Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2016

Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2016

Contents

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2016

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2016.

Principal activities

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. The principal activities of the subsidiaries as set out in Note 14 to the Financial Statements, consist of Islamic nominees and Islamic custody services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group and the Bank RM'000
Net profit after taxation	**543,201**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2015.

The Directors do not recommend the payment of any dividend for the current financial year.

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.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2016 (Continued)

Bad and doubtful financing

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

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

Current assets

Before the Financial Statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and of the Bank had been written down to an amount which they might be expected 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 Bank 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 Bank 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 Bank 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 Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability in the Group or the Bank 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 Bank and its subsidiaries 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 Bank, that would render any amount stated in the Financial Statements misleading.

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank'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 46 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 Bank for the financial year in which this Report is made.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2016 (Continued)

Directors

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

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Rosnah binti Dato' Kamarul Zaman
Professor Dato' Dr. Sudin bin Haron
Mohamed Rafe bin Mohamed Haneef (appointed on 4 January 2016)
Mohamed Ross bin Mohd Din (appointed on 19 April 2016)
Habibah binti Abdul (resigned on 12 April 2016)
Associate Professor Dr. Mohamed Azam bin Mohamed Adil (resigned on 4 November 2016)

In accordance with Article 83 of the Bank's Articles of Association, Rosnah Dato' binti Dato' Kamarul Zaman shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offers himerself for re-election.

In accordance with Article 84 of the Bank's Articles of Association, Mohamed Ross bin Mohamed Din shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to the Terms of Reference of the Board of Directors of CIMB Islamic Bank Berhad, a Director who has served the Bank for nine years or who has reached the age of 70 years may, subject to the Group Nomination and Remuneration Committee's recommendation and Shareholders' approval, continue to serve CIMB Islamic Bank in the capacity of Director. However, Dato' Dr Syed Muhamad Syed Abdul Kadir has informed of his intention to retire as Director of the Bank at the forthcoming Annual General Meeting and therefore would not offer himself for re-election to hold office until the conclusion of the next AGM of CIMB Islamic Bank.

Directors' interests in shares and share options

According to the Register of Directors' Shareholdings, the beneficial interests of Directors who held office at the end of the financial year in the shares and share options of the immediate holding company, the ultimate holding company and the its related corporation during the financial year are as follows:

	Number of ordinary shares of RM1 each			
	As at Date of appointment	Acquired/ Granted	Disposed/ Vested	As at 31 December
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad				
Direct interest				
Mohamed Rafe bin Mohamed Haneef	-	283,965 (a)	(55,328) (b)	228,637

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

	Number of shares held			
	As at Date of appointment	Acquired/ Granted	Disposed/ Vested	As at 31 December
<u>Related company</u>				
PT Bank CIMB Niaga Tbk				
Direct interest				
Mohamed Rafe bin Mohamed Haneef	-	8,664 (c)	-	8,664

(c) Shares granted under the exercise of Special Interim Dividend-In-Specie and registered under the name of CIMB Securities (Singapore) Pte Ltd-A/C Client Trust

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 39 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank 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 Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") of the ultimate holding company (shown in Note 42 to the Financial Statements).

Directors' Report for the financial year ended 31 December 2016 (Continued)

2016 Business Plan and Strategy

2016 was undoubtedly another challenging year with lower exports, a weakening currency, and an economic slowdown in China. In addition the Bank faced increased competition and margin erosion, plus tighter enforcement and scrutiny of financial institutions by regulators for non-compliance. During the year, it continued to focus on attracting current accounts and saving accounts ("CASA") and term deposits; building digital banking capabilities with enhanced analytics for better customer engagement; expanding high growth segments; enhancing productivity through process re-engineering and automation; and emphasising customer experience as a key differentiator.

The Bank continued to occupy the top spot on Bloomberg's Global Sukuk league table, which it has done for eight of the last ten years, garnering a market share of 13%. This is a significant achievement given the increased competition among regional and global banks in the global Sukuk industry. The Bank was involved in a number of high profile and landmark transactions in 2016, including the Republic of Indonesia's offering (the largest ever USD Sukuk issuance by a sovereign), DanaInfra Nasional Berhad's largest government guaranteed Sukuk issuance, and Tenaga Nasional Berhad's largest USD Sukuk issuance.

The Bank was successful in enhancing its value proposition and fostering long-term relationships with its corporate clients, evidenced by a healthy 14.1% year-on-year growth of its corporate financing portfolio to RM14.8 billion. The Bank hopes this trend will sustain in 2017.

Various process simplifications and documentation enhancements were carried out by commercial banking to improve operational process and customer experience. Throughout the year, several events in five regions in Malaysia were held to proactively engage top customers with industry and product updates. The customer engagements resulted in the share of Islamic financing assets in commercial banking growing to 32%.

On the consumer banking front, the Bank continued to focus on adding value to customers through an expanded range of Islamic finance solutions. The Bank's Takaful Suria offering, Malaysia's first universal takaful hajj product, exceeded its 2016 target by 93%. The Bank continued to focus on delivering compelling products and solutions for the diverse Malay market segment, resulting in Malay depositors increasing the amount of Islamic current and savings accounts by 21%.

Directors' Report
for the financial year ended 31 December 2016 (Continued)

Outlook for 2017

CIMB Islamic is cautious on the business outlook for 2017 given the continued challenging and uncertain operating environment. The financing book is expected to grow in line with 2016 despite the slower consumer spending amid volatile currencies, commodity and oil prices. Ringgit Sukuk issuances are projected to increase in 2017.

Rating by External Rating Agencies

Details of the ratings of the Bank and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad (MARC)	November 2016	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM2.0 bil Tier 2 Junior Sukuk Programme 4. RM5.0 bil Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA MARC-1 $AA+_{IS}$ $AA+_{IS}$	Stable
RAM Rating Services Berhad (RAM)	December 2016	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service (Moody's)	October 2016	1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating	A3 P-2 A3 P-2	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 the 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 Bank's operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under the Bank.

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 Bank and its subsidiaries that it has management control. 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 its business shall be made based on the decisions, views and opinions of the Board Shariah Committee. If the Board disagrees with any decisions, views, and opinions of the Board Shariah Committee on any Shariah matter, the former shall refer back the matter to the latter for a second or third review before final decision is made. All and any final decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the Board Shariah Committee. All decisions of the Board and the Board Shariah Committee on Shariah matters shall at all times be subordinated to the decision of the Shariah Advisory Council of the relevant Malaysian financial regulators and shall take into consideration the relevant authority on Shariah matters in the relevant jurisdiction it is doing business.

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

The members of the Board Shariah Committee are as follows:

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

Board Shariah Committee (Continued)

The Board hereby affirms based on advice of the Board Shariah Committee that the operation of the Bank and its subsidiaries that it has management control has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

Zakat obligations

In line with Shariah Policy on zakat, approved by the Board Shariah Committee, the Bank pays business zakat on its shareholders fund. The obligation and responsibility for specific payment of zakat on depositors fund lies with its 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 Bank is reflective of this.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 46 to the Financial Statements.

Directors' Report
for the financial year ended 31 December 2016 (Continued)

Statement of Directors' Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2016 and of the results and cash flows of the Group and the Bank for the financial year ended on that date.

The Financial Statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 13 of the Financial Statements.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2016 (Continued)

Statement of Directors' Responsibility (Continued)

Auditors

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

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

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Director

Mohamed Rafe bin Mohamed Haneef
Director

Kuala Lumpur
6 March 2017

Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

We, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Mohamed Rafe bin Mohamed Haneef, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 22 to 226 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2016 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

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

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Director

Mohamed Rafe bin Mohamed Haneef
Director

Kuala Lumpur
6 March 2017

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

I, Shahnaz Farouque bin Jammal Ahmad, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 22 to 226 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 above named Shahnaz Farouque bin Jammal Ahmad at Kuala Lumpur before me, on 6 March 2017.

Commissioner for Oaths

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

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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 the Bank, are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's business 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 Bank 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 Bank has 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 Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank's 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 the Bank 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 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 Bank's assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and that the day to day conduct of its operations does not contradict Shariah principles.

Board Shariah Committee's Report (Continued)

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 Bank.

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 Division. Thirdly, the system is also augmented by a Shariah risk management framework covering the first; second and; third line of defenses. Lastly, there is also a strong team of internal auditors who conduct periodic Shariah audits of all the Bank's operations on a scheduled and periodic basis.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank 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 Bank 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 except for the following incidents of Shariah non-compliance event within the Bank:

- The creation of fixed deposit for Islamic financing account involving Takaful claim proceed.

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 Bank's employee on Shariah application in the financial activities undertaken by the Bank 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 Bank during the financial year ended 31 December 2016 that were presented to us were done in compliance with Shariah;

2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and

3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

Board Shariah Committee's Report (Continued)

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 Bank. 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 Bank for the financial year ended 31 December 2016 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee.

Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil
Chairman

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Kuala Lumpur
6 March 2017

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
(Company No. 671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, 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 Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 22 to 226.

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 Bank 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank 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 Bank, 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 Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

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 Bank 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 Bank, 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 Bank'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 Bank'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 Bank 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 Bank 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 Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/17 (J))
Chartered Accountant

Kuala Lumpur
6 March 2017

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2016

	Note	The Group 31 December 2016 RM'000	The Group 31 December 2015 RM'000	The Bank 31 December 2016 RM'000	The Bank 31 December 2015 RM'000
Assets					
Cash and short-term funds	2	**8,315,442**	5,644,137	**8,315,396**	5,644,092
Deposits and placements with banks and other financial institutions	3	**90,398**	141,226	**90,398**	141,226
Financial assets held for trading	4	**2,730,665**	2,691,938	**2,730,665**	2,691,938
Financial investments available-for-sale	5	**1,625,071**	1,926,048	**1,625,071**	1,926,048
Financial investments held-to-maturity	6	**3,330,600**	1,664,531	**3,330,600**	1,664,531
Islamic derivative financial instruments	23(a)	**870,650**	476,278	**870,650**	476,278
Financing, advances and other financing/loans	7	**47,172,873**	40,325,440	**47,172,873**	40,325,440
Other assets	8	**883,378**	169,780	**883,378**	169,780
Deferred taxation	9	**15,427**	30,454	**15,427**	30,454
Amount due from related companies	12	**906**	635	**906**	635
Statutory deposits with Bank Negara Malaysia	13	**1,384,859**	1,257,178	**1,384,859**	1,257,178
Investment in subsidiaries	14	**-**	-	**11**	11
Property, plant and equipment	15	**9,581**	12,595	**9,581**	12,595
Intangible assets	16	**81,041**	82,941	**81,041**	82,941
Goodwill	17	**136,000**	136,000	**136,000**	136,000
Total assets		**66,646,891**	54,559,181	**66,646,856**	54,559,147
Liabilities					
Deposits from customers	18	**52,762,288**	44,247,880	**52,833,806**	44,247,880
Investment accounts of customers	19	**254,408**	232,716	**254,408**	232,716
Deposits and placements of banks and other financial institutions	20	**1,232,801**	959,555	**1,232,801**	959,555
Investment accounts due to designated financial institutions	21	**3,912,011**	2,900,982	**3,912,011**	2,900,982
Financial liabilities designated at fair value	22	**2,181**	199,063	**2,181**	199,063
Islamic derivative financial instruments	23(a)	**979,011**	586,061	**979,011**	586,061
Amount due to holding company	10	**495,087**	11,043	**495,087**	11,043
Amount due to subsidiaries	11	**-**	-	**-**	1
Amount due to related companies	12	**1,089**	2,616	**1,089**	2,616
Other liabilities	24	**253,015**	414,448	**767,985**	414,448
Provision for tax		**47,384**	39,348	**47,384**	39,348
Recourse obligation on loans and financing sold to Cagamas	25	**1,353,390**	502,368	**1,353,390**	502,368
Sukuk	26	**586,488**	-	**-**	-
Subordinated Sukuk	27	**617,563**	856,983	**617,563**	856,983
Total liabilities		**62,496,716**	50,953,063	**62,496,716**	50,953,064
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	28	**220,000**	220,000	**220,000**	220,000
Ordinary share capital	29	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	30	**2,930,175**	2,386,118	**2,930,140**	2,386,083
Total equity		**4,150,175**	3,606,118	**4,150,140**	3,606,083
Total equity and liabilities		**66,646,891**	54,559,181	**66,646,856**	54,559,147
Commitments and contingencies	23(b)	**53,080,505**	29,305,914	**53,080,505**	29,305,914
Net assets per ordinary share attributable to owners of the Parent (RM)		**3.93**	3.39	**3.93**	3.39

CIMB Islamic Bank Berhad
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Statements of Income
for the financial year ended 31 December 2016

		The Group		The Bank	
		2016	2015	**2016**	2015
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	31	**2,348,382**	2,136,674	**2,348,382**	2,136,674
Income derived from investment of investment account	32	**188,684**	143,064	**188,684**	143,064
Income derived from investment of shareholder's funds	33	**358,433**	348,305	**359,463**	348,305
Allowances for losses on financing, advances and other financing/loans	34	**(9,534)**	(94,445)	**(9,534)**	(94,445)
Allowances for impairment losses on other receivables		**(198)**	(56)	**(198)**	(56)
Allowances for impairment on investment in subsidiaries		**-**	-	**-**	(9)
Total distributable income		**2,885,767**	2,533,542	**2,886,797**	2,533,533
Income attributable to depositors	35	**(1,544,874)**	(1,354,473)	**(1,545,904)**	(1,354,473)
Profit distributed to investment account holder	36	**(133,058)**	(127,945)	**(133,058)**	(127,945)
Total net income		**1,207,835**	1,051,124	**1,207,835**	1,051,115
Personnel costs	37	**(34,108)**	(72,161)	**(34,108)**	(72,161)
Other overheads and expenditures	38	**(449,342)**	(437,490)	**(449,342)**	(437,490)
Profit before taxation and zakat		**724,385**	541,473	**724,385**	541,464
Taxation and zakat	40	**(181,184)**	(137,448)	**(181,184)**	(137,448)
Profit after taxation and zakat		**543,201**	404,025	**543,201**	404,016
Earnings per share (sen)					
- basic	41	**54.32**	40.40	**54.32**	40.40

Statements of Comprehensive Income
for the financial year ended 31 December 2016

	The Group		The Bank	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**543,201**	404,025	**543,201**	404,016
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale				
- Net gain/(loss) from change in fair value	**5,562**	(10,015)	**5,562**	(10,015)
- Realised gain transferred to statement of income on disposal	**(4,479)**	(1,853)	**(4,479)**	(1,853)
- Income tax effects	**(260)**	2,618	**(260)**	2,618
Total other comprehensive income/(expense)	**823**	(9,250)	**823**	(9,250)
Total comprehensive income for the financial year	**544,024**	394,775	**544,024**	394,766

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Statements of Changes in Equity
for the financial year ended 31 December 2016

The Group

	← Attributable to owners of the Parent								→		
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2016	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,980	3,386,118	220,000	3,606,118
Net profit for the financial year	-	-	-	-	-	-	-	543,201	543,201	-	543,201
Financial investments available-for-sale	-	-	823	-	-	-	-	-	823	-	823
Total comprehensive income for the financial year	-	-	823	-	-	-	-	543,201	544,024	-	544,024
Share-based payment expense	-	-	-	-	-	-	858	-	858	-	858
Transfer to statutory reserve	-	135,800	-	-	-	-	-	(135,800)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	140,387	-	(140,387)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(825)	-	(825)	-	(825)
As at 31 December 2016	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175

CIMB Islamic Bank Berhad
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Statements of Changes in Equity
for the financial year ended 31 December 2016 (Continued)

The Group

	←	Attributable to owners of the Parent							→		
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2015	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,916	2,991,470	220,000	3,211,470
Net profit for the financial year	-	-	-	-	-	-	-	404,025	404,025	-	404,025
Financial investments available-for-sale	-	-	(9,250)	-	-	-	-	-	(9,250)	-	(9,250)
Total comprehensive (expense)/income for the financial year	-	-	(9,250)	-	-	-	-	404,025	394,775	-	394,775
Share-based payment expense	-	-	-	-	-	-	592	-	592	-	592
Transfer to statutory reserve	-	101,004	-	-	-	-	-	(101,004)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	60,957	-	(60,957)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(719)	-	(719)	-	(719)
As at 31 December 2015	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,980	3,386,118	220,000	3,606,118

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Statements of Changes in Equity for the financial year ended 31 December 2016 (Continued)

The Bank

	←	Non-distributable				→	Distributable			
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2016	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,945	3,386,083	220,000	3,606,083
Net profit for the financial year	-	-	-	-	-	-	-	543,201	543,201	-	543,201
Financial investments available-for-sale	-	-	823	-	-	-	-	-	823	-	823
Total comprehensive income for the financial year	-	-	823	-	-	-	-	543,201	544,024	-	544,024
Share-based payment expense	-	-	-	-	-	-	858	-	858	-	858
Transfer to statutory reserve	-	135,800	-	-	-	-	-	(135,800)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	140,387	-	(140,387)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(825)	-	(825)	-	(825)
As at 31 December 2016	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	3,930,140	220,000	4,150,140

CIMB Islamic Bank Berhad
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Statements of Changes in Equity for the financial year ended 31 December 2016 (Continued)

The Bank

	← Non-distributable						→	Distributable			
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2015	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,890	2,991,444	220,000	3,211,444
Net profit for the financial year	-	-	-	-	-	-	-	404,016	404,016	-	404,016
Financial investments available-for-sale	-	-	(9,250)	-	-	-	-	-	(9,250)	-	(9,250)
Total comprehensive (expense)/income for the financial year	-	-	(9,250)	-	-	-	-	404,016	394,766	-	394,766
Share-based payment expense	-	-	-	-	-	-	592	-	592	-	592
Transfer to statutory reserve	-	101,004	-	-	-	-	-	(101,004)	-	-	-
Transfer from regulatory reserve	-	-	-	-	-	60,957	-	(60,957)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(719)	-	(719)	-	(719)
As at 31 December 2015	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,945	3,386,083	220,000	3,606,083

CIMB Islamic Bank Berhad
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Statements of Cash Flows
for the financial year ended 31 December 2016

	The Group		The Bank	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**724,385**	541,473	**724,385**	541,464
Adjustments for:				
Depreciation of property, plant and equipment	**4,127**	3,829	**4,127**	3,829
Amortisation of intangible assets	**10,914**	10,272	**10,914**	10,272
Profit income from financial investments available-for-sale	**(66,803)**	(95,719)	**(66,803)**	(95,719)
Profit income from financial investments held-to-maturity	**(106,018)**	(46,330)	**(106,018)**	(46,330)
Profit expense on subordinated Sukuk	**34,175**	41,178	**34,175**	41,178
Gain from disposal of financial investments available-for-sale	**(4,479)**	(1,853)	**(4,479)**	(1,853)
Loss on disposal of property, plant and equipment	**119**	480	**119**	480
Intangible asset written off	**49**	-	**49**	-
Net loss from hedging derivatives	**2,054**	2,641	**2,054**	2,641
Unrealised loss on foreign exchange	**41,267**	79,622	**41,267**	79,622
Unrealised loss/(gain) from revaluation of financial assets held for trading	**1,256**	(4,517)	**1,256**	(4,517)
Unrealised loss arising from financial liabilities designated at fair value	**8,520**	6	**8,520**	6
Unrealised loss from revaluation of Islamic derivative financial instruments	**(2,747)**	2,964	**(2,747)**	2,964
Accretion of discount less amortisation of premium	**(59,561)**	(97,092)	**(59,561)**	(97,092)
Allowances for losses on financing, advances and other financing/loans	**56,575**	132,640	**56,575**	132,640
Allowances for impairment losses on other receivables	**198**	56	**198**	56
Allowance for impairment on investment in subsidiaries	**-**	-	**-**	9
Share-based payment expense	**858**	592	**858**	592
	644,889	570,242	**644,889**	570,242
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(6,903,519)**	(4,105,282)	**(6,903,519)**	(4,105,282)
Other assets	**(714,622)**	(69,193)	**(714,622)**	(69,193)
Statutory deposits with Bank Negara Malaysia	**(127,681)**	40,476	**(127,681)**	40,476
Deposits and placements with banks and other financial institutions	**50,828**	77,708	**50,828**	77,708
Financial assets held for trading	**21,160**	944,687	**21,160**	944,687
Amount due from holding company	**-**	106,783	**-**	106,783
Amount due from related company	**(271)**	27	**(271)**	27
Increase/(Decrease) in operating liabilities				
Deposits from customers	**8,514,408**	2,919,836	**8,585,926**	2,919,836
Investment accounts of customers	**21,692**	232,716	**21,692**	232,716
Deposits and placements from banks and other financial institutions	**273,246**	(2,685,158)	**273,246**	(2,685,158)
Investment accounts due to designated financial institutions	**1,011,029**	2,900,982	**1,011,029**	2,900,982
Financial liabilities designated at fair value	**(205,402)**	49,222	**(205,402)**	49,222
Islamic derivative financial instruments	**1,559**	(14,523)	**1,559**	(14,523)
Amount due to holding company	**484,044**	11,043	**484,044**	11,043
Amount due to subsidiaries	**-**	-	**(1)**	1
Amount due to related companies	**(1,527)**	(13,922)	**(1,527)**	(13,922)
Other liabilities	**(202,696)**	37,445	**312,274**	37,446
	2,867,137	1,003,089	**3,453,624**	1,003,091
Taxation and zakat paid	**(158,382)**	(134,014)	**(158,382)**	(134,014)
Net cash flows generated from operating activities	**2,708,755**	869,075	**3,295,242**	869,077

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Statements of Cash Flows for the financial year ended 31 December 2016 (Continued)

	Note	The Group		The Bank	
		2016	2015	**2016**	2015
		RM'000	RM'000	**RM'000**	RM'000
Cash flows from investing activities					
Net purchase of financial investments held-to-maturity		**(1,596,687)**	(541,860)	**(1,596,687)**	(541,860)
Net proceeds/(purchase) from purchase of financial investments available-for-sale		**276,862**	(401,545)	**276,862**	(401,545)
Profit income received from financial investments available-for-sale		**95,883**	95,883	**95,883**	95,883
Profit income received from financial investments held-to-maturity		**35,472**	35,690	**35,472**	35,690
Purchase of property, plant and equipment		**(1,539)**	(6,854)	**(1,539)**	(6,854)
Purchase of intangible assets		**(8,757)**	(2,044)	**(8,757)**	(2,044)
Net cash flows used in from investing activities		**(1,198,766)**	(820,730)	**(1,198,766)**	(820,730)
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(36,194)**	(41,235)	**(36,194)**	(41,235)
Proceeds from issuance of subordinated Sukuk		**10,000**	-	**10,000**	-
Redemption of subordinated Sukuk		**(250,000)**	-	**(250,000)**	-
Proceeds from issuance of Sukuk net of redemption		**586,488**	-	**-**	-
Proceeds from recourse obligation on loans and financing sold to Cagamas		**851,022**	502,368	**851,022**	502,368
Net cash flows generated from financing activities		**1,161,316**	461,133	**574,828**	461,133
Net increase in cash and cash equivalents		**2,671,305**	509,478	**2,671,304**	509,480
Cash and cash equivalents at beginning of the financial year		**5,644,137**	5,134,659	**5,644,092**	5,134,612
Cash and cash equivalents at end of the financial year	2	**8,315,442**	5,644,137	**8,315,396**	5,644,092

Summary of Significant Accounting Policies for the financial year ended 31 December 2016

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

A Basis of preparation

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

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

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 Bank'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 49.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

- Amendments to MFRS 11 "Joint arrangements" - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 "Presentation of financial statements" - Disclosure initiative
- Amendments to MFRS 127 "Equity method in separate financial statements"
- Amendments to MFRS 10, 12 and 128 "Investment entities – Applying the consolidation exception"
- Annual Improvements to MFRSs 2012 – 2014 Cycle
  - MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
  - MFRS 7 "Financial Instruments: Disclosure – Servicing contracts"
  - MFRS 7 "Financial Instruments: Disclosure – Applicability of the amendments to MFRS 7 to condensed interim financial statements"
  - MFRS 119 "Employee Benefits"
  - MFRS 134 "Interim Financial Reporting"

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

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

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

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

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

  The amendments shall be applied retrospectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

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

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

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with 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 that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

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

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

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

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

A Basis of preparation (Continued)

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

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

B Economic entities in the Group

(a) Subsidiaries

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

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

B Economic entities in the Group

(a) Subsidiaries (Continued)

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 common control shareholder 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 K. 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 acquire is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

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

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

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. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

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

(c) Disposal of subsidiaries

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

B Economic entities in the Group (Continued)

(d) Interests in subsidiaries

In the Bank's separate Financial Statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, 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 Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in the subsidiaries.

C Recognition of profit income and profit expense

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

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit 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 profit rate, the Bank 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 profit rate, but not future credit losses.

Profit on impaired financial assets is recognised using the rate of profit 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

C Recognition of profit income and profit expense (Continued)

Financing, advances and other financing/loans

(i) 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.

(ii) 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

C Recognition of profit income and profit expense (Continued)

Financing, advances and other financing/loans (Continued)

Ujrah

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

Rahnu

Rahnu is a contract between a pledgor (rahin) and a pledeee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

Deposits from customers

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

C Recognition of profit income and profit expense (Continued)

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.

Financing, advances and other financing/loans and Deposits from customers

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. Meanwhile, 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. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, 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 income from financing/profit expense from deposits shall be generated/paid from the transactions.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

C Recognition of profit income and profit expense (Continued)

Deposits from customers and Placements from investment accounts

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), 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 on 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.

D Recognition of fees and other income

(a) Income from financing and receivables based on mutual accounting policy on Shariah contracts according to the nature of the transactions

Financing arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled. Commitment fees for financing, advances and other financing/loans that are likely to be disbursed are deferred (together with direct cost) and income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit on the financial instrument.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

D Recognition of fees and other income (Continued)

(b) Fee and other income recognition

Guarantee fees, portfolio management fees and income from asset management and securities services 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.

Islamic derivative financial instruments are developed using Bai' sarf contract which is a buying and selling of foreign currencies and wa'ad which is a promise for delivery or fulfillment at a future date. The derivatives products may also be structured with other contracts such as Bai' al-'inah and Commodity Murabahah. The other income recognised comprises of mark-to-market changes on derivatives and realised gains or losses recognised upon early termination of the derivatives.

E Financial assets

(a) Classification

The Group and the Bank allocate its financial assets into the following categories: financial assets at fair value through profit or loss, financing 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 Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

E Financial assets (Continued)

(a) Classification (Continued)

(ii) Financing and receivables

Financing 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.

Financing and receivables consist of Ijarah, Murabahah, Bai' Bithaman Ajil, Bai' al- Dayn, Bai'-al'Inah, Tawarruq and Qard contracts. These contracts are initially recognised at fair value, including direct and incremental transactions costs, and subsequently measured at amortised cost using the effective profit method. These contracts are stated net of unearned income and any amounts written off and/or impaired.

(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 Bank's management have the positive intent and ability to hold to maturity. If the Group and the Bank sell 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 profit rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, financing and receivables and financial investments held-to-maturity.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

E Financial assets (Continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group and the Bank 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 de-recognised or impaired at which time the cumulative gains or loss previously recognised in equity are recognised 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 profit method. Gains or losses arising from the derecognition or impairment of the securities are recognised in the statement of income.

Profit 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 profit 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.

Financing and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the financing including the transaction costs, and measured subsequently at amortised cost using the effective profit rate method. Profit on financing 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 financing and recognised in the statement of income.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

E Financial assets (Continued)

(d) Reclassification of financial assets

The Group and the Bank 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. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of financing and receivables out of the held for trading or available-for-sale categories if the Group and the Bank 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 profit 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 profit rates.

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 profit 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 profit 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 Note 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 Note E(c).

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

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 Bank accounting policy on derivatives is detailed in Note N.

The financial liabilities measured at fair value through profit or 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 Bank 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 and the Bank under this criterion. The profit 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

F Financial liabilities (Continued)

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

The Group and the Bank may designate financial instruments at fair value when the designation (continued):

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at 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, investment accounts due to designated financial institutions, subordinated Sukuk, Sukuk, sundry creditors, amount due to related companies, amount due to holding company, amount due to subsidiaries and recourse obligation on loans and financing sold to Cagamas.

Deposit from customers consists of Wadiah, Murabahah, Mudharabah, Commodity Murabahah, Wakalah, Hybrid (Bai’ Bithamin Ajil and Bai’ al-Dayn) and Qard contracts.

Investment accounts of customers and investment accounts due to designated financial institutions consist of Mudharabah Contracts.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

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 Bank 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 Bank under standard repurchase agreements transactions is not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition 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 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 the Group and the Bank use to determine whether there is objective evidence of impairment loss include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in outstanding 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

The Group and the Bank 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 Bank 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 profit 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 financing or financial investments held-to-maturity has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financing 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 Bank to reduce any differences between loss estimates and actual loss experience.

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

I Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

For debt securities, the Group and the Bank 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 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 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

J Property, plant and equipment (Continued)

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 Bank 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:

Renovations	5 – 10 years or over the period of the tenancy, whichever is shorter
Office equipment, furniture and fittings	
- Office equipment	3 – 10 years
- Furniture and fittings	5 – 10 years
Plant and machinery	5 years
Computer equipment and hardware	
- Servers and hardware	3 – 5 years
- ATM machine	5 – 10 years
Computer equipment and software under lease	3 – 5 years or over the lease period, whichever is shorter
Motor vehicles	5 years

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

J Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in other operating income.

K 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 computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Computer software are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives as follows:

Computer software	3 – 15 years

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

L 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 and the Bank 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 leases and the related rentals are charged to the statement of income.

(b) Operating lease

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 statement 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 compensation (ta'widh) is recognised as an expense in the period in which termination takes place.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

M 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.

N 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 values. 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 Bank recognise the fair value of derivatives in the statement of income immediately.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

N Derivative financial instruments and hedge accounting (Continued)

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 Bank 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 Bank 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 and the Bank also document their 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 profit 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

N Derivative financial instruments and hedge accounting (Continued)

(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.

O 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 Financial Statements are presented in Ringgit Malaysia, which is the Group's and the Bank'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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

O Currency translations (Continued)

(b) Foreign currency transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as 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 available-for-sale are included in the revaluation reserves - financial investments available-for-sale in equity.

P 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 Malaysia 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 nor 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 unused tax losses can be utilised.

Deferred 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 Accounting Policies for the financial year ended 31 December 2016 (Continued)

P Income and deferred taxes (Continued)

Deferred tax related to fair value re-measurement of available-for-sale securities, which are 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 the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and 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.

Q 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 cumulative redeemable preference shares are recognised as a liability and expressed on an accrual basis. Dividends on ordinary shares are recognised as a liability when the shareholder's right to receive the dividend is established.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

R Employee benefits

(a) Short-term employee benefits

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

Wages, salaries, paid annual 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 Bank.

(b) Post employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank 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 employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to a defined contribution plan are charged to the statement of income. Once the contributions have been paid, the Group and the Bank 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.

(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 services by the employees concerned using an accounting methodology 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

R Employee benefits (Continued)

(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 Bank recognise termination benefits at the earlier of the following dates: (a) when the Group and the Bank 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 and the Bank recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group and the Bank’s shareholder after certain adjustments. The Group and the Bank recognise 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”)

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB Group 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 Accounting Policies for the financial year ended 31 December 2016 (Continued)

S 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 purpose 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 statement of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

T Provisions

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

(i) the Group and the Bank 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 a profit expense.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

U 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 customer fails to make payments when due, in accordance with the terms of an instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure financing 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 Bank'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 judgment 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.

V Cash and cash equivalents

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

W 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2016 (Continued)

X 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 and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank'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 and the Bank; 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.

Y Investment Accounts

This category comprises restricted and unrestricted investment accounts. The placements from investment accounts that are used to fund specific financing are called Restricted Profit Sharing Investment Accounts ("RPSIA"). The RPSIA and unrestricted investment accounts are 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 will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by depositors.

Notes to the Financial Statements for the financial year ended 31 December 2016

1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. The principal activities of the significant subsidiaries as set out in Note 14 in the Financial Statements are providing Islamic nominee and custody services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act, 2013 done in accordance with Shariah.

The immediate holding company of the Bank is CIMB Bank Berhad, a licensed bank incorporated in Malaysia and the Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013, incorporated and domiciled in Malaysia.

The address of the Bank's registered office is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The address of the Bank's principal place of business is at Menara Bumiputra-Commerce, 11, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

2 Cash and short-term funds

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Cash and balances with banks and other financial institutions	**662,603**	822,014	**662,557**	821,969
Money at call and deposit placements maturing within one month	**7,652,839**	4,822,123	**7,652,839**	4,822,123
	8,315,442	5,644,137	**8,315,396**	5,644,092

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Licensed banks	**90,398**	99,002
Other financial institutions	**-**	42,224
	90,398	141,226

4 Financial assets held for trading

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	**120,987**	14,861
Bank Negara monetary notes	**-**	19,918
Islamic negotiable instruments of deposits	**2,425,600**	2,230,491
Government Investment Issues	**55,459**	123,405
	2,602,046	2,388,675
Unquoted securities:		
In Malaysia		
Corporate sukuk	**40,778**	218,039
Outside Malaysia		
Corporate sukuk	**87,841**	85,224
	2,730,665	2,691,938

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

5 Financial investments available-for-sale

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**111,863**	229,054
Islamic Cagamas bonds	**40,772**	23,671
Malaysian Government Sukuk	**29,622**	44,168
Khazanah bonds	**-**	20,189
	182,257	317,082
Unquoted securities:		
In Malaysia		
Corporate sukuk	**1,368,768**	1,526,399
Placement with Islamic Banking and Finance Institute Malaysia	**575**	575
	1,369,343	1,526,974
Outside Malaysia		
Corporate sukuk	**73,471**	81,992
	1,625,071	1,926,048

6 Financial investments held-to-maturity

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**811,683**	433,885
Islamic Cagamas bonds	**30,945**	30,724
Khazanah bonds	**12,662**	12,662
	855,290	477,271
Unquoted securities:		
In Malaysia		
Corporate sukuk	**2,472,854**	1,186,380
Accretion of discount net of amortisation of premium	**2,456**	880
	3,330,600	1,664,531

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

6 Financial investments held-to-maturity (Continued)

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

At the date of reclassification, the fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale are RM263,531,000 (2015: RM470,280,000) and RM266,431,000 (2015: RM491,220,000) and RM2,900,000 (2015: RM20,939,000) respectively.

As at 31 December 2016, the fair value and carrying amount of the financial investments that have been reclassified in the current and previous financial year are RM743,790,000 (2015: RM470,729,000) and RM736,176,000 (2015: RM470,611,000) respectively.

As at 31 December 2016, the fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM9,979,000 (2015: RM449,000).

As at 31 December 2016, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM20,470,300 (2015: RM20,469,600).

7 Financing, advances and other financing/loans

At amortised cost:
31 December 2016

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma Al-Bai'	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	30,336	11,772	-	639,697	-	-	4,283	-	686,088
Term financing										
House Financing	-	6,938,888	-	-	3,707,156	1,478,984	-	-	-	12,125,028
Syndicated Financing	-	-	260,465	-	1,978,421	110,216	-	-	-	2,349,102
Hire purchase receivables	-	-	-	-	-	-	4,004,807	-	-	4,004,807
Other term financing	-	1,971,036	10,090,242	-	11,785,762	57,511	-	-	-	23,904,551
Bills receivable	-	-	-	57,210	-	-	-	-	-	57,210
Islamic trust receipts	32,666	-	-	-	-	-	-	-	-	32,666
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	427,776
Staff financing	-	-	-	-	15,203	-	-	-	-	15,203
Credit card receivables	-	-	-	-	-	-	-	-	121,558	121,558
Revolving credits	-	-	-	-	3,626,798	-	-	-	-	3,626,798
Share purchase financing	2,028	-	-	-	-	-	-	-	-	2,028
Gross financing, advances and other financing/loans	403,958	8,940,260	10,362,479	115,722	21,753,037	1,646,711	4,004,807	4,283	121,558	47,352,815
Fair value changes arising from fair value hedge										110,982
										47,463,797
Less: Allowance for impairment losses										
- Individual impairment allowance										(48,062)
- Portfolio impairment allowance										(242,862)
										(290,924)
Total net financing, advances and other financing/loans										47,172,873

^ Includes current account in excess

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(i) By types and Shariah contracts (Continued):

At amortised cost:
31 December 2015

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others		
	Murabahah	**Bai' Bithaman Ajil**	**Bai' al-'inah**	**Bai' al-Dayn**	**Tawarruq**	**Ijarah Muntahiah Bi al-Tamlik**	**Al-Ijarah Thumma Al-Bai'**	**Qard**	**Rahnu**	**Ujrah**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash line^	-	50,240	59,000	-	475,690	-	-	17,114	-	-	602,044
Term financing											
House Financing	-	7,570,992	-	-	2,063,935	1,385,143	-	-	-	-	11,020,070
Syndicated Financing	-	-	343,017	-	1,741,508	160,701	-	-	-	-	2,245,226
Hire purchase receivables	-	-	-	-	-	-	4,306,661	-	-	-	4,306,661
Other term financing	-	2,347,004	10,861,042	-	6,371,504	58,232	-	-	-	-	19,637,782
Bills receivable	-	-	-	3,373	-	-	-	153	-	-	3,526
Islamic trust receipts	26,106	-	-	-	-	-	-	-	-	-	26,106
Claims on customers under acceptance credits	391,283	-	-	53,755	-	-	-	-	-	-	445,038
Credit card receivables	-	-	-	-	-	-	-	-	-	115,218	115,218
Revolving credits	-	-	50,179	-	2,118,816	-	-	-	-	-	2,168,995
Share purchase financing	4,100	-	-	-	-	-	-	-	-	-	4,100
Ar Rahnu	-	-	-	-	-	-	-	-	405	-	405
Gross financing, advances and other financing/loans	421,489	9,968,236	11,313,238	57,128	12,771,453	1,604,076	4,306,661	17,267	405	115,218	40,575,171
Fair value changes arising from fair value hedges											110,491
											40,685,662
Less: Allowance for impairment losses											
- Individual impairment allowance											(46,168)
- Portfolio impairment allowance											(314,054)
											(360,222)
Total net financing, advances and other financing/loans											40,325,440

^ Includes current account in excess

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(i) By type and Shariah contracts (Continued):

(a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM3,575 million (2015: RM3,575 million) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank Berhad and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 31 December 2016, the gross exposures to RPSIA financing is RM3,236 million (2015: RM2,733 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM5.4 million (2015: RM5.4 million) is recognised in the Financial Statements of CIMB Bank Berhad. There was no individual impairment provided on this RPSIA financing.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(i) By type and Shariah contracts (Continued):

(c) Movement of Qard financing

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
As at 1 January	**17,267**	10,277
New disbursement	**1,740**	13,522
Repayment	**(14,724)**	(6,532)
As at 31 December	**4,283**	17,267
Sources of Qard fund:		
Depositors' fund	**4,027**	16,122
Shareholders' fund	**256**	1,145
	4,283	17,267
Uses of Qard fund:		
Personal use	**664**	337
Business purpose	**3,619**	16,930
	4,283	17,267

(ii) By geographical distribution:

	The Group and the Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Malaysia	**47,352,815**	40,575,171

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(iii) By type of customer:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Domestic banking institutions	**28,897**	-
Domestic non-bank financial institutions	**1,583,695**	1,657,505
Domestic business enterprises		
- Small medium enterprises	**6,666,599**	6,233,846
- Others	**5,553,813**	4,120,572
Government and statutory bodies	**7,279,784**	6,777,740
Individuals	**26,024,320**	21,533,091
Other domestic entities	**92,658**	85,076
Foreign entities	**123,049**	167,341
	47,352,815	40,575,171

(iv) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- house financing	**118,366**	142,863
- hire purchase receivables	**3,959,825**	4,306,661
- others	**9,975,909**	10,595,140
Variable rate		
- house financing	**12,006,660**	10,877,207
- others	**21,292,055**	14,653,300
	47,352,815	40,575,171

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(v) By economic purpose:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Personal use	**2,502,702**	2,678,136
Credit card	**121,558**	115,218
Construction	**1,341,384**	1,509,395
Residential property	**12,434,227**	11,275,976
Non-residential property	**3,816,548**	3,808,146
Purchase of fixed assets other than land and building	**140,923**	190,870
Purchase of securities	**6,071,444**	2,254,002
Purchase of transport vehicles	**4,511,483**	4,571,338
Working capital	**11,863,283**	9,714,362
Merger and acquisition	**2,262**	593
Other purpose	**4,547,001**	4,457,135
	47,352,815	40,575,171

(vi) By residual contractual maturity:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Within one year	**5,861,918**	3,673,132
One year to less than three years	**5,119,510**	3,662,243
Three years to less than five years	**6,154,384**	6,980,706
Five years and more	**30,217,003**	26,259,090
	47,352,815	40,575,171

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

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

(vii) Impaired financing by economic purpose:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Personal use	**22,088**	27,423
Credit cards	**3,768**	3,463
Construction	**34,221**	40,150
Residential property	**91,091**	93,851
Non-residential property	**67,424**	40,038
Purchase of fixed assets other than land and building	**-**	379
Purchase of securities	**654**	988
Purchase of transport vehicles	**106,758**	106,316
Working capital	**85,428**	74,433
Other purpose	**54,933**	37,343
	466,365	424,384

(viii) Impaired financings by geographical distribution:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Malaysia	**466,365**	424,384

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

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

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
At 1 January	**424,384**	457,861
Classified as impaired during the financial year	**597,298**	534,355
Reclassified as non-impaired during the financial year	**(290,211)**	(305,934)
Amount written back in respect of recoveries	**(139,866)**	(103,317)
Amount written off	**(125,240)**	(158,581)
At 31 December	**466,365**	424,384
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**0.98%**	1.05%

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

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Individual impairment allowance		
At 1 January	**46,168**	39,713
Net allowance made during the financial year	**1,894**	7,436
Amount written off	**-**	(981)
At 31 December	**48,062**	46,168

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

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

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Portfolio impairment allowance		
At 1 January	**314,054**	346,430
Net allowance made during the financial year	**54,681**	125,204
Transfer from intercompany	**(596)**	-
Amount written off	**(125,315)**	(157,580)
Exchange fluctuation	**38**	-
At 31 December	**242,862**	314,054
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**1.20%**	1.20%

8 Other assets

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Deposits and prepayments	**4,105**	4,176
Sundry debtors*	**82,493**	100,929
Collateral pledged for derivative transactions	**575,445**	52,790
Clearing accounts	**221,335**	11,885
	883,378	169,780

* net of allowance for doubtful debts of RM362,000 (2015: RM175,000)

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

8 Other assets (Continued)

(a) Movements in allowance for doubtful debts on sundry debtors are as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
At 1 January	**175**	271
Net allowance made during the financial year	**198**	56
Write off	**(11)**	(152)
At 31 December	**362**	175

9 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 statement of financial position:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Deferred tax assets	**17,348**	30,852
Deferred tax liabilities	**(1,921)**	(398)
	15,427	30,454

Further breakdown are as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Excess of capital allowance over depreciation	**(1,921)**	(398)
Revaluation reserve-Financial investments available-for-sale	**8,114**	8,374
Provision for expenses	**9,234**	22,478
Deferred tax assets	**15,427**	30,454

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

9 Deferred taxation (Continued)

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

	The Group and the Bank				
Deferred tax assets/(liabilities)	Individual impairment allowance/Portfolio impairment allowance RM'000	Excess of capital allowance over depreciation RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Provision for expenses RM'000	Total RM'000
At 1 January 2016	**-**	**(398)**	**8,374**	**22,478**	**30,454**
Charged to statement of income (Note 40)	**-**	**(1,524)**	**-**	**(8,547)**	**(10,071)**
Over/(under) provision in prior years		**1**	**-**	**(4,697)**	**(4,696)**
Transferred from equity			**(260)**	**-**	**(260)**
At 31 December 2016	**-**	**(1,921)**	**8,114**	**9,234**	**15,427**
At 1 January 2015	118	(1,414)	5,756	17,043	21,503
(Charged)/credited to statement of income (Note 40)	(118)	782	-	5,111	5,775
Over provision in prior years	-	234	-	324	558
Transferred to equity	-	-	2,618	-	2,618
At 31 December 2015	-	(398)	8,374	22,478	30,454

10 Amount due to holding company

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Amounts due to :		
- holding company	**495,087**	11,043

The amount due to holding company is unsecured and repayable on demand.

11 Amount due to subsidiaries

	The Group		The Bank	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
	RM'000	RM'000	**RM'000**	RM'000
Amounts due to :				
- subsidiaries	**-**	-	**-**	1

12 Amount due from/(to) related companies

	The Group and the Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Amounts due from :		
- related companies	**906**	635
Amounts due to :		
- related companies	**(1,089)**	(2,616)

The amount due from/(to) related companies are unsecured and repayable on demand.

13 Statutory deposits with Bank Negara Malaysia

	The Group and the Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Statutory deposits with Bank Negara Malaysia	**1,384,859**	1,257,178

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are 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.

14 Investment in subsidiaries

	The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Unquoted shares, at cost	20	20
Less: Allowance for impairment losses	(9)	(9)
	11	11

(a) The subsidiaries of the Bank are as follows:

Name	**Principal activities**	**Percentage of equity held directly by the Bank 31 December 2016 %**	Percentage of equity held directly by the Bank 31 December 2015 %
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
Ziya Capital Berhad	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**	-

All subsidiaries are incorporated in Malaysia and audited by PricewaterhouseCoopers Malaysia.

**The silo of Ziya Capital Berhad is consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers Malaysia.

(b) Consolidation of Ziya Capital Berhad

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

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

15 Property, plant and equipment

		The Group and the Bank			
2016	Note	Renovations, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware hardware RM'000	Total RM'000
Cost					
At 1 January		**2,240**	**2,867**	**17,894**	**23,001**
Additions		**6**	**59**	**1,473**	**1,538**
Reclassified to intangible assets	16	**-**	**-**	**(306)**	**(306)**
Disposals		**-**	**(787)**	**-**	**(787)**
At 31 December		**2,246**	**2,139**	**19,061**	**23,446**
Accumulated depreciation					
At 1 January		**1,693**	**1,657**	**7,056**	**10,406**
Charge for the financial year		**348**	**4**	**3,775**	**4,127**
Disposals		**-**	**(668)**	**-**	**(668)**
At 31 December		**2,041**	**993**	**10,831**	**13,865**
Net book value at 31 December		**205**	**1,146**	**8,230**	**9,581**

		The Group and the Bank			
2015		Renovations, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware hardware RM'000	Total RM'000
Cost					
At 1 January		2,619	3,398	11,325	17,342
Additions		3	209	6,642	6,854
Reclassified to intangible assets	16	-	-	(73)	(73)
Disposals		(382)	(740)	-	(1,122)
At 31 December		2,240	2,867	17,894	23,001
Accumulated depreciation					
At 1 January		1,476	1,542	4,200	7,218
Charge for the financial year		435	538	2,856	3,829
Disposals		(218)	(423)	-	(641)
At 31 December		1,693	1,657	7,056	10,406
Net book value at 31 December		547	1,210	10,838	12,595

The above property, plant and equipment include computer equipment and hardware under construction at cost of the Group and the Bank of RM14,173 (2015: RM11,691,612).

16 Intangible assets

	Note	The Group and the Bank 2016 RM'000	2015 RM'000
Computer software			
Cost			
At 1 January		**123,504**	121,387
Additions		**8,757**	2,044
Written off		**(49)**	-
Reclassified from property, plant and equipment	15	**306**	73
At 31 December		**132,518**	123,504
Accumulated amortisation			
At 1 January		**40,563**	30,291
Amortisation for the financial year		**10,914**	10,272
At 31 December		**51,477**	40,563
Net book value at 31 December		**81,041**	82,941

The remaining amortisation period of the intangible assets are as follows:

Computer Software 1-15 years

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM85,216 (2015: RM5,367,833).

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

17 Goodwill

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Cost		
At 1 January/At 31 December	**136,000**	136,000

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

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2017 financial budgets approved by the Board of Directors, projected for five years based on the average terminal 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 growth rate of 4.2% (2015:4.50%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 7.12% (2015: 6.62%). The discount rate is pre-tax and 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.

Impairment charge

There was no impairment charge for the financial year ended 31 December 2016 and 31 December 2015.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

18 Deposits from customers

(i) By type of deposits

(i) By type of deposits

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
a) Savings deposit	**2,927,769**	2,584,159	**2,927,769**	2,584,159
Wadiah	**2,927,769**	2,584,159	**2,927,769**	2,584,159
b) Demand deposit	**8,966,724**	9,352,520	**8,966,724**	9,352,520
Wadiah	**8,764,805**	8,965,736	**8,764,805**	8,965,736
Qard	**201,919**	386,784	**201,919**	386,784
c) Term deposit	**40,854,091**	32,296,512	**40,925,609**	32,296,512
Commodity Murabahah (via Tawarruq arrangement)*	**40,647,443**	31,296,088	**40,718,961**	31,296,088
Islamic negotiable instruments	**38,031**	742,792	**38,031**	742,792
Mudharabah	**38,031**	344,450	**38,031**	344,450
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**-**	398,342	**-**	398,342
General investment account	**12,260**	77,997	**12,260**	77,997
Mudharabah	**12,260**	77,997	**12,260**	77,997
Specific investment account	**156,357**	169,209	**156,357**	169,209
Mudharabah	**156,357**	169,209	**156,357**	169,209
Other term deposit	**-**	10,426	**-**	10,426
Wadiah	**-**	10,426	**-**	10,426
d) Others	**13,704**	14,689	**13,704**	14,689
Qard	**13,704**	14,689	**13,704**	14,689
	52,762,288	44,247,880	**52,833,806**	44,247,880

*included Qard contract of RM554,168,000 (2015: RM159,118,000)

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

18 Deposits from customers (Continued)

(i) By type of deposits (Continued)

The maturity structure of term deposit is as follows:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Due within six months	**37,827,618**	25,842,307	**37,899,136**	25,842,307
Six months to less than one year	**2,854,039**	5,899,386	**2,854,039**	5,899,386
One year to less than three years	**8,530**	389,910	**8,530**	389,910
Three years to less than five years	**21,776**	885	**21,776**	885
Five years and more	**142,128**	164,024	**142,128**	164,024
	40,854,091	32,296,512	**40,925,609**	32,296,512

(ii) By type of customers

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Government and statutory bodies	**4,019,392**	3,459,263	**4,019,392**	3,459,263
Business enterprises	**18,362,661**	17,357,522	**18,362,661**	17,357,522
Individuals	**13,608,703**	8,414,602	**13,608,703**	8,414,602
Others	**16,771,532**	15,016,493	**16,843,050**	15,016,493
	52,762,288	44,247,880	**52,833,806**	44,247,880

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

19 Investment accounts of customers

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Unrestricted investment accounts		
-without maturity		
Special Mudharabah Investment Account	**254,408**	232,716

i) Movement in the investment accounts of customers

Mudharabah	The Group and the Bank	
Special Mudharabah Investment Account -SMIA	**31 December 2016 RM'000**	**31 December 2015 RM'000**
1 January	**232,716**	-
Funding inflows/outflows		
New placement during the year	**95,665**	262,928
Redemption during the year	**(74,526)**	(30,406)
Income from investment	**11,076**	3,881
Company's share of profit		
Profit distributed to mudarib	**(10,523)**	(3,687)
31 December	**254,408**	232,716
Investment asset:		
House financing	**189,054**	170,496
Other term financing	**65,354**	62,220
Total investment	**254,408**	232,716

19 Investment accounts of customers (Continued)

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

	2016		2015	
	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	0.23	5.00	0.22

20 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Licensed Islamic banks	**-**	85,901
Licensed investment banks	**920**	173,345
Licensed banks	**911,149**	473,446
Bank Negara Malaysia	**-**	159,026
Other financial institutions	**320,732**	67,837
	1,232,801	959,555

The maturity structure of deposits and placement of banks and other financial institutions are as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Due within six months	**1,229,419**	772,251
Six months to one year	**3,382**	187,304
	1,232,801	959,555

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

21 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Restricted investment accounts		
Mudharabah	**3,912,011**	2,900,982

By type of counterparty		
Licensed banks	**3,912,011**	2,900,982

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

Mudharabah	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	**31 December 2016 RM'000**	**31 December 2015 RM'000**
1 January	**2,900,982**	-
Funding inflows/outflows		
New placement during the year	**3,963,997**	4,341,765
Redemption during the year	**(3,085,478)**	(1,497,417)
Income from investment	**177,812**	74,653
Bank's share of profit		
Profit distributed to mudarib	**(1,778)**	(747)
Incentive fee	**(43,524)**	(17,272)
31 December	**3,912,011**	2,900,982

Investment asset:		
Other term financing	**3,197,184**	2,722,855
Marketable securities	**650,881**	125,897
Miscellaneous other assets	**63,946**	52,230
Total investment	**3,912,011**	2,900,982

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

21 Investment accounts due to designated financial institutions (Continued)

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

	2016 Investment account holder			2015 Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts:						
less than 1 year	99.00	3.69	1.22	99.00	3.64	1.15

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM3,912 million (2015: RM2,901 million) for tenures between 1 month to 3 months at indicative profit rates from 3.16% to 3.85% per annum (2015 : 3.41% to 3.99% tenures between 1 month to 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

22 Financial liabilities designated at fair value

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Deposits from customers - structured investments	**2,181**	199,063

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

The carrying amount of financial liabilities designated at fair value of the Group and the Bank as at 31 December 2016 were RM62,000 (2015: RM8,581,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

The Group and the Bank did not issue any new structured investments in 2016.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

23(a) Islamic derivative financial instruments

The following tables summarise the contractual 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 the date of statement of financial position 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 "Islamic Derivative Financial Instruments" Assets and Liabilities respectively.

	The Group and the Bank					
	31 December 2016			31 December 2015		
	Principal amount	Fair values Assets	Fair values Liabilities	Principal amount	Fair values Assets	Fair values Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	6,269,523	372,409	(185,239)	2,312,595	171,455	(97,623)
Currency swaps	12,016,387	124,021	(306,096)	4,750,561	86,890	(143,226)
Currency spot	24,545	19	(34)	6,938	2	(3)
Currency option	2,512	93	(93)	12,206	19	(19)
Cross currency profit rate swaps	4,312,432	252,303	(245,706)	1,510,651	169,734	(165,935)
	22,625,399	748,845	(737,168)	8,592,951	428,100	(406,806)
Profit rate derivatives						
Islamic profit rate swaps	15,467,449	117,223	(107,721)	8,473,524	41,342	(44,108)
Equity related derivatives						
Equity options	447,152	3,713	(3,632)	462,541	6,011	(6,011)
Credit related contracts						
Total return swaps	81,150	869	(869)	104,520	603	(603)
Hedging derivatives						
Islamic profit rate swaps	3,895,703	-	(129,621)	4,144,812	222	(128,533)
Total derivative assets/(liabilities)	42,516,853	870,650	(979,011)	21,778,348	476,278	(586,061)

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

23(a) Islamic derivative financial instruments (Continued)

Fair value hedge

Fair value hedges are used by the Group and the Bank to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market rates and foreign exchange rates. The Group and the Bank use Islamic profit rate swaps and cross-currency profit rate swaps to hedge against profit rate risk of financing and foreign exchange risk of financing, advances and other financing/loans, subordinated Sukuk, Islamic negotiable instruments of deposits issued and Sukuk. For designated and qualifying fair value hedges, the changes in fair value of derivative and 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 profit 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 income is the net gains and losses arising from fair value hedges during the year as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Gain/(loss) on hedging instruments	**234**	(55,010)
(Loss)/gain on the hedged items attributable to the hedged risk	**(2,288)**	52,369

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

23(b) Commitments and contingencies

In the normal course of business, the Group and the Bank 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 Bank, 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/principal amount of the commitments and contingencies constitute the following:

	The Group and the Bank	
	31 December 2016	31 December 2015
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**207,083**	173,278
Transaction-related contingent items	**520,884**	522,411
Short-term self-liquidating trade-related contingencies	**153,685**	148,476
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**6,236,307**	4,069,440
- maturity exceeding one year	**3,388,319**	2,463,321
Miscellaneous commitments and contingencies	**57,374**	150,640
Total credit-related commitments and contingencies	**10,563,652**	7,527,566

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

23(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2016	31 December 2015
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**18,507,205**	6,397,964
- one year to five years	**2,841,450**	929,753
- more than five years	**1,276,744**	1,265,234
	22,625,399	8,592,951
Profit rate related contracts:		
- less than one year	**2,779,351**	710,000
- one year to five years	**15,846,824**	11,558,816
- more than five years	**736,977**	349,520
	19,363,152	12,618,336
Equity related contracts:		
- less than one year	**93,021**	-
- one year to five years	**78,876**	134,139
- more than five years	**275,255**	328,402
	447,152	462,541
Credit related contracts:		
- more than five years	**81,150**	104,520
Total treasury-related commitments and contingencies	**42,516,853**	21,778,348
	53,080,505	29,305,914

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

24 Other liabilities

	The Group		TheBank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Accruals and other payables	**75,505**	168,708	**75,505**	168,708
Clearing accounts	**162,710**	234,571	**162,710**	234,571
Others	**14,800**	11,169	**529,770**	11,169
	253,015	414,448	**767,985**	414,448

Included in Others is funding received by the Bank, via issuance of Sukuk from Ziya Capital Bhd ("Ziya"), an Islamic special purpose vehicle set up to undertake multi securitisation transactions. At the Group level, due to the consolidation of Ziya, the funding is eliminated and reclassified under Sukuk.

25 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 the Bank. Under this agreement, the Bank 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.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

26 Sukuk

	The Group		The Bank	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
	RM'000	RM'000	**RM'000**	RM'000
RM630 million Sukuk	586,488	-	-	-

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

27 Subordinated Sukuk

		The Group and the Bank	
		31 December 2016	31 December 2015
		RM'000	RM'000
Subordinated Sukuk, at cost			
RM600 million (2015: RM850 million)	(a)	**608,106**	860,252
RM10 million	(b)	**10,126**	-
		618,232	860,252
Fair value changes arising from fair value hedges		**(669)**	(3,269)
		617,563	856,983

a) The RM600 million (2015:RM850 million) unsecured subordinated Sukuk ("the Sukuk") is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the 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.

The Bank 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 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.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

27 Subordinated Sukuk (Continued)

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 the 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 the Bank.

The Bank has undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

The RM600 million Sukuk qualify as Tier-2 capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

b) The RM10 million subordinated Sukuk (“the Sukuk”) is part of the Basel III Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM5.0 billion in nominal value outstanding at any one time.

On 21 September 2016, the Bank had issued RM10 million Tier-2 Junior Sukuk at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum. Proceeds from the issuance will be used for the Bank’s working capital, general banking and other corporate purposes which are Shariah compliant.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

28 Perpetual preference shares

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**400,000**	400,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**220,000**	220,000

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of the Bank.

29 Ordinary share capital

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	**1,400,000**	1,400,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	**1,000,000**	1,000,000

30 Reserves

(a) The statutory reserve is maintained in compliance with BNM's guidelines and is not distributable as cash dividend.

(b) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.

(c) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.

(d) Regulatory reserves are maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.

(e) Share-based payment reserve represents the Bank's commitments for Employee Ownership Plan under share-based compensation benefits.

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

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

31 Income derived from investment of depositors' funds and others

	Note	The Group and the Bank 31 December 2016 RM'000	31 December 2015 RM'000
Income derived from investment of:			
- General investment deposits	(i)	**1,633,181**	1,398,800
- Specific investment deposits	(ii)	**11,037**	21,219
- Other deposits	(iii)	**704,164**	716,655
		2,348,382	2,136,674

(i) Income derived from investment of general investment deposits

	The Group and the Bank 31 December 2016 RM'000	31 December 2015 RM'000
Financing, advances and other financing/loans:		
- Profit income	**1,293,229**	1,134,388
- Unwinding income*	**10,332**	6,269
Financial assets held for trading	**14,163**	16,058
Financial investments available-for-sale	**43,609**	59,251
Financial investments held-to-maturity	**69,543**	28,779
Money at call and deposit with financial institutions	**179,869**	129,660
	1,610,745	1,374,405
Accretion of discount less amortisation of premium	**38,653**	59,912
Total finance income and hibah	**1,649,398**	1,434,317
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**7,717**	71
- unrealised	**(810)**	2,839
Net gain from sale of financial investments available-for-sale	**2,954**	1,167
Net loss from foreign exchange transactions	**(28,996)**	(47,912)
	(19,135)	(43,835)
Fee and commission income	**2,918**	8,318
	1,633,181	1,398,800

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

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

31 Income derived from investment of depositors' fund and others (Continued)

(ii) Income derived from investment of specific investment deposits

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Money at call and deposit with financial institutions	**11,037**	21,219

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Financing, advances and other financing/loans:		
- Profit income	**557,236**	582,791
- Unwinding income*	**4,409**	3,201
Financial assets held for trading	**6,099**	8,275
Financial investments available-for-sale	**18,784**	30,342
Financial investments held-to-maturity	**29,554**	14,565
Money at call and deposit with financial institutions	**76,016**	67,105
	692,098	706,279
Accretion of discount less amortisation of premium	**16,938**	30,945
Total finance income and hibah	**709,036**	737,224
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**3,122**	94
- unrealised	**(367)**	1,388
Net gain from sale of financial investments available-for-sale	**1,228**	570
Net loss from foreign exchange transactions	**(10,098)**	(26,732)
	(6,115)	(24,680)
Fees and commission income	**1,243**	4,111
	704,164	716,655

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

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

32 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Financing, advances and other financing/loans:		
- Profit income	**172,125**	135,081
- Unwinding income*	**47**	15
Money at call and deposit with financial institutions	**16,512**	7,968
	188,684	143,064

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

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

33 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Financing, advances and other financing/loans:				
- Profit income	**130,736**	113,629	**130,736**	113,629
- Unwinding income*	**1,036**	650	**1,036**	650
Financial assets held for trading	**1,436**	1,663	**1,436**	1,663
Financial investments available-for-sale	**4,410**	6,127	**4,410**	6,127
Financial investments held-to-maturity	**6,921**	2,986	**6,921**	2,986
Money at call and deposits with financial institutions	**17,800**	13,320	**17,800**	13,320
	162,339	138,375	**162,339**	138,375
Accretion of discount less amortisation of premium	**3,968**	6,233	**3,968**	6,233
Total finance income and hibah	**166,307**	144,608	**166,307**	144,608
Other operating income				
Net gain/(loss) from financial assets held for trading:				
- realised	**791**	9	**791**	9
- unrealised	**(79)**	290	**(79)**	290
Net gain from sale of financial investments available-for-sale	**297**	116	**297**	116
Net loss from foreign exchange transactions	**(2,173)**	(4,978)	**(2,173)**	(4,978)
Net loss from hedging activities	**(2,054)**	(2,641)	**(2,054)**	(2,641)
Net gain/(loss) from derivative financial instruments:				
- realised	**94,435**	103,414	**94,435**	103,414
- unrealised	**2,747**	(2,964)	**2,747**	(2,964)
Net loss arising from financial liabilities designated at fair value				
- realised	**(1,938)**	(2,534)	**(1,938)**	(2,534)
- unrealised	**(8,520)**	(6)	**(8,520)**	(6)
	83,506	90,706	**83,506**	90,706
Fees and commission income	**106,157**	110,793	**107,187**	110,793
Less : Fee and commission expense	**(7,834)**	(4,321)	**(7,834)**	(4,321)
Net fees and commision income	**98,323**	106,472	**99,353**	106,472
Other income:				
- Sundry income	**10,297**	6,519	**10,297**	6,519
	358,433	348,305	**359,463**	348,305

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

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

34 Allowances for losses on financing, advances and other financing/loans

	The Group and the Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Individual impairment allowance:		
- net allowance made during the financial year	**1,894**	7,436
Portfolio impairment allowance:		
- net allowance made during the financial year	**54,681**	125,204
Bad debts on financing:		
- recovered	**(49,927)**	(41,356)
- written off	**2,886**	3,161
	9,534	94,445

35 Income attributable to depositors

	The Group		The Bank	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
	RM'000	RM'000	**RM'000**	**RM'000**
Deposits from customers:				
- Mudharabah	**11,742**	55,140	**11,742**	55,140
- Non-Mudharabah	**1,412,490**	1,213,450	**1,412,490**	1,213,450
- Financial liabilities designated at fair value	**4,170**	7,312	**4,170**	7,312
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**21,162**	35,025	**21,162**	35,025
Others				
- Subordinated Sukuk	**34,175**	41,178	**34,175**	41,178
- Recourse obligation on loans and financing sold to Cagamas	**53,072**	2,368	**53,072**	2,368
- Sukuk	**8,063**	-	**-**	-
- Others	**-**	-	**9,093**	-
	1,544,874	1,354,473	**1,545,904**	1,354,473

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

36 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
- Restricted	**132,510**	127,741
- Unrestricted	**548**	204
	133,058	127,945

37 Personnel costs

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Salaries, allowances and bonuses	**24,640**	61,590
Pension costs (defined contribution plan)	**3,741**	3,500
Staff incentives and other staff payments	**3,876**	2,024
Mutual separation scheme	**-**	2,586
Medical expenses	**778**	1,385
Others	**1,073**	1,076
	34,108	72,161

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

38 Other overheads and expenditures

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Establishment costs		
Depreciation of property, plant equipment	**4,127**	3,829
Rental	**3,339**	1,978
Outsourcing expenses	**775**	918
Security expenses	**32**	10
Utility expenses	**98**	239
Others	**281**	2,157
Marketing expenses		
Advertisement and publicity	**5,140**	4,785
Others	**941**	1,890
Administration and general expenses		
Consultancy and professional fees	**1,756**	963
Legal expenses	**1**	225
Stationery	**628**	674
Amortisation of intangible assets	**10,914**	10,272
Postages	**4,112**	3,322
Donation	**249**	5,115
Incidental expenses on banking operations	**5,036**	1,380
Takaful	**7,777**	6,270
Others	**6,551**	8,502
	51,757	52,529
Shared services costs	**397,585**	384,961
	449,342	437,490

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

38 Other overheads and expenditures (Continued)

The personnel expenses and other overhead and expenditures include the following statutory disclosures:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Directors remuneration (Note 39)	**7,945** *	2,214 *	**7,945** *	2,214
Auditors' remuneration :				
PwC Malaysia (audit):				
- statutory audit	**269**	210	**263**	204
- limited review	**57**	54	**57**	54
- other audit related	**135**	129	**135**	129
PwC Malaysia (non-audit):				
- PwC Malaysia (non-audit)	**15**	15	**15**	15

* include fees and allowances paid and borne by CIMB Bank Berhad of RM142,000 (2015: RM56,000).

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

39 Directors and Shariah Committee Members remuneration

The Directors of the Bank in office during the financial year were as follows:

<u>Non-Executive Directors</u>
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Rosnah binti Dato' Kamarul Zaman
Professor Dato' Dr. Sudin bin Haron
Mohamed Ross bin Mohd Din (appointed on 19 April 2016)
Habibah binti Abdul (resigned on 12 April 2016)
Associate Professor Dr. Mohamed Azam bin Mohamed Adil (resigned on 4 November 2016)

<u>Executive Director</u>
Mohamed Rafe bin Mohamed Haneef (appointed on 4 January 2016)

The Directors and Shariah Committee members of the Group and the Bank and their total remuneration during the financial year are analysed below:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Executive Director		
- Salary and other remuneration	**2,659**	1,227
- Bonus	**3,786**	-
- Benefits-in-kind	**296**	15
Non-Executive Directors		
- Fees	**574**	297
- Other remuneration	**600**	641
- Benefits-in-kind	**30**	34
Shariah Committee members		
- Fees	**1,026**	1,114
- Other remuneration	**147**	113
	9,118	3,441

* The Executive Director's salary, other remuneration and bonus were paid by a related company and have been charged back to the Bank.

The Director's bonus for the financial year 2016 will be paid in tranches, spread over financial year 2017, while for financial year 2015, it was similarly paid in tranches, spread over financial year 2016. A similar condition is also imposed on the bonus for certain key personnel.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

39 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2016				
Executive Directors				
Mohamed Rafe bin Mohamed Haneef	-	6,445	296	6,741
Non-Executive Directors				
Associate Professor Dr. Mohamed Azam bin Mohamed Adil	108	94	-	202
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	161 ^	255 ^	30	446
Habibah binti Abdul	69	12	-	81
Professor Dato' Dr. Sudin bin Haron	72 *	64 *	-	136
Rosnah binti Dato' Kamarul Zaman	101	95	-	196
Mohamed Ross bin Mohd Din	63	80	-	143
	574	600	30	1,204
Shariah Committee members				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	108	4	-	112
Sheikh Professor Dr. Mohammad Hashim Kamali	96	3	-	99
Sheikh Dr. Nedham Mohamed Saleh Yaqoobi	207	62	-	269
Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	96	3	-	99
Sheikh Associate Professor Dr. Shafaai bin Musa	96	4	-	100
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	207	62	-	269
Professor Dato' Dr. Noor Inayah binti Yaakub	96	4	-	100
Sheikh Muhamad Taufik Ridlo	24	1	-	25
Sheikh Professor Dato' Dr. Sudin bin Haron	96	4	-	100
	1,026	147	-	1,173
	1,600	7,192	326	9,118

** include fees and allowances paid and borne by CIMB Bank Berhad of RM24,000 and RM46,000 respectively.*

^ include fees and allowances paid and borne by CIMB Bank Berhad of RM24,000 and RM48,000 respectively.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

39 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2015				
Executive Directors				
Badlisyah bin Abdul Ghani	-	1,227	15	1,242
	-	1,227	15	1,242
Non-Executive Directors				
Associate Professor Dr. Mohamed Azam bin Mohamed Adil	57	90	-	147
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	77	255	34	366
Habibah binti Abdul	52	72	-	124
Professor Dato' Dr. Sudin bin Haron	48 *	108 *	-	156
Raja Shaharul Niza bin Raja	20	38	-	58
Rosnah binti Dato' Kamarul Zaman	43	78	-	121
	297	641	34	972
Shariah Committee members				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	108	4	-	112
Sheikh Professor Dr. Mohammad Hashim Kamali	96	3	-	99
Sheikh Dr. Nedham Mohamed Saleh Yaqoobi	215	43	-	258
Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	96	4	-	100
Sheikh Associate Professor Dr. Shafaai bin Musa	96	5	-	101
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	215	43	-	258
Professor Dato' Dr. Noor Inayah binti Yaakub	96	4	-	100
Sheikh Muhamad Taufik Ridlo	96	3	-	99
Sheikh Professor Dato' Dr. Sudin bin Haron	96	4	-	100
	1,114	113	-	1,227
	1,411	1,981	49	3,441

** include fees and allowances paid and borne by CIMB Bank Berhad of RM12,000 and RM44,000 respectively.*

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

40 Taxation and zakat

	The Group	
	31 December 2016	31 December 2015
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**166,117**	145,418
Deferred taxation (Note 9)	**10,071**	(5,775)
Under/(over) provision in prior year	**4,696**	(2,195)
	180,884	137,448
Zakat	**300**	-
	181,184	137,448
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**724,385**	541,473
Tax calculated at a rate of 24% (2015: 25%)	**173,852**	135,368
Tax effects:		
- income not subject to tax	**(202)**	(2,169)
- expenses not deductible for tax purposes	**2,538**	5,524
- effect of changes in tax rate	**-**	920
Under/(over) provision in prior year	**4,696**	(2,195)
Tax expense	**180,884**	137,448

	The Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**166,117**	145,418
Deferred taxation (Note 9)	**10,071**	(5,775)
Under/(over) provision in prior year	**4,696**	(2,195)
	180,884	137,448
Zakat	**300**	-
	181,184	137,448
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**724,385**	541,464
Tax calculated at a rate of 24% (2015: 25%)	**173,852**	135,366
Tax effects:		
- income not subject to tax	**(202)**	(2,169)
- expenses not deductible for tax purposes	**2,538**	5,526
- effect of changes in tax rate	**-**	920
Under/(over) provision in prior year	**4,696**	(2,195)
Tax expense	**180,884**	137,448

41 Earnings per share

a) Basic earnings per share

The basic earnings per ordinary share for the Group and the Bank are calculated based on the net profit for the financial year of RM 543,201,000 (2015: RM 404,025,000) and RM 543,201,000 (2015: RM 404,016,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2015: 1,000,000,000) in issue during the financial year respectively.

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.

42 Significant related party transactions and balances

(a) Related parties and relationship

The related parties of, and their relationship with the Bank, are as follows:

Related parties	**Relationship**
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Subsidiary
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Subsidiary
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Key management personnel	See below

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

42 Significant related party transactions and balances (Continued)

(a) Related parties and relationship (Continued)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all the Directors of the Bank and its employees who make certain critical decisions in relation to the strategic direction of the Bank.

(b) Related party transactions and balances of the Group and the Bank

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on normal commercial rates.

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2016			
Income			
Fee income	-	508	-
Profit income on deposits and placement with banks and other financial institutions	5,190	9	-
Profit income on financing, advances and other financing/loans	-	-	-
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	8,457	11,776	-
Profit expense on deposits from customers	-	3,746	-
Profit expense on Investment accounts due to designated financial institutions	132,510	-	-
Profit expense on subordinated sukuk	206	-	
Shared services costs	398,115	(530)	-
Establishment-Security expenses	-	32	-

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

42 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on normal commercial rates (Continued).

	Immediate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2015			
Income			
Fee income	-	554	-
Profit income on deposits and placement with banks and other financial institutions	6,891	3,612	-
Profit income on financing, advances and other financing/loans	-	-	13
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	23,639	16,154	-
Profit expense on deposits from customers	-	3,037	-
Profit expense on Investment accounts due to designated financial institutions	115,328	-	-
Profit expense on subordinated sukuk	119	-	-
Shared services costs	355,288	29,634	-
Establishment-Security expenses	-	10	-
Establishment-Outsource expenses	-	520	-

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

42 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on normal commercial rates (Continued).

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2016			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	652,672	7,619	-
Financing, advances and other financing/loans	-	-	32
Derivatives	240,179	-	-
Others	534,340	-	-
Amounts due to			
Deposit from customers	-	45,496	167
Deposits and placements of banks and other financial institutions	911,149	920	-
Investment accounts due to designated financial institutions	3,912,011	-	-
Subordinated sukuk	11,399	-	-
Derivatives	761,917	-	-
Commitment and contingencies			
Foreign exchange related contracts	11,882,678	-	-
Equity related contracts	219,036	-	-
Profit rate related contracts	11,612,492	-	-
Credit related contract	27,150	-	-

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

42 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on normal commercial rates (Continued).

	Immediate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2015			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	648,128	2,219	-
Financing, advances and other financing/loans	-	-	-
Derivatives	168,202	-	-
Others	27,680	-	-
Amounts due to			
Deposit from customers	-	152,285	1,433
Deposits and placements of banks and other financial institutions	473,445	177,284	-
Investment accounts due to designated financial institutions	2,900,982	-	-
Subordinated sukuk	1,066	-	-
Derivatives	443,903	-	-
Commitment and contingencies			
Foreign exchange related contracts	4,499,042	-	-
Equity related contracts	116,332	-	-
Profit rate related contracts	8,460,669	-	-
Credit related contract	27,150	-	-

Other related party balances are unsecured, non-profit bearing and repayable on demand.

42 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	The Group and the Bank	
	2016	2015
	RM'000	RM'000
Salaries and other employee benefits	**7,946**	2,158

	The Group and the Bank	
	2016	2015
	Unit	Unit
Shares of the ultimate holding company	**502,570**	31,236

Financing to Directors of the Bank amounting to RM32,281 (2015: RMNil). Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances were required in 2016 and 2015 for financing, advances and other financing/loans made to the key management personnel.

42 Significant related party transactions and balances (Continued)

(d) 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 and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Outstanding credit exposures with connected parties	**1,951,658**	1,717,545
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.8%**	3.1%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%

(e) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29.3% of the issued capital of the ultimate holding company (2015: 29.7%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government are 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 Bank.

Apart from the individually significant transactions as disclosed in Note 42(c) to the Financial Statements, the Group and the Bank 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
- Financing 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 and the Bank's business on commercial rates and consistently applied in accordance with the Group's and the Bank's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

42 Significant related party transactions and balances (Continued)

(f) Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group from the market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB 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 expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM 857,935 (2015: RM 591,474).

The weighted average fair value of shares awarded under EOP was RM4.18 per ordinary share (2015: RM5.94), based on market price during the period in which they were purchased.

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

	The Group and the Bank	
	2016	2015
	Unit	Unit
	'000	'000
Shares :		
At 1 January	**382**	672
Awarded	**542**	242
Released	**(332)**	(532)
At 31 December	**592**	382

43 Capital commitments

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

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Capital expenditure:		
- authorised and contracted for	**76**	1,451
- authorised but not contracted for	**162**	737
	238	2,188

Analysed as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Property, plant and equipment	**190**	2,169
Computer software	**48**	19
	238	2,188

44 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Within one year	**1,593**	2,227
One year to five years	**801**	4,065

45 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.

Business segment reporting

<u>Definition of segments</u>

The Group has five major operation divisions that form the basis on which the Group reports its segment information.

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 the Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, 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.

45 Segment reporting (Continued)

Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises 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.

45 Segment reporting (Continued)

Business segment reporting (Continued)

Investments

Investments focus on defining and formulating strategies at the corporate and business unit levels, oversee the Group's strategic and private equity fund management businesses. It also invests in the Group's proprietary capital and funding.

Support and others

Support services comprise of unallocated middle and back-office processes and cost centres and other subsidiaries whose results are not material to the Group.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

45 Segment reporting (Continued)

Business segment reporting (Continued)

31 December 2016 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	209,178	1,025,348	(291,049)	103,053	-	1,046,530
- inter-segment	(75,936)	(392,767)	456,022	12,681	-	-
	133,242	632,581	164,973	115,734	-	1,046,530
Other income	15,574	115,422	36,807	2,261	973	171,037
Operating income	148,816	748,003	201,780	117,995	973	1,217,567
Overhead expenses	(50,387)	(350,607)	(73,660)	2,933	(11,729)	(483,450)
Consist of :						
Depreciation of property, plant and equipment	-	(4,016)	(452)	341	-	(4,127)
Amortisation of intangible assets	-	(8,044)	(2,870)	-	-	(10,914)
Profit/(loss) before allowances	98,429	397,396	128,120	120,928	(10,756)	734,117
Allowances for losses on financing, advances and other financing/loans	5,986	(24,192)	8,672	-		(9,534)
Allowances for impairment losses on other receivables	-	-	-	-	(198)	(198)
Segment results	104,415	373,204	136,792	120,928	(10,954)	724,385
Taxation and zakat						(181,184)
Net profit for the financial year						543,201
Segment assets	5,289,343	26,980,768	30,588,450	2,797,997	-	65,656,558
Unallocated assets						990,333
Total assets						66,646,891
Segment liabilities	3,155,729	18,870,246	38,467,952	1,206,214	-	61,700,141
Unallocated liabilities						796,575
Total liabilities						62,496,716
Other segment items						
Capital expenditure	-	7,709	2,092	494	-	10,295

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

45 Business segment reporting (Continued)

31 December 2015 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	173,868	975,830	(250,937)	99,253	-	998,014
- inter-segment	(59,184)	(354,308)	400,809	12,683	-	-
	114,684	621,522	149,872	111,936	-	998,014
Other income	14,886	101,432	34,816	(3,523)	-	147,611
Operating income	129,570	722,954	184,688	108,413	-	1,145,625
Overhead expenses	(51,156)	(385,175)	(58,376)	(7,269)	(7,675)	(509,651)
Consist of :						
Depreciation of property, plant and equipment	-	(3,695)	(141)	7	-	(3,829)
Amortisation of intangible assets	-	(10,146)	(126)	-	-	(10,272)
Profit/(loss) before allowances	78,414	337,779	126,312	101,144	(7,675)	635,974
Allowances for losses on financing, advances and other financing/loans	3,348	(93,641)	(4,152)	-		(94,445)
Allowances for impairment losses on other receivables	-	-	(20)	-	(36)	(56)
Segment results	81,762	244,138	122,140	101,144	(7,711)	541,473
Taxation						(137,448)
Net profit for the financial year						404,025
Segment assets	4,826,615	22,475,239	27,003,196	-	-	54,305,050
Unallocated assets						254,131
Total assets						54,559,181
Segment liabilities	2,819,463	13,245,560	33,558,419	862,166	-	50,485,608
Unallocated liabilities						467,455
Total liabilities						50,953,063
Other segment items						
Capital expenditure	-	6,686	202	2,010	-	8,898

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed on the profit-bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

46 Significant event during the financial year

On 21 September 2016, the Bank issued RM10 million 10 non-callable 5 years Tier-2 Junior Sukuk at 4.55% per annum which was fully subscribed by CIMB Group Holding Berhad.

47 Capital adequacy

The key driving principles of the Group's and the Bank'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 and the Bank, 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 CIMB Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

The components of eligible regulatory capital of the Group and the Bank are based on the Capital Adequacy Framework (Capital Components). The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach is applied for the major credit exposures with retail exposures on Advanced 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 Basic Indicator Approach.

On 13 October 2015, BNM issued revised guidelines on the Capital Adequacy Framework (Capital Components), of which is effective 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 is applicable to all banking institutions with immediate effect and all financial holding companies with effect from 1 January 2019.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

47 Capital adequacy (Continued)

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2016. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.

(a) The capital adequacy ratios of Group and the Bank are as follows:

	The Group		The Bank	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Common equity tier 1 ratio	**14.711%**	12.718%	**14.711%**	12.718%
Tier 1 ratio	**15.526%**	13.558%	**15.526%**	13.557%
Total capital ratio	**18.025%**	16.273%	**18.025%**	16.273%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Credit risk	**20,854,017**	21,088,246	**20,854,131**	21,088,362
Market risk	**537,923**	532,642	**537,923**	532,642
Operational risk	**2,166,460**	2,080,787	**2,166,412**	2,080,723
Total risk-weighted assets	**23,558,400**	23,701,675	**23,558,466**	23,701,727

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

47 Capital adequacy (Continued)

(c) Components of Common Equity Tier I, Additional Tier I and Tier II capitals are as follows:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	**31 December 2016 RM'000**	31 December 2015 RM'000
Common Equity Tier I capital				
Ordinary shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**2,930,175**	2,386,118	**2,930,140**	2,386,083
Common Equity Tier I capital before regulatory adjustments	**3,930,175**	3,386,118	**3,930,140**	3,386,083
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(80,961)**	(82,210)	**(80,961)**	(82,210)
Deferred tax assets	**(15,507)**	(31,184)	**(15,507)**	(31,184)
Others	**(231,914)**	(122,352)	**(231,915)**	(122,352)
Common Equity Tier I capital after regulatory adjustments	**3,465,793**	3,014,372	**3,465,757**	3,014,337
Additional Tier I capital				
Perpetual preference shares	**192,000**	199,000	**192,000**	199,000
Additional Tier I capital before regulatory adjustments	**192,000**	199,000	**192,000**	199,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier I capital after regulatory adjustments	**192,000**	199,000	**192,000**	199,000
Total Tier I capital	**3,657,793**	3,213,372	**3,657,757**	3,213,337
Tier II capital				
Subordinated notes	**520,000**	595,000	**520,000**	595,000
Portfolio impairment allowance and regulatory reserves ^	**68,593**	48,697	**68,594**	48,698
Tier II capital before regulatory adjustments	**588,593**	643,697	**588,594**	643,698
Less: Regulatory adjustments	**-**	-	**-**	-
Total Tier II capital	**588,593**	643,697	**588,594**	643,698
Total capital	**4,246,386**	3,857,069	**4,246,351**	3,857,035

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

47 Capital adequacy (Continued)

^ The capital base of the Group and the Bank as at 31 December 2016 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM19.7 million (2015: RM21.8 million) respectively.

In accordance with BNM's guidelines on the recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from Total Capital Ratio calculation.

As at 31 December 2016, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM3,236 million (2015: RM2,733 million).

48 Sources and uses of charity funds

Earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

	The Group and the Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Sources of charity funds		
Balance as at 1 January	-	41
Shariah non-compliance income	-	-
Total sources of charity funds during the year	-	41
Uses of charity funds		
Contribution to non-profit organisation	-	-
Contribution to government agencies	-	41
Total uses of charity funds during the year	-	41
Undistributed charity funds as at 31 December	-	-

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

49 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank 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 Bank'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 Bank 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 Bank 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 financing, advances and other financing/loans

The Group and the Bank make allowance for losses on financing, advances and other financing/loans based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of financing, advances and other financing/loans. Among the factors considered are the Group's and the Bank's aggregate exposure to the customers, 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 their obligations and the aggregate amount and ranking of all other creditor claims.

49 Critical accounting estimates and judgements in applying accounting policies (Continued)

(c) Goodwill impairment

The Group and the Bank test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note K(a) of the Summary of Significant 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 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 17 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.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

49 Critical accounting estimates and judgements in applying accounting policies (Continued)

(d) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 50.4.

50 Financial Risk Management

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

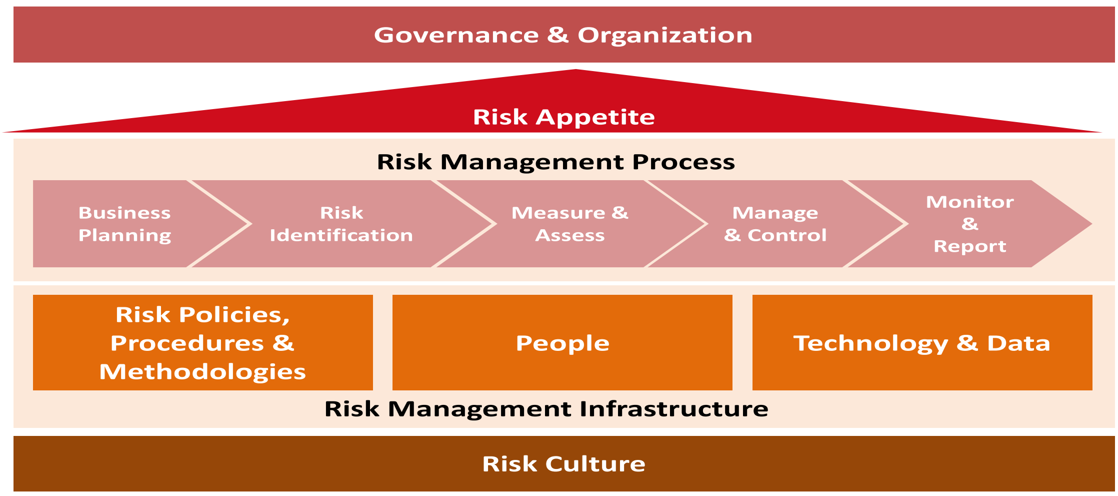
Generally, the objectives of the CIMB Group's risk management activities are to:

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through sound risk management framework.

(b) Enterprise Wide Risk Management Framework (EWRM)

CIMB Group employs an EWRM framework as a standardised approach to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

The key components of the Group's EWRM framework are represented in the diagram below:



50 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.

a) Governance & Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group. The Board is assisted by various risk committees And control functions in ensuring that the Group's risk management framework is effectively maintained.

b) Risk Appetite

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

The Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. Board Risk Committee (BRC) and Group Risk Committee (GRC) receive monthly reports on compliance with the risk appetite.

c) Risk Management Process

- Business Planning: Risk is central to the business planning process, including setting risk appetite, risk posture and new product/ new business activities.

- Risk Identification: Risks are systematically identified through the robust application of the Group's risk frameworks, policies and procedures.

- Measure and Assess: Risks are measured and aggregated using 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.

50 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

c) Risk Management Process (Continued)

- Monitor and Report: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within risk appetite. Risk adjusted performance is monitored.

d) Risk Management Infrastructure

- Risk Policies, Procedures and Methodologies: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.

- People: Attracting the right talent and skills are key to ensuring a well-functioning EWRM Framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment. Performance measurement and compensation are aligned to the strategy plan and risk appetite.

- Technology and Data: Appropriate technology and sound data management are enablers to support risk management activities.

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.

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's Risk Appetite corresponding to its business strategies. Each BRC reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of the GRC.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

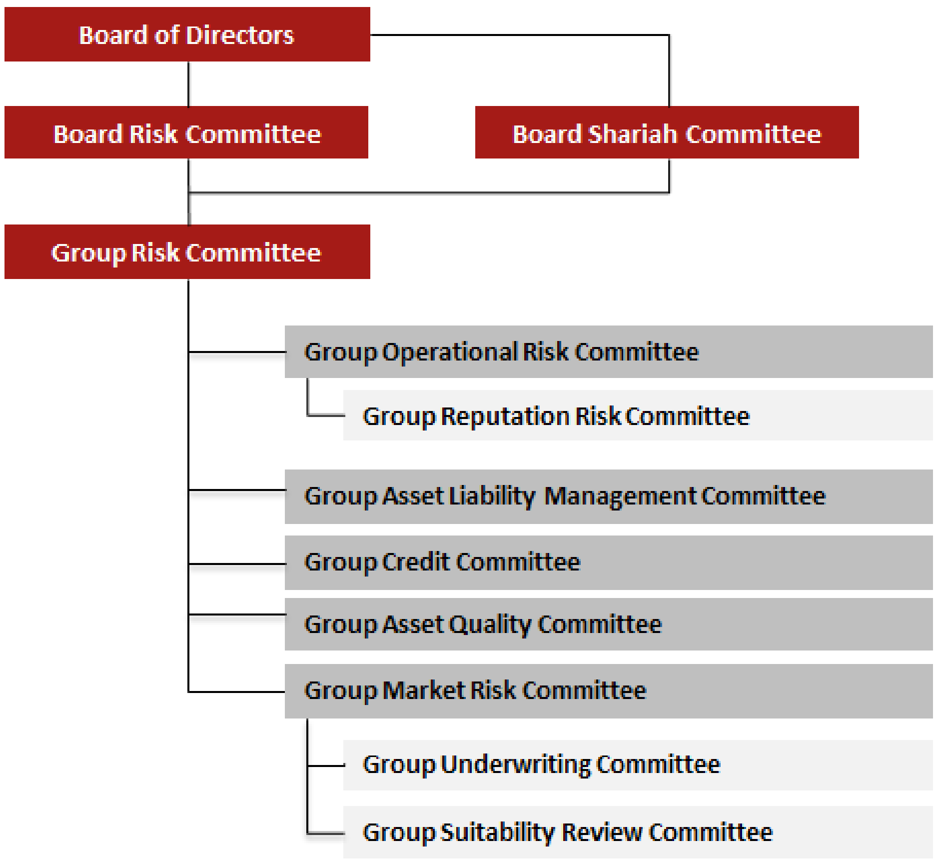
The responsibility of the supervision of the risk management functions is delegated to the GRC, comprising senior management of the Group and reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The 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:

- Market risk, arising from fluctuations in the market value of the trading exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- Credit risk, arising from the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- 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;
- Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- Interest rate risk in the banking book, which is the current and potential risk to the Group’s earning and economic value arising from movement in interest rates;
- Capital risk, arising from the failure of not meeting the minimum regulatory and internal requirements that could incur regulatory sanction of the Group, resulting in a potential capital charge; and
- SNC risk, arising from failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the BSC of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the group and regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

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

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. GRD is headed by the Group Chief Risk Officer who is appointed by the Board to spearhead risk management functions and implementation of the Enterprise-Wide Risk Management. The CRO:

a) Actively engages the Board and senior management on risk management issues and initiatives.
b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk Centres of Excellence in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

a) Risk Analytics & Infrastructure Centre of Excellence

Risk Analytics & Infrastructure Centre of Excellence designs, builds and implements standardised infrastructure used to measure, monitor and manage risk across the region.

b) Market Risk Centre of Excellence

In propagating and ensuring compliance to the market risk framework, the Market Risk Centre of Excellence reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market valuation.

c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology, tools and processes for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group. It provides challenge and oversight over the execution of this framework by the first line of defence. Management of operational risks is present in the Group's products, services, activities, processes and systems.

d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and profit rate risk in the banking book/ rate of return in the banking book as well as recommending policies and methodologies to manage the said risks. It conducts regular stress testing of the liquidity risk profile, ensuring the Group's adherence and compliance with internal and regulatory requirements, and maintains the early warning system indicators and Contingency Funding Plan (CFP).

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

e) Credit Risk Centre of Excellence

The Credit Risk Centre of Excellence is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach to:

- Credit Risk Policies, Methodologies and Procedures;
- Credit Risk Models; and
- Portfolio Analytics,

as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

f) Shariah Risk Management Centre of Excellence

The Shariah Risk Management Centre of Excellence (SRM 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 SRM policies & guidelines; and develops and implements processes for SNC risk awareness.

In addition to the above Risk Centres of Excellence, there are also specialised teams within Group Risk:

- The Regional Risk & International Offices oversees the risk management functions of the regional offices, the Group's unit trust and securities businesses and also houses the validation team. The teams in risk management units within the unit trust business and securities businesses identify measure and assess, manage and control, monitor and report the relevant material risk exposures of each individual country and/or businesses.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

- The Regional Risk Validation Team is independent from the risk taking units and model development team. The function of this unit is to perform validation, as guided by industry best practices and regulatory guidelines on rating systems, estimates of the risk components and the process by which internal ratings are obtained and used. The unit provides recommendations to the model development team and the business users. Validation reports are deliberated at MRMWG, thereafter to GRC and BRC for recommendation and approval.

    - The Risk Policy Department formulates and maintains the Group Credit Risk Policy (GCRP), which sets out the credit risk guiding principles for application across the Group to ensure consistency in its credit risk management activities. Risk Policy also provides advisory support and interpretation of the GCRP to stakeholders as well as provides guidance to CIMB branches/subsidiaries on credit risk related policies.

    - The Asset Quality team's main roles are ensuring governance of large problem loans across CIMB Group, monitoring and evaluating efficiency of early warning indicators and watch list process across business units, and conducting due diligence on higher risk names as well as responsible for managing the Group Asset Quality Committee Secretariat.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

50 Financial Risk Management (Continued)

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.

50.1 Credit Risk

Credit and counterparty risk is defined as the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk arises primarily from traditional financing activities through financing facilities, trade finance as well as commitments to support customer's obligation to third parties, e.g. kafalah contracts.

In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfill their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfill their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the Risk-based Delegated Authority Framework. This Framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Management (Continued)

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlining 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 GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking financings, credit applications are independently evaluated by Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval. For retail financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and Consumer & Commercial Banking Credit Committee (“CBCC”).

The GRC with the support of Group Credit Committee, Group Asset Quality Committee, Consumer and Commercial Banking Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

The GRC with the support of Group Credit Committee, Group Asset Quality Committee, Consumer & Commercial Banking Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring the 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 risk and its 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Management (Continued)

Adherence to the above established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to pay their obligations, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at least on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM’s 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.

50 Financial Risk Management (Continued)

50.1 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

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 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 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.

Off-Balance Sheet Exposures and Counterparty Credit Risk ("CCR') (Continued)

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2016, 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

50.1.1 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 Bank 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 and the Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Financial guarantees	**176,053**	171,312
Credit related commitments and contingencies	**9,866,714**	6,833,843
	10,042,767	7,005,155

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 78.5% (2015: 76.4%) while the financial effect of collateral for derivatives for the Group and the Bank is 34.7% (2015: 41.7%). The financial effects of collateral held for the remaining financial assets are insignificant.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2016						
Financial assets						
Derivative assets	**870,650**	**-**	**870,650**	**(274,757)**	**(1,850)**	**594,043**
Share purchase financing	**2,028**	**-**	**2,028**	**-**	**(1,066)**	**962**
Total	**872,678**	**-**	**872,678**	**(274,757)**	**(2,916)**	**595,005**
31 December 2015						
Financial assets						
Derivative assets	476,278	-	476,278	(198,584)	-	277,694
Share purchase financing	4,100	-	4,100	-	(3,217)	883
Total	480,378	-	480,378	(198,584)	(3,217)	278,577

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements - by type

	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2016						
Financial liabilities						
Derivative liabilities	**979,011**	**-**	**979,011**	**(271,059)**	**(352,271)**	**355,681**
Total	**979,011**	**-**	**979,011**	**(271,059)**	**(352,271)**	**355,681**
31 December 2015						
Financial liabilities						
Derivative liabilities	586,061	-	586,061	(187,568)	(27,906)	370,587
Total	586,061	-	586,061	(187,568)	(27,906)	370,587

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows:

The Group 31 December 2016	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	Total RM'000
Cash and short-term funds	8,212,402	4,923	501	-	243	97,373	8,315,442
Deposits and placements with banks and other financial institutions	90,398	-	-	-	-	-	90,398
Financial assets held for trading	2,642,824	-	-	-	87,841	-	2,730,665
Financial investments available-for-sale	1,551,025	-	58,212	-	-	15,259	1,624,496
Financial investments held-to-maturity	3,330,600	-	-	-	-	-	3,330,600
Islamic derivative financial instruments	707,154	-	-	-	-	163,496	870,650
Financing, advances and other financing/loans	47,172,873	-	-	-	-	-	47,172,873
Other assets	658,000	-	-	-	-	-	658,000
Amount due from related companies	631	-	-	-	-	275	906
Financial guarantees	176,053	-	-	-	-	-	176,053
Credit related commitments and contingencies	9,774,984	2,098	6,199	1,636	280	81,517	9,866,714
Total credit exposures	74,316,944	7,021	64,912	1,636	88,364	357,920	74,836,797

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows (Continued):

	The Group 31 December 2015						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	5,388,493	855	359	245,972	-	8,458	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	-	-	-	-	141,226
Financial assets held for trading	2,606,714	-	-	-	85,224	-	2,691,938
Financial investments available-for-sale	1,843,481	-	62,380	-	-	19,612	1,925,473
Financial investments held-to-maturity	1,664,531	-	-	-	-	-	1,664,531
Islamic derivative financial instruments	463,391	-	-	-	-	12,887	476,278
Financing, advances and other financing/loans	40,325,440	-	-	-	-	-	40,325,440
Other assets	153,585	-	-	-	-	-	153,585
Amount due from related companies	419	-	-	-	-	216	635
Financial guarantees	171,312	-	-	-	-	-	171,312
Credit related commitments and contingencies	6,747,801	1,596	8,677	2,363	-	73,406	6,833,843
Total credit exposures	59,506,393	2,451	71,416	248,335	85,224	114,579	60,028,398

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows (Continued):

	The Bank 31 December 2016						
31 December 2016	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	8,212,356	4,923	501	-	243	97,373	8,315,396
Deposits and placements with banks and other financial institutions	90,398	-	-	-	-	-	90,398
Financial assets held for trading	2,642,824	-	-	-	87,841	-	2,730,665
Financial investments available-for-sale	1,551,025	-	58,212	-	-	15,259	1,624,496
Financial investments held-to-maturity	3,330,600	-	-	-	-	-	3,330,600
Islamic derivative financial instruments	707,154	-	-	-	-	163,496	870,650
Financing, advances and other financing/loans	47,172,873	-	-	-	-	-	47,172,873
Other assets	658,000	-	-	-	-	-	658,000
Amount due from related companies	631	-	-	-	-	275	906
Financial guarantees	176,053	-	-	-	-	-	176,053
Credit related commitments and contingencies	9,774,984	2,098	6,199	1,636	280	81,517	9,866,714
Total credit exposures	74,316,898	7,021	64,912	1,636	88,364	357,920	74,836,751

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2016 and 31 December 2015 are as follows (Continued):

	The Bank 31 December 2015						
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	Total RM'000
Cash and short-term funds	5,388,448	855	359	245,972	-	8,458	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	-	-	-	-	141,226
Financial assets held for trading	2,606,714	-	-	-	85,224	-	2,691,938
Financial investments available-for-sale	1,843,481	-	62,380	-	-	19,612	1,925,473
Financial investments held-to-maturity	1,664,531	-	-	-	-	-	1,664,531
Islamic derivative financial instruments	463,391	-	-	-	-	12,887	476,278
Financing, advances and other financing/loans	40,325,440	-	-	-	-	-	40,325,440
Other assets	153,585	-	-	-	-	-	153,585
Amount due from related companies	419	-	-	-	-	216	635
Financial guarantees	171,312	-	-	-	-	-	171,312
Credit related commitments and contingencies	6,747,801	1,596	8,677	2,363	-	73,406	6,833,843
Total credit exposures	59,506,348	2,451	71,416	248,335	85,224	114,579	60,028,353

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2016 and 31 December 2015 based on the industry sectors of the counterparty are as follows:

	The Group 31 December 2016								
	Cash and short-term funds 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	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	55,012	-	-	-	1,171,478	1,226,490
Mining and quarrying	-	-	-	-	-	-	-	926,994	926,994
Manufacturing	-	-	-	10,033	-	2,215	-	1,086,511	1,098,759
Electricity, gas and water supply	-	-	-	163,608	271,484	27,632	-	169,053	631,777
Construction	-	-	10,036	437,922	30,076	-	-	1,240,853	1,718,887
Transport, storage and communications	-	-	-	205,107	512,448	-	-	1,491,028	2,208,583
Education, health and others	-	-	-	-	-	-	-	1,595,381	1,595,381
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	976,293	976,293
Finance, takaful, real estate and business activities	1,444,326	90,398	2,544,183	487,652	692,954	436,675	658,906	5,127,099	11,482,193
Others									
Government and government agencies	6,871,116	-	176,446	241,760	1,823,638	395,497	-	7,388,147	16,896,604
Household	-	-	-	-	-	-	-	25,941,004	25,941,004
Others	-	-	-	23,402	-	8,631	-	59,032	91,065
	8,315,442	90,398	2,730,665	1,624,496	3,330,600	870,650	658,906	47,172,873	64,794,030

*Other financial assets include amount due from related companies and other financial assets.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 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 2016 and 31 December 2015 based on the industry sectors of the counterparty are as follows (Continued):

The Group
31 December 2015

	Cash and short-term funds 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	Islamic derivative financial instruments RM'000	Other financial assets * RM'000	Financing, advances and other financing/ loans RM'000	Total credit exposures RM'000
Primary agriculture	-	-	9,499	68,610	25,247	17	-	1,139,364	1,242,737
Mining and quarrying	-	-	-	10,124	-	-	-	917,925	928,049
Manufacturing	-	-	-	85,204	-	829	-	1,141,194	1,227,227
Electricity, gas and water supply	-	-	10,080	148,952	186,731	213	-	122,360	468,336
Construction	-	-	-	382,126	30,106	3,295	-	1,290,226	1,705,753
Transport, storage and communications	-	-	-	248,792	519,098	75	-	1,218,239	1,986,204
Education, health and others	-	-	-	-	-	-	-	489,885	489,885
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,024,884	1,024,884
Finance, takaful, real estate and business activities	1,441,147	141,226	2,534,093	460,148	290,549	201,109	154,220	4,631,053	9,853,545
Others									
Government and government agencies	4,202,990	-	138,266	463,421	612,800	267,381	-	6,873,620	12,558,478
Household	-	-	-	-	-	-	-	21,402,418	21,402,418
Others	-	-	-	58,096	-	3,359	-	74,272	135,727
	5,644,137	141,226	2,691,938	1,925,473	1,664,531	476,278	154,220	40,325,440	53,023,243

*Other financial assets include amount due from related companies and other financial assets.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 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 2016 and 31 December 2015 based on the industry sectors of the counterparty are as follows (Continued):

The Bank
31 December 2016

	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Financial investments available-for-sale	Financial investments held-to-maturity	Islamic derivative financial instruments	Other financial assets *	Financing, advances and other financing/ loans	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	55,012	-	-	-	1,171,478	1,226,490
Mining and quarrying	-	-	-	-	-	-	-	926,994	926,994
Manufacturing	-	-	-	10,033	-	2,215	-	1,086,511	1,098,759
Electricity, gas and water supply	-	-	-	163,608	271,484	27,632	-	169,053	631,777
Construction	-	-	10,036	437,922	30,076	-	-	1,240,853	1,718,887
Transport, storage and communications	-	-	-	205,107	512,448	-	-	1,491,028	2,208,583
Education, health and others	-	-	-	-	-	-	-	1,595,381	1,595,381
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	976,293	976,293
Finance, takaful, real estate and business activities	1,444,280	90,398	2,544,183	487,652	692,954	436,675	658,906	5,127,099	11,482,147
Others									
Government and government agencies	6,871,116	-	176,446	241,760	1,823,638	395,497	-	7,388,147	16,896,604
Household	-	-	-	-	-	-	-	25,941,004	25,941,004
Others	-	-	-	23,402	-	8,631	-	59,032	91,065
	8,315,396	90,398	2,730,665	1,624,496	3,330,600	870,650	658,906	47,172,873	64,793,984

* Other financial assets include amount due from related companies and other financial assets.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 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 2016 and 31 December 2015 based on the industry sectors of the counterparty are as follows (Continued):

The Bank
31 December 2015

	Cash and short-term funds 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	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total credit exposures RM'000
Primary agriculture	-	-	9,499	68,610	25,247	17	-	1,139,364	1,242,737
Mining and quarrying	-	-	-	10,124	-	-	-	917,925	928,049
Manufacturing	-	-	-	85,204	-	829	-	1,141,194	1,227,227
Electricity, gas and water supply	-	-	10,080	148,952	186,731	213	-	122,360	468,336
Construction	-	-	-	382,126	30,106	3,295	-	1,290,226	1,705,753
Transport, storage and communications	-	-	-	248,792	519,098	75	-	1,218,239	1,986,204
Education, health and others	-	-	-	-	-	-	-	489,885	489,885
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,024,884	1,024,884
Finance, takaful, real estate and business activities	1,441,102	141,226	2,534,093	460,148	290,549	201,109	154,220	4,631,053	9,853,500
Others									
Government and government agencies	4,202,990	-	138,266	463,421	612,800	267,381	-	6,873,620	12,558,478
Household	-	-	-	-	-	-	-	21,402,418	21,402,418
Others	-	-	-	58,096	-	3,359	-	74,272	135,727
	5,644,092	141,226	2,691,938	1,925,473	1,664,531	476,278	154,220	40,325,440	53,023,198

* Other financial assets include amount due from related companies and other financial assets.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 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 financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

	The Group and the Bank			
	31 December 2016		31 December 2015	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	**1,350**	**147,596**	96	291,958
Mining and quarrying	**312**	**52,462**	3,162	47,666
Manufacturing	**41,641**	**769,541**	20,413	763,108
Electricity, gas and water supply	**36,217**	**377,295**	33,804	174,710
Construction	**25,795**	**2,759,800**	69,131	1,190,918
Transport, storage and communications	**3,525**	**381,372**	2,662	261,721
Education, health and others	**2,161**	**96,364**	2,362	87,069
Wholesale and retail trade, and restaurants and hotels	**57,187**	**638,739**	29,747	466,097
Finance, takaful, real estate and business activities	**7,690**	**1,602,877**	9,935	697,408
Others				
Household	**100**	**2,806,572**	-	2,688,055
Others	**75**	**234,096**	-	165,133
	176,053	**9,866,714**	171,312	6,833,843

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50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 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".

(i) Financing, advances and other financing/loans

Financing, advances and other financing/loans are summarised as follows:

	The Group and the Bank 31 December 2016			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	655,191	8,625	22,272	686,088
Term financing	39,037,807	3,025,551	431,112	42,494,470
Bills receivable	32,515	24,835	(140)	57,210
Islamic trust receipts	32,666	-	-	32,666
Claims on customers under acceptance credits	418,554	2,046	7,176	427,776
Staff financing	15,203	-	-	15,203
Share purchase financing	1,845	-	183	2,028
Credit card receivables	109,854	7,938	3,766	121,558
Revolving credits	3,624,802	-	1,996	3,626,798
Total	43,928,437	3,068,995	466,365	47,463,797
Less: Impairment allowances				(290,924) *
Total net amount				47,172,873

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

Financing, advances and other financing/loans are summarised as follows (Continued):

	The Group and the Bank 31 December 2015			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	560,269	21,812	19,963	602,044
Term financing	34,588,796	2,338,284	393,150	37,320,230
Bills receivable	3,526	-	-	3,526
Islamic trust receipts	25,512	-	594	26,106
Claims on customers under acceptance credits	435,517	2,567	6,954	445,038
Share purchase financing	3,907	-	193	4,100
Credit card receivables	104,150	7,601	3,467	115,218
Revolving credits	2,168,995	-	-	2,168,995
Ar Rahnu	342	-	63	405
Total	37,891,014	2,370,264	424,384	40,685,662
Less: Impairment allowances				(360,222) *
Total net amount				40,325,440

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(a) Financing, advances and other financing/loans that are "neither past due nor impaired"

The credit quality of financing, advances and other financing/loans that are "neither past due nor impaired" can be assessed by reference to the internal rating system adopted by the Group and the Bank.

	The Group and the Bank 31 December 2016			
	Good	**Satisfactory**	**No rating**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cashline	**537,409**	**33,263**	**84,519**	**655,191**
Term financing	**12,639,905**	**531,514**	**25,866,388**	**39,037,807**
Bills receivable	**25,878**	**-**	**6,637**	**32,515**
Islamic trust receipts	**31,015**	**640**	**1,011**	**32,666**
Claims on customers under acceptance credits	**317,180**	**21,254**	**80,120**	**418,554**
Staff financing	**-**	**-**	**15,203**	**15,203**
Share purchase financing	**-**	**-**	**1,845**	**1,845**
Credit card receivables	**-**	**-**	**109,854**	**109,854**
Revolving credits	**3,527,383**	**51,640**	**45,779**	**3,624,802**
Total	**17,078,770**	**638,311**	**26,211,356**	**43,928,437**

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(a) Financing, advances and other financing/loans that are “neither past due nor impaired” (Continued)

The credit quality of financing, advances and other financing/loans that are “neither past due nor impaired” can be assessed by reference to the internal rating system adopted by the Group and the Bank (Continued).

	The Group and the Bank 31 December 2015			
	Good	**Satisfactory**	**No rating**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cashline	482,624	31,916	45,729	560,269
Term financing	12,154,402	344,450	22,089,944	34,588,796
Bills receivable	650	-	2,876	3,526
Islamic trust receipts	23,434	-	2,078	25,512
Claims on customers under acceptance credits	372,613	11,677	51,227	435,517
Share purchase financing	-	-	3,907	3,907
Credit card receivables	-	-	104,150	104,150
Revolving credits	2,108,016	51,596	9,383	2,168,995
Ar Rahnu	-	-	342	342
Total	15,141,739	439,639	22,309,636	37,891,014

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(a) Financing, advances and other financing/loans that are "neither past due nor impaired" (Continued)

Credit quality descriptions 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 Bank.

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.

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.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(b) Financing, advances and other financing/loans that are "past due but not impaired"

The Group and the Bank consider an asset is past due when any payment due under strict contractual terms is received late or missed. However, financing, advances and other financing/loans which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of financing, advances and other financing/loans that are "past due but not impaired" is set out below:

	The Group and the Bank					
	31 December 2016			31 December 2015		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	**8,276**	**349**	**8,625**	19,407	2,405	21,812
Term financing	**2,845,529**	**180,022**	**3,025,551**	2,161,895	176,389	2,338,284
Bills receivable	**24,835**	**-**	**24,835**	-	-	-
Claims on customers under acceptance credits	**1,407**	**639**	**2,046**	2,567	-	2,567
Credit card receivables	**7,077**	**861**	**7,938**	6,344	1,257	7,601
Total	**2,887,124**	**181,871**	**3,068,995**	2,190,213	180,051	2,370,264

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(c) Impaired financing, advances and other financing/loans

	The Group and the Bank	
	31 December 2016 RM'000	**31 December 2015 RM'000**
Total gross impaired financing, advances and other financing/loans	**466,365**	424,384
Less: Impairment allowances	**(169,626)**	(186,012)
Total net impaired financing, advances and other financing/loans	**296,739**	238,372

Refer to Note 7(vii) for analysis of impaired financing, advances and other financing/loans by economic purpose.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments

(a) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

	The Group and the Bank	
	31 December 2016	31 December 2015
	Neither past due nor impaired	Neither past due nor impaired
	RM'000	RM'000
Financial assets held for trading	**2,730,665**	2,691,938
Financial investments available-for-sale	**1,624,496**	1,925,473
Financial investments held-to-maturity	**3,330,600**	1,664,531
Total	**7,685,761**	6,281,942

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" or "impaired" as at 31 December 2016 and 31 December 2015 for the Group and the Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments (Continued)

(b) Financial assets held for trading and financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial assets held for trading and financial investments that are "neither past due nor impaired" based on ratings by major credit rating agencies:

	The Group and the Bank 31 December 2016			
	Sovereign	Investment grade (AAA to BBB-)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	**176,446**	**2,523,477**	**30,742**	**2,730,665**
Financial investments available-for-sale	**374,425**	**1,250,071**	**-**	**1,624,496**
Financial investments held-to-maturity	**2,571,248**	**257,092**	**502,260**	**3,330,600**
Total	**3,122,119**	**4,030,640**	**533,002**	**7,685,761**

	The Group and the Bank 31 December 2015			
	Sovereign	Investment grade (AAA to BBB-)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	158,184	2,374,897	158,857	2,691,938
Financial investments available-for-sale	567,279	1,358,194	-	1,925,473
Financial investments held-to-maturity	977,913	177,714	508,904	1,664,531
Total	1,703,376	3,910,805	667,761	6,281,942

Securities with no rating mainly consist of corporate Sukuk.

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

(a) Other financial assets are summarised as follows:

	The Group 31 December 2016			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	**8,315,442**	**-**	**-**	**8,315,442**
Deposits and placements with banks and other financial institutions	**90,398**	**-**	**-**	**90,398**
Islamic derivative financial instruments	**870,650**	**-**	**-**	**870,650**
Other assets	**657,856**	**121**	**385**	**658,362**
Amount due from related companies	**906**	**-**	**-**	**906**
Total	**9,935,252**	**121**	**385**	**9,935,758**
Less: Impairment allowances				**(362)** *
Total net amount				**9,935,396**

	The Group 31 December 2015			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	5,644,137	-	-	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	-	141,226
Islamic derivative financial instruments	476,278	-	-	476,278
Other assets	153,552	-	208	153,760
Amount due from related companies	635	-	-	635
Total	6,415,828	-	208	6,416,036
Less: Impairment allowances				(175) *
Total net amount				6,415,861

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

(a) Other financial assets are summarised as follows: (Continued)

The Bank
31 December 2016

	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	8,315,396	-	-	8,315,396
Deposits and placements with banks and other financial institutions	90,398	-	-	90,398
Islamic derivative financial instruments	870,650	-	-	870,650
Other assets	657,856	121	385	658,362
Amount due from related companies	906	-	-	906
Total	9,935,206	121	385	9,935,712
Less: Impairment allowances				(362) *
Total net amount				9,935,350

The Bank
31 December 2015

	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	5,644,092	-	-	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	-	141,226
Islamic derivative financial instruments	476,278	-	-	476,278
Other assets	153,552	-	208	153,760
Amount due from related companies	635	-	-	635
Total	6,415,783	-	208	6,415,991
Less: Impairment allowances				(175) *
Total net amount				6,415,816

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

(b) An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below:

	The Group 31 December 2016				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	**6,871,116**	**1,440,555**	**1,694**	**2,077**	**8,315,442**
Deposits and placements with banks and other financial institutions	**-**	**90,398**	**-**	**-**	**90,398**
Islamic derivative financial instruments	**-**	**813,145**	**48,936**	**8,569**	**870,650**
Other assets	**-**	**562,020**	**-**	**95,836**	**657,856**
Amount due from related companies	**-**	**1**	**-**	**905**	**906**
Total	**6,871,116**	**2,906,119**	**50,630**	**107,387**	**9,935,252**

	The Group 31 December 2015				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	4,203,009	1,437,201	-	3,927	5,644,137
Deposits and placements with banks and other financial institutions	-	141,226	-	-	141,226
Islamic derivative financial instruments	-	406,837	1,401	68,040	476,278
Other assets	-	27,680	-	125,872	153,552
Amount due from related companies	-	-	-	635	635
Total	4,203,009	2,012,944	1,401	198,474	6,415,828

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets (Continued)

(b) An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below (Continued):

	The Bank 31 December 2016				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	**6,871,116**	**1,440,509**	**1,694**	**2,077**	**8,315,396**
Deposits and placements with banks and other financial institutions	**-**	**90,398**	**-**	**-**	**90,398**
Islamic derivative financial instruments	**-**	**813,145**	**48,936**	**8,569**	**870,650**
Other assets	**-**	**562,020**	**-**	**95,836**	**657,856**
Amount due from related companies	**-**	**1**	**-**	**905**	**906**
Total	**6,871,116**	**2,906,073**	**50,630**	**107,387**	**9,935,206**

	The Bank 31 December 2015				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	4,203,009	1,437,201	-	3,882	5,644,092
Deposits and placements with banks and other financial institutions	-	141,226	-	-	141,226
Islamic derivative financial instruments	-	406,837	1,401	68,040	476,278
Other assets	-	27,680	-	125,872	153,552
Amount due from related companies	-	-	-	635	635
Total	4,203,009	2,012,944	1,401	198,429	6,415,783

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets (Continued)

(c) An age analysis of the Group and the Bank's other financial assets that are "past due but not impaired" as at 31 December 2016 and 31 December 2015 are set out as below:

The Group and the Bank

Past due but not impaired

	31 December 2016			31 December 2015		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other assets	-	121	121	-	-	-
Total	-	121	121	-	-	-

50.1.5 Repossessed collateral

The Group and the Bank has not taken possession of any collateral held as security.

50.2 Market risk

Market risk is defined as any fluctuation in the market value of a trading position arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

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 GUC ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk CoE in GRD is responsible to measure and control the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

The Market Risk Centre of Excellence undertakes the monitoring and oversight process at Treasury & Markets trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on the positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met. The valuation methods and models used are validated by the quantitative analysts.

CIMB Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR.

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

Market Risk Management (MRM) (Continued)

Broadly, the Group is exposed to four major types of market risk namely equity risk, profit rate risk, foreign exchange risk and commodity risk. VaR limits are allocated for each type of market risk undertaken for effective risk monitoring and control.

All market risk limits are reviewed and recommended by GMRC for approval by GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are disseminated to Treasury and head of each business unit is accountable for all market risk under his/her purview. Any excess in limit will be escalated to management in accordance with the Group's exception management procedures.

Apart from daily monitoring, market risk exposures and VaR of the Group will be summarised and submitted to GMRC, GRC and BRC on a monthly basis.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework ("CAF") (Basel II – Risk-Weighted Assets) and Capital Adequacy Framwork for Islamic Banks ("CAFIB") (Risk-Weighted Assets).

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
VaR				
Foreign exchange risk	**1,338**	1,457	**1,338**	1,457
Profit rate risk	**375**	309	**375**	309
Total	**1,713**	1,766	**1,713**	1,766
Total shareholder's funds	**4,150,175**	3,606,118	**4,150,140**	3,606,083
Percentage over shareholder's funds	**0.04%**	0.05%	**0.04%**	0.05%

50.2.2 Profit rate risk

Profit rate risk relates to the potential adverse impact on the net profit income arising from the changes in market rates. One of the primary sources of profit rate risk is the repricing mismatches between profit earning assets and profit bearing liabilities. Profit rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

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50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates:

	The Group 31 December 2016								
	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short-term funds	7,663,867	-	-	-	-	-	651,575	-	8,315,442
Deposits and placements with banks and other financial institutions	-	90,375	-	-	-	-	23	-	90,398
Financial assets held for trading	-	-	-	-	-	-	-	2,730,665	2,730,665
Financial investments available-for-sale	49,992	-	-	257,472	609,038	689,282	19,287	-	1,625,071
Financial investments held-to-maturity	-	-	55,068	30,193	1,241,710	1,973,511	30,118	-	3,330,600
Islamic derivative financial instruments	-	-	-	-	-	-	-	870,650	870,650
Financing, advances and other financing/loans	33,089,186	184,633	102,585	161,229	9,226,396	4,408,844	-	-	47,172,873
Other assets	-	-	-	-	-	-	658,000	-	658,000
Amount due from related companies	-	-	-	-	-	-	906	-	906
Total financial assets	40,803,045	275,008	157,653	448,894	11,077,144	7,071,637	1,359,909	3,601,315	64,794,605

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Group 31 December 2016								
	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	27,785,423	15,639,741	6,230,795	2,834,299	11,932	27,150	232,948	-	52,762,288
Investment accounts of customers	254,408	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,109,892	115,537	3,387	2,236	-	-	1,749	-	1,232,801
Investment accounts due to designated financial institutions	3,382,121	521,465	-	-	-	-	8,425	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,236	-	7	(62)	2,181
Islamic derivative financial instruments	-	-	-	911	128,710	-	-	849,390	979,011
Amount due to holding company	-	-	-	-	-	-	495,087	-	495,087
Amount due to related companies	-	-	-	-	-	-	1,089	-	1,089
Other liabilities	-	-	-	-	-	-	89,668	-	89,668
Recourse obligation on loans and financing sold to Cagamas	-	445,503	-	-	900,004	-	7,883	-	1,353,390
Sukuk	-	-	-	-	586,000	-	488	-	586,488
Subordinated sukuk	-	-	-	300,000	310,000	-	7,563	-	617,563
Total financial liabilities	32,531,844	16,722,246	6,234,182	3,137,446	1,938,882	27,150	844,907	849,328	62,285,985
Net profit sensitivity gap	8,271,201	(16,447,238)	(6,076,529)	(2,688,552)	9,138,262	7,044,487		2,751,987	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	176,053	-	176,053
Credit related commitments and contingencies	-	-	-	-	-	-	9,866,714	-	9,866,714
Treasury related commitments and contingencies (hedging)	-	-	-	300,000	3,595,703	-	-	-	3,895,703
Net profit sensitivity gap	-	-	-	300,000	3,595,703	-	10,042,767	-	13,938,470

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50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Group
31 December 2015

	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short-term funds	5,236,556	-	-	-	-	-	407,581	-	5,644,137
Deposits and placements with banks and other financial institutions	-	140,955	-	-	-	-	271	-	141,226
Financial assets held for trading	-	-	-	-	-	-	-	2,691,938	2,691,938
Financial investments available-for-sale	-	-	-	73,585	991,681	840,636	20,146	-	1,926,048
Financial investments held-to-maturity	-	-	-	25,032	470,147	1,148,381	20,971	-	1,664,531
Islamic derivative financial instruments	-	-	222	-	-	-	-	476,056	476,278
Financing, advances and other financing/loans	24,695,032	588,620	225,202	363,646	9,171,402	5,281,538	-	-	40,325,440
Other assets	-	-	-	-	-	-	153,585	-	153,585
Amount due from related companies	-	-	-	-	-	-	635	-	635
Total financial assets	29,931,588	729,575	225,424	462,263	10,633,230	7,270,555	603,189	3,167,994	53,023,818

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Group
31 December 2015

	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	24,899,275	8,000,859	4,717,179	5,855,968	388,880	163,933	221,786	-	44,247,880
Investment accounts of customers	232,716	-	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	552,898	216,435	3,220	185,437	-	-	1,565	-	959,555
Investment accounts due to designated financial institutions	2,546,844	348,150	-	-	-	-	5,988	-	2,900,982
Financial liabilities designated at fair value	-	-	-	-	206,321	-	1,323	(8,581)	199,063
Islamic derivative financial instruments	-	-	-	-	128,014	519	-	457,528	586,061
Amount due to holding company	-	-	-	-	-	-	11,043	-	11,043
Amount due to related company	-	-	-	-	-	-	2,616	-	2,616
Other liabilities	-	-	-	-	-	-	179,574	-	179,574
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	500,000	-	2,368	-	502,368
Subordinated sukuk	-	-	250,097	-	300,000	296,634	10,252	-	856,983
Total financial liabilities	28,231,733	8,565,444	4,970,496	6,041,405	1,523,215	461,086	436,515	448,947	50,678,841
Net profit sensitivity gap	1,699,855	(7,835,869)	(4,745,072)	(5,579,142)	9,110,015	6,809,469		2,719,047	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	171,312	-	171,312
Credit related commitments and contingencies	-	-	-	-	-	-	6,833,843	-	6,833,843
Treasury related commitments and contingencies (hedging)	-	-	250,000	-	3,875,000	19,812	-	-	4,144,812
Net profit sensitivity gap	-	-	250,000	-	3,875,000	19,812	7,005,155	-	11,149,967

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Bank
31 December 2016

	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short-term funds	7,663,868	-	-	-	-	-	651,528	-	8,315,396
Deposits and placements with banks and other financial institutions	-	90,375	-	-	-	-	23	-	90,398
Financial assets held for trading	-	-	-	-	-	-	-	2,730,665	2,730,665
Financial investments available-for-sale	49,992	-	-	257,472	609,038	689,282	19,287	-	1,625,071
Financial investments held-to-maturity	-	-	55,068	30,193	1,241,710	1,973,511	30,118	-	3,330,600
Islamic derivative financial instruments	-	-	-	-	-	-	-	870,650	870,650
Financing, advances and other financing/loans	33,089,186	184,633	102,585	161,229	9,226,396	4,408,844	-	-	47,172,873
Other assets	-	-	-	-	-	-	658,000	-	658,000
Amount due from related companies	-	-	-	-	-	-	906	-	906
Total financial assets	40,803,046	275,008	157,653	448,894	11,077,144	7,071,637	1,359,862	3,601,315	64,794,559

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Bank
31 December 2016

	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	27,856,883	15,639,741	6,230,795	2,834,299	11,932	27,150	233,006	-	52,833,806
Investment accounts of customers	254,408	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,109,891	115,537	3,387	2,236	-	-	1,750	-	1,232,801
Investment accounts due to designated financial institutions	3,382,120	521,465	-	-	-	-	8,426	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,236	-	7	(62)	2,181
Islamic derivative financial instruments	-	-	-	911	128,710	-	-	849,390	979,011
Amount due to holding company	-	-	-	-	-	-	495,087	-	495,087
Amount due to related company	-	-	-	-	-	-	1,089	-	1,089
Other liabilities	-	-	-	-	514,694	-	89,944	-	604,638
Recourse obligation on loans and financing sold to Cagamas	-	445,503	-	-	900,004	-	7,883	-	1,353,390
Subordinated sukuk	-	-	-	300,000	310,000	-	7,563	-	617,563
Total financial liabilities	32,603,302	16,722,246	6,234,182	3,137,446	1,867,576	27,150	844,755	849,328	62,285,985
Net profit sensitivity gap	8,199,744	(16,447,238)	(6,076,529)	(2,688,552)	9,209,568	7,044,487		2,751,987	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	176,053	-	176,053
Credit related commitments and contingencies	-	-	-	-	-	-	9,866,714	-	9,866,714
Treasury related commitments and contingencies (hedging)	-	-	-	300,000	3,595,703	-	-	-	3,895,703
Net profit sensitivity gap	-	-	-	300,000	3,595,703	-	10,042,767	-	13,938,470

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Bank
31 December 2015

	Non-trading book								
	Up to 1 month	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets									
Cash and short-term funds	5,236,556	-	-	-	-	-	407,536	-	5,644,092
Deposits and placements with banks and other financial institutions	-	140,955	-	-	-	-	271	-	141,226
Financial assets held for trading	-	-	-	-	-	-	-	2,691,938	2,691,938
Financial investments available-for-sale	-	-	-	73,585	991,681	840,636	20,146	-	1,926,048
Financial investments held-to-maturity	-	-	-	25,032	470,147	1,148,381	20,971	-	1,664,531
Islamic derivative financial instruments	-	-	222	-	-	-	-	476,056	476,278
Financing, advances and other financing/loans	24,695,032	588,620	225,202	363,646	9,171,402	5,281,538	-	-	40,325,440
Other assets	-	-	-	-	-	-	153,585	-	153,585
Amount due from related companies	-	-	-	-	-	-	635	-	635
Total financial assets	29,931,588	729,575	225,424	462,263	10,633,230	7,270,555	603,144	3,167,994	53,023,773

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

The Bank
31 December 2015

	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	24,899,275	8,000,859	4,717,179	5,855,968	388,880	163,933	221,786	-	44,247,880
Investment accounts of customers	232,716	-	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	552,898	216,435	3,220	185,437	-	-	1,565	-	959,555
Investment accounts due to designated financial institutions	2,546,844	348,150	-	-	-	-	5,988	-	2,900,982
Financial liabilities designated at fair value	-	-	-	-	206,321	-	1,323	(8,581)	199,063
Islamic derivative financial instruments	-	-	-	-	128,014	519	-	457,528	586,061
Amount due to holding company	-	-	-	-	-	-	11,043	-	11,043
Amount due to related company	-	-	-	-	-	-	2,616	-	2,616
Amount due to subsidiaries	-	-	-	-	-	-	1	-	1
Other liabilities	-	-	-	-	-	-	179,574	-	179,574
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	500,000	-	2,368	-	502,368
Subordinated sukuk	-	-	250,097	-	300,000	296,634	10,252	-	856,983
Total financial liabilities	28,231,733	8,565,444	4,970,496	6,041,405	1,523,215	461,086	436,516	448,947	50,678,842
Net profit sensitivity gap	1,699,855	(7,835,869)	(4,745,072)	(5,579,142)	9,110,015	6,809,469		2,719,047	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	171,312	-	171,312
Credit related commitments and contingencies	-	-	-	-	-	-	6,833,843	-	6,833,843
Treasury related commitments and contingencies (hedging)	-	-	250,000	-	3,875,000	19,812	-	-	4,144,812
Net profit sensitivity gap	-	-	250,000	-	3,875,000	19,812	7,005,155	-	11,149,967

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) Sensitivity of profit and reserves

(i) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group and the Bank			
	31 December 2016		31 December 2015	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(49,315)**	**49,315**	(69,104)	69,104

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 profit 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.

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) Sensitivity of profit and reserves (Continued)

(ii) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group and the Bank			
	31 December 2016		31 December 2015	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	RM'000	RM'000	RM'000	RM'000
Impact to revaluation reserve - financial investments available-for-sale	**(71,667)**	**71,667**	(87,367)	87,367

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 and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk

The Group and the Bank 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 Bank 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 Bank:

The Group
31 December 2016

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,558,760	491,014	1,046	264,622	756,682	8,315,442
Deposits and placements with banks and other financial institutions	-	90,398	-	-	90,398	90,398
Financial assets held for trading	2,612,082	118,583	-	-	118,583	2,730,665
Financial investments available-for-sale	1,600,580	24,491	-	-	24,491	1,625,071
Financial investments held-to-maturity	3,330,600	-	-	-	-	3,330,600
Islamic derivative financial instruments	18,081	796,360	25,783	30,426	852,569	870,650
Financing, advances and other financing/loans	46,348,910	406,755	417,208	-	823,963	47,172,873
Other assets	658,000	-	-	-	-	658,000
Amount due from related companies	630	-	1	275	276	906
	62,127,643	1,927,601	444,038	295,323	2,666,962	64,794,605

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

	The Group 31 December 2016					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	52,075,533	497,511	5,832	183,412	686,755	52,762,288
Investment accounts of customers	254,408	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	18,773	1,045,801	-	168,227	1,214,028	1,232,801
Investment accounts due to designated financial institutions	3,912,011	-	-	-	-	3,912,011
Financial liabilities designated at fair value	2,181	-	-	-	-	2,181
Islamic derivative financial instruments	140,131	783,700	25,021	30,159	838,880	979,011
Amount due to holding company	495,087	-	-	-	-	495,087
Amount due to related companies	1,081	-	8	-	8	1,089
Other liabilities	89,668	-	-	-	-	89,668
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	-	-	-	1,353,390
Sukuk	586,488	-	-	-	-	586,488
Subordinated sukuk	617,563	-	-	-	-	617,563
	59,546,314	2,327,012	30,861	381,798	2,739,671	62,285,985
Financial guarantees	174,618	1,435	-	-	1,435	176,053
Credit related commitments and contingencies	9,658,921	190,336	-	17,457	207,793	9,866,714
	9,833,539	191,771	-	17,457	209,228	10,042,767

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

The Group 31 December 2015	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	4,839,367	538,255	359	266,156	804,770	5,644,137
Deposits and placements with banks and other financial institutions	-	99,002	-	42,224	141,226	141,226
Financial assets held for trading	2,447,857	244,081	-	-	244,081	2,691,938
Financial investments available-for-sale	1,897,949	28,099	-	-	28,099	1,926,048
Financial investments held-to-maturity	1,664,531	-	-	-	-	1,664,531
Islamic derivative financial instruments	40,276	432,150	-	3,852	436,002	476,278
Financing, advances and other financing/loans:	40,325,440	-	-	-	-	40,325,440
Other assets	153,585	-	-	-	-	153,585
Amount due from related companies	419	-	-	216	216	635
	51,369,424	1,341,587	359	312,448	1,654,394	53,023,818

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

	The Group 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	43,061,774	907,066	2,655	276,385	1,186,106	44,247,880
Investment accounts of customers	232,716	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	173,345	584,546	-	201,664	786,210	959,555
Investment accounts due to designated financial institutions	2,900,982	-	-	-	-	2,900,982
Financial liabilities designated at fair value	199,063	-	-	-	-	199,063
Islamic derivative financial instruments	171,879	410,372	1	3,809	414,182	586,061
Amount due to holding company	11,043	-	-	-	-	11,043
Amount due to related companies	2,608	-	8	-	8	2,616
Other liabilities	179,574	-	-	-	-	179,574
Recourse obligation on loans and financing sold to Cagamas	502,368	-	-	-	-	502,368
Subordinated sukuk	856,983	-	-	-	-	856,983
	48,292,335	1,901,984	2,664	481,858	2,386,506	50,678,841
Financial guarantees	170,037	1,073	-	202	1,275	171,312
Credit related commitments and contingencies	6,537,348	291,848	-	4,647	296,495	6,833,843
	6,707,385	292,921	-	4,849	297,770	7,005,155

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

	The Bank 31 December 2016					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,558,714	491,014	1,046	264,622	756,682	8,315,396
Deposits and placements with banks and other financial institutions	-	90,398	-	-	90,398	90,398
Financial assets held for trading	2,612,082	118,583	-	-	118,583	2,730,665
Financial investments available-for-sale	1,600,580	24,491	-	-	24,491	1,625,071
Financial investments held-to-maturity	3,330,600	-	-	-	-	3,330,600
Islamic derivative financial instruments	18,081	796,360	25,783	30,426	852,569	870,650
Financing, advances and other financing/loans	46,348,910	406,755	417,208	-	823,963	47,172,873
Other assets	658,000	-	-	-	-	658,000
Amount due from related companies	630	-	1	275	276	906
	62,127,597	1,927,601	444,038	295,323	2,666,962	64,794,559

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)s

50.2.3 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 Bank (Continued):

	The Bank 31 December 2016					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	52,147,051	497,511	5,832	183,412	686,755	52,833,806
Investment accounts of customers	254,408	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	18,773	1,045,801	-	168,227	1,214,028	1,232,801
Investment accounts due to designated financial institutions	3,912,011	-	-	-	-	3,912,011
Financial liabilities designated at fair value	2,181	-	-	-	-	2,181
Islamic derivative financial instruments	140,131	783,700	25,021	30,159	838,880	979,011
Amount due to holding company	495,087	-	-	-	-	495,087
Amount due to related companies	1,081	-	8	-	8	1,089
Other liabilities	604,638	-	-	-	-	604,638
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	-	-	-	1,353,390
Subordinated sukuk	617,563	-	-	-	-	617,563
	59,546,314	2,327,012	30,861	381,798	2,739,671	62,285,985
Financial guarantees	174,618	1,435	-	-	1,435	176,053
Credit related commitments and contingencies	9,658,921	190,336	-	17,457	207,793	9,866,714
	9,833,539	191,771	-	17,457	209,228	10,042,767

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

	The Bank 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	4,839,322	538,255	359	266,156	804,770	5,644,092
Deposits and placements with banks and other financial institutions	-	99,002	-	42,224	141,226	141,226
Financial assets held for trading	2,447,857	244,081	-	-	244,081	2,691,938
Financial investments available-for-sale	1,897,949	28,099	-	-	28,099	1,926,048
Financial investments held-to-maturity	1,664,531	-	-	-	-	1,664,531
Islamic derivative financial instruments	40,276	432,150	-	3,852	436,002	476,278
Financing, advances and other financing/loans	40,325,440	-	-	-	-	40,325,440
Other assets	153,585	-	-	-	-	153,585
Amount due from related companies	419	-	-	216	216	635
	51,369,379	1,341,587	359	312,448	1,654,394	53,023,773

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 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 Bank (Continued):

	The Bank 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	43,061,774	907,066	2,655	276,385	1,186,106	44,247,880
Investment accounts of customers	232,716	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	173,345	584,546	-	201,664	786,210	959,555
Investment accounts due to designated financial institutions	2,900,982	-	-	-	-	2,900,982
Financial liabilities designated at fair value	199,063	-	-	-	-	199,063
Islamic derivative financial instruments	171,879	410,372	1	3,809	414,182	586,061
Amount due to holding company	11,043	-	-	-	-	11,043
Amount due to subsidiaries	1	-	-	-	-	1
Amount due to related companies	2,608	-	8	-	8	2,616
Other liabilities	179,574	-	-	-	-	179,574
Recourse obligation on loans and financing sold to Cagamas	502,368	-	-	-	-	502,368
Subordinated sukuk	856,983	-	-	-	-	856,983
	48,292,336	1,901,984	2,664	481,858	2,386,506	50,678,842
Financial guarantees	170,037	1,073	-	202	1,275	171,312
Credit related commitments and contingencies	6,537,348	291,848	-	4,647	296,495	6,833,843
	6,707,385	292,921	-	4,849	297,770	7,005,155

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit to movement in foreign exchange rates:

	The Group and the Bank			
	31 December 2016		31 December 2015	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease)		Increase/(decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**(578)**	**578**	(649)	649

The impact on profit arises from transactional exposures 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 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.

50 Financial Risk Management (Continued)

50.3 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 business as usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits. This provides the Group a stable large 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.

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) guidelines and limits. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. In addition, the Group also performs a consolidated stress test, including liquidity stress test, a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities, are documented. The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk Committee, and the Board Risk Committees / Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines:

	The Group 31 December 2016							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	**8,315,442**	**-**	**-**	**-**	**-**	**-**	**-**	**8,315,442**
Deposits and placements with banks and other financial institutions	**23**	**90,375**	**-**	**-**	**-**	**-**	**-**	**90,398**
Financial assets held for trading	**808,628**	**916,266**	**742,297**	**208,755**	**54,685**	**34**	**-**	**2,730,665**
Financial investments available-for-sale	**68,703**	**-**	**-**	**257,472**	**609,038**	**689,283**	**575**	**1,625,071**
Financial investments held-to-maturity	**30,117**	**-**	**55,068**	**30,193**	**1,241,710**	**1,973,512**	**-**	**3,330,600**
Islamic derivative financial instruments	**85,817**	**120,971**	**88,519**	**126,674**	**273,711**	**174,958**	**-**	**870,650**
Financing , advances and other financing/loans	**2,846,466**	**1,711,162**	**271,558**	**327,423**	**11,664,689**	**30,351,575**	**-**	**47,172,873**
Other assets	**883,378**	**-**	**-**	**-**	**-**	**-**	**-**	**883,378**
Deferred taxation	**-**	**-**	**-**	**-**	**-**	**-**	**15,427**	**15,427**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**-**	**-**	**1,384,859**	**1,384,859**
Amount due from related companies	**906**	**-**	**-**	**-**	**-**	**-**	**-**	**906**
Goodwill	**-**	**-**	**-**	**-**	**-**	**-**	**136,000**	**136,000**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**81,041**	**81,041**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**9,581**	**9,581**
Total assets	**13,039,480**	**2,838,774**	**1,157,442**	**950,517**	**13,843,833**	**33,189,362**	**1,627,483**	**66,646,891**

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Group 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	27,759,128	15,681,791	6,294,982	2,854,029	30,226	142,132	-	52,762,288
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,111,641	115,537	3,387	2,236	-	-	-	1,232,801
Investment accounts due to designated financial institutions	3,390,546	521,465	-	-	-	-	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,181	-	-	2,181
Islamic derivative financial instruments	89,454	120,794	87,774	128,154	391,810	161,025	-	979,011
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	253,015	-	-	-	-	-	-	253,015
Provision for taxation	47,384	-	-	-	-	-	-	47,384
Recourse obligation on loans and financing sold to Cagamas	7,883	445,503	-	-	900,004	-	-	1,353,390
Sukuk	488	-	-	-	586,000	-	-	586,488
Subordinated sukuk	7,563	-	-	300,000	310,000	-	-	617,563
Total liabilities	33,417,686	16,885,090	6,386,143	3,284,419	2,220,221	303,157	-	62,496,716
Net liquidity gap	(20,378,206)	(14,046,316)	(5,228,701)	(2,333,902)	11,623,612	32,886,205	1,627,483	

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

The Group
31 December 2015

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,644,137	-	-	-	-	-	-	5,644,137
Deposits and placements with banks and other financial institutions	271	140,955	-	-	-	-	-	141,226
Financial assets held for trading	494,745	960,683	995,590	-	225,502	15,418	-	2,691,938
Financial investments available-for-sale	19,571	-	-	73,585	991,681	840,636	575	1,926,048
Financial investments held-to-maturity	20,971	-	-	25,032	470,147	1,148,381	-	1,664,531
Islamic derivative financial instruments	30,141	60,999	46,780	19,556	94,756	224,046	-	476,278
Financing , advances and other financing/loans	2,452,841	589,417	226,196	465,136	10,478,393	26,113,457	-	40,325,440
Other assets	169,780	-	-	-	-	-	-	169,780
Deferred taxation	-	-	-	-	-	-	30,454	30,454
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,257,178	1,257,178
Amount due from related companies	635	-	-	-	-	-	-	635
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	82,941	82,941
Property, plant and equipment	-	-	-	-	-	-	12,595	12,595
Total assets	8,833,092	1,752,054	1,268,566	583,309	12,260,479	28,341,938	1,519,743	54,559,181

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Group 31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	25,121,061	8,000,859	4,717,179	5,855,968	388,880	163,933	-	44,247,880
Investment accounts of customers	232,716	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	554,463	216,435	3,220	185,437	-	-	-	959,555
Investment accounts due to designated financial institutions	2,552,832	348,150	-	-	-	-	-	2,900,982
Financial liabilities designated at fair value	-	-	-	-	199,063	-	-	199,063
Islamic derivative financial instruments	18,073	64,770	46,404	19,437	229,170	208,207	-	586,061
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Other liabilities	414,448	-	-	-	-	-	-	414,448
Provision for taxation	39,348	-	-	-	-	-	-	39,348
Recourse obligation on loans and financing sold to Cagamas	2,368	-	-	-	500,000	-	-	502,368
Subordinated sukuk	10,252	-	250,097	-	300,000	296,634	-	856,983
Total liabilities	28,959,220	8,630,214	5,016,900	6,060,842	1,617,113	668,774	-	50,953,063
Net liquidity gap	(20,126,128)	(6,878,160)	(3,748,334)	(5,477,533)	10,643,366	27,673,164	1,519,743	

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

The Bank 31 December 2016	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	8,315,396	-	-	-	-	-	-	8,315,396
Deposits and placements with banks and other financial institutions	23	90,375	-	-	-	-	-	90,398
Financial assets held for trading	808,628	916,266	742,297	208,755	54,685	34	-	2,730,665
Financial investments available-for-sale	68,702	-	-	257,472	609,038	689,284	575	1,625,071
Financial investments held-to-maturity	30,117	-	55,068	30,193	1,241,710	1,973,512	-	3,330,600
Islamic derivative financial instruments	85,817	120,971	88,519	126,674	273,711	174,958	-	870,650
Financing , advances and other financing/loans	2,846,466	1,711,162	271,558	327,423	11,664,689	30,351,575	-	47,172,873
Other assets	883,378	-	-	-	-	-	-	883,378
Deferred taxation	-	-	-	-	-	-	15,427	15,427
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,384,859	1,384,859
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from related companies	906	-	-	-	-	-	-	906
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	81,041	81,041
Property, plant and equipment	-	-	-	-	-	-	9,581	9,581
Total assets	13,039,433	2,838,774	1,157,442	950,517	13,843,833	33,189,363	1,627,494	66,646,856

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	27,830,646	15,681,791	6,294,982	2,854,029	30,226	142,132	-	52,833,806
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,111,641	115,537	3,387	2,236	-	-	-	1,232,801
Investment accounts due to designated financial institutions	3,390,546	521,465	-	-	-	-	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,181	-	-	2,181
Islamic derivative financial instruments	89,454	120,794	87,774	128,154	391,810	161,025	-	979,011
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	253,291	-	-	-	514,694	-	-	767,985
Provision for taxation	47,384							47,384
Recourse obligation on loans and financing sold to Cagamas	7,883	445,503	-	-	900,004	-	-	1,353,390
Subordinated sukuk	7,563	-	-	300,000	310,000	-	-	617,563
Total liabilities	33,488,992	16,885,090	6,386,143	3,284,419	2,148,915	303,157	-	62,496,716
Net liquidity gap	(20,449,559)	(14,046,316)	(5,228,701)	(2,333,902)	11,694,918	32,886,206	1,627,494	

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank 31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,644,092	-	-	-	-	-	-	5,644,092
Deposits and placements with banks and other financial institutions	271	140,955	-	-	-	-	-	141,226
Financial assets held for trading	494,745	960,683	995,590	-	225,502	15,418	-	2,691,938
Financial investments available-for-sale	19,571	-	-	73,585	991,681	840,636	575	1,926,048
Financial investments held-to-maturity	20,971	-	-	25,032	470,147	1,148,381	-	1,664,531
Islamic derivative financial instruments	30,141	60,999	46,780	19,556	94,756	224,046	-	476,278
Financing , advances and other financing/loans	2,452,841	589,417	226,196	465,136	10,478,393	26,113,457	-	40,325,440
Other assets	169,780	-	-	-	-	-	-	169,780
Deferred taxation	-	-	-	-	-	-	30,454	30,454
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,257,178	1,257,178
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from related companies	635	-	-	-	-	-	-	635
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	82,941	82,941
Property, plant and equipment	-	-	-	-	-	-	12,595	12,595
Total assets	8,833,047	1,752,054	1,268,566	583,309	12,260,479	28,341,938	1,519,754	54,559,147

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank 31 December 2015							
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	25,121,061	8,000,859	4,717,179	5,855,968	388,880	163,933	-	44,247,880
Investment accounts of customers	232,716	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	554,463	216,435	3,220	185,437	-	-	-	959,555
Investment accounts due to designated financial institutions	2,552,832	348,150	-	-	-	-	-	2,900,982
Financial liabilities designated at fair value	-	-	-	-	199,063	-	-	199,063
Islamic derivative financial instruments	18,073	64,770	46,404	19,437	229,170	208,207	-	586,061
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Amount due to subsidiaries	1	-	-	-	-	-	-	1
Other liabilities	414,448	-	-	-	-	-	-	414,448
Provision for taxation	39,348							39,348
Recourse obligation on loans and financing sold to Cagamas	2,368	-	-	-	500,000	-	-	502,368
Subordinated sukuk	10,252	-	250,097	-	300,000	296,634	-	856,983
Total liabilities	28,959,221	8,630,214	5,016,900	6,060,842	1,617,113	668,774	-	50,953,064
Net liquidity gap	(20,126,174)	(6,878,160)	(3,748,334)	(5,477,533)	10,643,366	27,673,164	1,519,754	

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 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 Bank 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 31 December 2016	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	27,777,747	15,778,669	6,389,243	2,928,294	33,658	170,492	-	53,078,103
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,112,450	115,788	3,401	2,248	-	-	-	1,233,887
Investment accounts due to designated financial institutions	3,393,421	524,753	-	-	-	-	-	3,918,174
Financial liabilities designated at fair value	-	9	9	5	2,240	-	-	2,263
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	89,668	-	-	-	-	-	-	89,668
Recourse obligation on loans and financing sold to Cagamas	7,883	461,791	21,929	11,644	1,004,081	-	-	1,507,328
Subordinated sukuk	7,563	7,339	101	315,003	346,920	-	-	676,926
Sukuk	9,903	-	-	9,903	665,227	-	-	685,033
	33,149,219	16,888,349	6,414,683	3,267,097	2,052,126	170,492	-	61,941,966
Financial guarantees	176,053	-	-	-	-	-	-	176,053
Credit related commitments and contingencies	6,240,212	3,454	171,680	598	50,951	3,399,819	-	9,866,714
	6,416,265	3,454	171,680	598	50,951	3,399,819	-	10,042,767

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

<u>Non-derivative financial liabilities (Continued)</u>

The tables below present the cash flows payable by the Group and the Bank 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 Group 31 December 2015							
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	25,137,584	8,053,739	4,794,113	6,034,584	407,881	202,379	-	44,630,280
Investment accounts of customers	232,716	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	554,581	216,674	3,233	186,776	-	-	-	961,264
Investment accounts due to designated financial institutions	2,555,700	351,413	-	-	-	-	-	2,907,113
Financial liabilities designated at fair value	1,200	1,094	2,175	3,934	212,310	-	-	220,713
Amount due to holding company	11,043	-	-	-	-	-		11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Other liabilities	179,574	-	-	-	-	-	-	179,574
Recourse obligation on loans and financing	2,368	-	9,282	11,650	593,200	-	-	616,500
Subordinated sukuk	10,252	6,588	253,281	14,775	400,650	320,634	-	1,006,180
	28,687,634	8,629,508	5,062,084	6,251,719	1,614,041	523,013	-	50,767,999
Financial guarantees	171,312	-	-	-	-	-	-	171,312
Credit related commitments and contingencies	4,232,169	13,424	5,265	4,989	214,257	2,363,739	-	6,833,843
	4,403,481	13,424	5,265	4,989	214,257	2,363,739	-	7,005,155

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 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 Bank 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 Bank 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	27,849,356	15,778,669	6,389,243	2,928,294	33,658	170,492	-	53,149,712
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,112,450	115,788	3,401	2,248	-	-	-	1,233,887
Investment accounts due to designated financial institutions	3,393,421	524,753	-	-	-	-	-	3,918,174
Financial liabilities designated at fair value	-	9	9	5	2,240	-	-	2,263
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	99,358	-	-	9,903	665,227	-	-	774,488
Recourse obligation on loans and financing sold to Cagamas	7,883	461,791	21,929	11,644	1,004,081	-	-	1,507,328
Subordinated sukuk	7,563	7,339	101	315,003	346,920	-	-	676,926
	33,220,615	16,888,349	6,414,683	3,267,097	2,052,126	170,492	-	62,013,362
Financial guarantees	176,053	-	-	-	-	-	-	176,053
Credit related commitments and contingencies	6,240,212	3,454	171,680	598	50,951	3,399,819	-	9,866,714
	6,416,265	3,454	171,680	598	50,951	3,399,819	-	10,042,767

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 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 Bank 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 Bank 31 December 2015	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	25,137,584	8,053,739	4,794,113	6,034,584	407,881	202,379	-	44,630,280
Investment accounts of customers	232,716	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	554,581	216,674	3,233	186,776	-	-	-	961,264
Investment accounts due to designated financial institutions	2,555,700	351,413	-	-	-	-	-	2,907,113
Financial liabilities designated at fair value	1,200	1,094	2,175	3,934	212,310	-	-	220,713
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Amount due to subsidiaries	1	-	-	-	-	-	-	1
Other liabilities	179,574	-	-	-	-	-	-	179,574
Recourse obligation on loans and financing sold to Cagamas	2,368	-	9,282	11,650	593,200	-	-	616,500
Subordinated sukuk	10,252	6,588	253,281	14,775	400,650	320,634	-	1,006,180
	28,687,635	8,629,508	5,062,084	6,251,719	1,614,041	523,013	-	50,768,000
Financial guarantees	171,312	-	-	-	-	-	-	171,312
Credit related commitments and contingencies	4,232,169	13,424	5,265	4,989	214,257	2,363,739	-	6,833,843
	4,403,481	13,424	5,265	4,989	214,257	2,363,739	-	7,005,155

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging 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.

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis:

	The Group and the Bank 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Profit rate derivatives	**(107,721)**	-	-	-	-	-	-	**(107,721)**
- Equity related derivatives	**(3,632)**	-	-	-	-	-	-	**(3,632)**
- Credit related contracts	**(869)**	-	-	-	-	-	-	**(869)**
Hedging derivatives:								
- Profit rate derivatives	**(7,623)**	**17,554**	**(35,658)**	**(22,913)**	**(89,434)**	-	-	**(138,074)**
	(119,845)	**17,554**	**(35,658)**	**(22,913)**	**(89,434)**	-	-	**(250,296)**

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

	The Group and the Bank 31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Profit rate derivatives	(44,108)	-	-	-	-	-	-	(44,108)
- Equity related derivatives	(6,011)	-	-	-	-	-	-	(6,011)
- Credit related contracts	(603)	-	-	-	-	-	-	(603)
Hedging derivatives:								
- Profit rate derivatives	(5,831)	19,230	(32,888)	(19,227)	(101,401)	(57)	-	(140,174)
	(56,553)	19,230	(32,888)	(19,227)	(101,401)	(57)	-	(190,896)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency profit rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis.

	The Group and the Bank 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:	**(737,168)**	-	-	-	-	-	-	**(737,168)**
	(737,168)	-	-	-	-	-	-	**(737,168)**

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis (Continued).

	The Group and the Bank 31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(406,806)	-	-	-	-	-	-	(406,806)
	(406,806)	-	-	-	-	-	-	(406,806)

50 Financial Risk Management (Continued)

50.4 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.

50.4.1 Determination of fair value and fair value hierarchy

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group’s financial models used for valuation;

- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee for approval;

- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the Group Market Risk Committee;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets and liabilities are recorded at fair value.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

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.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

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.

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group and the Bank			
		Fair Value		
	Carrying amount RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
Recurring fair value measurements				
Financial assets				
Financial assets held for trading:				
-Money market instruments	**2,602,046**	**2,602,046**	**-**	**2,602,046**
-Unquoted securities	**128,619**	**128,619**	**-**	**128,619**
Financial investments available-for-sale:				
-Money market instruments	**182,257**	**182,257**	**-**	**182,257**
-Unquoted securities	**1,442,814**	**1,442,239**	**575**	**1,442,814**
Derivative financial instruments:				
-Trading derivatives	**870,650**	**870,650**	**-**	**870,650**
Total	**5,226,386**	**5,225,811**	**575**	**5,226,386**
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments:				
-Trading derivatives	**849,390**	**849,390**	**-**	**849,390**
-Hedging derivatives	**129,621**	**129,621**	**-**	**129,621**
Financial liabilities designated at fair value	**2,181**	**2,181**	**-**	**2,181**
Total	**981,192**	**981,192**	**-**	**981,192**

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

	The Group and the Bank			
		Fair Value		
	Carrying amount RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015				
Recurring fair value measurements				
Financial assets				
Financial assets held for trading:				
-Money market instruments	2,388,675	2,388,675	-	2,388,675
-Unquoted securities	303,263	303,263	-	303,263
Financial investments available-for-sale:				
-Money market instruments	317,082	317,082	-	317,082
-Unquoted securities	1,608,966	1,608,391	575	1,608,966
Derivative financial instruments:				
-Trading derivatives	476,056	476,056	-	476,056
-Hedging derivatives	222	222	-	222
Total	5,094,264	5,093,689	575	5,094,264
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments:				
-Trading derivatives	457,528	457,528	-	457,528
-Hedging derivatives	128,533	128,533	-	128,533
Financial liabilities designated at fair value	199,063	199,063	-	199,063
Total	785,124	785,124	-	785,124

There are no movements in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group and the Bank.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015 but for which fair value is disclosed:

	The Group			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	**8,315,442**	**8,315,442**	**-**	**8,315,442**
Deposits and placements with banks and other financial institutions	**90,398**	**-**	**90,398**	**90,398**
Financial investments held-to-maturity	**3,330,600**	**-**	**3,318,361**	**3,318,361**
Financing, advances and other financing/loans	**47,172,873**	**-**	**45,191,814**	**45,191,814**
Other assets	**883,378**	**-**	**883,378**	**883,378**
Amount due from related companies	**906**	**-**	**906**	**906**
Statutory deposits with Bank Negara Malaysia	**1,384,859**	**1,384,859**	**-**	**1,384,859**
Total	**61,178,456**	**9,700,301**	**49,484,857**	**59,185,158**
Liabilities				
Deposits from customers	**52,762,288**	**-**	**52,743,170**	**52,743,170**
Investment accounts of customers	**254,408**	**-**	**254,408**	**254,408**
Deposits and placements of banks and other financial institutions	**1,232,801**	**-**	**1,232,755**	**1,232,755**
Investment accounts due to designated financial institutions	**3,912,011**	**-**	**3,912,011**	**3,912,011**
Amount due to holding company	**495,087**	**-**	**495,087**	**495,087**
Amount due to related companies	**1,089**	**-**	**1,089**	**1,089**
Other liabilities	**253,015**	**-**	**253,015**	**253,015**
Recourse obligation on loans and financing sold to Cagamas	**1,353,390**	**-**	**1,372,702**	**1,372,702**
Sukuk	**586,488**	**-**	**579,198**	**579,198**
Subordinated Sukuk	**617,563**	**-**	**639,886**	**639,886**
Total	**61,468,140**	**-**	**61,483,321**	**61,483,321**

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities 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 assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015 but for which fair value is disclosed (Continued):

	The Group			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2015				
Assets				
Cash and short-term funds	5,644,137	5,644,137	-	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	141,226	141,226
Financial investments held-to-maturity	1,664,531	-	1,665,319	1,665,319
Financing, advances and other financing/loans	40,325,440	-	37,656,260	37,656,260
Other assets	169,780	-	169,780	169,780
Amount due from related companies	635	-	635	635
Statutory deposits with Bank Negara Malaysia	1,257,178	1,257,178	-	1,257,178
Total	49,202,927	6,901,315	39,633,220	46,534,535
Liabilities				
Deposits from customers	44,247,880	-	44,237,222	44,237,222
Investment accounts of customers	232,716	-	232,716	232,716
Deposits and placements of banks and other financial institutions	959,555	-	956,575	956,575
Investment accounts due to designated financial institutions	2,900,982	-	2,900,982	2,900,982
Amount due to holding company	11,043	-	11,043	11,043
Amount due to related companies	2,616	-	2,616	2,616
Other liabilities	414,448	-	414,448	414,448
Recourse obligation on loans and financing sold to Cagamas	502,368	-	520,284	520,284
Subordinated Sukuk	856,983	-	880,319	880,319
Total	50,128,591	-	50,156,205	50,156,205

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015 but for which fair value is disclosed (Continued):

	The Bank			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	**8,315,396**	**8,315,396**	**-**	**8,315,396**
Deposits and placements with banks and other financial institutions	**90,398**	**-**	**90,398**	**90,398**
Financial investments held-to-maturity	**3,330,600**	**-**	**3,318,361**	**3,318,361**
Financing, advances and other financing/loans	**47,172,873**	**-**	**37,656,260**	**37,656,260**
Other assets	**883,378**	**-**	**883,378**	**883,378**
Amount due from related companies	**906**	**-**	**906**	**906**
Statutory deposits with Bank Negara Malaysia	**1,384,859**	**1,384,859**	**-**	**1,384,859**
Total	**61,178,410**	**9,700,255**	**41,949,303**	**51,649,558**
Liabilities				
Deposits from customers	**52,833,806**	**-**	**52,814,687**	**52,814,687**
Investment accounts of customers	**254,408**	**-**	**254,408**	**254,408**
Deposits and placements of banks and other financial institutions	**1,232,801**	**-**	**1,232,755**	**1,232,755**
Investment accounts due to designated financial institutions	**3,912,011**	**-**	**3,912,011**	**3,912,011**
Amount due to holding company	**495,087**	**-**	**495,087**	**495,087**
Amount due to related companies	**1,089**	**-**	**1,089**	**1,089**
Other liabilities	**767,985**	**-**	**760,695**	**760,695**
Recourse obligation on loans and financing sold to Cagamas	**1,353,390**	**-**	**1,372,702**	**1,372,702**
Subordinated Sukuk	**617,563**	**-**	**639,886**	**639,886**
Total	**61,468,140**	**-**	**61,483,320**	**61,483,320**

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2016 and 31 December 2015 but for which fair value is disclosed (Continued):

	The Bank			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2015				
Assets				
Cash and short-term funds	5,644,092	5,644,092	-	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	141,226	141,226
Financial investments held-to-maturity	1,664,531	-	1,665,319	1,665,319
Financing, advances and other financing/loans	40,325,440	-	37,656,260	37,656,260
Other assets	169,780	-	169,780	169,780
Amount due from related companies	635	-	635	635
Statutory deposits with Bank Negara Malaysia	1,257,178	1,257,178	-	1,257,178
Total	49,202,882	6,901,270	39,633,220	46,534,490
Liabilities				
Deposits from customers	44,247,880	-	44,237,222	44,237,222
Investment accounts of customers	232,716	-	232,716	232,716
Deposits and placements of banks and other financial institutions	959,555	-	956,575	956,575
Investment accounts due to designated financial institutions	2,900,982	-	2,900,982	2,900,982
Amount due to holding company	11,043	-	11,043	11,043
Amount due to subsidiaries	1	-	1	1
Amount due to related companies	2,616	-	2,616	2,616
Other liabilities	414,448	-	414,448	414,448
Recourse obligation on loans and financing sold to Cagamas	502,368	-	520,284	520,284
Subordinated Sukuk	856,983	-	880,319	880,319
Total	50,128,592	-	50,156,206	50,156,206

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities 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 and placements with financial institutions 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 Islamic money market profit 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 Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models 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.

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing 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 financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

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 financing.

Amount due to holding company and ultimate holding company

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are payable on demand.

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 and due to designated financial institutions

The estimated fair values of investment accounts of customers and due to designated financial institutions 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 profit rates for deposits and placements with similar remaining period to maturities.

Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Subordinated Sukuk and Sukuk

The fair values for the subordinated Sukuk and Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk 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.

51 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 on 6 March 2017.