note	2017 RM'000	2016 RM'000
Ziya Capital Berhad Sukuk	(a)	**462,257**	586,488
RM1.0 million Sukuk Wakalah (2017/2018)	(b)	**1,000**	–
		463,257	586,488

(a) On 12 August 2016, Ziya Capital Bhd ("Ziya"), an Islamic special purpose vehicle consolidated by CIMB Islamic Bank, issued RM630 million Sukuk which bears profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM124 million (2016: RM44) million of the Sukuk was partially redeemed during the financial year.

(b) On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually.

(x) Subordinated Sukuk

	Note	2017 RM'000	2016 RM'000
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; (2nd tranche due in 2021, redeemed in 2016; (3rd tranche due in 2022, redeemed in 2017)	(a)	**304,725**	608,106
Subordinated Sukuk RM310 million (2016: RM10 million)	(b)	**310,281**	10,126
		615,006	618,232
Fair value changes arising from fair value hedges		**–**	(669)
		615,006	617,563

(a) The 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.

CIMB Islamic redeemed in full, the second tranche of the Sukuk of RM250 million on its first optional redemption date of 21 April 2016.

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.

CIMB Islamic Bank redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

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 Sukuk qualifies 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) On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk ("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.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% 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.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

(y) Ordinary share capital and perpetual preference shares

	2017 RM'000	2016 RM'000
Authorised		
Ordinary shares		
At 1 January/31 December	–	1,500,000
Issued and fully paid		
Ordinary shares		
At 1 January/31 December	**1,000,000**	1,000,000
Authorised		
Perpetual preference shares		
At 1 January/31 December	–	400,000
Issued and fully paid		
Perpetual preference shares		
At 1 January/31 December	**220,000**	220,000

(z) Reserves

(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. With effective from 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

(b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

(c) 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.

(d) The Share-based payment reserve arose from the Employee Ownership Plan ("EOP"), the Group's share-based compensation benefits.

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58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) Income derived from investment of depositors' funds and others

	2017 RM'000	2016 RM'000
Income derived from investment of:		
(i) General investment deposits	**2,742,546**	2,069,890
(ii) Specific investment deposits	**5,031**	3,325
(iii) Other deposits	**864,294**	711,875
	3,611,871	2,785,090

(i) Income derived from investment of general investment deposits

	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**2,054,184**	1,656,800
– Unwinding income*	**8,587**	10,340
Financial assets held for trading	**35,591**	18,298
Financial investments available-for-sale	**62,615**	51,700
Financial investments held-to-maturity	**120,415**	75,912
Money at call and deposit with financial institutions	**216,916**	189,737
Securities purchased under resale agreement	**1,619**	1,134
Others	**7,552**	3,401
	2,507,479	2,007,322
Accretion of discount less amortisation of premium	**65,127**	38,433
	2,572,606	2,045,755
Other operating income:		
Net gain/(loss) from foreign exchange transactions	**97,360**	(26,217)
Net gain from sale of financial investments available-for-sale	**3,645**	3,776
Net gain/(loss) from financial assets held for trading		
– Realised	**1,485**	8,033
– Unrealised	**12,128**	(1,667)
	114,618	(16,075)
Fees and commission income:		
Fee on financing and advances	**29,840**	18,751
Guarantee fees	**5,009**	2,919
Service charges and fees	**20,326**	16,580
	55,175	38,250
Other income:		
Sundry income	**147**	1,960
	2,742,546	2,069,890

* *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

	2017 RM'000	2016 RM'000
Money at call and deposit with financial institutions	**3,142**	3,325
Fee and commission income	**1,889**	–
	5,031	3,325

(iii) Income derived from investment of other deposits

	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**638,981**	557,235
– Unwinding income*	**3,435**	4,409
Financial assets held for trading	**12,126**	6,099
Financial investments available-for-sale	**21,279**	18,784
Financial investments held-to-maturity	**47,505**	29,554
Money at call and deposit with financial institutions	**84,385**	83,728
	807,711	699,809
Accretion of discount less amortisation of premium	**27,312**	16,938
	835,023	716,747
Other operating income:		
Net gain from sale of financial investments available-for-sale	**767**	1,228
Net gain/(loss) from financial assets held for trading		
– Realised	**617**	3,122
– Unrealised	**796**	(367)
Net gain/(loss) from foreign exchange transactions	**25,006**	(10,098)
	27,186	(6,115)
Fees and commission income:		
Guarantee fees	**2,085**	1,243
	864,294	711,875

* *Unwinding income is income earned on impaired financial assets*

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) Income derived from investment of investment account

	2017 RM'000	2016 RM'000
Financing, advances and other financing/loans:	**222,422**	172,124
– Profit income	**67**	47
– Unwinding income*	**29,568**	16,512
Money at call and deposit with financial institutions	**252,057**	188,683

* *Unwinding income is income earned on impaired financial assets*

(ac) Net income derived from investment of shareholders' funds

	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**142,837**	133,071
– Unwinding income*	**754**	1,036
Financial investments available-for-sale	**4,794**	4,573
Financial assets held for trading	**2,712**	1,514
Financial investments held-to-maturity	**34,531**	27,484
Money at call and deposit with financial institutions	**30,672**	31,017
	216,300	198,695
Accretion of discount less amortisation of premium	**5,997**	3,968
	222,297	202,663
Other operating income:		
Net gain/(loss) from financial assets held for trading		
– Realised	**135**	791
– Unrealised	**102**	(108)
Net gain from sale of financial investments available-for-sale	**209**	2,688
Net (loss)/gain from Islamic derivative financial instruments		
– Realised	**(20,122)**	95,772
– Unrealised	**7,037**	264
Net gain/(loss) arising from financial liabilities designated at fair value		
– Realised	**40**	(1,938)
– Unrealised	**(52)**	(8,520)
Net gain/(loss) from foreign exchange transactions	**4,978**	(732)
Net loss from hedging derivatives	**(1,305)**	(3,175)
	(8,978)	85,042
Net fees and commission income:		
Advisory fees	**8,700**	2,542
Guarantee fees	**455**	20,993
Service charges and fees	**78,253**	59,556
Placement fees	**7,601**	456
Underwriting commission	**2,452**	936
Others	**91,415**	70,480
Fee and commission income	**188,876**	154,963
Fee and commission expense	**(4,321)**	(4,321)
Net fees and commission income	**184,555**	150,642
Sundry income	**5,506**	9,678
	403,380	448,025

* *Unwinding income is income earned on impaired financial assets*

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Allowance for impairment losses on financing, advances and other financing/loans

	2017 RM'000	2016 RM'000
(i) Individual impairment allowance		
– Made during the financial year	**62,718**	5,947
(ii) Portfolio impairment allowance		
– Made during the financial year	**164,727**	118,152
Bad debts on financing:		
– Recovered	**(60,197)**	(49,927)
– Written-off	**4,445**	2,886
	171,693	77,058

(ae) Income attributable to depositors

	2017 RM'000	2016 RM'000
Deposits from customers		
– Mudharabah	**221,984**	155,978
– Non-Mudharabah	**1,741,927**	1,432,883
Deposits and placements of banks and other financial institutions		
– Mudharabah	**10,659**	147
– Non-Mudharabah	**64,161**	28,655
Others		
– Financial liabilities designated at fair value	**78**	4,169
– Subordinated Sukuk	**27,359**	34,175
– Cagamas	**59,912**	53,072
– Sukuk	**18,390**	8,063
– Structured deposits	**852**	5,270
– Others	**6,973**	407
	2,152,295	1,722,819

(af) Profit distributed to investment account holder

	2017 RM'000	2016 RM'000
– Restricted	**184,501**	132,510
– Unrestricted	**4,007**	548
	188,508	133,058

(ag) Personnel expenses

	2017 RM'000	2016 RM'000
– Salaries, allowances and bonuses	**53,852**	51,307
– Pension costs (defined contribution plan)	**5,166**	5,826
– Staff incentives and other staff payments	**1,481**	3,876
– Medical expenses	**778**	778
– Others	**5,474**	6,322
	66,751	68,109

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM957,000 (2016: RM1,173,000).

Notes to the Financial Statements
for the financial year ended 31 December 2017

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ah) Other overheads and expenditures

	2017 RM'000	2016 RM'000
Establishment costs		
– Depreciation of property, plant and equipment	**7,171**	5,522
– Rental	**5,783**	6,182
– Repairs and maintenance	**4,749**	4,863
– Amortisation of intangible assets	**8,443**	11,316
– Security expenses	**37**	32
– Utility expenses	**97**	98
– Others	**928**	2,156
	27,208	30,169
Marketing expenses		
– Advertisement and publicity	**6,633**	5,989
– Others	**1,487**	1,169
	8,120	7,158
Administration and general expenses		
– Legal and professional fees	**2,422**	1,872
– Stationery	**780**	628
– Communication	**1,661**	1424
– Incidental expenses on banking operations	**3,692**	5,036
– Others	**34,927**	26,718
	43,482	35,678
Shared service cost		
Personnel expenses	**284,732**	241,057
Establishment	**125,057**	97,393
Promotion	**16,674**	16,334
General expenses	**43,025**	53,021
	469,488	407,805
	548,298	480,810

(ai) Taxation and zakat

(i) Tax expense for the financial year

	Note	2017 RM'000	2016 RM'000
Current year tax			
– Malaysian income tax		**215,096**	178,962
Deferred taxation	(h)	**(4,478)**	10,133
(Over)/under provision in prior year		**(27,275)**	4,696
		183,343	193,791
Zakat		**1,250**	300
		184,593	194,091

58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ai) Taxation and zakat (Continued)

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2017 RM'000	2016 RM'000
Profit before taxation and zakat	**1,139,734**	936,529
Tax calculated at tax rate of 24% (2016: 24%)	**273,536**	224,767
– Effect of different tax rates	**(3,823)**	(6,119)
– Income not subject to tax	**(62,874)**	(32,351)
– Expenses not deductible for tax purposes	**3,779**	2,798
(Over)/under provision in prior year	**(27,275)**	4,696
	183,343	193,791

(aj) Sources and uses of charity funds

	2017 RM'000	2016 RM'000
Sources of charity funds		
Balance as at 1 January	**6,251**	10,266
Gharamah/penalty charges	**5,279**	4,293
Non-shariah compliance income	**481**	245
Exchange fluctuation	**(1,043)**	321
Total sources of charity funds during the financial year *	**10,968**	15,125
Uses of charity funds		
Contribution to non-profit organisation	**2,520**	8,874
Total uses of charity funds during the financial year	**2,520**	8,874
Undistributed charity funds as at 31 December	**8,448**	6,251

* *included non-shariah compliance income from CIMB Bank Berhad, Labuan Offshore Branch of RM83,350 (2016: RM Nil)*

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 2018.

CIMB Bank Group
CIMB Islamic Bank Group
CIMB Investment Bank Group

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
GSOC	:	Group Strategic Oversight Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings
GALCO	:	Group Asset Liability Management Committee
GCC	:	Group Credit Committee

ABBREVIATIONS

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 2017 Annual Report and 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 2017.

The basis of consolidation for financial accounting purposes is described in the 2017 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 2017 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/ undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2017 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 part 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, thus enabling risk to be priced appropriately in relation to the return.

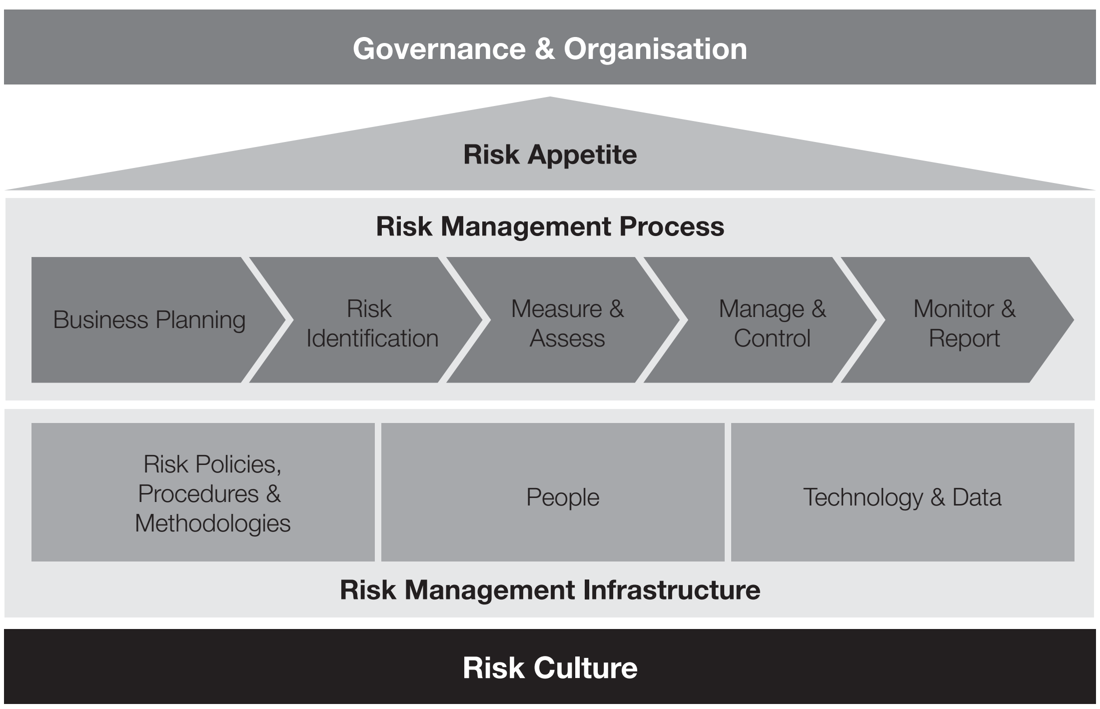
Generally, the objectives of our risk management activities are to:

- 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 proper allocation of capital and facilitate development of new businesses.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Our Group employs an Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. 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.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (CONTINUED)

The key features of the EWRM framework include:

a) <u>**Governance & Organisation**</u>: 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) <u>**Risk Appetite**</u>: 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.

c) <u>**Risk Management Process**</u>:

- **Business Planning**: Risk management is central to 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.
- **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 in order to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
- **People:** Attracting the right talent and skillset are key to ensuring a well-functioning EWRM Framework. The organization 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 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, provides strategic guidance and reviews the decisions of our GRC.

To facilitate the effective implementation of the EWRM framework, our BRC has established various specialised/sub-risk committees within the Group, each 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 comprised of 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; or investment exposure, arising from changes to market risk factors such as interest/profit 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 an obligor or market counterparty or issuer of securities or other instruments held, having failed 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;

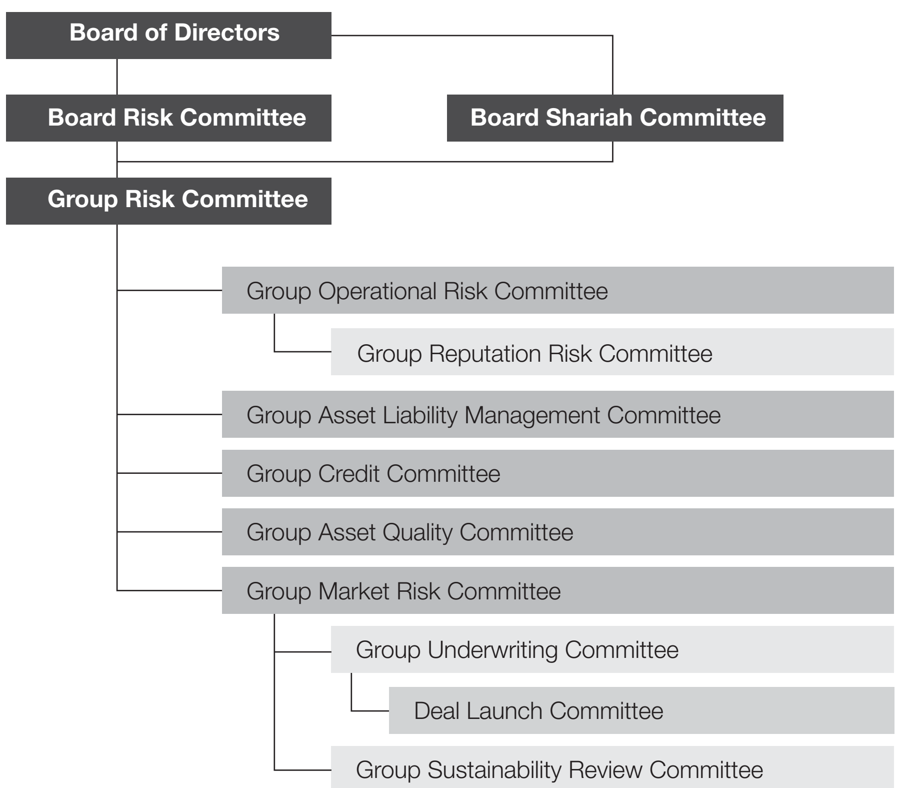
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return 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/rate of return;

(vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction of our Group, thereby resulting in a potential capital charge; and

(vii) Shariah Non-Compliance (SNC) risk, arising from possible 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 regional communication, regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus allowing our Board with a comprehensive view of the activities within our Group.

RISK MANAGEMENT OVERVIEW

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. Line management (including all business units and units which undertake client facing activities) provides the first line of defence. It is 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 reporting to management to ensure that our Group is conducting business and operating within the approved appetite, and is also in compliance to regulations. The third line of defence is Group Internal Audit Division who provides independent assurance on the adequacy and effectiveness of the internal controls and risk management process.

THE ROLES OF GROUP CHIEF RISK OFFICER (CRO) AND GROUP RISK

Within the second line of defence is Group Risk, a function independent of business units. It assists our Group's management and stakeholders in the monitoring and controlling risk exposures within the Board-approved risk appetite statement.

The organisational structure of Group Risk is made of two major components, namely, the Chief Risk Officer (CRO) and the Risk Centres of Excellence ("CoE"). Group Risk is headed by the Group CRO, who is appointed by our Board to lead the Group-wide risk management functions including implementation of the EWRM framework. Our Group CRO:

a) actively engages our 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 local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

The Group Risk 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/rate of return risk 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 Shariah Non Compliance (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 & CRO International Offices team oversees the risk management functions of the regional offices, our Group's unit trust 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 risk management department, all risk management activities are 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 Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

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 2017, an amount of RM83,350.21 was recorded as Shariah non-compliance (SNC) income. For the purpose of rectification, the stated amount has been 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 GSOC 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 2017 for the Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio are 5.750%, 7.250% and 9.250% 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;

(i) Application of a 100% risk weight to all residential mortgages with a loan/financing-to-value ratio of more than 90% approved and disbursed by banking institutions on or after 1 February 2011; and

(i) 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.

On 2 March 2017, BNM issued an updated framework whereby Banking institutions are provided the option to adopt the internal estimate method in computing effective maturity for non-retail exposures under F-IRB upon notifying the Bank. In addition, the framework also lists additional requirements to determine effective maturity for each facility under Advanced IRB approach.

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)	2017	2016
Common Equity Tier 1 capital		
Ordinary shares	**17,610,939**	5,276,655
Other reserves	**20,007,741**	28,982,224
Qualifying non-controlling interests	**152,698**	307,549
Less Proposed dividend	**(1,627,553)**	(844,265)
Common Equity Tier 1 capital before regulatory adjustments	**36,143,825**	33,722,163
Less: Regulatory adjustments		
Goodwill	**(5,177,536)**	(5,188,198)
Intangible assets	**(951,237)**	(934,211)
Deferred Tax Assets	**(382,224)**	(384,082)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	(531,812)
Shortfall of eligible provisions to expected losses	**–**	–
Others	**(1,775,705)**	(1,419,044)
Common equity Tier 1 capital after regulatory adjustments	**27,857,123**	25,264,816
Additional Tier 1 capital		
Perpetual preference shares	**200,000**	200,000
Non-innovative Tier 1 capital	**–**	–
Innovative Tier 1 Capital	**1,000,000**	1,000,000
Perpetual subordinated capital securities	**1,400,000**	1,400,000
Qualifying capital instruments held by third parties	**30,301**	60,423
Additional Tier 1 capital before regulatory adjustments	**2,630,301**	2,660,423
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	**(2,641)**	(6,568)
Additional Tier 1 capital after regulatory adjustments	**2,627,660**	2,653,855
Total Tier 1 capital	**30,484,783**	27,918,671
Tier 2 Capital		
Subordinated notes	**7,050,000**	7,050,000
Redeemable Preference Shares	**29,740**	29,740
Surplus eligible provisions over expected loss	**118,446**	180,808
Qualifying capital instruments held by third parties	**363,627**	407,064
Portfolio impairment allowance and regulatory reserves	**651,277**	596,054
Tier 2 capital before regulatory adjustments	**8,213,090**	8,263,666
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(660)**	(359,121)
Total Tier 2 Capital	**8,212,430**	7,904,545
Total Capital Base	**38,697,213**	35,823,216

CAPITAL MANAGEMENT

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	2017	2016
RWA		
Credit risk	**193,146,506**	185,063,333
Market risk	**14,125,733**	14,567,619
Operational risk	**19,782,736**	18,282,144
Large Exposure risk requirement	**768,600**	719,612
Total RWA	**227,823,575**	218,632,708
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**12.227%**	11.556%
Tier 1 ratio	**13.381%**	12.770%
Total capital ratio	**16.986%**	16.385%

The Total Capital ratio increased in 2017 compared to 2016 primarily due to (i) issuance of ordinary shares from reinvestment of the cash dividend surplus from CIMB Group's 9th and 10th Dividend Reinvestment Scheme ("DRS"); (ii) profits for the year and (iii) disposal of Bank of Yingkou which reduced investment in ordinary shares of other Financial Institutions. The increase in credit RWA was mainly due to increased corporate RWA and retail RWA. The decrease in market RWA was predominantly contributed by decreased interest rate RWA and commodity RWA but offset by increased option RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(b): Capital Position for CIMBISLG

	CIMBISLG	
(RM'000)	2017	2016
Common Equity Tier 1 capital		
Ordinary shares	**1,000,000**	1,000,000
Other reserves	**3,575,006**	2,930,175
Common Equity Tier 1 capital before regulatory adjustments	**4,575,006**	3,930,175
Less: Regulatory adjustments		
Goodwill	**(136,000)**	(136,000)
Intangible assets	**(78,777)**	(80,961)
Deferred Tax Assets	**(18,110)**	(15,507)
Shortfall of eligible provisions to expected losses	**–**	(30,570)
Others	**(291,601)**	(201,344)
Common equity Tier 1 capital after regulatory adjustments	**4,050,518**	3,465,793
Additional Tier 1 capital		
Perpetual preference shares	**185,000**	192,000
Additional Tier 1 capital before regulatory adjustments	**185,000**	192,000
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial & insurance/takaful entities	**–**	–
Additional Tier 1 capital after regulatory adjustments	**185,000**	192,000
Total Tier 1 capital	**4,235,518**	3,657,793
Tier 2 capital		
Subordinated notes	**610,000**	520,000
Surplus eligible provisions over expected loss	**40,693**	–
Portfolio impairment allowance and regulatory reserves	**80,753**	68,593
Tier 2 capital before regulatory adjustments	**731,446**	588,593
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Total Tier 2 capital	**731,446**	588,593
Total Capital Base	**4,966,964**	4,246,386
RWA		
Credit risk	**27,492,145**	20,854,017
Market risk	**629,312**	537,923
Operational risk	**2,371,656**	2,166,460
Total RWA	**30,493,113**	23,558,400
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**13.283%**	14.711%
Tier 1 ratio	**13.890%**	15.526%
Total capital ratio	**16.289%**	18.025%

Total capital ratio decreased in 2017 compared to 2016 mainly contributed by increased RWA. The increase in credit RWA was mainly due to increased corporate RWA and retail RWA. The increase in market RWA was mainly contributed by increased Profit Risk RWA, but offset by decreased FX RWA

CAPITAL MANAGEMENT

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(c): Capital Position for CIMBIBG

(RM'000)	CIMBIBG 2017	CIMBIBG 2016
Common Equity Tier 1 capital		
Ordinary shares	**100,000**	100,000
Other reserves	**583,317**	542,491
Proposed dividends	**(92,000)**	(57,000)
Common Equity Tier 1 capital before regulatory adjustments	**591,317**	585,491
Less: Regulatory adjustments		
Goodwill	**(964)**	(964)
Deferred Tax Assets	**(21,344)**	(15,891)
Deductions in excess of Tier 2 capital	**(1,417)**	(1,193)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(6,859)**	(5,102)
Others	**(2,126)**	(2,207)
Common equity Tier 1 capital after regulatory adjustments/Total Tier 1 capital	**558,607**	560,134
Tier 2 capital		
Redeemable Preference Shares	**5**	6
Portfolio impairment allowance and regulatory reserves	**2,037**	2,203
Tier 2 capital before regulatory adjustments	**2,042**	2,209
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(3,459)**	(3,402)
Total Tier 2 capital	**–**	–
Total Capital Base	**558,607**	560,134
RWA		
Credit risk	**1,110,035**	1,080,354
Market risk	**56,342**	53,653
Operational risk	**643,358**	597,796
Total RWA	**1,809,735**	1,731,803
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**30.867%**	32.344%
Tier 1 ratio	**30.867%**	32.344%
Total capital ratio	**30.867%**	32.344%

Total capital ratio decreased in 2017 compared to 2016 mainly due to increased market RWA. The increase in market RWA was mainly contributed by increased FX RWA but offset by decreased option RWA.

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

2017	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	59,160,661	58,976,950	499,407	499,407	39,953
Public Sector Entities	4,289,987	680,630	11,075	11,075	886
Banks, DFIs & MDBs	4,921,204	8,305,450	2,295,668	2,295,668	183,653
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,391,365	1,912,089	1,008,809	1,008,809	80,705
Corporate	32,932,790	24,367,256	25,224,786	25,192,742	2,015,419
Regulatory Retail	32,050,549	22,841,936	18,872,597	18,872,597	1,509,808
Residential Mortgages/RRE Financing	8,033,608	8,031,099	2,950,837	2,950,837	236,067
Higher Risk Assets	1,111,101	1,111,101	1,666,652	1,666,652	133,332
Other Assets	10,012,117	9,987,982	3,309,748	3,309,748	264,780
Securitisation	251,895	251,895	50,379	50,379	4,030
Total for SA	155,155,277	136,466,389	55,889,958	55,857,914	4,468,633
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	22,471,146	22,471,146	5,063,212	5,063,212	405,057
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	129,721,392	129,721,392	80,600,782	80,600,782	6,448,063
Residential Mortgages/RRE Financing	70,126,286	70,126,286	17,727,261	17,641,134	1,411,291
Qualifying Revolving Retail	14,805,912	14,805,912	8,473,086	8,473,086	677,847
Hire Purchase	15,169,435	15,169,435	8,684,621	8,684,621	694,770
Other Retail	34,536,836	34,536,836	9,055,419	9,054,705	724,376
Securitisation	–	–	–	–	–
Total for IRB Approach	286,831,006	286,831,006	129,604,382	129,517,540	10,361,403
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	441,986,283	423,297,395	193,270,603	193,146,506	15,451,721
Large Exposure Risk Requirement	768,600	768,600	768,600	768,600	61,488
Market Risk (SA)					
Interest Rate Risk/profit Rate Risk			10,497,047	10,497,047	839,764
Foreign Currency Risk			888,912	888,912	71,113
Equity Risk			896,528	896,528	71,722
Commodity Risk			586,361	586,361	46,909
Options Risk			1,256,886	1,256,886	100,551
Total Market Risk			14,125,733	14,125,733	1,130,059
Operational Risk (BIA)			19,782,736	19,782,736	1,582,619
Total RWA and Capital Requirement			227,947,672	227,823,576	18,225,886

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (continued)

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(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG

2017	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	18,365,790	18,365,790	4,421	4,421	354
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,085,897	1,085,897	458,341	458,341	36,667
Takaful Operators, Securities Firms & Fund Managers	3,899	3,389	1,694	1,694	136
Corporate	10,214,802	3,495,594	3,450,083	3,401,426	272,114
Regulatory Retail	2,791,211	2,762,406	2,390,301	2,390,301	191,224
RRE Financing	4,052	4,052	2,026	2,026	162
Higher Risk Assets	575	575	863	863	69
Other Assets	167,611	167,611	152,416	152,416	12,193
Securitisation	502	502	100	100	8
Total for SA	32,634,340	25,885,816	6,460,244	6,411,587	512,927
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,331,544	2,331,544	544,272	521,513	41,721
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	28,456,918	28,456,918	13,926,006	9,762,397	780,992
RRE Financing	13,477,280	13,477,280	4,118,383	4,032,255	322,580
Qualifying Revolving Retail	252,713	252,713	174,837	174,837	13,987
Hire Purchase	5,679,624	5,679,624	3,332,887	3,332,887	266,631
Other Retail	6,515,474	6,515,474	2,064,143	2,063,429	165,074
Securitisation	–	–	–	–	–
Total for IRB Approach	56,713,553	56,713,553	24,160,528	19,887,319	1,590,986
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	89,347,892	82,599,369	32,070,404	27,492,145	2,199,372
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			558,502	558,502	44,680
Foreign Currency Risk			70,810	70,810	5,665
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			629,312	629,312	50,345
Operational Risk (BIA)			2,371,656	2,371,656	189,732
Total RWA and Capital Requirement			35,071,372	30,493,113	2,439,449

CAPITAL MANAGEMENT

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG (continued)

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(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2017	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	1,065,489	1,065,489	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,390,035	1,390,035	687,778	687,778	55,022
Insurance Cos, Securities Firms & Fund Managers	12,097	12,097	12,097	12,097	968
Corporate	18,251	18,137	18,137	18,137	1,451
Regulatory Retail	106	106	79	79	6
Residential Mortgages	155,283	155,283	82,122	82,122	6,570
Higher Risk Assets	–	–	–	–	–
Other Assets	309,842	309,842	309,822	309,822	24,786
Securitisation	–	–	–	–	–
Total Credit Risk	2,951,102	2,950,988	1,110,035	1,110,035	88,803
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			9,113	9,113	729
Foreign Currency Risk			45,263	45,263	3,621
Equity Risk			1,967	1,967	157
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			56,342	56,342	4,507
Operational Risk (BIA)			643,358	643,358	51,469
Total RWA and Capital Requirement			1,809,735	1,809,735	144,779

CAPITAL MANAGEMENT

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (continued)

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

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

Credit risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, having failed to perform its contractual obligations to our Group.

Credit risk is inherent in banking activities and arises 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 are unable or unwilling to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivatives contracts, are unable or unwilling 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 our Group's investment in that entity's financial instruments to fall.

CREDIT RISK MANAGEMENT

Without effective credit risk management, the impact of the potential losses can be overwhelming. 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 framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line of defence. This enhances the collaboration between Group Risk 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 Group Risk, 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; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. 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, other relevant credit committees as well as Group Risk 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 Group Risk, 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 Group Risk.

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 our Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum 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.

CREDIT RISK

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
2017					
Sovereign	**52,411,506**	**4,884,977**	**1,361,113**	**503,065**	**59,160,661**
Bank	**18,234,109**	**4,786,668**	**6,841,835**	**1,819,725**	**31,682,337**
Corporate	**117,839,069**	**28,064,300**	**14,323,574**	**4,818,603**	**165,045,547**
Mortgage/RRE Financing	**65,493,937**	**5,181,395**	**7,215,084**	**269,477**	**78,159,894**
HPE	**15,169,435**	**–**	**–**	**–**	**15,169,435**
QRRE	**12,089,425**	**2,716,487**	**–**	**–**	**14,805,912**
Other Retail	**55,994,751**	**2,798,052**	**7,228,081**	**566,500**	**66,587,384**
Other Exposures	**5,822,645**	**410,523**	**4,457,169**	**684,776**	**11,375,113**
Total Gross Credit Exposure	**343,054,877**	**48,842,402**	**41,426,857**	**8,662,147**	**441,986,283**
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

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

i) Gross Credit Exposures by Geographic Distribution (continued)

Table 3(b): Geographic Distribution of Credit Exposures for CIMBISLG

(RM'000) Exposure Class	CIMBISLG				
	Malaysia	Singapore	Thailand	Other Countries	Total
2017					
Sovereign	**18,365,790**	**–**	**–**	**–**	**18,365,790**
Bank	**3,417,442**	**–**	**–**	**–**	**3,417,442**
Corporate	**38,675,619**	**–**	**–**	**–**	**38,675,619**
RRE Financing	**13,481,332**	**–**	**–**	**–**	**13,481,332**
HPE	**5,679,624**	**–**	**–**	**–**	**5,679,624**
QRRE	**252,713**	**–**	**–**	**–**	**252,713**
Other Retail	**9,306,685**	**–**	**–**	**–**	**9,306,685**
Other Exposures	**168,688**	**–**	**–**	**–**	**168,688**
Total Gross Credit Exposure	**89,347,892**	**–**	**–**	**–**	**89,347,892**
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

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

(RM'000) Exposure Class	CIMBIBG				
	Malaysia	Singapore	Thailand	Other Countries	Total
2017					
Sovereign	**1,065,489**	**–**	**–**	**–**	**1,065,489**
Bank	**1,390,035**	**–**	**–**	**–**	**1,390,035**
Corporate	**30,348**	**–**	**–**	**–**	**30,348**
Mortgage	**155,283**	**–**	**–**	**–**	**155,283**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**106**	**–**	**–**	**–**	**106**
Other Exposures	**309,842**	**–**	**–**	**–**	**309,842**
Total Gross Credit Exposure	**2,951,102**	**–**	**–**	**–**	**2,951,102**
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

CREDIT RISK

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
2017												
Sovereign	254,588	–	–	1,235,206	2,681,899	–	3,510,585	25,514,005	24,886,893	–	1,077,486	59,160,661
Bank	–	–	–	–	–	–	–	31,366,485	315,852	–	–	31,682,337
Corporate	8,168,045	8,725,500	13,881,602	7,656,272	16,938,273	18,861,455	15,260,502	39,352,602	20,010,289	13,039,397	3,151,609	165,045,547
Mortgage/RRE Financing	–	–	–	–	–	–	–	–	–	78,159,894	–	78,159,894
HPE	–	–	–	–	–	–	–	–	–	15,169,435	–	15,169,435
QRRE	–	–	–	–	–	–	–	–	–	14,805,912	–	14,805,912
Other Retail	721,290	54,348	1,193,024	31,136	859,207	2,064,961	249,605	2,380,372	6,462,683	52,570,759	–	66,587,384
Other Exposures	–	–	16,782	1,854	269	16,439	102	1,282,447	21,930	–	10,035,289	11,375,113
Total Gross Credit Exposure	9,143,922	8,779,848	15,091,409	8,924,468	20,479,649	20,942,855	19,020,794	99,895,911	51,697,646	173,745,397	14,264,385	441,986,283
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

* *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	Islamic Finance, Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2017												
Sovereign	**54,630**	**–**	**–**	**215,744**	**639,900**	**–**	**688,221**	**13,783,946**	**2,317,511**	**–**	**665,839**	**18,365,790**
Bank	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,417,442**	**–**	**–**	**–**	**3,417,442**
Corporate	**2,184,661**	**1,759,821**	**1,809,009**	**591,971**	**3,836,808**	**1,349,713**	**3,193,842**	**6,783,612**	**7,955,832**	**9,163,564**	**46,786**	**38,675,619**
RRE Financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,481,332**	**–**	**13,481,332**
HPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,679,624**	**–**	**5,679,624**
QRRE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**252,713**	**–**	**252,713**
Other Retail	**11,786**	**5,165**	**57,627**	**1,932**	**66,809**	**131,451**	**5,788**	**203,101**	**38,174**	**8,753,043**	**31,810**	**9,306,685**
Other Exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**575**	**502**	**–**	**167,611**	**168,688**
Total Gross Credit Exposure	**2,251,076**	**1,764,986**	**1,866,636**	**809,646**	**4,543,517**	**1,481,164**	**3,887,851**	**24,188,676**	**10,312,019**	**37,330,276**	**912,046**	**89,347,892**
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

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) Gross Credit Exposures by Sector (continued)

Table 4(c): Distribution of Credit Exposures by Sector for 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
	CIMBIBG											
2017												
Sovereign	–	–	–	–	–	–	–	1,065,489	–	–	–	1,065,489
Bank	–	–	–	–	–	–	–	1,390,035	–	–	–	1,390,035
Corporate	–	–	–	–	–	–	–	2,047	687	15,126	12,488	30,348
Mortgage	–	–	–	–	–	–	–	–	–	155,283	–	155,283
HPE	–	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	106	–	106
Other Exposures	–	–	–	–	–	–	–	–	–	349	309,493	309,842
Total Gross Credit Exposure	–	–	–	–	–	–	–	2,457,571	687	170,863	321,981	2,951,102
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	1,117356	190,680	360,865	3,026,126

* *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

(RM'000) Exposure Class	CIMBBG Less than 1 year	1 to 5 years	More than 5 years	Total
2017				
Sovereign	**26,360,932**	**10,706,986**	**22,092,743**	**59,160,661**
Bank	**18,231,630**	**8,126,475**	**5,324,231**	**31,682,337**
Corporate	**52,450,857**	**55,860,461**	**56,734,228**	**165,045,547**
Mortgage/RRE Financing	**53,180**	**728,135**	**77,378,578**	**78,159,894**
HPE	**139,936**	**4,878,974**	**10,150,525**	**15,169,435**
QRRE	**14,805,912**	**–**	**–**	**14,805,912**
Other Retail	**4,199,677**	**6,721,465**	**55,666,243**	**66,587,384**
Other Exposures	**39,430**	**202,864**	**11,132,820**	**11,375,113**
Total Gross Credit Exposure	**116,281,554**	**87,225,359**	**238,479,369**	**441,986,283**
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

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
2017				
Sovereign	**12,232,524**	**1,462,202**	**4,671,064**	**18,365,790**
Bank	**1,806,353**	**542,362**	**1,068,727**	**3,417,442**
Corporate	**8,481,567**	**9,926,172**	**20,267,880**	**38,675,619**
RRE Financing	**4,113**	**80,355**	**13,396,863**	**13,481,332**
HPE	**81,961**	**1,885,071**	**3,712,592**	**5,679,624**
QRRE	**252,713**	**–**	**–**	**252,713**
Other Retail	**44,711**	**314,423**	**8,947,550**	**9,306,685**
Other Exposures	**–**	**502**	**168,186**	**168,688**
Total Gross Credit Exposure	**22,903,942**	**14,211,087**	**52,232,863**	**89,347,892**
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

CREDIT RISK

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

iii) Gross Credit Exposures by Residual Contractual Maturity (continued)

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
2017				
Sovereign	**1,065,257**	**–**	**232**	**1,065,489**
Bank	**893,557**	**16,866**	**479,612**	**1,390,035**
Corporate	**110**	**2,362**	**27,875**	**30,348**
Mortgage	**30**	**1,105**	**154,147**	**155,283**
HPE	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**
Other Retail	**26**	**80**	**–**	**106**
Other Exposures	**349**	**–**	**309,493**	**309,842**
Total Gross Credit Exposure	**1,959,329**	**20,414**	**971,359**	**2,951,102**
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

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 2017 and 31 December 2016 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	
	2017	2016
Primary Agriculture	**25,453**	26,193
Mining and Quarrying	**6,271**	1,256
Manufacturing	**66,017**	158,264
Electricity, Gas and Water Supply	**4,303**	523
Construction	**94,237**	114,406
Wholesale and Retail Trade, and Restaurants and Hotels	**233,919**	165,445
Transport, Storage and Communication	**41,258**	58,321
Finance, Insurance/Takaful, Real Estate and Business Activities	**281,420**	339,012
Education, Health and Others	**102,139**	48,193
Household	**12,865,378**	13,211,654
Others*	**10,205**	6,827
Total	**13,730,600**	14,130,094

* *Others are exposures which are not elsewhere classified.*

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)	CIMBISLG	
	2017	**2016**
Primary Agriculture	**6,437**	12,971
Mining and Quarrying	**24**	35
Manufacturing	**7,454**	7,513
Electricity, Gas and Water Supply	**–**	–
Construction	**19,925**	33,638
Wholesale and Retail Trade, and Restaurants and Hotels	**47,302**	19,449
Transport, Storage and Communication	**2,112**	2,859
Islamic Finance, Takaful, Real Estate and Business Activities	**43,771**	48,394
Education, Health and Others	**4,725**	6,337
Household	**2,953,212**	2,935,679
Others*	**278**	2,120
Total	**3,085,240**	3,068,995

Note: All sectors above are Shariah compliant.

* *Others are exposures which are not elsewhere classified.*

(RM'000)	CIMBIBG	
	2017	**2016**
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.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

i) Past Due But Not Impaired (continued)

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMBBG	
	2017	**2016**
Malaysia	**11,923,104**	11,726,437
Singapore	**189,023**	536,075
Thailand	**1,618,367**	1,867,356
Other Countries	**106**	226
Total	**13,730,600**	14,130,094

(RM'000)	CIMBISLG	
	2017	**2016**
Malaysia	**3,085,240**	3,068,995
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**3,085,240**	3,068,995

(RM'000)	CIMBIBG	
	2017	**2016**
Malaysia	**–**	–
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**–**	–

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 2017 and 31 December 2016 which were impaired by sector and geographical respectively:

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Impaired Loans/Financing (continued)

Table 7(a): Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	2017	2016
Primary Agriculture	**44,316**	92,702
Mining and Quarrying	**586,104**	129,608
Manufacturing	**1,067,397**	986,416
Electricity, Gas and Water Supply	**552**	1,016
Construction	**89,816**	111,713
Wholesale and Retail Trade, and Restaurants and Hotels	**662,117**	499,211
Transport, Storage and Communication	**1,323,328**	1,224,748
Finance, Insurance/Takaful, Real Estate and Business Activities	**428,813**	292,586
Education, Health and Others	**176,651**	96,357
Household	**1,794,404**	2,143,643
Others*	**14,601**	7,752
Total	**6,188,099**	5,585,752

* *Others are exposures which are not elsewhere classified.*

	CIMBISLG	
(RM'000)	2017	2016
Primary Agriculture	**2,589**	45,049
Mining and Quarrying	**2,528**	2,490
Manufacturing	**21,636**	20,348
Electricity, Gas and Water Supply	**–**	–
Construction	**7,306**	16,114
Wholesale and Retail Trade, and Restaurants and Hotels	**1,672**	16,845
Transport, Storage and Communication	**60,185**	69,253
Islamic Finance, Takaful, Real Estate and Business Activities	**23,886**	46,433
Education, Health and Others	**11,967**	19,200
Household	**248,060**	230,392
Others*	**2,041**	241
Total	**381,870**	466,365

Note: *All sectors above are Shariah compliant.*
* *Others are exposures which are not elsewhere classified.*

	CIMBIBG	
(RM'000)	2017	2016
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	**1,905**	2,075
Others*	**–**	–
Total	**1,905**	2,075

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK

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 2017	CIMBBG 2016
Malaysia	**3,499,350**	3,538,375
Singapore	**810,822**	412,208
Thailand	**1,871,723**	1,632,488
Other Countries	**6,204**	2,681
Total	**6,188,099**	5,585,752

(RM'000)	CIMBISLG 2017	CIMBISLG 2016
Malaysia	**381,870**	466,365
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**381,870**	466,365

(RM'000)	CIMBIBG 2017	CIMBIBG 2016
Malaysia	**1,905**	2,075
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**1,905**	2,075

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBBG

	CIMBBG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**27,352**	**19,112**	35,595	18,125
Mining and Quarrying	**77,449**	**14,015**	34,747	18,476
Manufacturing	**668,301**	**75,728**	670,046	82,892
Electricity, Gas and Water Supply	**-**	**15,378**	672	14,153
Construction	**36,435**	**40,798**	42,611	71,822
Wholesale and Retail Trade, and Restaurants and Hotels	**212,933**	**110,282**	187,785	104,705
Transport, Storage and Communication	**1,135,960**	**17,123**	1,072,138	23,027
Finance, Insurance/Takaful, Real Estate and Business Activities	**182,235**	**96,758**	185,268	102,710
Education, Health and Others	**23,494**	**19,617**	25,299	20,727
Household	**93,192**	**1,358,717**	93,117	1,513,386
Others*	**7,532**	**5,983**	3,355	7,779
Total	**2,464,883**	**1,773,511**	2,350,633	1,977,802

* *Others are exposures which are not elsewhere classified.*

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			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	–	5,646	7,380	4,243
Mining and Quarrying	52	548	343	164
Manufacturing	1,377	3,847	1,306	3,709
Electricity, Gas and Water Supply	–	166	–	284
Construction	450	4,183	6,712	5,046
Wholesale and Retail Trade, and Restaurants and Hotels	–	7,479	5,280	4,806
Transport, Storage and Communication	41,342	2,308	19,295	2,040
Islamic Finance, Takaful, Real Estate and Business Activities	4,395	16,634	4,587	11,581
Education, Health and Others	1,736	4,785	3,159	4,987
Household	–	198,408	–	205,727
Others*	–	669	–	275
Total	**49,352**	**244,673**	48,062	242,862

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			
	2017		2016	
(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	1,905	85	2,075	99
Others*	–	–	–	–
Total	**1,905**	**85**	2,075	99

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK

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			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,501,574	1,177,398	1,536,356	1,290,567
Singapore	190,454	37,723	122,082	48,707
Thailand	769,532	536,881	691,035	618,499
Other Countries	3,323	21,509	1,160	20,029
Total	**2,464,883**	**1,773,511**	**2,350,633**	**1,977,802**

Table 9(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBISLG

	CIMBISLG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	49,352	244,673	48,062	242,862
Singapore	–	–	–	–
Thailand	–	–	–	–
Other Countries	–	–	–	–
Total	**49,352**	**244,673**	**48,062**	**242,862**

Table 9(c): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBIBG

	CIMBIBG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,905	85	2,075	99
Singapore	–	–	–	–
Thailand	–	–	–	–
Other Countries	–	–	–	–
Total	**1,905**	**85**	**2,075**	**99**

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			
	2017		2016	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	(10,966)	–	6,903	186
Mining and Quarrying	46,193	40	1,364	3,938
Manufacturing	359,116	80,293	372,214	158,882
Electricity, Gas and Water Supply	–	1,134	(1,437)	–
Construction	7,025	12,740	(10,629)	5,527
Wholesale and Retail Trade, and Restaurants and Hotels	143,053	47,805	96,616	67,392
Transport, Storage and Communication	73,012	7,461	4,545	491
Finance, Insurance/Takaful, Real Estate and Business Activities	23,153	6,799	20,056	–
Education, Health and Others	503	1,820	18,808	50
Household	72,002	71,056	120,961	20,109
Others*	(4)	–	–	–
Total	713,087	229,148	629,401	256,575

* *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			
	2017		2016	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	(7,681)	–	7,346	–
Mining and Quarrying	(291)	–	343	–
Manufacturing	54	–	1,315	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	(709)	4,827	(3,138)	–
Wholesale and Retail Trade, and Restaurants and Hotels	(3,847)	1,900	2,596	–
Transport, Storage and Communication	22,033	–	(9,340)	–
Islamic Finance, Takaful, Real Estate and Business Activities	(180)	–	1,082	–
Education, Health and Others	383	1,745	1,690	–
Household	–	–	–	–
Others*	–	–	–	–
Total	9,762	8,472	1,894	–

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK

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			
	2017		2016	
(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	(170)	–	847	–
Others*	–	–	–	–
Total	**(170)**	**–**	847	–

* *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 2017 and 31 December 2016 for CIMBBG

	CIMBBG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**2,350,633**	**1,977,802**	1,922,002	1,970,342
Allowance made during the financial year	**713,087**	**778,441**	629,401	737,224
Amount transferred to portfolio impairment allowance	–	–	(11,402)	11,402
Amount written back in respect of recoveries	–	–	–	–
Allowance made and charged to deferred assets	–	–	–	–
Amount written off	**(229,148)**	**(869,500)**	(256,575)	(793,197)
Transfer(to)/from intercompany	–	–	–	–
Sale of impaired loans	**(323,132)**	**(96,292)**	–	–
Unwinding income	–	–	–	–
Exchange fluctuation	**(46,557)**	**(16,940)**	67,207	52,031
Others (Allowance for: impaired loan disposal to third party)	–	–	–	–
Total	**2,464,883**	**1,773,511**	2,350,633	1,977,802

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 2017 and 31 December 2016 for CIMBISLG

	CIMBISLG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**48,062**	**242,862**	46,168	314,054
Allowance (written back)/made during the financial period/year	**9,762**	**124,660**	1,894	54,681
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**–**	**–**	–	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Amount written off	**(8,472)**	**(122,680)**	–	(125,315)
Transfer(to)/from intercompany	**–**	**(73)**	–	(596)
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**(96)**	–	38
Total	**49,352**	**244,673**	48,062	242,862

Table 11(c): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2017 and 31 December 2016 for CIMBIBG

	CIMBIBG			
	2017		2016	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**2,075**	**99**	1,228	159
Allowance (written back)/made during the financial period/year	**2,034**	**(14)**	1,132	(60)
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**(2,204)**	**–**	(285)	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Amount written off	**–**	**–**	–	–
Transfer(to)/from intercompany	**–**	**–**	–	–
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**–**	–	–
Total	**1,905**	**85**	2,075	99

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

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

2017	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%	57,078,492	668,982	340,330	–	2,108	12,253	–	–	6,675,395	–	64,777,560	–
6%	–	–	–	–	–	–	–	–	–	–	–	–
20%	1,502,455	717	162,757	308,936	6,591	447,045	–	–	6,323	251,895	2,686,719	537,344
35%	–	–	5,936,094	–	–	–	7,613,939	–	–	–	13,550,033	3,994,861
50%	395,088	–	1,866,270	1,312,264	118,077	627,858	153,980	–	–	–	4,473,536	2,236,768
75%	–	–	–	–	–	17,492,295	216,848	–	–	–	17,709,143	13,281,857
100%	–	10,931		290,890	11,525,356	2,265,297	46,332	–	3,301,828	–	17,440,634	17,440,634
107%	–	–	–	–	12,496,211	–	–	–	–	–	12,496,211	13,310,705
150%	915		(0)	–	218,912	60,936	–	1,111,101	4,437	–	1,396,301	2,094,452
150%< RW < 1250%	–	–	–	–	–	1,936,252	–	–	–	–	1,936,252	2,993,337
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	58,976,950	680,630	8,305,450	1,912,089	24,367,256	22,841,936	8,031,099	1,111,101	9,987,982	251,895	136,466,389	55,889,958
Average Risk Weight	1%	2%	37%	53%	104%	70%	37%	150%	33%	20%	39%	
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(a): Disclosure by Risk Weight under SA for CIMBBG (continued)

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%	–	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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(b): Disclosure by Risk Weight under SA for CIMBISLG

2017	CIMBISLG											
(RM'000) Risk Weights	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%	18,343,683	–	169,214	–	–	–	–	–	15,195	–	18,528,093	–
20%	22,107	–	2	–	2,630	370	–	–	–	502	25,611	5,122
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	916,681	3,389	91,612	596,192	4,052	–	–	–	1,611,926	805,963
75%	–	–	–	–	–	298,367	–	–	–	–	298,367	223,775
100%	–	–	–	–	3,396,555	1,865,721	–	–	152,416	–	5,414,692	5,414,692
100%< RW < 1250%	–	–	–	–	4,797	1,756	–	575	–	–	7,128	10,693
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	18,365,790	–	1,085,897	3,389	3,495,594	2,762,406	4,052	575	167,611	502	25,885,816	6,460,244
Average Risk Weight	0%	–	42%	50%	99%	87%	50%	150%	91%	20%	25%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

2016	CIMBISLG											
(RM'000) Risk Weights	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%	–	–	–	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.*

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG

2017	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%	1,065,489	–	–	–	–	–	–	–	20	–	1,065,509	–
20%	–	–	24,131	–	–	–	–	–	–	–	24,131	4,826
35%	–	–	–	–	–	–	61,960	–	–	–	61,960	21,686
50%	–	–	1,365,904	–	–	–	65,677	–	–	–	1,431,581	715,790
75%	–	–	–	–	–	106	193	–	–	–	298	224
100%	–	–	–	12,097	18,137		27,453	–	309,822	–	367,508	367,508
100%<RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,065,489	–	1,390,035	12,097	18,137	106	155,283	–	309,842	–	2,950,988	1,110,035
Average Risk Weight	0%	–	49%	100%	100%	75%	53%	–	100%	–	38%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

2016	CIMBISLG											
(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%	–	–	–	–	–	–	–	–	–	–	–	–
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.*

CREDIT RISK

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
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**4,077,954**	**–**	**212,033**	**4,289,987**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**2,112,778**	**77,010**	**201,577**	**2,391,365**
Corporate	**136,653**	**248,675**	**32,547,463**	**32,932,790**
Sovereign/Central Banks	**28,755,230**	**–**	**30,405,431**	**59,160,661**
Banks, MDBs and DFIs	**4,189,236**	**3,789**	**728,179**	**4,921,204**
Total	**39,271,850**	**329,474**	**64,094,684**	**103,696,007**
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

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
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Takaful Operators, Securities Firms & Fund Managers	**–**	**–**	**3,899**	**3,899**
Corporate	**–**	**–**	**10,214,802**	**10,214,802**
Sovereign/Central Banks	**4,617,854**	**–**	**13,747,936**	**18,365,790**
Banks, MDBs and DFIs	**916,683**	**–**	**169,214**	**1,085,897**
Total	**5,534,537**	**–**	**24,135,851**	**29,670,389**
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

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
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	**12,097**	**12,097**
Corporate	–	–	**18,251**	**18,251**
Sovereign/Central Banks	–	–	**1,065,489**	**1,065,489**
Banks, MDBs and DFIs	**1,379,233**	–	**10,803**	**1,390,035**
Total	**1,379,233**	–	**1,106,639**	**2,485,872**
2016				
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

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
2017				
On and Off-Balance-Sheet Exposures				
Securitisation	**251,895**	–	–	**251,895**
2016				
On and Off-Balance-Sheet Exposures				
Securitisation	484,419	–	–	484,419

Table 14(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBISLG

(RM'000) Exposure Class	CIMBISLG			
	Investment Grade	Non-Investment Grade	No Rating	Total
2017				
On and Off-Balance-Sheet Exposures				
Securitisation	**502**	–	–	**502**
2016				
On and Off-Balance-Sheet Exposures				
Securitisation	51,053	–	–	51,053

As at 31 December 2017 and 31 December 2016, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

CREDIT RISK

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 Group Risk 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 Group Risk 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.

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 judgment 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.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2017 and 31 December 2016:

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG

(RM'000) PD Range of Retail Exposures	CIMBBG			
	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
2017				
Total Retail Exposure	**112,485,640**	**20,054,215**	**2,098,613**	**134,638,468**
Residential Mortgage/RRE Financing	**59,860,988**	**9,037,408**	**1,227,889**	**70,126,286**
QRRE	**10,755,936**	**3,930,997**	**118,979**	**14,805,912**
Hire Purchase	**12,896,556**	**2,027,804**	**245,075**	**15,169,435**
Other Retail	**28,972,160**	**5,058,006**	**506,669**	**34,536,836**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**23%**	**23%**	**26%**	
QRRE	**89%**	**89%**	**89%**	
Hire Purchase	**50%**	**54%**	**56%**	
Other Retail	**28%**	**31%**	**59%**	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	**14%**	**78%**	**177%**	
QRRE	**28%**	**129%**	**306%**	
Hire Purchase	**50%**	**86%**	**172%**	
Other Retail	**18%**	**51%**	**227%**	
2016				
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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 15(b): Retail Credit Exposures by PD Band for CIMBISLG

(RM'000) PD Range of Retail Exposures	CIMBISLG 0% ≤ PD < 2%	 2% ≤ PD < 100%	 100% Or Default	 Total
2017				
Total Retail Exposure	**20,296,666**	**5,271,543**	**356,882**	**25,925,091**
RRE Financing	**10,867,861**	**2,390,986**	**218,433**	**13,477,280**
QRRE	**154,277**	**96,321**	**2,115**	**252,713**
Hire Purchase	**4,510,204**	**1,083,293**	**86,127**	**5,679,624**
Other Retail	**4,764,324**	**1,700,944**	**50,207**	**6,515,474**
Exposure Weighted Average LGD				
RRE Financing	**23%**	**24%**	**26%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**55%**	**57%**	
Other Retail	**27%**	**32%**	**42%**	
Exposure Weighted Average Risk Weight				
RRE Financing	**16%**	**82%**	**191%**	
QRRE	**32%**	**124%**	**267%**	
Hire Purchase	**50%**	**84%**	**180%**	
Other Retail	**23%**	**51%**	**169%**	
2016				
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 – 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

	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2017				
Total Retail Exposure	**118,176,300**	**16,389,096**	**73,073**	**134,638,468**
Residential Mortgage/RRE Financing	**65,629,145**	**4,469,797**	**27,344**	**70,126,286**
QRRE	**9,048,006**	**5,757,533**	**374**	**14,805,912**
Hire Purchase	**12,908,507**	**2,258,890**	**2,037**	**15,169,435**
Other Retail	**30,590,641**	**3,902,877**	**43,318**	**34,536,836**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**23%**	**26%**	**35%**	
QRRE	**89%**	**89%**	**88%**	
Hire Purchase	**50%**	**54%**	**61%**	
Other Retail	**28%**	**38%**	**75%**	
2016				
Total Retail Exposure	109,573,987	15,092,852	94,031	124,760,869
Residential Mortgage/RRE Financing	61,535,706	3,492,284	49,214	65,077,204
QRRE	7,579,167	5,669,048	1,856	13,250,072
Hire Purchase	12,310,312	2,548,270	2,193	14,860,775
Other Retail	28,148,801	3,383,250	40,768	31,572,819
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	27%	37%	
QRRE	89%	89%	90%	
Hire Purchase	51%	53%	59%	
Other Retail	27%	38%	72%	

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 16(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBISLG

(RM'000) EL Range of Retail Exposures	CIMBISLG			
	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2017				
Total Retail Exposure	**22,204,986**	**3,719,656**	**449**	**25,925,091**
RRE Financing	**12,309,025**	**1,168,222**	**33**	**13,477,280**
QRRE	**106,642**	**146,068**	**2**	**252,713**
Hire Purchase	**4,519,257**	**1,160,216**	**151**	**5,679,624**
Other Retail	**5,270,062**	**1,245,150**	**262**	**6,515,474**
Exposure Weighted Average LGD				
RRE Financing	**23%**	**26%**	**13%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**55%**	**54%**	
Other Retail	**27%**	**37%**	**100%**	
2016				
Total Retail Exposure	17,439,759	2,380,810	916	19,821,485
RRE Financing	10,648,959	566,346	23	11,215,328
QRRE	99,097	122,205	110	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%	90%	
Hire Purchase	51%	54%	57%	
Other Retail	28%	40%	95%	

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

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 2017 and 31 December 2016:

Table 17(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

(RM'000)	CIMBBG					
Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
2017						
Project Finance	**1,138,939**	**1,844,699**	**36,991**	**206,698**	**1,529,512**	**4,756,839**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**1,950,226**	**10,659,241**	**463,205**	**27,358**	**54,490**	**13,154,519**
RWA	**1,645,997**	**9,725,688**	**575,225**	**585,140**	**–**	**12,532,050**
2016						
Project Finance	248,519	1,597,902	–	96,308	1,432,68	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

Table 17(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBISLG

(RM'000)	CIMBISLG					
Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
2017						
Project Finance	**244,081**	**300,959**	**–**	**13,500**	**–**	**558,540**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**44,068**	**1,294,703**	**72,960**	**12,106**	**12,210**	**1,436,047**
RWA	**155,359**	**1,223,182**	**83,904**	**64,015**	**–**	**1,526,460**
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

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

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

(RM'000) Internal Risk Grading	CIMBBG				
	1 – 3	4 – 9	10 – 13	Default	Total
2017					
Total Non-Retail Exposure	**43,792,672**	**67,180,589**	**21,045,383**	**2,262,535**	**134,281,178**
Sovereign/Central Banks	–	–	–	–	–
Bank	**18,926,417**	**3,439,263**	**105,465**	–	**22,471,146**
Corporate (excluding Specialised Lending/Financing)	**24,866,255**	**63,741,326**	**20,939,917**	**2,262,535**	**111,810,033**
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	
Bank	**38%**	**36%**	**45%**	–	
Corporate (excluding Specialised Lending/Financing)	**44%**	**40%**	**35%**	**41%**	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	
Bank	**19%**	**38%**	**162%**	–	
Corporate (excluding Specialised Lending/Financing)	**10%**	**71%**	**98%**	–	
2016					
Total Non-Retail Exposure	44,524,833	65,228,043	21,661,296	2,209,800	133,623,97
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 – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (continued)

Table 18(b): Non Retail Exposures under IRB Approach by Risk Grades for CIMBISLG

(RM'000) Internal Risk Grading	CIMBISLG				
	1 - 3	4 - 9	10 - 13	Default	Total
2017					
Total Non-Retail Exposure	**13,658,564**	**10,927,600**	**4,103,337**	**104,374**	**28,793,874**
Bank	**2,140,640**	**188,420**	**2,484**	**–**	**2,331,544**
Corporate (excluding Specialised Financing)	**11,517,924**	**10,739,179**	**4,100,853**	**104,374**	**26,462,330**
Exposure Weighted Average LGD					
Bank	**45%**	**45%**	**45%**	**–**	
Corporate (excluding Specialised Financing)	**45%**	**42%**	**38%**	**42%**	
Exposure Weighted Average Risk Weight					
Bank	**22%**	**42%**	**129%**	**–**	
Corporate (excluding Specialised Financing)	**5%**	**72%**	**102%**	**–**	
2016					
Total Non-Retail Exposure					
Sovereign/Central Banks	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 Lending/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 Lending/Financing)	45%	40%	37%	35%	
Exposure Weighted Average Risk Weight					
Bank	19%	44%	129%	–	
Corporate (excluding Specialised Lending/Financing)	11%	71%	98%	–	

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			
	2017		2016	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016
Sovereign	–	–	–	–
Bank	**11,714**	–	7,344	–
Corporate	**726,321**	**122,203**	666,270	152,002
Mortgage/RRE Financing	**210,740**	**41,522**	187,883	28,506
HPE	**166,601**	**99,117**	181,553	98,184
QRRE	**422,996**	**155,991**	474,948	189,521
Other Retail	**205,553**	**(3,424)**	115,013	(8,538)
Total	**1,743,924**	**415,409**	1,633,011	459,675

Table 19(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBISLG

	CIMBISLG			
	2017		2016	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016
Sovereign	–	–	–	–
Bank	**518**	–	347	–
Corporate	**84,747**	**10,381**	99,629	(555)
RRE Financing	**37,608**	**9,105**	27,385	2,914
HPE	**50,343**	**33,904**	54,241	11,341
QRRE	**7,519**	**3,745**	8,781	4,998
Other Retail	**48,556**	**7,850**	33,678	6,814
Total	**229,291**	**64,984**	224,061	25,512

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.

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 2017 and 31 December 2016 there was no requirement for additional collateral to be posted.

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 2017 and 31 December 2016:

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2017	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	4,020,382		4,020,382	2,020,422
Transaction Related Contingent Items	6,029,559		2,997,210	1,879,997
Short Term Self Liquidating Trade Related Contingencies	2,990,068		598,014	410,770
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	728,754,506	5,696,995	12,865,859	6,060,221
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	34,486,729		30,230,549	11,110,733
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,910,249		398,569	343,216
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	92,538,572		–	–
Unutilised credit card lines	29,291,119		8,091,135	2,998,608
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	900,021,186	5,696,995	59,201,718	24,823,967

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OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

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(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG

2017 (RM'000) Description	CIMBISLG Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	234,791		234,791	179,381
Transaction Related Contingent Items	709,788		354,894	247,814
Short Term Self Liquidating Trade Related Contingencies	19,157		3,831	2,314
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	39,504,980	189,101	799,825	175,993
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,749,274		6,680,910	2,621,589
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	30,000		22,500	14,826
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	5,531,798		–	–
Unutilised credit card lines	345,061		123,761	70,980
Off-balance sheet items for securitisation exposures	–		–	–
Total	**54,124,851**	**189,101**	**8,220,512**	**3,312,897**

2016 (RM'000) Description	CIMBISLG 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

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OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2017	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	1,206,386		1,206,386	603,193
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	279,104	–	28,963	20,530
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,354		677	675
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	**1,486,844**	**–**	**1,236,026**	**624,398**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (continued)

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

CREDIT RISK

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			
	2017		2016	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**826,583**	**1,201,715**	2,450,248	3,162,680
Client Intermediation Activities	**–**	**236,930**	–	319,885
Total	**826,583**	**1,438,645**	2,450,248	3,482,565
Credit Default Swaps	**826,583**	**1,234,668**	2,450,248	3,266,430
Total Return Swaps	**–**	**203,978**	–	216,135
Total	**826,583**	**1,438,645**	2,450,248	3,482,565

Table 21(b): Disclosure on Credit Derivative Transactions for CIMBISLG

	CIMBISLG			
	2017		2016	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**25,000**	–	40,575
Total	**–**	**25,000**	–	40,575
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**25,000**	–	40,575
Total	**–**	**25,000**	–	40,575

Table 21(c): Disclosure on Credit Derivative Transactions for CIMBIBG

	CIMBIBG			
	2017		2016	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**138,550**	–	141,050
Total	**–**	**138,550**	–	141,050
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**138,550**	–	141,050
Total	**–**	**138,550**	–	141,050

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, must 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

CREDIT RISK MITIGATION (CONTINUED)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2017 and 31 December 2016:

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG

	CIMBBG			
(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
2017				
Performing Exposures				
Sovereign/Central Banks	**59,160,661**	**–**	**183,711**	**–**
Public Sector Entities	**4,289,987**	**3,197,464**	**621,804**	**–**
Banks, DFIs & MDBs	**27,392,350**	**19,187**	**5,041,939**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**2,391,365**	**2,500**	**363,478**	**–**
Corporate	**158,193,014**	**11,398,426**	**17,761,559**	**16,779,149**
Residential Mortgages/RRE Financing	**77,191,176**	**–**	**2,509**	**–**
Qualifying Revolving Retail	**14,687,394**	**–**	**–**	**–**
Hire Purchase	**14,924,360**	**–**	**–**	**–**
Other Retail	**66,000,143**	**447,045**	**9,204,485**	**–**
Securitisation	**251,895**	**–**	**–**	**–**
Higher Risk Assets	**1,111,101**	**–**	**–**	**–**
Other Assets	**10,012,117**	**4,687**	**–**	**–**
Defaulted Exposures	**3,778,264**	**9,115**	**140,139**	**328,050**
Total Exposures	**439,383,827**	**15,078,424**	**33,319,624**	**17,107,199**
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

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	CIMBISLG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
2017				
Performing Exposures				
Sovereign/Central Banks	**18,365,790**	**–**	**–**	**–**
Public Sector Entities	**–**	**–**	**–**	**–**
Banks, DFIs & MDBs	**3,417,442**	**–**	**–**	**–**
Takaful Operators, Securities Firms & Fund Managers	**3,899**	**–**	**510**	**–**
Corporate	**38,534,256**	**8,636,787**	**7,180,401**	**4,297,349**
RRE Financing	**13,358,041**	**–**	**–**	**–**
Qualifying Revolving Retail	**250,598**	**–**	**–**	**–**
Hire Purchase	**5,593,497**	**–**	**–**	**–**
Other Retail	**9,256,431**	**370**	**28,801**	**–**
Securitisation	**502**	**–**	**–**	**–**
Higher Risk Assets	**575**	**–**	**–**	**–**
Other Assets	**167,611**	**–**	**–**	**–**
Defaulted Exposures	**259,314**	**–**	**3,515**	**25,302**
Total Exposures	**89,207,955**	**8,637,157**	**7,213,227**	**4,322,651**
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

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

CREDIT RISK MITIGATION (CONTINUED)

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG

(RM'000) Exposure Class	CIMBIBG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
2017				
Performing Exposures				
Sovereign/Central Banks	**1,065,489**	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	**1,390,035**	–	–	–
Insurance Cos, Securities Firms & Fund Managers	**12,097**	–	–	–
Corporate	**18,137**	–	–	–
Residential Mortgages	**155,283**	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	**106**	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	**309,842**	–	–	–
Defaulted Exposures	**114**	–	**114**	–
Total Exposures	**2,951,102**	–	**114**	–
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	–	–	–

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-2017, 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 2017

On 31 March 2017, CIMB Group (via CIMB Bank) undertook a securitisation of its auto hire purchase receivables raising RM880 million. In 2017, 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 securitization programme for a joint-venture of auto-hire purchase receivables.

SECURITISATION

DISCLOSURE ON SECURITISATION FOR TRADING AND BANKING BOOK

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2017 and 31 December 2016:

Table 23(a): Disclosure on Securitisation for Trading and Banking Book

(RM'000) Underlying Asset	CIMBBG Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the year
2017				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**1,537,961**	**269,384**	**11,002**	**1,289**
2016				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	799,552	276,143	2,916	249

Table 23(b): Disclosure on Securitisation for Trading and Banking Book

(RM'000) Underlying Asset	CIMBISLG Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the year
2017				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**554,490**	**178,409**	**9,171**	**1,714**
2016				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	799,552	276,143	2,916	249

There were no outstanding exposures securitised by CIMBIBG as at 31 December 2017 and 31 December 2016.

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

2017	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	238,126	–	–	–	238,126	–	–	–	–			47,625
Mezzanine	13,769	–	–	–	13,769	–	–	–	–			2,754
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	251,895	–	–	–	251,895	–	–	–	–	–	–	50,379

SECURITISATION

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)

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	–	–	–	–			94,1273
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

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

2017	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	502	–	–	–	502	–	–	–	–			100
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	502	–	–	–	502	–	–	–	–			100

SECURITISATION

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

As at 31 December 2017 and 31 December 2016, 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

(RM'000) Securitisation Exposures	CIMBBG Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk-Weighted Assets
2017					
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)	–	–	–	–	–
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)	–	–	–	–	–

As at 31 December 2017 and 31 December 2016, 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 or investment 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 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, are responsible for measuring and controlling 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.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out on held for trading and available-for-sale positions on a daily basis in compliance with the independent price verification requirements. This valuation methodology is applied to restate the security value to its current value for the purpose of calculating the profits and losses or to confirm that margins requirements are being met.

Treasury products approval processes shall be coordinated by the Market Risk CoE to ensure operational readiness before launching. The proposed new products are assessed to ensure financial risks are accurately identified, monitored and effectively managed.

The valuation methods and models used are validated by the quantitative analysts to assess their applicability relative to market conditions. The process includes verification of the inputs, assumptions used, programming codes and model reporting capability. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

Our Group adopts the VaR methodology as an approach in the measurement of market risk. Backtesting is performed to validate and reassess the accuracy of the existing VaR model. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Back-testing involves the comparison of the daily model-generated VaR against the actual or hypothetical profit or loss data over the corresponding period.

Stress testing is conducted to complement VaR to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

Market Risk CoE undertakes the monitoring and oversight process on treasury activities, which include monitoring limits utilisation, reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices. All approved market risk limits are monitored on daily basis. Any excess in limit will be escalated to management in accordance with the exception management procedures.

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 for capital purpose 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:
   - Operational Event and Loss Data Management;
   - Risk Control Self-Assessment;
   - Control Issue Management;
   - New Product Approval Process;
   - Key Risk Indicators; and
   - Scenario Analysis

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 is 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 program. 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 2017 and 31 December 2016 is as follows:

Table 26(a): Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities for CIMBBG

	CIMBBG	
(RM'000)	2017	2016
Realised (loss)/gains		
Shares, private equity funds and unit trusts	**(727)**	20,313
Unrealised gains		
Shares, private equity funds and unit trusts	**776,163**	707,501

Table 26(b): Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities for CIMBIBG

	CIMBIBG	
(RM'000)	2017	2016
Realised loss		
Shares, private equity funds and unit trusts	**(38)**	–
Unrealised gains		
Shares, private equity funds and unit trusts	**–**	–

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMBISLG as at 31 December 2017 and CIMBISL and CIMBIBG as at 31 December 2016.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2017 and 31 December 2016 for the Group:

Table 27(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

	CIMBBG			
	2017		2016	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**1,111,715**	**1,663,821**	1,233,142	1,845,138
Publicly traded	**4,083**	**4,083**	12,752	12,752
Total	**1,115,798**	**1,667,904**	1,245,893	1,857,890

Table 27(b): Analysis of Equity Investments by Grouping and RWA for CIMBISLG

(RM'000)	CIMBISLG			
	2017		2016	
	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

(RM'000)	CIMBIBG			
	2017		2016	
	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. The GALCO is a Board delegated committee which reports to the GRC. With the support from ALM COE under Group Risk, 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:**

  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

(RM'000)	CIMBBG	
	2017	2016
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(1,293,916)**	(1,357,246)
US Dollar	**(5,919)**	(139,353)
Thai Baht	**(121,469)**	(164,641)
Singapore Dollar	**(164,862)**	(148,882)
Others	**14,861**	55,899
Total	**(1,571,305)**	(1,754,223)

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

IRRBB/RORBB MANAGEMENT (CONTINUED)

Table 28(b): RORBB – Impact on Economic Value for CIMBISLG

(RM'000) Currency	CIMBISLG	
	2017	2016
	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(589,821)**	(536,280)
US Dollar	**46,623**	25,871
Thai Baht	**(7)**	(7)
Singapore Dollar	**(2)**	(168)
Others	**273**	555
Total	**(542,934)**	(510,029)

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

Table 28(c): IRRBB – Impact on Economic Value for CIMBIBG

(RM'000) Currency	CIMBIBG	
	2017	2016
	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(1,059)**	(1,540)
US Dollar	**–**	7
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**–**	–
Total	**(1,059)**	(1,533)

- **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. Our Group's EAR is taking into consideration forecasts on budgeted, new business generation and product pricing strategies.

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.

INTEREST RATE RISK/RATE OF RETURN RISK

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

(RM'000) Currency	CIMBBG 2017	CIMBBG 2016
	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**223,810**	93,166
US Dollar	**(86,372)**	(119,666)
Thai Baht	**(9,619)**	(26,047)
Singapore Dollar	**(34,047)**	(45,565)
Others	**22,126**	28,816
Total	**115,898**	(69,296)

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

Table 29(b): RORBB – Impact on Earnings for CIMBISLG

(RM'000) Currency	CIMBISLG 2017	CIMBISLG 2016
	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(16,550)**	(61,711)
US Dollar	**(3,904)**	(5,211)
Thai Baht	**172**	156
Singapore Dollar	**59**	3,948
Others	**(1,216)**	(463)
Total	**(21,439)**	(63,281)

Note: *Subsequent to the disclosure, there was amendment to the 2016 figures.*

Table 29(c): IRRBB – Impact on Earnings for CIMBIBG

(RM'000) Currency	CIMBIBG 2017	CIMBIBG 2016
	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**4,132**	2,772
US Dollar	**–**	(168)
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**(5)**	(4)
Total	**4,127**	2,600

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CIMB Group Holdings Berhad (50841-W)

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