

Company No: 13491-P

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Reports and Financial Statements for the financial year ended 31 December 2017**

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Reports and Financial Statements for the financial year ended 31 December 2017**

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# CIMB Bank Berhad

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## Directors' Report for the financial year ended 31 December 2017

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Bank Berhad ("CIMB Bank" or "the Bank") for the financial year ended 31 December 2017.

### Principal activities

The principal activities of the Bank during the financial year are commercial banking and the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 14 to the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

### Financial results

	The Group RM'000	The Bank RM'000
Profit after taxation and zakat attributable to:		
- Owners of the Parent	3,884,409	3,640,865
- Non-controlling interests	6,576	-
	<u>3,890,985</u>	<u>3,640,865</u>

### Dividends

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

	RM'000
<b>In respect of the financial year ended 31 December 2016:</b>	
Single tier second interim dividend of 16.00 sen per ordinary share, paid on 3 April 2017	<u>844,265</u>
<b>In respect of the financial year ended 31 December 2017:</b>	
Single tier first interim dividend of 23.90 sen per ordinary share, paid on 15 September 2017	<u>1,282,864</u>

The Directors have proposed a single tier second interim dividend of approximately 29.40 sen per share on 5,535,895,089 ordinary shares of RM1.00 each, amounting to RM1,628 million in respect of the financial year ended 31 December 2017. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 29 January 2018.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2017.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Reserves, provisions and allowances**

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

### **Issuance of shares**

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

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

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Bad and doubtful debts, and financing**

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

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

### **Current assets**

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

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

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **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 50(i) 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 Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Directors**

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

#### **Directors**

Dato' Zainal Abidin bin Putih

Dato' Sri Mohamed Nazir bin Abdul Razak

Puan Rosnah Dato' Kamarul Zaman

Mr. Venkatachalam Krishnakumar

Datin Grace Yeoh Cheng Geok

Dato' Sri Amrin bin Awaluddin

Datuk Mohd Nasir bin Ahmad

Dato' Lee Kok Kwan

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

Encik Afzal bin Abdul Rahim

Ms. Tan Mei Shwen Serena (appointed on 1 December 2017)

Encik Ahmad Zulqarnain Che On (resigned on 21 September 2017)

In accordance with Article 97 of the Bank's Articles of Association, Dato' Lee Kok Kwan, Datuk Mohd Nasir bin Ahmad and Mr. Venkatachalam Krishnakumar will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 102 of the Bank's Articles of Association, Ms. Tan Mei Shwen Serena will retire from the Board at the forthcoming AGM and being eligible, offer herself for re-election.

Pursuant to the Terms of Reference of the Board of Directors of CIMB 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 Bank in the capacity of Director. Dato' Zainal Abidin Putih, who is above 70 years of age will retire from the Board at the forthcoming AGM and offers himself for re-election to hold office until the conclusion of the next AGM of CIMB Bank, as recommended by the Group Nomination and Remuneration Committee.

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**Directors' Report  
for the financial year ended 31 December 2017 (Continued)****Directors' interests in shares, share options and debentures**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows:

	Number of ordinary shares			As at 31 December
	As at 1 January	Acquired/ Granted	Disposed/ Vested	
<b><u>Ultimate holding company</u></b>				
<b><u>CIMB Group Holdings Berhad ("CIMB Group")</u></b>				
<b>Direct interest</b>				
Dato' Sri Mohamed Nazir bin Abdul Razak^	46,505,760	2,119,952 (c)	(5,000,000)	43,625,712
Dato' Zainal Abidin bin Putih#	121,737	5,488 (b)	-	127,225
Dato' Lee Kok Kwan*	2,779,365	80,072 (b)	(1,560,877)	1,298,560
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	1,040,332	807,262 (a)	(303,013) (d)	1,544,581
Dato' Sri Amrin bin Awaluddin	44,632	2,195 (c)	-	46,827

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

	Number of ordinary shares			As at 31 December
	As at 1 January	Acquired/ Granted	Disposed	
# Datin Jasmine binti Abdullah Heng	22,314	1,097 (b)	-	23,411
# Mohamad Ari Zulkarnain bin Zainal Abidin	10,157	-	-	10,157
*Datin Rosemary Yvonne Fong	80,948	9,445 (b)	(5,463)	84,930

(a) Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

(b) Shares acquired by way of the exercise of DRS

(c) Shares acquired from open market and acquired by way of the exercise of DRS

(d) Shares released from EOP account and transferred into Director's account



**CIMB Bank Berhad**

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**Directors' Report  
for the financial year ended 31 December 2017 (Continued)****Directors' interests in shares, share options and debentures (Continued)**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows: (Continued)

<u>Related Company - PT Bank CIMB Niaga Tbk</u>	As at 1 January	Number of shares held		As at 31 December
		Granted	Disposed	
<b>Direct interest</b>				
Dato' Sri Mohamed Nazir bin Abdul Razak^	7,490,371	-	-	7,490,371
Dato' Zainal Abidin bin Putih#	18,743	-	-	18,743
Dato' Lee Kok Kwan*	427,305	-	-	427,305
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	60,031	-	-	60,031

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

	As at 1 January	Number of shares held		As at 31 December
		Granted	Disposed	
^ Dato' Azlina binti Abdul Aziz	338,342	-	-	338,342
# Datin Jasmine binti Abdullah Heng	3,430	-	-	3,430
# Mohamad Ari Zulkarnain bin Zainal Abidin	1,590	-	-	1,590
*Datin Rosemary Yvonne Fong	12,445	-	-	12,445

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## Directors' Report for the financial year ended 31 December 2017 (Continued)

### Directors' interests in shares, share options and debentures (Continued)

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the beneficial interests of Directors who held offices at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows: (Continued)

	As at 1 January	Acquired	Disposed	As at 31 December
<b><u>Ultimate holding company</u></b>				
<b>CIMB Group Holdings Berhad ("CIMB Group")</b>				
<b>- Perpetual Subordinated Capital Securities</b>				
Dato' Lee Kok Kwan	RM1,000,000	-	-	RM1,000,000
<b><u>Related company - PT Bank CIMB Niaga Tbk</u></b>				
<b>- Subordinated Notes</b>				
Dato' Sri Mohamed Nazir bin Abdul Razak	IDR4,500,000,000	-	-	IDR4,500,000,000
Dato' Lee Kok Kwan	IDR5,000,000,000	-	-	IDR5,000,000,000
<b><u>Related company - CIMB-Principal Asset Management Berhad</u></b>				
<b>- Private Equity Fund - CA SEASAF</b>				
Dato' Lee Kok Kwan	RM142,703	-	-	RM142,703

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

### 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 benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 43 to the Financial Statements or the fixed salary as a full time employee 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 the Equity Ownership Plan of the ultimate holding company (shown in Note 42 to the Financial Statements) as disclosed in this Report.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Subsidiaries**

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 14 to the Financial Statements.

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

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 14 to the Financial Statements.

### **Auditors' Remuneration**

Details of auditors' remuneration are as set out in Note 39 to the Financial Statements.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **2017 Business Plan and Strategy**

2017 was a pivotal year as the Bank recalibrated and recharged to navigate a challenging environment characterised by stronger economic growth and a strengthened Ringgit, partially offset by increased competition, margin pressure, technological disruptions, tighter enforcement and increased regulatory scrutiny of financial institutions. For the year, the Bank stepped up emphasis on digital and analytics by laying the foundations to becoming a data first organisation through investments in building digital and big data analytical capabilities. The Bank continues to focus on attracting current and saving accounts (“CASA”) and deposits; focus on high growth segments; enhance productivity through process re-engineering and automation; and emphasis on customer experience to be a key differentiator.

The Bank continues to leverage and expand its regional operating model to share best practices; harmonize and align frameworks and processes; optimize cost base through identification of cost saving opportunities, footprint rationalization, transaction offloads to alternate channels and maintaining expense discipline; intensify digital delivery via digital sales enablement; and expand key partnerships with strategic partners to avail new value added products for customers.

The Group registered a profit before taxation and zakat of RM4,934 million for the financial year ended 31 December 2017, RM757 million or 18.1% higher as compared to the profit before taxation of RM4,176 million registered in the previous corresponding year.

During the financial year under review, the Group registered higher net interest income, income from Islamic banking operations and non-interest income by RM460 million, RM359 million and RM504 million respectively, offset by higher overheads by RM398 million. There was higher loans impairment allowances offset by lower allowances for commitment and contingencies and other impairment allowances during the financial year.

The two main operating subsidiaries of the Bank are CIMB Islamic Bank Berhad and CIMB Thai Bank Public Company Limited. Their total assets contributed approximately 20.4% (2016: 16.8%) and 8.9% (2016: 9.4%) respectively to CIMB Bank consolidated total assets, and their profit before taxation and zakat contributed approximately 16.5% (2016: 17.3%) and 1.9% (2016: loss contribution of 2.3%) to CIMB Bank's consolidated profit before taxation.

### **Outlook for 2018**

The Bank maintains a cautious view on the business outlook for 2018 in light of the anticipated global and regional economic recovery. CIMB Malaysia is expected to grow in tandem with the domestic economic growth as well as improving Ringgit and firming up of oil prices. Prospects for CIMB Singapore are tied to the regional economic activity. CIMB Thai is projected to perform better in 2018 following the reorganisation of the consumer business and asset quality improvements.

**CIMB Bank Berhad**

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**Directors' Report  
for the financial year ended 31 December 2017 (Continued)****Ratings 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 2017	<ol style="list-style-type: none"> <li>1. Long-term Financial Institution Rating</li> <li>2. Short-term Financial Institution Rating</li> <li>3. RM5.0 billion Subordinated Debt and Junior Sukuk Programmes</li> <li>4. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme</li> <li>5. RM1.0 billion Innovative Tier I Capital Securities</li> </ol>	AAA MARC-1 AA+/ AA+IS AA+ AA	Stable
RAM Rating Services Berhad ("RAM")	December 2017	<ol style="list-style-type: none"> <li>1. Long-term Financial Institution Rating</li> <li>2. Short-term Financial Institution Rating</li> <li>3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme               <ol style="list-style-type: none"> <li>a. Issuances prior to 1 January 2016 with non-viability events linked to CIMB Bank Berhad</li> <li>b. Issuances on or after 1 January 2016 with non-viability events linked to CIMB Bank Berhad as well as CIMB Group Holdings Berhad and its subsidiaries</li> </ol> </li> <li>4. RM10.0 billion Additional Tier I Capital Securities Programme</li> <li>5. RM20.0 billion Medium Term Notes Programme</li> </ol>	AAA P1 AA <sub>1</sub> AA <sub>2</sub> A <sub>1</sub> AAA	Stable

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Directors' Report  
for the financial year ended 31 December 2017 (Continued)****Ratings by External Rating Agencies (Continued)**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service ("Moody's")	October 2017	<ol style="list-style-type: none"> <li>1. Long-term Foreign Currency Bank Deposits Rating</li> <li>2. Short-term Foreign Currency Bank Deposits Rating</li> <li>3. Long-term Domestic Currency Bank Deposits Rating</li> <li>4. Short-term Domestic Currency Bank Deposits Rating</li> <li>5. USD1.0 billion Multi-Currency Euro Medium Term Notes Programme</li> <li>6. USD350 million 5-year Senior Unsecured Notes</li> <li>7. USD5.0 billion Euro Medium Term Note Programme (Senior Unsecured/ Subordinated)</li> </ol>	<p>A3</p> <p>P-2</p> <p>A3</p> <p>P-2</p> <p>(P)A3</p> <p>A3</p> <p>(P)A3/ (P)Ba1</p>	Stable
Standard & Poor's Ratings Services ("S&P")	December 2017	<ol style="list-style-type: none"> <li>1. Long-term Foreign Currency Rating</li> <li>2. Short-term Foreign Currency Rating</li> <li>3. Long-term Local Currency Rating</li> <li>4. Short-term Local Currency Rating</li> <li>5. USD350 million 5-year Senior Unsecured Notes</li> </ol>	<p>A-</p> <p>A-2</p> <p>A-</p> <p>A-2</p> <p>A-</p>	Stable

# CIMB Bank Berhad

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## Directors' Report for the financial year ended 31 December 2017 (Continued)

### Ratings by External Rating Agencies (Continued)

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Dagong Global Credit Rating Co. Ltd. ("Dagong")	January 2015	<ol style="list-style-type: none"> <li>1. Long-term Foreign Currency Rating</li> <li>2. Long-term Local Currency Rating</li> </ol>	AA- AA	Stable

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **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 Islamic banking and finance operations as well as those Islamic business undertaken under 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 CIMB Islamic Bank Berhad, the core Islamic banking and finance operating entity of the group.

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Board Shariah Committee (Continued)**

The Board hereby affirms based on advice of the Board Shariah Committee that the operations of the Bank and its subsidiaries that its 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**

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

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 statement of the Bank is reflective of this.

### **Significant events during the financial year**

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

### **Subsequent event after the financial year end**

Significant event after the financial year is disclosed in Note 50(ii) to the Financial Statements.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2017 (Continued)**

### **Statement of Directors' Responsibility**

In preparing the Financial Statements, the Directors have ensured that Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016 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 financial position of the Group and of the Bank as at 31 December 2017 and financial performance of the Group and of the Bank for the financial year ended 31 December 2017.

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 251(2) of the Companies Act, 2016 is set out on page 18 of the Directors' Report.

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## **CIMB Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2017 (Continued)**

#### **Ultimate holding company**

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

#### **Auditors**

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

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

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



**Dato' Zainal Abidin bin Putih**

Director



**Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz**

Director

Kuala Lumpur  
6 March 2018

Company No: 13491-P

## CIMB Bank Berhad

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### Statement by Directors Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Zainal Abidin bin Putih and Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 27 to 377 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017 and financial performance of the Group and of the Bank for the financial year ended 31 December 2017, in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016, in Malaysia.

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



**Dato' Zainal Abidin bin Putih**  
Director



**Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz**  
Director

Kuala Lumpur  
6 March 2018

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

I, Shahnaz Farouque bin Jammal Ahmad, being the Officer primarily responsible for the financial management of CIMB Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 27 to 377 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 2018.

Commissioner for Oaths



# **CIMB 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 CIMB Islamic Bank Berhad, 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 Islamic banking and finance businesses do 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 Islamic banking and finance 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 hereinbefore.

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 Islamic banking and finance businesses. In this regard we have developed and maintained a system of monitoring and reporting which provides the necessary internal controls to ensure that any new Islamic financial transactions are properly authorised and transacted in accordance to the requirements of Shariah; the Bank's assets and liabilities under its statements of financial position of Islamic banking and finance are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its Islamic banking and finance operations does not contradict Shariah principles.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Board Shariah Committee's Report (Continued)**

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, for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non Compliant risk. Lastly, there is also a strong team of internal auditors who conduct periodic Shariah audits of all the Bank's Islamic banking and finance 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 with the exception of the following incidences of Shariah non-compliance within the Bank as follows:

- (1) Within CIMB Bank Berhad, London Branch, due to the conventional terms and conditions ("T&Cs") being provided to some customers of Wadi'ah Current Account-i – single event.
- (2) Within CIMB Bank Berhad, Labuan Offshore Branch, due to the recognition of Additional Installment Amount ("AIA") in one of the Islamic syndication deals as an income without obtaining proper approval from Board Shariah Committee - single event. Refer to Note 56(al).

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

1. Introduction of Commodity Murabahah Current Account-i at CIMB Bank Berhad, London Branch.
2. Establishing an appropriate mechanism to recognise the AIA for Islamic deals.
3. Reviewing the Policies & Procedures to reflect the Shariah requirements applicable to the Islamic business, and having them approved by the Board Shariah Committee

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Board Shariah Committee's Report (Continued)**

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 and its subsidiaries as well as to infuse the right culture for Shariah compliance amongst them.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank, excluding the two (2) non-compliant incidences mentioned above, during the financial year ended 31 December 2017 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and
4. The zakat calculation is in compliance with Shariah principles.

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the 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.

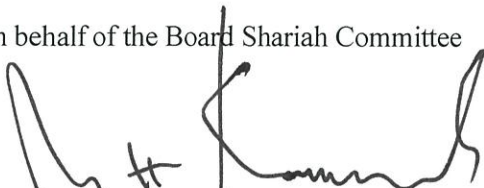
## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Board Shariah Committee's Report (Continued)**

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the year ended 31 December 2017 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee



**Sheikh Professor Dr. Mohammad Hashim Kamali**  
Member



**Sheikh Associate Professor Dr. Shafaai bin Musa**  
Member

Kuala Lumpur  
6 March 2018





INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD  
(Incorporated in Malaysia)  
(Company No. 13491-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB 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 2017, 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, 2016 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 2017 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 27 to 377.

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 PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

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 Directors' 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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the 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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

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, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

ONG CHING CHUAN  
02907/11/2019 J  
Chartered Accountant

Kuala Lumpur  
6 March 2018

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Financial Position as at 31 December 2017

	Note	The Group		The Bank	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
Cash and short-term funds	2	33,341,519	18,620,310	19,642,521	10,358,003
Reverse repurchase agreements		6,484,687	5,107,539	5,000,601	4,698,080
Deposits and placements with banks and other financial institutions	3	1,194,205	1,181,729	9,227,427	5,044,889
Financial assets held for trading	4	20,410,054	21,333,299	15,992,404	17,613,301
Derivative financial instruments	26(a)	8,370,447	11,809,961	6,062,542	9,688,843
Financial investments available-for-sale	5	24,604,276	25,967,834	20,055,267	20,485,426
Financial investments held-to-maturity	6	34,323,102	27,600,862	28,698,561	22,572,462
Loans, advances and financing	7	261,788,709	256,199,949	176,897,036	182,585,775
Other assets	8	9,372,677	9,663,268	8,132,565	8,619,807
Tax recoverable		9,246	6,583	-	-
Deferred taxation	9	333,851	313,200	111,658	108,082
Statutory deposits with central banks	10	8,630,364	8,484,241	6,503,641	6,640,483
Amounts due from holding company and ultimate holding company	11	3,227	4,084	3,227	4,084
Amounts due from subsidiaries	12	-	-	63,827	546,462
Amounts due from related companies	13	1,107,017	1,223,076	1,105,782	1,220,820
Investment in subsidiaries	14	-	-	6,002,931	5,310,889
Investment in joint venture	15	169,688	165,029	125,000	125,000
Investment in associates	16	-	-	-	-
Goodwill	17	5,177,536	5,188,198	3,555,075	3,555,075
Intangible assets	18	1,002,253	1,007,672	877,706	888,572
Prepaid lease payments	19	397	408	-	-
Property, plant and equipment	20	732,387	763,541	396,628	417,030
Investment properties	21	-	-	-	-
		<b>417,055,642</b>	<b>394,640,783</b>	<b>308,454,399</b>	<b>300,483,083</b>
Non-current assets/disposal groups held for sale	54	4,199	890,927	-	305,959
<b>Total assets</b>		<b>417,059,841</b>	<b>395,531,710</b>	<b>308,454,399</b>	<b>300,789,042</b>
<b>Liabilities</b>					
Deposits from customers	22	295,900,121	275,932,222	207,442,951	198,883,550
Investment accounts of customers	23	907,763	254,408	-	-
Deposits and placements of banks and other financial institutions	24	17,101,949	26,541,431	16,164,109	25,926,597
Repurchase agreements		3,318,517	4,340,854	3,318,517	4,340,854
Financial liabilities designated at fair value	25	4,773,440	4,367,577	1,900,972	2,004,463
Derivative financial instruments	26(a)	8,728,437	12,030,888	6,523,609	9,780,735
Bills and acceptances payable		1,926,089	2,301,368	1,086,455	886,404
Amounts due to subsidiaries	12	-	-	12,555	29,422
Amounts due to related companies	13	13,267	5,228	10,308	3,570
Other liabilities	27	12,003,591	9,186,507	10,430,514	8,644,167
Recourse obligation on loans and financing sold to Cagamas	28	5,195,248	4,498,369	3,122,948	3,144,979
Provision for taxation		358,462	218,187	300,254	169,015
Deferred taxation	9	2,639	2,579	-	-
Bonds, Sukuk and debentures	29	13,263,385	6,287,153	11,204,948	5,199,084
Other borrowings	30	5,100,684	3,565,826	5,697,728	3,565,826
Subordinated obligations	31	10,361,318	11,106,619	9,533,891	9,529,719
<b>Total liabilities</b>		<b>378,954,910</b>	<b>360,639,216</b>	<b>276,749,759</b>	<b>272,108,385</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Financial Position  
as at 31 December 2017 (Continued)**

	Note	The Group		The Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>Equity</b>					
<b>Capital and reserves attributable to owners of the Parent</b>					
Ordinary share capital	33	17,610,939	5,276,655	17,610,939	5,276,655
Reserves	35	20,007,741	28,982,224	13,863,961	23,174,262
		<b>37,618,680</b>	34,258,879	<b>31,474,900</b>	28,450,917
Perpetual preference shares	34	200,000	200,000	200,000	200,000
Redeemable preference shares	32	29,740	29,740	29,740	29,740
Non-controlling interests		256,511	403,875	-	-
<b>Total equity</b>		<b>38,104,931</b>	34,892,494	<b>31,704,640</b>	28,680,657
<b>Total equity and liabilities</b>		<b>417,059,841</b>	395,531,710	<b>308,454,399</b>	300,789,042
<b>Commitments and contingencies</b>	26(b)	<b>854,570,236</b>	865,180,686	<b>557,231,592</b>	633,696,287
<b>Net assets per ordinary share attributable to owners of the Parent (RM)</b>		<b>6.80</b>	6.49	<b>5.69</b>	5.39

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Income  
for the financial year ended 31 December 2017**

	Note	The Group		The Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income	36	13,259,514	12,366,574	11,489,960	10,695,597
Interest expense	37	(6,452,725)	(6,019,767)	(5,977,959)	(5,530,537)
Net interest income		6,806,789	6,346,807	5,512,001	5,165,060
Income from Islamic banking operations	56	1,803,933	1,445,220	169,339	87,029
Net non-interest income	38	3,044,226	2,540,711	3,233,164	2,161,052
Net income		11,654,948	10,332,738	8,914,504	7,413,141
Overheads	39	(5,533,333)	(5,135,270)	(3,950,275)	(3,722,562)
Profit before allowances		6,121,615	5,197,468	4,964,229	3,690,579
Allowances for impairment losses on loans, advances and financing	40	(1,158,455)	(1,054,708)	(449,428)	(340,352)
Allowances for losses on other receivables (made)/written-back		(4,526)	76	1,884	(1,197)
Allowances for commitments and contingencies written-back/(made)	27(c)	10,364	(30,461)	(2,222)	-
Allowances for other impairment losses	41	(39,880)	(50,164)	(39,296)	(32,761)
Profit after allowances		4,929,118	4,062,211	4,475,167	3,316,269
Share of results of joint venture	15	4,659	2,254	-	-
Share of results of associates	16	-	111,980	-	-
Profit before taxation and zakat		4,933,777	4,176,445	4,475,167	3,316,269
Taxation and zakat	44	(1,042,792)	(953,120)	(834,302)	(764,963)
<b>Profit after taxation and zakat</b>		<b>3,890,985</b>	<b>3,223,325</b>	<b>3,640,865</b>	<b>2,551,306</b>
<b>Profit for the financial year attributable to :</b>					
Owners of the Parent		3,884,409	3,227,089	3,640,865	2,551,306
Non-controlling interests		6,576	(3,764)	-	-
		<b>3,890,985</b>	<b>3,223,325</b>	<b>3,640,865</b>	<b>2,551,306</b>
<b>Earnings per share attributable to ordinary equity holders of the Parent - basic (sen)</b>	45	<b>72.88</b>	62.61	<b>68.31</b>	49.50

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Comprehensive Income for the financial year ended 31 December 2017

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year	<b>3,890,985</b>	3,223,325	<b>3,640,865</b>	2,551,306
Other comprehensive (expense)/income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial				
investments available-for-sale	<b>308,817</b>	143,896	<b>256,899</b>	187,813
- Net gain/(loss) from change in fair value	<b>426,202</b>	257,776	<b>344,411</b>	255,713
- Realised gain transferred to statement of income on disposal and impairment	<b>(76,008)</b>	(121,341)	<b>(59,183)</b>	(58,859)
- Income tax effects	<b>(45,906)</b>	25,738	<b>(32,406)</b>	10,956
- Currency translation difference	<b>4,529</b>	(18,277)	<b>4,077</b>	(19,997)
Net investment hedge	<b>364,686</b>	(194,940)	<b>335,443</b>	(135,971)
Cash flow hedge	<b>8,085</b>	14,718	<b>7,499</b>	13,768
- Net gain from change in fair value	<b>10,882</b>	20,649	<b>10,078</b>	19,575
- Income tax effects	<b>(2,797)</b>	(5,931)	<b>(2,579)</b>	(5,807)
Exchange fluctuation reserve	<b>(701,171)</b>	539,583	<b>(521,009)</b>	270,059
	<b>(19,583)</b>	503,257	<b>78,832</b>	335,669
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of post employment benefits obligations				
- Actuarial gain/(loss) on post employment benefits obligations	<b>10,045</b>	(2,850)	-	-
- Income tax effects	<b>(2,009)</b>	570	-	-
	<b>8,036</b>	(2,280)	-	-
Other comprehensive (expense)/income during the financial year, net of tax	<b>(11,547)</b>	500,977	<b>78,832</b>	335,669
<b>Total comprehensive income for the financial year</b>	<b>3,879,438</b>	3,724,302	<b>3,719,697</b>	2,886,975
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent	<b>3,873,983</b>	3,721,775	<b>3,719,697</b>	2,886,975
Non-controlling interests	<b>5,455</b>	2,527	-	-
	<b>3,879,438</b>	3,724,302	<b>3,719,697</b>	2,886,975



# CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Group	Note	Attributable to owners of the Parent															Total Equity	
		Revaluation reserve-																
		Ordinary Share capital	Redeemable Preference Shares	Share premium	Statutory reserve	Exchange fluctuation reserve	financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Defined benefits reserve	Retained profits	Total	Perpetual preference shares		Non-controlling interests
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2017		5,276,655	29,740	10,910,056	6,762,769	2,472,013	194,776	(1,085,928)	735,457	(1,511,287)	36,496	1,319,524	(25,602)	9,173,950	34,288,619	200,000	403,875	34,892,494
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,884,409	3,884,409	-	-	6,576	3,890,985
Other comprehensive (expense)/income (net of tax)		-	-	-	-	(695,749)	305,688	-	-	372,186	(621)	-	8,070	-	(10,426)	-	(1,121)	(11,547)
- financial investments available-for-sale		-	-	-	-	-	305,688	-	-	-	-	-	-	-	305,688	-	3,129	308,817
- net investment hedge		-	-	-	-	-	-	-	364,686	-	-	-	-	364,686	-	-	-	364,686
- cash flow hedge		-	-	-	-	-	-	-	8,085	-	-	-	-	8,085	-	-	-	8,085
- currency translation difference		-	-	-	-	(695,749)	-	-	(585)	(621)	-	34	-	(696,921)	-	(4,250)	(701,171)	
- remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	-	-	8,036	-	8,036	-	-	-	8,036
Total comprehensive (expense)/income for the financial year		-	-	-	-	(695,749)	305,688	-	-	372,186	(621)	-	8,070	3,884,409	3,873,983	-	5,455	3,879,438
Transition to no-par value regime on 31 January 2017 *		10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from statutory reserve	35 (a)	-	-	-	(6,712,828)	-	-	-	-	-	-	-	6,712,828	-	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	181,032	-	(181,032)	-	-	-	-	-
Second interim dividend for the financial year ended 31 December 2016	46	-	-	-	-	-	-	-	-	-	-	-	(844,265)	(844,265)	-	-	-	(844,265)
First interim dividend for the financial year ended 31 December 2017	46	-	-	-	-	-	-	-	-	-	-	-	(1,282,864)	(1,282,864)	-	-	-	(1,282,864)
Issue of shares from rights issue		1,424,228	-	-	-	-	-	-	-	-	-	-	-	1,424,228	-	-	-	1,424,228
Right issues of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,137	28,137
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	-	-	-	-	180,956	180,956	-	(180,956)	-	
Share-based payment expense		-	-	-	-	-	-	-	-	45,389	-	-	-	45,389	-	-	-	45,389
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	(37,626)	-	-	-	(37,626)	-	-	-	(37,626)
At 31 December 2017		17,610,939	29,740	-	49,941	1,776,264	500,464	(1,085,928)	735,457	(1,139,101)	43,638	1,500,556	(17,532)	17,643,982	37,648,420	200,000	256,511	38,104,931

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 33.

# CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Group	Note	Attributable to owners of the Parent																Total Equity RM'000
		Ordinary Share capital RM'000	Redeemable Preference Shares RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Hedging reserve RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Defined benefits reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	
<b>At 1 January 2016</b>		5,148,084	29,740	10,363,629	6,626,969	1,941,402	46,913	(1,085,928)	735,457	(1,330,115)	58,280	1,019,502	(22,006)	8,164,115	31,696,042	200,000	402,683	32,298,725
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,227,089	3,227,089	-	-	(3,764)	3,223,325
Other comprehensive income/(expense) (net of tax)		-	-	-	-	530,611	147,863	-	-	(181,172)	980	-	(3,596)	-	494,686	-	6,291	500,977
- financial investments available-for-sale		-	-	-	-	-	147,863	-	-	-	-	-	-	-	147,863	-	-	143,896
- net investment hedge		-	-	-	-	-	-	-	-	(194,940)	-	-	-	-	(194,940)	-	-	(194,940)
- cash flow hedge		-	-	-	-	-	-	-	-	14,718	-	-	-	-	14,718	-	-	14,718
- currency translation difference		-	-	-	-	530,611	-	-	-	(950)	980	-	(1,316)	-	529,325	-	10,258	539,583
- remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	-	-	-	(2,280)	-	(2,280)	-	-	(2,280)
Total comprehensive income/(expense) for the financial year		-	-	-	-	530,611	147,863	-	-	(181,172)	980	-	(3,596)	3,227,089	3,721,775	-	2,527	3,724,302
Transfer to statutory reserve		-	-	-	135,800	-	-	-	-	-	-	-	-	(135,800)	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	-	-	-	(300,022)	-	-	-	-
Second interim dividend for the financial year ended 31 December 2015	46	-	-	-	-	-	-	-	-	-	-	-	-	(966,553)	(966,553)	-	-	(966,553)
First interim dividend for the financial year ended 31 December 2016	46	-	-	-	-	-	-	-	-	-	-	-	-	(814,879)	(814,879)	-	-	(814,879)
Issue of shares from rights issue		128,571	-	546,427	-	-	-	-	-	-	-	-	-	-	674,998	-	-	674,998
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,335)	(1,335)
Share-based payment expense		-	-	-	-	-	-	-	-	-	45,981	-	-	-	45,981	-	-	45,981
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	-	(68,745)	-	-	-	(68,745)	-	-	(68,745)
<b>At 31 December 2016</b>		5,276,655	29,740	10,910,056	6,762,769	2,472,013	194,776	(1,085,928)	735,457	(1,511,287)	36,496	1,319,524	(25,602)	9,173,950	34,288,619	200,000	403,875	34,892,494

# CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Bank	Note	Non-distributable						Distributable						Total Equity		
		Ordinary Share capital	Redeemable Preference Shares	Share premium	Statutory reserve	Exchange fluctuation reserve	Revaluation reserve-financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Retained profits		Perpetual preference shares	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017		5,276,655	29,740	10,910,056	5,806,237	1,172,667	244,834	(1,047,872)	746,852	(1,013,305)	32,149	1,118,180	5,204,464	28,480,657	200,000	28,680,657
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,640,865	3,640,865	-	3,640,865
Other comprehensive (expense)/income (net of tax)		-	-	-	-	(520,502)	256,899	-	-	342,942	(507)	-	-	78,832	-	78,832
- financial investments available-for-sale		-	-	-	-	-	256,899	-	-	-	-	-	-	256,899	-	256,899
- net investment hedge		-	-	-	-	-	-	-	-	335,443	-	-	-	335,443	-	335,443
- cash flow hedge		-	-	-	-	-	-	-	-	7,499	-	-	-	7,499	-	7,499
- currency translation difference		-	-	-	-	(520,502)	-	-	-	-	(507)	-	-	(521,009)	-	(521,009)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(520,502)	256,899	-	-	342,942	(507)	-	3,640,865	3,719,697	-	3,719,697
Transition to no-par value regime on 31 January 2017 *		10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	90,776	(90,776)	-	-	-	-
Transfer from statutory reserve	35 (a)	-	-	-	(5,806,237)	-	-	-	-	-	-	-	5,806,237	-	-	-
Second interim dividend for the financial year ended 31 December 2016	46	-	-	-	-	-	-	-	-	-	-	-	(844,265)	(844,265)	-	(844,265)
First interim dividend for the financial year ended 31 December 2017	46	-	-	-	-	-	-	-	-	-	-	-	(1,282,864)	(1,282,864)	-	(1,282,864)
Issue of shares from rights issue		1,424,228	-	-	-	-	-	-	-	-	-	-	-	1,424,228	-	1,424,228
Share-based payment expense		-	-	-	-	-	-	-	-	-	39,884	-	-	39,884	-	39,884
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	-	(32,697)	-	-	(32,697)	-	(32,697)
At 31 December 2017		17,610,939	29,740	-	-	652,165	501,733	(1,047,872)	746,852	(670,363)	38,829	1,208,956	12,433,661	31,504,640	200,000	31,704,640

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 33.

# CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Bank	← Non-distributable Revaluation reserve- financial investments available-for-sale →														Distributable		Total Equity
	Ordinary Share capital	Redeemable Preference Shares	Share premium	Statutory reserve	Exchange fluctuation reserve	Non-distributable Revaluation reserve- financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Retained profits	Perpetual preference Total	shares			
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 January 2016</b>	5,148,084	29,740	10,363,629	5,806,237	903,216	57,021	(1,047,872)	746,852	(891,102)	55,148	958,545	4,594,225	26,723,723	200,000	26,923,723		
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	2,551,306	2,551,306	-	2,551,306		
Other comprehensive income/(expense) (net of tax)	-	-	-	-	269,451	187,813	-	-	(122,203)	608	-	-	335,669	-	335,669		
- financial investments available-for-sale	-	-	-	-	-	187,813	-	-	-	-	-	-	187,813	-	187,813		
- net investment hedge	-	-	-	-	-	-	-	-	(135,971)	-	-	-	(135,971)	-	(135,971)		
- cash flow hedge	-	-	-	-	-	-	-	-	13,768	-	-	-	13,768	-	13,768		
- currency translation difference	-	-	-	-	269,451	-	-	-	-	608	-	-	270,059	-	270,059		
Total comprehensive income/(expense) for the financial year	-	-	-	-	269,451	187,813	-	-	(122,203)	608	-	2,551,306	2,886,975	-	2,886,975		
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	159,635	(159,635)	-	-	-		
Second interim dividend for the financial year ended 31 December 2015	46	-	-	-	-	-	-	-	-	-	-	(966,553)	(966,553)	-	(966,553)		
First interim dividend for the financial year ended 31 December 2016	46	-	-	-	-	-	-	-	-	-	-	(814,879)	(814,879)	-	(814,879)		
Issue of shares from rights issue	-	128,571	-	546,427	-	-	-	-	-	-	-	-	674,998	-	674,998		
Share-based payment expense	-	-	-	-	-	-	-	-	-	41,496	-	-	41,496	-	41,496		
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	(65,103)	-	-	(65,103)	-	(65,103)		
<b>At 31 December 2016</b>	<b>5,276,655</b>	<b>29,740</b>	<b>10,910,056</b>	<b>5,806,237</b>	<b>1,172,667</b>	<b>244,834</b>	<b>(1,047,872)</b>	<b>746,852</b>	<b>(1,013,305)</b>	<b>32,149</b>	<b>1,118,180</b>	<b>5,204,464</b>	<b>28,480,657</b>	<b>200,000</b>	<b>28,680,657</b>		

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2017**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	4,933,777	4,176,445	4,475,167	3,316,269
Adjustments for:				
Depreciation of property, plant and equipment	188,910	162,071	144,329	114,942
Amortisation of intangible assets	183,150	195,133	160,392	170,630
Amortisation of prepaid lease payments	10	82	-	-
Gain on disposal of property, plant and equipment/ assets held for sale/leased assets	(20,975)	(5,724)	(16,294)	(5,170)
Loss on disposal of foreclosed assets	42,384	27,609	-	-
Property, plant and equipment written off	1,909	3,328	1,909	3,328
Net gain from sale of financial investments available-for-sale	(98,380)	(156,237)	(84,336)	(98,234)
Net (gain)/loss from redemption of financial investments held-to-maturity	(1,878)	6	(1,878)	6
Net loss from hedging activities	5,894	25,175	6,221	23,169
Unrealised (gain)/loss from financial assets held for trading	(470,920)	(91,234)	(451,635)	(94,937)
Unrealised loss from financial liabilities designated at fair value	205,184	219,432	43,113	171,669
Unrealised loss/(gain) from derivative financial instruments	1,022,472	(346,478)	1,203,406	(323,047)
Unrealised (gain)/loss on foreign exchange	(1,245,822)	969,025	(1,414,573)	823,032
Allowances for impairment losses on loans, advances and financing	1,509,571	1,379,218	639,681	537,561
Allowance for other impairment losses made on securities	39,880	50,164	39,296	32,761
Allowances for losses on other receivables made/(written-back)	4,526	(76)	(1,884)	1,197
Interest income on financial investments available-for-sale	(779,367)	(839,493)	(696,573)	(749,083)
Interest income on financial investments held-to-maturity	(1,051,044)	(923,770)	(1,014,277)	(851,618)
Interest expense on subordinated obligations	508,984	545,292	461,329	490,621
Interest expense on bonds and debentures	299,344	185,334	269,454	142,255
Interest expense on other borrowings	113,500	53,351	123,755	66,639
Interest expense on recourse obligation on loans and financing sold to Cagamas	119,156	110,491	119,156	110,491
Accretion of discount less amortisation of premium	1,949	41,646	(28,061)	(5,856)
Gain on disposal of associate	(43,365)	-	(624,135)	-
Dividend income	(76,595)	(59,157)	(74,706)	(100,299)
Allowances for commitments and contingencies made	(10,364)	30,461	2,222	-
Share-based payment expense	45,389	45,981	39,884	41,496
Share of results of joint venture	(4,659)	(2,254)	-	-
Share of results of associate	-	(111,980)	-	-
	<b>5,422,620</b>	<b>5,683,841</b>	<b>3,320,962</b>	<b>3,817,822</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>(Increase)/Decrease in operating assets</b>				
Reverse repurchase agreements	(1,377,148)	4,450,742	(302,521)	3,706,266
Deposits and placements with banks and other financial institutions	(12,476)	258,835	(4,182,538)	(350,877)
Financial assets held for trading	1,493,675	(2,728,243)	2,175,887	(2,481,819)
Loans, advances and financing	(7,230,432)	(21,985,660)	4,953,985	(12,437,707)
Amount due from holding company and ultimate holding company	857	(1,281)	857	(1,281)
Amount due from subsidiaries	-	-	482,635	(505,840)
Amount due from related companies	116,059	49,641	115,038	49,150
Other assets	1,451,875	129,017	456,424	1,153,180
Statutory deposits with central banks	(146,123)	(784,443)	136,842	(500,558)
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	19,967,899	12,626,238	8,559,401	606,183
Deposits and placements of banks and other financial institutions	(9,439,482)	4,478,679	(9,762,488)	5,750,286
Investment account of customers	653,355	21,692	-	-
Repurchase agreements	(1,022,337)	(3,565,065)	(1,022,337)	(3,548,406)
Derivative financial instruments	(631,702)	(155,661)	(581,900)	(177,765)
Bills and acceptances payable	(375,279)	706,498	200,051	199,917
Financial liabilities designated at fair value	200,679	(804,626)	(146,604)	(1,016,128)
Amount due to subsidiaries	-	-	(16,867)	(5,225)
Amount due to related companies	8,039	(19,424)	6,738	(11,991)
Other liabilities	2,800,362	2,867,825	3,122,363	2,223,705
Cash flows generated from/(used in) operations	11,880,441	1,228,605	7,515,928	(3,531,088)
Taxation and zakat paid	(892,550)	(877,156)	(665,285)	(651,909)
<b>Net cash generated from/(used in) operating activities</b>	<b>10,987,891</b>	<b>351,449</b>	<b>6,850,643</b>	<b>(4,182,997)</b>
<b>Cash flows from investing activities</b>				
Dividend from associate	-	23,721	-	23,721
Dividend income	76,595	59,157	74,706	76,578
Investment in subsidiaries	-	-	(718,247)	(627,111)
Interest income received from financial investments available-for-sale	871,239	931,445	710,521	769,777
Net proceeds of financial investments available-for-sale	1,654,878	2,135,472	733,276	2,556,066
Interest income received from financial investments held-to-maturity	1,200,830	993,209	984,405	809,411
Net purchase of financial investments held-to-maturity	(6,872,467)	(3,987,807)	(6,083,255)	(3,151,077)
Purchase of property, plant and equipment	(346,639)	(337,428)	(303,870)	(284,726)
Proceeds from disposal of property, plant and equipment/assets held for sale/leased assets	54,440	49,621	39,421	35,696
Proceeds from disposal/write off of intangible assets	29,894	111,717	26,838	110,549
Proceeds from disposal of prepaid lease payments	-	209	-	-
Purchase of intangible assets	(60,540)	(91,926)	(24,281)	(65,998)
Proceeds from disposal of associate	930,094	-	930,094	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(2,461,676)</b>	<b>(112,610)</b>	<b>(3,630,392)</b>	<b>252,886</b>

**CIMB Bank Berhad**

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

	Note	The Group		The Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid		(2,127,129)	(1,782,767)	(2,127,129)	(1,781,432)
Interest expense paid on subordinated obligations		(511,035)	(538,143)	(462,347)	(480,813)
Interest expense paid on other borrowings		(83,211)	(50,492)	(109,018)	(56,478)
Interest expense paid on bonds, Sukuk and debentures		(219,759)	(117,800)	(191,425)	(72,107)
Interest expense paid on recourse obligation on loans and financing sold to Cagamas		(173,033)	(135,000)	(120,530)	(87,442)
Proceeds from issuance of bonds and debentures		10,375,988	4,527,498	8,459,228	158,815
Proceeds from other borrowings		4,100,600	1,046,625	4,980,600	1,046,625
Proceeds from issuance of subordinated obligations		1,500,000	2,860,000	1,500,000	2,750,000
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas		1,780,001	2,636,499	623,001	1,790,991
Repayment of recourse obligation on loans and financing sold to Cagamas		(1,093,439)	-	(647,939)	-
Repayment of bonds, Sukuk and debentures		(2,696,967)	(8,163,011)	(1,756,760)	(1,590,379)
Repayment of other borrowing		(2,119,990)	(434,844)	(2,401,779)	(434,844)
Repayment of subordinated obligations		(2,246,547)	(2,937,263)	(1,500,000)	(2,350,000)
Contribution from non-controlling interests		28,137	-	-	-
Issuance of shares due to rights issue		1,424,228	674,998	1,424,228	674,998
<b>Net cash generated from/(used in) financing activities</b>		<b>7,937,844</b>	<b>(2,413,700)</b>	<b>7,670,130</b>	<b>(432,066)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>		<b>16,464,059</b>	<b>(2,174,861)</b>	<b>10,890,381</b>	<b>(4,362,177)</b>
<b>Effects of exchange rate differences</b>		<b>(1,742,850)</b>	<b>606,340</b>	<b>(1,605,863)</b>	<b>560,794</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>18,620,310</b>	<b>20,188,831</b>	<b>10,358,003</b>	<b>14,159,386</b>
<b>Cash and cash equivalents at end of financial year</b>	2	<b>33,341,519</b>	<b>18,620,310</b>	<b>19,642,521</b>	<b>10,358,003</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

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

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

	Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Recourse obligation on loans and financing sold to Cagamas	Total
<b>The Group</b>	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	6,287,153	3,565,826	11,106,619	4,498,369	25,457,967
Proceeds from issuance	10,375,988	4,100,600	1,500,000	1,780,001	17,756,589
Repayment and redemption	(2,696,967)	(2,119,990)	(2,246,547)	(1,093,439)	(8,156,943)
Interest paid	(219,759)	(83,211)	(511,035)	(173,033)	(987,038)
Exchange fluctuation	(706,617)	(460,132)	(1,893)	-	(1,168,642)
Other non cash movement	223,587	97,591	514,174	183,350	1,018,702
At 31 December 2017	13,263,385	5,100,684	10,361,318	5,195,248	33,920,635

	Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Recourse obligation on loans and financing sold to Cagamas	Total
<b>The Bank</b>	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	5,199,084	3,565,826	9,529,719	3,144,979	21,439,608
Proceeds from issuance	8,459,228	4,980,600	1,500,000	623,001	15,562,829
Repayment and redemption	(1,756,760)	(2,401,779)	(1,500,000)	(647,939)	(6,306,478)
Interest paid	(191,425)	(109,018)	(462,347)	(120,530)	(883,320)
Exchange fluctuation	(700,399)	(460,133)	-	-	(1,160,532)
Other non cash movement	195,220	122,232	466,519	123,437	907,408
At 31 December 2017	11,204,948	5,697,728	9,533,891	3,122,948	29,559,515



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

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

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

### **A Basis of preparation**

The Financial Statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), and the requirements of the Companies Act, 2016 in Malaysia.

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

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Bank and its wholly-owned subsidiaries, CIMB Islamic Bank Berhad (“CIMB Islamic”) and CIMB Bank (L) Limited. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities in compliance with Shariah principles.

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group’s and the 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 51.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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 2017 are as follows:

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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 2018

- Amendments to MFRS 140 “Classification on “Change in Use” – Assets transferred to, or from, Investment Properties” clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management’s intention in isolation is not sufficient to support a transfer of property.
- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the “date of the transaction” to record foreign currency transactions.

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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)

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

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

#### **Classification and measurements**

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is:

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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)

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

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

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

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

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

#### **Impairment of financial assets**

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

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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)

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

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

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

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

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

#### **Hedge accounting**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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)

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

#### **Disclosures**

The new standard requires more extensive disclosures especially in the areas of ECL. The Group and the Bank expect changes in the extent of disclosures in the financial statements for 31 December 2018.

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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)

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

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

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

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

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

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

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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 2019

- MFRS 16 “Leases” supersedes MFRS 117 “Lease” 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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 2019 (continued)

- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”

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

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

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (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 2019 (continued)

- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - Amendments to MFRS 3 “Business Combinations” clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 “Joint Arrangements” clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
  - Amendments to MFRS 112 “Income Taxes” clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
  - Amendments to MFRS 123 “Borrowing Costs” clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- IC Interpretation 23 “Uncertainty over Income Tax Treatments” provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group**

#### **(a) Subsidiaries**

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

The consolidated Financial Statements include the Financial Statements of the 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 an acquisition is measured as the acquisition date fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are, with limited exceptions, measured initially at their fair value on the date of acquisition.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(a) Subsidiaries (Continued)**

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in statement of income.

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

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.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(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 have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. The fair value is 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(d) Joint arrangements**

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

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

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(d) Joint arrangements (Continued)**

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

#### **(e) Associates**

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

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

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

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

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(e) Associates (Continued)**

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

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

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

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

#### **(f) Interests in subsidiaries, joint arrangements and associates**

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **C Recognition of interest/profit income and interest/profit expense**

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **D Recognition of fees and other income**

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

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

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

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

### **E Sale and repurchase agreements**

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **F Financial assets**

#### **(a) Classification**

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

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

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

#### **(ii) Loans and receivables**

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

#### **(iii) Financial investments held-to-maturity**

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

#### **(iv) Financial investments available-for-sale**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **F 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 financial year which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or 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 financial year it arises.

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **F 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. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the 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 interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates prospectively.

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **G 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 K.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **G Financial liabilities (Continued)**

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

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 interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income;
- applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made, is irrevocable. Designated financial liabilities are recognised when the Group and the 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, repurchase agreements, bills and acceptances payable, sundry creditors, recourse obligation on loans and financing sold to Cagamas, bonds, sukuk and debentures, other borrowings, subordinated obligations, amount due to subsidiaries, and amount due to related companies.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **H 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 retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

### **I Offsetting financial instruments**

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

### **J 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 borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **J 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 interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or financial investment held-to-maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These loans 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 loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **J Impairment of financial assets (Continued)**

#### **(b) Assets classified as available-for-sale**

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

For debt securities, the Group and the 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.

### **K 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 statement of income immediately.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **K 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 interest rate method over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **K 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.

### **L Property, plant and equipment**

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

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the 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.

## CIMB Bank Berhad

(Incorporated in Malaysia)

### Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)

#### L Property, plant and equipment (Continued)

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

Leasehold land	40 years or over the remaining period of the lease, whichever is shorter
Building on freehold land	40 years
Building on leasehold land	40 years or over the remaining period of the lease, whichever is shorter
Office equipment, plant and machinery and furniture and fittings:	
- office equipment	3 - 10 years
- plant and machinery	5 years
- furniture and fittings	5 - 10 years
Renovations to rented premises	5 - 10 years or over the period of the tenancy, whichever is shorter
Computer equipment and hardware:	
- servers and hardware	3 - 7 years
- ATM machine	5 - 10 years
Computer equipment and software under lease	3 - 5 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years
Cards	3 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **M Intangible assets**

#### **(a) Goodwill**

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

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

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

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

#### **(b) Other intangible assets**

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **M Intangible assets (Continued)**

#### **(b) Other intangible assets (Continued)**

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

Customer relationships:

- credit card 12 years

Computer software 3 - 15 years

### **N Assets purchased under lease**

#### **(a) Finance lease**

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the 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 lease and the related rentals are charged to statement of income.

#### **(b) Operating lease**

##### *Leasehold land*

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

##### *Others*

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **N Assets purchased under lease (Continued)**

#### **(b) Operating lease (Continued)**

*Others (Continued)*

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

### **O Assets sold under lease**

#### **(a) Finance lease**

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

#### **(b) Operating lease**

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

### **P Currency translations**

#### **(a) Functional and presentation currency**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **P Currency translations (Continued)**

#### **(b) Foreign currency transactions and balances**

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

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

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

#### **(c) Group companies**

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **P Currency translations (Continued)**

#### **(c) Group companies (Continued)**

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

### **Q Income and deferred taxes**

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

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

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **Q Income and deferred taxes (Continued)**

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the 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.

### **R Share capital**

#### **(a) Classification**

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

#### **(b) Share issue costs**

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

#### **(c) Dividends**

Dividends on ordinary shares and Redeemable Preference Shares are recognised as a liability when the shareholders' right to receive the dividend is established.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **S 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 and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Bank.

#### **(b) Post-employment benefits**

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

##### *Defined contribution plans*

A defined contribution plan is a pension plan under which the Group and the 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 defined contribution plans are charged to the statement of income in the financial year to which they relate. 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.

##### *Defined benefit plans*

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **S Employee benefits (Continued)**

#### **(b) Post-employment benefits (Continued)**

##### *Defined benefit plans (Continued)*

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

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

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

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

#### **(c) Other long term employee benefits**

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

#### **(d) Termination benefits**

Termination benefits are payable when employment is terminated by the Group and the Bank 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 Group and the Bank recognise 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **S Employee benefits (Continued)**

#### **(e) Bonus plans**

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

#### **(f) Share-based compensation benefits**

##### *Employee Ownership Plan ("EOP")*

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **T 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.

### **U Foreclosed properties**

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

### **V 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 interest expense.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **W Financial guarantee contracts**

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The financial 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 judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

### **X Cash and cash equivalents**

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

### **Y 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.

### **Z Non-current assets/disposal groups held for sale**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2017 (Continued)**

### **AA Investment properties**

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

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

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

### **AB Contingent assets and contingent liabilities**

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group 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.

### **AC Bills and acceptances payable**

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

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

### 1 General information

The Bank is principally engaged in all aspects of commercial banking and in the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 14 in the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

The holding company of the Bank is CIMB Group Sdn. Bhd. and the Directors regard CIMB Group Holdings Bhd (“CIMB Group”), a company listed on the Main Board of the Bursa Malaysia Securities Berhad, as the ultimate holding company. Both companies are incorporated in Malaysia.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the Bank’s registered office is 13<sup>th</sup> Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

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 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Cash and balances with banks and other financial institutions	7,091,013	6,342,113	4,838,499	4,934,349
Money at call and deposit placements maturing within one month	26,250,506	12,278,197	14,804,022	5,423,654
	<b>33,341,519</b>	<b>18,620,310</b>	<b>19,642,521</b>	<b>10,358,003</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****3 Deposits and placements with banks and other financial institutions**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	<b>1,194,094</b>	1,063,367	<b>9,227,427</b>	4,994,833
Licensed investment banks	-	50,056	-	50,056
Other financial institutions	<b>111</b>	68,306	-	-
	<b><u>1,194,205</u></b>	<u>1,181,729</u>	<b><u>9,227,427</u></b>	<u>5,044,889</u>

Included in the Bank's deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement with CIMB Islamic. The RPSIA is a contract based on Shariah concept of Mudharabah between the Bank and CIMB Islamic to finance a specific business venture where the Bank solely provides capital and the business ventures are managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio and management fees.

As at 31 December 2017, the RPSIA placements amounted to RM8,145,684,000 (2016: RM3,912,011,000) for a tenure between 1 to 3 months (2016: tenure 1 to 3 months) at indicative profit rates from 2.02% to 3.83% (2016: 3.16% to 3.85%) per annum.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****4 Financial assets held for trading**

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	365,484	651,044	365,484	651,044
Cagamas bonds	188,085	155,955	137,326	155,955
Malaysian Government treasury bills	25,298	184,701	23,941	63,713
Other Government securities	2,273,146	2,722,901	1,201,031	2,204,427
Other Government treasury bills	4,099,551	6,613,654	4,099,551	6,613,654
Bank Negara Malaysia Monetary Notes	99,343	-	99,343	-
Bankers' acceptance	22,149	-	22,149	-
Negotiable instruments of deposit	6,288,869	5,746,031	3,523,918	3,320,430
Commercial papers	72,816	14,864	72,816	14,864
Government Investment Issue	451,167	88,842	104,068	33,383
	<b>13,885,908</b>	16,177,992	<b>9,649,627</b>	13,057,470
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Shares	818,460	445,741	818,460	445,741
<u>Outside Malaysia</u>				
Shares	511,314	337,415	511,314	337,415
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	1	1	1	1
Corporate bond and Sukuk	2,091,025	1,938,290	2,032,902	1,898,784
	<b>2,091,026</b>	1,938,291	<b>2,032,903</b>	1,898,785
<u>Outside Malaysia</u>				
Private equity funds	164,242	178,450	164,242	73,505
Corporate bond and Sukuk	2,939,104	2,255,410	2,815,858	1,800,385
	<b>3,103,346</b>	2,433,860	<b>2,980,100</b>	1,873,890
	<b>20,410,054</b>	21,333,299	<b>15,992,404</b>	17,613,301

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 5 Financial investments available-for-sale

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	289,569	492,289	289,569	492,289
Malaysian Government Sukuk	22,107	29,622	-	-
Khazanah bonds	132,052	167,700	132,052	167,700
Government Investment Issue	696,373	202,788	341,307	90,925
Negotiable instruments of deposit	482,401	597,838	482,401	597,838
Other Government securities	598,316	1,433,272	585,784	348,992
Cagamas bonds	140,874	127,295	135,351	86,523
Commercial papers	39,825	49,727	39,825	49,727
	<b>2,401,517</b>	<b>3,100,531</b>	<b>2,006,289</b>	<b>1,833,994</b>
<b>Quoted securities:</b>				
<u>Outside Malaysia</u>				
Shares	4,215	5,479	131	63
Unit trusts	6,001	7,313	-	-
	<b>10,216</b>	<b>12,792</b>	<b>131</b>	<b>63</b>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	1,046,808	1,012,649	1,034,906	1,001,331
Corporate bond and Sukuk	13,763,383	13,118,869	12,285,937	11,746,570
Loan stocks	10,087	10,087	10,087	10,087
	<b>14,820,278</b>	<b>14,141,605</b>	<b>13,330,930</b>	<b>12,757,988</b>
<u>Outside Malaysia</u>				
Shares	32,937	33,088	147	147
Private equity and unit trusts funds	480,263	500,363	455,624	472,801
Corporate bond and Sukuk	7,164,956	8,468,080	4,516,742	5,657,984
	<b>7,678,156</b>	<b>9,001,531</b>	<b>4,972,513</b>	<b>6,130,932</b>
	<b>24,910,167</b>	<b>26,256,459</b>	<b>20,309,863</b>	<b>20,722,977</b>
<b>Allowance for impairment losses:</b>				
Corporate bond	(67,627)	(30,306)	(67,627)	(30,306)
Private equity funds	(124,472)	(145,715)	(101,892)	(123,135)
Unquoted shares	(103,343)	(102,152)	(74,990)	(74,023)
Loan stocks	(10,087)	(10,087)	(10,087)	(10,087)
Unit trusts	(362)	(365)	-	-
	<b>(305,891)</b>	<b>(288,625)</b>	<b>(254,596)</b>	<b>(237,551)</b>
	<b>24,604,276</b>	<b>25,967,834</b>	<b>20,055,267</b>	<b>20,485,426</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****5 Financial investments available-for-sale (Continued)**

Securities and money market instruments amounting to RM4,159 million (2016: RM4,160 million) were invested by asset management companies on behalf of the Group and the Bank.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At 1 January	<b>288,625</b>	259,918	<b>237,551</b>	228,187
Allowance made during the financial year	<b>39,880</b>	50,164	<b>39,296</b>	32,761
Disposal of securities	<b>(10,399)</b>	(30,000)	<b>(10,399)</b>	(30,000)
Exchange fluctuation	<b>(12,215)</b>	8,543	<b>(11,852)</b>	6,603
At 31 December	<b>305,891</b>	288,625	<b>254,596</b>	237,551

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****6 Financial investments held-to-maturity**

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	2,973,797	2,117,602	2,973,797	2,117,602
Government Investment Issue	8,328,896	7,035,108	6,771,930	6,223,425
Other government securities	1,004,223	1,499,993	656,882	824,853
Other government treasury bills	2,311,257	-	2,311,257	-
Cagamas bonds	203,649	267,938	203,649	236,993
Khazanah bonds	443,597	443,597	430,935	430,935
	<b>15,265,419</b>	<b>11,364,238</b>	<b>13,348,450</b>	<b>9,833,808</b>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Loans stocks	7,020	7,020	-	-
Corporate bond and Sukuk	16,613,687	13,665,072	13,456,157	11,192,208
	<b>16,620,707</b>	<b>13,672,092</b>	<b>13,456,157</b>	<b>11,192,208</b>
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	2,398,814	2,575,652	1,825,506	1,533,594
Amortisation of premium net of accretion of discount	45,342	(3,939)	68,448	12,852
Less: Allowance for impairment losses	(7,180)	(7,181)	-	-
	<b>34,323,102</b>	<b>27,600,862</b>	<b>28,698,561</b>	<b>22,572,462</b>

Securities and money market instruments amounting to RM918 million (2016: RM873 million) were invested by asset management companies on behalf of the Group and the Bank.

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 bonds were transferred at the prevailing mark-to-market prices.

There is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale during the year. In 2016, the fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale at the date of reclassification are RM1,181,982,000, RM1,201,448,000 and RM19,466,000 respectively for the Group and RM918,452,000, RM935,018,000 and RM16,566,000 for the Bank.



**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****6 Financial investments held-to-maturity (Continued)**

The fair value and carrying amount of the financial investments as at 31 December 2017 are RM6,627,520,000 (2016: RM6,646,312,000) and RM6,554,448,000 (2016: RM6,590,291,000) for the Group and RM5,879,179,000 (2016: RM5,902,523,000) and RM5,816,076,000 (2016: RM5,854,115,000) for the Bank.

The fair value gain that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM122,485,000 (2016: fair value gain of RM81,562,000) for the Group and RM107,955,000 (2016: fair value gain of RM71,583,000) for the Bank.

As at 31 December 2017, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM161,924,000 (2016: RM187,933,000) for the Group and RM144,392,000 (2016: RM167,463,000) for the Bank.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At 1 January	<b>7,181</b>	7,174	-	-
Exchange fluctuation	<b>(1)</b>	7	-	-
At 31 December	<b>7,180</b>	7,181	-	-

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing**

## (i) By type

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Overdrafts	<b>5,311,225</b>	5,279,905	<b>3,517,690</b>	3,542,512
Term loans/financing				
- Housing loan/financing	<b>79,878,492</b>	73,275,382	<b>57,140,575</b>	53,501,700
- Syndicated term loan	<b>16,393,012</b>	20,564,303	<b>14,198,497</b>	18,215,201
- Other term loans/financing	<b>99,087,551</b>	104,107,384	<b>59,695,032</b>	69,349,570
- Factoring receivables	<b>13,225</b>	38,594	-	-
- Lease receivables	<b>53,534</b>	112,437	-	-
- Hire purchase receivables	<b>18,164,036</b>	17,241,259	<b>8,647,871</b>	9,950,887
Bills receivable	<b>9,556,193</b>	6,502,410	<b>5,539,051</b>	2,544,001
Trust receipts	<b>1,764,126</b>	1,643,343	<b>831,995</b>	1,005,724
Claim on customers under acceptance credit	<b>3,788,108</b>	3,333,494	<b>2,932,626</b>	2,905,128
Staff loans	<b>850,565</b>	749,029	<b>665,962</b>	603,794
Credit card receivables	<b>7,131,703</b>	7,072,581	<b>6,948,533</b>	6,862,731
Revolving credit	<b>23,060,060</b>	19,752,877	<b>18,495,219</b>	16,073,149
Share margin financing	<b>888,736</b>	705,571	<b>884,999</b>	703,543
Gross loans, advances and financing	<b>265,940,566</b>	260,378,569	<b>179,498,050</b>	185,257,940
Fair value changes arising from fair value hedges	<b>86,537</b>	149,815	<b>16,664</b>	38,833
	<b>266,027,103</b>	260,528,384	<b>179,514,714</b>	185,296,773
Less: Individual impairment allowance	<b>(2,464,883)</b>	(2,350,633)	<b>(1,643,137)</b>	(1,610,822)
Less: Portfolio impairment allowance	<b>(1,773,511)</b>	(1,977,802)	<b>(974,541)</b>	(1,100,176)
Total net loans, advances and financing	<b>261,788,709</b>	256,199,949	<b>176,897,036</b>	182,585,775

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **7 Loans, advances and financing (Continued)**

(i) By type (Continued)

- (a) Included in the Group's and the Bank's loans, advances and financing balances are RM39,767,000 (2016: RM44,994,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatements of these loans have been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing of RM4,271,223,000 (2016: RM4,647,826,000) and RM576,169,000 (2016: RM1,072,826,000) respectively, using interest rate swaps.
- (c) As part of an arrangement with CIMB Islamic in relation to the RPSIA, the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement (See Note 3), whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances for bad and doubtful financing arising from the RPSIA financing.

As at 31 December 2017, the gross exposure and portfolio impairment allowance relating to RPSIA financing are RM6,123,712,000 (2016: RM3,236,229,000) and RM10,248,000 (2016: RM5,374,000) respectively.

There was no individual impairment allowance provided for the RPSIA financing.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing (Continued)**

(ii) By type of customer:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Domestic banking institutions	17,862	954,441	3,229	908,487
Domestic non-bank financial institutions				
- stockbroking companies	102,604	3	2,577	3
- others	3,887,681	2,083,165	666,710	963,743
Domestic business enterprises				
- small medium enterprises	29,561,239	28,926,283	20,322,676	19,787,830
- others	35,998,187	38,757,407	18,708,366	22,390,784
Government and statutory bodies	10,018,671	9,857,704	2,957,994	2,576,854
Individuals	146,342,101	137,660,775	97,918,586	97,491,668
Other domestic entities	635,922	1,072,825	124,210	523,791
Foreign entities	39,376,299	41,065,966	38,793,702	40,614,780
Gross loans, advances and financing	<b>265,940,566</b>	<b>260,378,569</b>	<b>179,498,050</b>	<b>185,257,940</b>

(iii) By interest rate sensitivity:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Fixed rate				
- Housing loans	2,478,211	2,620,395	1,743,059	1,923,309
- Hire-purchase receivables	11,684,042	11,361,137	3,642,314	4,103,665
- Other fixed rate loans	28,386,772	28,693,381	15,025,664	15,256,949
Variable rate				
- BLR plus	96,542,767	99,226,229	78,059,603	82,264,192
- Cost-plus	42,362,558	43,787,066	29,202,156	33,557,219
- Other variable rates	84,486,216	74,690,361	51,825,254	48,152,606
Gross loans, advances and financing	<b>265,940,566</b>	<b>260,378,569</b>	<b>179,498,050</b>	<b>185,257,940</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing (Continued)**

(iv) By economic purpose:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Personal use	11,819,834	11,243,691	6,789,901	6,122,597
Credit card	7,131,703	7,072,581	6,948,533	6,862,731
Purchase of consumer durables	90,220	100,997	72,270	81,948
Construction	10,097,252	10,142,391	6,655,321	7,106,884
Residential property (Housing)	82,658,252	75,952,392	59,494,093	55,776,751
Non-residential property	24,905,360	24,780,493	20,719,538	20,963,945
Purchase of fixed assets other than land and building	2,027,745	2,393,414	1,559,519	1,878,056
Merger and acquisition	2,241,907	4,600,566	2,239,170	4,598,304
Purchase of securities	25,094,414	25,758,787	16,064,629	19,687,343
Purchase of transport vehicles	18,967,461	17,801,710	9,012,765	10,223,820
Working capital	56,027,510	59,073,586	36,455,314	41,898,362
Other purpose	24,878,908	21,457,961	13,486,997	10,057,199
Gross loans, advances and financing	<b>265,940,566</b>	260,378,569	<b>179,498,050</b>	185,257,940

(v) By geographical distribution:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Malaysia	189,113,107	182,337,158	131,033,519	134,654,115
Indonesia	2,874,078	3,458,858	2,874,078	3,458,843
Thailand	29,932,977	29,867,768	3,671,229	4,130,864
Singapore	26,364,326	29,847,261	26,364,324	29,847,255
United Kingdom	3,886,601	4,328,553	3,886,601	4,328,550
Hong Kong	2,292,034	2,116,395	2,292,034	2,116,395
China	4,496,128	1,856,722	4,496,128	1,856,722
Other countries	6,981,315	6,565,854	4,880,137	4,865,196
Gross loans, advances and financing	<b>265,940,566</b>	260,378,569	<b>179,498,050</b>	185,257,940

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing (Continued)**

(vi) By residual contractual maturity:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>55,434,164</b>	45,273,308	<b>39,198,055</b>	32,479,141
One year to less than three years	<b>25,862,291</b>	30,127,465	<b>16,713,943</b>	22,190,271
Three years to less than five years	<b>21,999,991</b>	27,924,997	<b>14,386,062</b>	17,908,510
Five years and more	<b>162,644,120</b>	157,052,799	<b>109,199,990</b>	112,680,018
Gross loans, advances and financing	<b>265,940,566</b>	260,378,569	<b>179,498,050</b>	185,257,940

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personal use	<b>218,357</b>	277,111	<b>126,474</b>	141,113
Credit card	<b>120,180</b>	184,832	<b>114,100</b>	177,261
Purchase of consumer durables	<b>342</b>	329	<b>4</b>	259
Construction	<b>1,385,487</b>	1,140,574	<b>1,129,708</b>	1,052,939
Residential property (Housing)	<b>1,045,612</b>	1,147,493	<b>699,830</b>	752,499
Non-residential property	<b>234,801</b>	224,295	<b>170,065</b>	156,871
Purchased of fixed assets other than land and building	<b>6,267</b>	3,731	<b>6,267</b>	3,024
Purchase of securities	<b>133,309</b>	139,404	<b>131,939</b>	138,750
Purchase of transport vehicles	<b>281,753</b>	304,912	<b>145,244</b>	161,765
Working capital	<b>1,849,581</b>	1,553,938	<b>1,232,546</b>	879,096
Merger and acquisition	<b>152,701</b>	-	<b>152,701</b>	-
Other purpose	<b>759,709</b>	609,133	<b>21,680</b>	19,872
Gross impaired loans, advances and financing	<b>6,188,099</b>	5,585,752	<b>3,930,558</b>	3,483,449

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing (Continued)**

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Malaysia	3,224,042	3,256,608	2,841,864	2,789,213
Indonesia	157,615	135,978	157,615	135,978
Thailand	1,806,331	1,568,329	-	-
Singapore	710,639	416,848	710,639	416,848
United Kingdom	7,499	4,855	7,499	4,855
China	23,234	67,095	23,234	67,095
Other countries	258,739	136,039	189,707	69,460
Gross impaired loans, advances and financing	<b>6,188,099</b>	<b>5,585,752</b>	<b>3,930,558</b>	<b>3,483,449</b>

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

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	5,585,752	4,340,369	3,483,449	3,124,319
Classified as impaired during the financial year	5,381,049	4,938,364	3,175,844	2,612,188
Reclassified as not impaired during the financial year	(1,813,509)	(1,728,392)	(1,300,934)	(1,264,650)
Amount written back in respect of recoveries	(1,065,227)	(970,083)	(713,133)	(509,428)
Amount written off	(1,098,983)	(1,049,804)	(680,334)	(492,552)
Sale of impaired loans	(754,596)	-	-	-
Exchange fluctuation	(46,387)	55,298	(34,334)	13,572
At 31 December	<b>6,188,099</b>	<b>5,585,752</b>	<b>3,930,558</b>	<b>3,483,449</b>
Ratio of gross impaired loans to total loans, advances and financing	<b>2.33%</b>	2.15%	<b>2.19%</b>	1.88%

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****7 Loans, advances and financing (Continued)**

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Individual impairment allowance</b>				
At 1 January	<b>2,350,633</b>	1,922,002	<b>1,610,822</b>	1,543,266
Net allowance made during the financial year	<b>713,087</b>	629,401	<b>250,233</b>	110,486
Amount written off	<b>(229,148)</b>	(256,575)	<b>(185,053)</b>	(46,910)
Amount transferred to portfolio impairment allowance	-	(11,402)	-	(11,258)
Sale of impaired loans	<b>(323,132)</b>	-	-	-
Exchange fluctuation	<b>(46,557)</b>	67,207	<b>(32,865)</b>	15,238
At 31 December	<b>2,464,883</b>	2,350,633	<b>1,643,137</b>	1,610,822

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Portfolio impairment allowance</b>				
At 1 January	<b>1,977,802</b>	1,970,342	<b>1,100,176</b>	1,110,673
Net allowance made during the financial year	<b>778,441</b>	737,224	<b>375,862</b>	417,423
Amount written off	<b>(869,500)</b>	(793,197)	<b>(495,914)</b>	(445,595)
Amount transferred from individual impairment allowance	-	11,402	-	11,258
Amount transferred from a subsidiary	-	-	<b>73</b>	596
Sale of impaired loans	<b>(96,292)</b>	-	-	-
Exchange fluctuation	<b>(16,940)</b>	52,031	<b>(5,656)</b>	5,821
At 31 December	<b>1,773,511</b>	1,977,802	<b>974,541</b>	1,100,176
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<b>1.29%</b>	1.32%	<b>1.20%</b>	1.20%



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****8 Other assets**

	Note	The Group		The Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Foreclosed assets	(a)	<b>105,549</b>	135,872	-	-
Due from brokers and clients		<b>193,136</b>	31,413	<b>193,136</b>	31,413
Structured financing		<b>1,393,843</b>	1,997,845	<b>1,393,843</b>	1,997,845
Collateral pledged for derivative transactions		<b>2,881,523</b>	5,030,001	<b>2,451,770</b>	4,489,383
Collateral for securities borrowing		<b>65,702</b>	189,851	<b>65,702</b>	189,851
Other debtors, deposits and prepayments *	(b)	<b>4,732,924</b>	2,278,286	<b>4,028,114</b>	1,911,315
		<b>9,372,677</b>	9,663,268	<b>8,132,565</b>	8,619,807

\* net of allowance for doubtful debts of RM12,835,000 (2016: RM14,390,000) for the Group and RM9,464,000 (2016: RM11,351,000) for the Bank

(a) Movements of allowance on impairment for foreclosed assets during the financial year are as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	<b>32,147</b>	43,807	-	-
Net allowance made during the financial year	<b>6,078</b>	617	-	-
Disposed during the financial year	<b>(19,193)</b>	(13,723)	-	-
Exchange difference	<b>13</b>	1,446	-	-
At 31 December	<b>19,045</b>	32,147	-	-

Foreclosed properties are stated at lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2017. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using the sale comparison approach. Sale price of comparable land and building in close proximity are adjusted for differences in key attributes such as property size.

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

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	<b>14,390</b>	15,606	<b>11,351</b>	10,655
Net allowance (written-back)/made during the financial year	<b>(1,552)</b>	(693)	<b>(1,884)</b>	1,197
Written-off	-	(548)	-	(526)
Exchange difference	<b>(3)</b>	25	<b>(3)</b>	25
At 31 December	<b>12,835</b>	14,390	<b>9,464</b>	11,351

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****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 are shown in the statements of financial position, after offsetting:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deferred tax assets	<b>333,851</b>	313,200	<b>111,658</b>	108,082
Deferred tax liabilities	<b>(2,639)</b>	(2,579)	-	-
	<b>331,212</b>	310,621	<b>111,658</b>	108,082

Further breakdown are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Deferred tax assets (before offsetting)</b>				
Individual/Portfolio impairment allowance	<b>105,893</b>	87,131	-	97
Property, plant and equipment	<b>8,229</b>	2,104	<b>6,365</b>	-
Revaluation reserve - financial investments available-for-sale	-	16,943	-	-
Provision for expenses	<b>275,493</b>	265,627	<b>243,449</b>	236,933
Cash flow hedge	<b>6</b>	2,793	<b>34</b>	2,613
Post employment benefit obligations	<b>35,534</b>	37,313	-	-
Other temporary differences	<b>80,203</b>	74,558	<b>35,203</b>	33,530
	<b>505,358</b>	486,469	<b>285,051</b>	273,173
Offsetting	<b>(171,507)</b>	(173,269)	<b>(173,393)</b>	(165,091)
<b>Deferred tax assets (after offsetting)</b>	<b>333,851</b>	313,200	<b>111,658</b>	108,082
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	-	(19,319)	-	(13,235)
Revaluation reserve - financial investments available-for-sale	<b>(126,635)</b>	(97,830)	<b>(127,738)</b>	(95,332)
Intangible assets	<b>(47,511)</b>	(58,146)	<b>(45,655)</b>	(56,524)
Other temporary differences	-	(553)	-	-
	<b>(174,146)</b>	(175,848)	<b>(173,393)</b>	(165,091)
Offsetting	<b>171,507</b>	173,269	<b>173,393</b>	165,091
<b>Deferred tax liabilities (after offsetting)</b>	<b>(2,639)</b>	(2,579)	-	-

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****9 Deferred taxation (Continued)**

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

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>										
At 1 January 2017		87,131	(17,215)	(80,887)	74,005	(58,146)	265,627	2,793	37,313	310,621
Credited to statements of income	44	19,859	25,354	-	6,848	11,226	7,640	-	501	71,428
Over/(under) provision in prior financial year		-	290	-	-	(591)	2,046	-	-	1,745
Transferred to equity		-	-	(45,906)	-	-	-	(2,797)	(2,009)	(50,712)
Exchange difference		(1,097)	(200)	158	(650)	-	180	10	(271)	(1,870)
At 31 December 2017		105,893	8,229	(126,635)	80,203	(47,511)	275,493	6	35,534	331,212

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>										
At 1 January 2016		79,900	3,763	(107,263)	66,728	(71,689)	273,843	8,596	33,572	287,450
Credited/(Charged) to statements of income	44	2,859	(12,868)	-	27,344	13,543	(3,828)	-	1,257	28,307
(Under)/Over provision in prior financial year		-	(8,367)	-	(23,736)	-	(5,343)	-	-	(37,446)
Transferred from/(to) equity		-	-	25,738	-	-	-	(5,931)	570	20,377
Exchange difference		4,372	257	638	3,669	-	955	128	1,914	11,933
At 31 December 2016		87,131	(17,215)	(80,887)	74,005	(58,146)	265,627	2,793	37,313	310,621

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****9 Deferred taxation (Continued)**

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

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>									
At 1 January 2017		97	(13,235)	(95,332)	33,530	(56,524)	236,933	2,613	108,082
(Charged)/credited to statements of income	44	(97)	19,346	-	1,673	10,869	4,300	-	36,091
Over provision in prior financial year		-	254	-	-	-	1,937	-	2,191
Transferred to equity		-	-	(32,406)	-	-	-	(2,579)	(34,985)
Exchange fluctuation		-	-	-	-	-	279	-	279
At 31 December 2017		-	6,365	(127,738)	35,203	(45,655)	243,449	34	111,658

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>									
At 1 January 2016		-	5,200	(106,288)	62,411	(69,384)	241,099	8,420	141,458
Credited/(Charged) to statements of income	44	97	(10,068)	-	(5,167)	12,860	(3,709)	-	(5,987)
(Under)/Over provision in prior financial year		-	(8,367)	-	(23,714)	-	(646)	-	(32,727)
Transferred from/(to) equity		-	-	10,956	-	-	-	(5,807)	5,149
Exchange fluctuation		-	-	-	-	-	189	-	189
At 31 December 2016		97	(13,235)	(95,332)	33,530	(56,524)	236,933	2,613	108,082

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****10 Statutory deposits with central banks**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Statutory deposits with				
- Bank Negara Malaysia	<b>5,643,049</b>	5,341,574	<b>4,088,463</b>	3,956,415
- Other central banks	<b>2,987,315</b>	3,142,667	<b>2,415,178</b>	2,684,068
	<b>8,630,364</b>	8,484,241	<b>6,503,641</b>	6,640,483

The non-interest 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. The non-interest bearing statutory deposits of foreign subsidiaries and foreign branches are maintained with respective central banks in compliance with the applicable legislation.

**11 Amounts due from holding company and ultimate holding company**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Amounts due from:				
- ultimate holding company	<b>1,250</b>	1,473	<b>1,250</b>	1,473
- holding company	<b>1,977</b>	2,611	<b>1,977</b>	2,611
	<b>3,227</b>	4,084	<b>3,227</b>	4,084

The amounts due from holding company and ultimate holding company are unsecured, interest free and callable on demand.

**12 Amounts due from/(to) subsidiaries**

	<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000
Amounts due from subsidiaries	<b>63,827</b>	546,462
Amounts due to subsidiaries	<b>(12,555)</b>	(29,422)

The amounts due from/(to) subsidiaries are unsecured, interest free and callable on demand.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****13 Amounts due from/(to) related companies**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Amounts due from related companies	<b>1,107,017</b>	1,223,076	<b>1,105,782</b>	1,220,820
Amounts due to related companies	<b>(13,267)</b>	(5,228)	<b>(10,308)</b>	(3,570)

Included in amount due from related companies is an amount of RM1,060,030,000 (2016: RM1,197,832,000) due from PCSB. With the adoption of MFRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's and the Bank's loans, advances and financing as the risks and rewards relating to the cash flows of these hire purchase receivables have been substantially transferred to PCSB.

The amounts from/(to) related companies are unsecured, interest free and callable on demand.

**14 Investments in subsidiaries**

	<b>The Bank</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Unquoted shares, at cost		
- ordinary shares	<b>5,826,331</b>	5,098,433
- preference shares	<b>220,000</b>	220,000
	<b>6,046,331</b>	5,318,433
Fair values arising from fair value hedge	<b>(26,206)</b>	9,650
Less: Allowance for impairment losses	<b>(17,194)</b>	(17,194)
	<b>6,002,931</b>	5,310,889

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

	<b>The Bank</b>	
	<b>2017 RM'000</b>	2016 RM'000
At 1 January/31 December	<b>17,194</b>	17,194

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **14 Investments in subsidiaries (Continued)**

(a) Additional investment in subsidiaries

- (i) On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights offering of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

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

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		%	%	%	%
CIMB Group Nominees Sdn. Bhd.	Provision of nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn. Bhd.	Provision of nominee services	100	100	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Ltd. (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
Mutiara Aset Berhad	Financial services	100	100	-	-
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	20	20	40	40
CIMB Trust Limited (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on business of a Labuan bank	100	100	-	-
Semerak Services Sdn. Bhd.	Provide security, maintenance and other related services	100	100	-	-
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	100	100	-	-



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
CIMB Islamic Bank Berhad	Islamic banking and related financial services	100	100	-	-
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	100	100	-	-
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	-	-	100	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of nominee services	-	-	100	100
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominees services	20	20	40	40
S.B. Properties Sdn. Bhd.	Property ownership and management	100	100	-	-
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	100	100	-	-
SIBB Berhad	Investment dealing	80	80	-	-
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	-	-	80	80
SFB Auto Berhad	Financial services	100	100	-	-
SFB Development Sdn. Bhd.	Property investment	100	100	-	-
CIMB Nominees (S) Pte. Ltd. (Incorporated in Republic of Singapore) <sup>a</sup>	Provision of nominee services	100	100	-	-
SBB Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	100	100	-	-

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		%	%	%	%
CIMB Thai Bank Public Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Commercial Banking	94.11	93.71	-	-
Commerce Returns Berhad <sup>^</sup>	Investment holding	100	100	-	-
CIMB Bank PLC (Incorporated in Cambodia) <sup>a</sup>	Commercial banking and related financial services	100	100	-	-
CIMB Bank (Vietnam) Limited (Incorporated in Vietnam) <sup>a</sup>	Banking activities	100	100	-	-
Merdeka Kapital Berhad	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	**	-	-	-
Ziya Capital Bhd	Implementing and carrying out an asset- backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	-	-	**	**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		%	%	%	%
CT Coll Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Services of debt collection and debt restructuring	-	-	99.99	99.99
Centre Auto Lease Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Hire purchase sale & leaseback and financial lease	-	-	99.99	99.99
Worldlease Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Hire purchase of motorcycles	-	-	99.99	99.99
PT Pattanasup Company Limited (Incorporated in the Kingdom of Thailand) <sup>#</sup>	Dormant	-	-	99.93	99.93

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **14 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

- <sup>α</sup> Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia
- \*\* The silo of Merdeka Kapital Berhad and Ziya Capital Bhd are consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers Malaysia
- <sup>^</sup> Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank
- <sup>#</sup> in the process of liquidation

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

(c) Consolidation of the silo of Merdeka Kapital Berhad

In 2011, the Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad (“MKB”), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 “Consolidated Financial Statements” in 2013, the Group has consolidated the silo of MKB in relation to the Bank’s hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed in 2016.

On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad (“MKB”).

(d) Consolidation of the silo of Ziya Capital Bhd

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

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

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non- controlling interests		Accumulated non-controlling interests	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	%	%	RM'000	RM'000	RM'000	RM'000
CIMB Thai Bank Public Company Limited and its subsidiaries (incorporated in the Kingdom of Thailand)	5.89	6.29	5,205	(4,958)	236,613	385,584
Individually immaterial subsidiaries with non-controlling interests					19,898	18,291
					<b>256,511</b>	<b>403,875</b>

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

	CIMB Thai Bank Public Company Limited Group As at 31 December	
	2017 RM'000	2016 RM'000
Total assets	37,188,183	37,102,051
Total liabilities	(33,173,350)	(33,883,764)
Net assets	<b>4,014,833</b>	<b>3,218,287</b>
	Year ended 31 December	
	2017 RM'000	2016 RM'000
Revenue	1,716,745	1,557,012
Profit/(loss) before taxation	93,450	(94,591)
Taxation	(13,644)	15,890
Other comprehensive income	25,873	103,271
Total comprehensive income	<b>105,679</b>	<b>24,570</b>
Profit/(loss) allocated to non-controlling interest	5,205	(4,958)
Dividends paid to non-controlling interest	-	1,335
Net cash (used in)/generated from operating activities	(2,461,466)	1,720,850
Net cash generated from investing activities	1,831,208	204,949
Net cash generated from/(used in) financing activities	593,801	(2,060,484)
Net decrease in cash and cash equivalents	<b>(36,457)</b>	<b>(134,685)</b>

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 14 Investments in subsidiaries (Continued)

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

- (i) On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights offering of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

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

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

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

There were no transactions with non-controlling interests in 2016.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **14 Investments in subsidiaries (Continued)**

(g) Unconsolidated structured entities:

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

#### **Investment Vehicle 1**

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

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

#### **Investment Vehicle 2**

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

#### **Third Party Funding Entity**

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

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

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

(g) Unconsolidated structured entities: (Continued)

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

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

	Carrying amount as at					
	31 December 2017			31 December 2016		
	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
Financial investments available-for-sale	-	77,330	-	-	79,063	-
<b>Total assets</b>	<b>-</b>	<b>77,330</b>	<b>-</b>	<b>-</b>	<b>79,063</b>	<b>-</b>

	31 December 2017			31 December 2016		
	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
	Assets size of structured entity*	-	4,197,981	-	-	4,591,348

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****14 Investments in subsidiaries (Continued)**

(g) Unconsolidated structured entities: (Continued)

(iii) Income from structured entities

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

	Income/gains/(losses) recognised in the statements of income for the financial year ended 31 December 2016						Total RM'000
	Realised gains on derivatives RM'000	Interest income RM'000	Dividend income RM'000	Termination gain on reverse repo RM'000	Gain from financial investments available-for- sale RM'000	Loss from commitments RM'000	
Investment Vehicle 1	-	5,573	-	-	776	(348,969) *	(342,620)
Investment Vehicle 2	-	-	4,000	-	-	-	4,000
Third Party Funding Entity	33,601*	27,338	-	84,697*	-	-	145,636
	<u>33,601</u>	<u>32,911</u>	<u>4,000</u>	<u>84,697</u>	<u>776</u>	<u>(348,969)</u>	<u>(192,984)</u>

Total \* = RM230,671,000 being net losses on early termination of unconsolidated structured entity - refer to Note 38 Net non-interest income



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****15 Investment in joint venture**

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
At 1 January	<b>165,029</b>	162,775
Share of profit	<b>4,659</b>	2,254
At 31 December	<b><u>169,688</u></b>	<u>165,029</u>

	<b>The Bank</b>	
	<b>31 December</b>	31 December
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Unquoted shares, at cost	<b><u>125,000</u></b>	<u>125,000</u>

**(a) Information about joint venture:**

The principal place of business and country of incorporation of the joint venture is Malaysia. The joint venture is measured using the equity method. There is no available quoted market price of the investment in the joint venture.

The direct joint venture of the Bank is:

<b>Name</b>	<b>Principal activity</b>	<b>Percentage of equity held</b>	
		<b>2017</b>	2016
		%	%
Proton Commerce Sdn. Bhd.	Financing of vehicles	<b>50</b>	50

On 22 October 2003, Bumiputra-Commerce Finance Berhad (“BCF”) (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. (“PESB”) for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint venture was incorporated under the name of Proton Commerce Sdn. Bhd. (“PCSB”) which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares (“PPS”) which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to the Bank and the subsequent capital reduction exercise undertaken by BCF in 2006, the BCF PPS were cancelled, and the Bank issued RM200 million PPS to PCSB.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****15 Investment in joint venture (Continued)**

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

	<b>PCSB</b>	
	<b>As at 31 December</b>	
	2017	2016
	RM'000	RM'000
Non-current assets	1,324,956	1,546,990
Current assets	899,319	787,919
Current liabilities (non-trade)	(1,600,878)	(1,717,420)
Non-current liabilities (non-trade)	(284,022)	(287,431)
Net assets	<u>339,375</u>	<u>330,058</u>
The above amounts of assets include the following:		
Cash and cash equivalents	<u>326,702</u>	<u>325,983</u>
	<b>Year ended 31 December</b>	
	2017	2016
	RM'000	RM'000
Revenue	<u>84,382</u>	<u>82,066</u>
Profit for the financial year/Total comprehensive income for the financial year	<u>9,317</u>	<u>4,508</u>
The above profit for the financial year include the following:		
Interest income	72,277	78,967
Interest expense	(46,360)	(50,752)
Taxation	<u>(3,675)</u>	<u>(3,255)</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****15 Investment in joint venture (Continued)**

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

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

**16 Investments in associates**

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
At 1 January	-	798,095
Dividend from associate	-	(23,721)
Share of profit	-	111,980
Reclassified to non-current assets held for sale	-	(886,354)
At 31 December	<b><u>-</u></b>	<u>-</u>

	<b>The Bank</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
At 1 January	-	305,584
Reclassified to non-current assets held for sale	-	(305,584)
At 31 December	<b><u>-</u></b>	<u>-</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****16 Investments in associates (Continued)**

(a) Information about associates:

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

The direct associates of the Bank are:

Name	Principal activities	Percentage of equity held	
		2017	2016
		%	%
Bank of Yingkou Co., Ltd (Incorporated in the People's Republic of China) <sup>#</sup>	Banking	-	18.21
The South East Asian Strategic Assets Fund LP <sup>^</sup> (Incorporated in the Cayman Islands)	Investing in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	-	25.1
SEASAF Power Sdn. Bhd. <sup>^</sup>	Investment holding	-	25.1
SEASAF Highway Sdn. Bhd. <sup>^</sup>	Investment holding	-	25.1
SEASAF I Resources Pte. Ltd. <sup>^</sup> (Incorporated in the Republic of Singapore)	Investment holding	-	25.1

<sup>^</sup> Company has been dissolved

<sup>#</sup> On 30 December 2016, CIMB Bank entered into a Share Transfer Agreement to sell its 18.21% stake in the Bank of Yingkou Co., Ltd. ("BYK") to Shanghai Guozhijie Investment Development Co., Ltd. ("Proposed Divestment") for a total consideration of RMB1.507 billion (approximately RM972 million). The Bank has reclassified its investment in BYK to non-current asset held for sale in 2016.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****17 Goodwill**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Cost</b>				
At 1 January	<b>5,192,198</b>	5,118,235	<b>3,559,075</b>	3,559,075
Exchange fluctuation	<b>(10,662)</b>	73,963	-	-
At 31 December	<b>5,181,536</b>	5,192,198	<b>3,559,075</b>	3,559,075
<b>Impairment</b>				
At 1 January/31 December	<b>(4,000)</b>	(4,000)	<b>(4,000)</b>	(4,000)
<b>Net book value at 31 December</b>	<b>5,177,536</b>	5,188,198	<b>3,555,075</b>	3,555,075

**Allocation of goodwill to cash-generating units**

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

A segment-level summary of the goodwill allocation is presented below:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Retail Financial Services	<b>1,262,272</b>	1,262,272	<b>1,262,272</b>	1,262,272
Commercial Banking	<b>911,000</b>	911,000	<b>911,000</b>	911,000
Corporate Banking	<b>419,000</b>	419,000	<b>419,000</b>	419,000
Islamic Banking	<b>136,000</b>	136,000	-	-
Group Cards	<b>425,803</b>	425,803	<b>425,803</b>	425,803
Treasury	<b>537,000</b>	537,000	<b>537,000</b>	537,000
Foreign Banking operations	<b>1,199,277</b>	1,199,277	-	-
Goodwill	<b>4,890,352</b>	4,890,352	<b>3,555,075</b>	3,555,075
Exchange fluctuation	<b>287,184</b>	297,846	-	-
	<b>5,177,536</b>	5,188,198	<b>3,555,075</b>	3,555,075

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **17 Goodwill (Continued)**

#### **Impairment test for goodwill**

##### Value-in-use

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2018 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.20% (2016: 4.20%) for all cash generating units other than foreign banking operations which has used a terminal growth rate of 2.00% (2016: 2.00%). 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 rates used in determining the recoverable amount of all the CGUs is 6.92% (2016: 7.12%) and 5.05% (2016: 5.20%) for the foreign banking operations CGU. The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

#### **Impairment charge**

There was no impairment charge for the financial year ended 31 December 2017 and 31 December 2016.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****18 Intangible assets**

<b>The Group</b>	<b>Note</b>	<b>Customer relationships RM'000</b>	<b>Core deposits RM'000</b>	<b>Computer software RM'000</b>	<b>Licence fee RM'000</b>	<b>Total RM'000</b>
<b>2017</b>						
<b>Cost</b>						
At 1 January		163,576	264,662	2,328,732	364	2,757,334
Additions		-	-	60,540	-	60,540
Disposals/write-off		-	-	(40,540)	-	(40,540)
Reclassified from property, plant and equipment	20	-	-	148,038	-	148,038
Exchange fluctuation		(8)	-	(8,752)	(3)	(8,763)
At 31 December		163,568	264,662	2,488,018	361	2,916,609
<b>Amortisation and impairment</b>						
At 1 January		144,439	264,662	1,340,197	364	1,749,662
Amortisation during the financial year		12,762	-	170,388	-	183,150
Disposals/write-off		-	-	(10,646)	-	(10,646)
Reclassified to property, plant and equipment	20	-	-	(1,210)	-	(1,210)
Exchange fluctuation		(7)	-	(6,590)	(3)	(6,600)
At 31 December		157,194	264,662	1,492,139	361	1,914,356
<b>Net book value at 31 December 2017</b>		<b>6,374</b>	<b>-</b>	<b>995,879</b>	<b>-</b>	<b>1,002,253</b>
<b>The Group</b>	<b>Note</b>	<b>Customer relationships RM'000</b>	<b>Core deposits RM'000</b>	<b>Computer software RM'000</b>	<b>Licence fee RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
<b>Cost</b>						
At 1 January		163,522	264,662	2,187,120	346	2,615,650
Additions		-	-	91,926	-	91,926
Disposals/write-off		-	-	(125,864)	-	(125,864)
Reclassified from property, plant and equipment	20	-	-	161,429	-	161,429
Exchange fluctuation		54	-	14,121	18	14,193
At 31 December		163,576	264,662	2,328,732	364	2,757,334
<b>Amortisation and impairment</b>						
At 1 January		131,648	264,532	1,158,028	308	1,554,516
Amortisation during the financial year		12,758	130	182,229	16	195,133
Disposals/write-off		-	-	(14,146)	-	(14,146)
Reclassified from property, plant and equipment	20	-	-	2,210	-	2,210
Exchange fluctuation		33	-	11,876	40	11,949
At 31 December		144,439	264,662	1,340,197	364	1,749,662
<b>Net book value at 31 December 2016</b>		<b>19,137</b>	<b>-</b>	<b>988,535</b>	<b>-</b>	<b>1,007,672</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****18 Intangible assets (Continued)**

	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
<b>The Bank</b>				
<b>2017</b>				
<b>Cost</b>				
At 1 January	153,091	263,612	1,996,846	2,413,549
Additions	-	-	24,281	24,281
Reclassified from property, plant and equipment	-	-	153,936	153,936
Disposals/write-off	-	-	(28,266)	(28,266)
Exchange fluctuation	-	-	(5,608)	(5,608)
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>2,141,189</u>	<u>2,557,892</u>
<b>Amortisation</b>				
At 1 January	133,954	263,612	1,127,411	1,524,977
Amortisation during the financial year	12,762	-	147,630	160,392
Disposals/write-off	-	-	(1,427)	(1,427)
Exchange fluctuation	-	-	(3,756)	(3,756)
At 31 December	<u>146,716</u>	<u>263,612</u>	<u>1,269,858</u>	<u>1,680,186</u>
<b>Net book value at 31 December 2017</b>	<u>6,375</u>	<u>-</u>	<u>871,331</u>	<u>877,706</u>
<b>The Bank</b>				
<b>2016</b>				
<b>Cost</b>				
At 1 January	153,091	263,612	1,879,487	2,296,190
Additions	-	-	65,998	65,998
Disposals/write-off	-	-	(112,162)	(112,162)
Reclassified from property, plant and equipment	-	-	159,451	159,451
Exchange fluctuation	-	-	4,072	4,072
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>1,996,846</u>	<u>2,413,549</u>
<b>Amortisation</b>				
At 1 January	121,196	263,612	968,418	1,353,226
Amortisation during the financial year	12,758	-	157,872	170,630
Disposals/write-off	-	-	(1,613)	(1,613)
Exchange fluctuation	-	-	2,734	2,734
At 31 December	<u>133,954</u>	<u>263,612</u>	<u>1,127,411</u>	<u>1,524,977</u>
<b>Net book value at 31 December 2016</b>	<u>19,137</u>	<u>-</u>	<u>869,435</u>	<u>888,572</u>

The above intangible assets include the software under construction at cost of the Group and the Bank of RM173,919,502 (2016: RM200,416,565) and RM150,300,266 (2016: RM190,512,403) respectively.



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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **18 Intangible assets (Continued)**

The valuation of customer relationships was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing customer base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10.0%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

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

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

Customer relationships:	
- credit card	0.5 years
Computer software	1 – 15 years

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****19 Prepaid lease payments**

	<b>Short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>		
<b>2017</b>		
<b>Cost</b>		
At 1 January	2,533	2,533
Exchange fluctuation	(15)	(15)
At 31 December	<u>2,518</u>	<u>2,518</u>
<b>Amortisation</b>		
At 1 January	2,125	2,125
Amortisation during the financial year	10	10
Exchange fluctuation	(14)	(14)
At 31 December	<u>2,121</u>	<u>2,121</u>
<b>Net book value at 31 December 2017</b>	<u>397</u>	<u>397</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****19 Prepaid lease payments (Continued)**

	<b>Short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>		
<b>2016</b>		
<b>Cost</b>		
At 1 January	4,418	4,418
Disposals/write-off	(2,096)	(2,096)
Exchange fluctuation	211	211
At 31 December	<u>2,533</u>	<u>2,533</u>
<b>Amortisation</b>		
At 1 January	3,729	3,729
Amortisation during the financial year	82	82
Disposals/write-off	(1,887)	(1,887)
Exchange fluctuation	201	201
At 31 December	<u>2,125</u>	<u>2,125</u>
<b>Net book value at 31 December 2016</b>	<u>408</u>	<u>408</u>

Future amortisation of prepaid land lease is as follows:

	<b>Short term leasehold land</b>	
	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>The Group</b>		
- Not later than one year	<b>10</b>	82
- Later than one year and not later than five years	<b>387</b>	326
	<u><b>397</b></u>	<u>408</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment**

The Group 2017	Note	Freehold land	Leasehold land 50 years or more	Leasehold land less than 50 years	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Renovations, office equipment, plant and machinery and furniture and fittings	Computer equipment and hardware	Motor vehicles	Computer equipment and software under lease	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January		69,726	5,073	1,804	330,269	35,463	55,017	779,737	1,069,073	92,535	60,873	2,499,570
Additions		-	1,200	-	-	375	4,479	223,723	105,056	9,237	2,569	346,639
Disposals/write-offs		(1,175)	(884)	-	(4,401)	(392)	(9,360)	(68,813)	(93,257)	(32,514)	(5,620)	(216,416)
Reclassifications		-	-	-	-	-	-	(44,322)	32,272	-	12,050	-
Reclassified (to)/from intangible assets	18	-	-	-	-	-	-	(154,059)	4,689	-	1,332	(148,038)
Exchange fluctuation		(411)	-	-	(1,430)	(150)	(539)	(8,980)	(3,225)	202	(2)	(14,535)
At 31 December		68,140	5,389	1,804	324,438	35,296	49,597	727,286	1,114,608	69,460	71,202	2,467,220

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment (Continued)**

The Group	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
								equipment, plant and machinery and fittings RM'000				
<b>Accumulated depreciation</b>												
At 1 January		6,948	2,450	1,004	122,934	21,459	33,042	648,855	786,390	58,525	54,422	1,736,029
Charge for the financial year		-	197	-	4,567	622	4,930	52,251	103,519	16,433	6,391	188,910
Disposals/write-off		-	(412)	-	(6,401)	(183)	(7,269)	(40,547)	(90,180)	(30,556)	(5,496)	(181,044)
Reclassified (to)/from intangible assets	18	-	-	-	-	-	-	(122)	-	-	1,332	1,210
Exchange fluctuation		(50)	-	-	(774)	(52)	(382)	(4,932)	(3,520)	(550)	(12)	(10,272)
At 31 December		6,898	2,235	1,004	120,326	21,846	30,321	655,505	796,209	43,852	56,637	1,734,833
<b>Net book value at 31 December 2017</b>		61,242	3,154	800	204,112	13,450	19,276	71,781	318,399	25,608	14,565	732,387

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2016	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
<b>Cost</b>												
As 1 January		70,825	5,073	1,804	337,936	37,870	67,490	892,523	934,414	102,701	54,174	2,504,810
Additions		-	-	-	-	-	1,425	169,758	147,340	11,840	7,065	337,428
Disposals/write-offs		(4,157)	-	-	(17,179)	-	(16,471)	(131,334)	(21,229)	(23,847)	(319)	(214,536)
Reclassified to intangible assets	18	-	-	-	-	-	-	(159,542)	(1,579)	-	(308)	(161,429)
Exchange fluctuation		3,058	-	-	9,512	(2,407)	2,573	8,332	10,127	1,841	261	33,297
At 31 December		69,726	5,073	1,804	330,269	35,463	55,017	779,737	1,069,073	92,535	60,873	2,499,570

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2016	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
								equipment, plant and machinery and furniture and fittings RM'000				
<b>Accumulated depreciation</b>												
At 1 January		9,509	2,264	1,004	126,061	21,339	37,954	693,384	713,745	62,806	49,073	1,717,139
Charge for the financial year		-	186	-	4,336	571	4,052	47,134	86,263	14,038	5,491	162,071
Disposals/write-off		(3,064)	-	-	(12,885)	-	(10,717)	(100,585)	(20,900)	(19,961)	(319)	(168,431)
Reclassified to intangible assets	18	-	-	-	-	-	-	-	(2,210)	-	-	(2,210)
Exchange fluctuation		503	-	-	5,422	(451)	1,753	8,922	9,492	1,642	177	27,460
At 31 December		6,948	2,450	1,004	122,934	21,459	33,042	648,855	786,390	58,525	54,422	1,736,029
<b>Net book value at 31 December 2016</b>		<b>62,778</b>	<b>2,623</b>	<b>800</b>	<b>207,335</b>	<b>14,004</b>	<b>21,975</b>	<b>130,882</b>	<b>282,683</b>	<b>34,010</b>	<b>6,451</b>	<b>763,541</b>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment (Continued)**

The Bank	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
								equipment, plant and machinery and fittings RM'000				
<b>2017</b>												
<b>Cost</b>												
At 1 January		12,999	5,073	1,804	52,999	35,179	17,038	577,079	876,927	56,399	11,596	1,647,093
Additions		-	1,200	-	-	375	-	204,810	94,228	2,495	762	303,870
Disposals/write-off		(310)	(884)	-	(535)	(392)	(4,723)	(51,673)	(77,854)	(18,692)	(12)	(155,075)
Reclassified to intangible assets	18	-	-	-	-	-	-	(153,936)	-	-	-	(153,936)
Reclassifications		-	-	-	-	-	-	(32,272)	32,272	-	-	-
Exchange fluctuation		-	-	-	(41)	(122)	-	(2,596)	(1,115)	(65)	(2)	(3,941)
At 31 December		12,689	5,389	1,804	52,423	35,040	12,315	541,412	924,458	40,137	12,344	1,638,011
<b>Accumulated depreciation</b>												
At 1 January		-	2,450	1,004	25,483	21,249	9,499	557,825	574,553	34,879	3,121	1,230,063
Charge for the financial year		-	197	-	1,351	615	1,255	36,374	93,341	10,413	783	144,329
Disposals/write off		-	(412)	-	(248)	(183)	(4,035)	(33,113)	(74,791)	(17,246)	(12)	(130,040)
Exchange fluctuation		-	-	-	(8)	(31)	-	(1,826)	(1,037)	(55)	(12)	(2,969)
At 31 December		-	2,235	1,004	26,578	21,650	6,719	559,260	592,066	27,991	3,880	1,241,383
Net book value at 31 December 2017		12,689	3,154	800	25,845	13,390	5,596	(17,848)	332,392	12,146	8,464	396,628

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM10,696,353 for the Bank.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****20 Property, plant and equipment (Continued)**

The Bank 2016	Note	Freehold land	Leasehold land 50 years or more	Leasehold land less than 50 years	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Renovations, office equipment, plant and machinery and furniture and fittings	Computer equipment and hardware	Motor vehicles	Computer equipment and software under lease	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>												
At 1 January		12,999	5,073	1,804	53,816	37,599	18,328	690,174	754,049	63,802	5,635	1,643,279
Additions		-	-	-	-	-	-	134,673	139,039	5,139	5,875	284,726
Disposals/write-off		-	-	-	-	-	(1,290)	(87,652)	(17,264)	(12,559)	(175)	(118,940)
Reclassified to intangible assets	18	-	-	-	-	-	-	(159,451)	-	-	-	(159,451)
Exchange fluctuation		-	-	-	(817)	(2,420)	-	(665)	1,103	17	261	(2,521)
At 31 December		12,999	5,073	1,804	52,999	35,179	17,038	577,079	876,927	56,399	11,596	1,647,093
<b>Accumulated depreciation</b>												
At 1 January		-	2,264	1,004	24,288	21,145	9,277	582,504	519,034	36,715	3,067	1,199,298
Charge for the financial year		-	186	-	1,353	565	222	32,405	72,096	8,063	52	114,942
Disposals/write off		-	-	-	-	-	-	(58,031)	(16,966)	(9,912)	(175)	(85,084)
Exchange fluctuation		-	-	-	(158)	(461)	-	947	389	13	177	907
At 31 December		-	2,450	1,004	25,483	21,249	9,499	557,825	574,553	34,879	3,121	1,230,063
<b>Net book value at 31 December 2016</b>		12,999	2,623	800	27,516	13,930	7,539	19,254	302,374	21,520	8,475	417,030

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM10,459,279 for the Bank.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****21 Investment properties**

<b>The Group</b>	<b>Buildings on long term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>2016</b>		
At 1 January	1,120	1,120
Disposals	(1,120)	(1,120)
At 31 December	<u>-</u>	<u>-</u>

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The following amounts have been reflected in the statement of income:

	<b>The Group 31 December 2017 RM'000</b>	31 December 2016 RM'000
Rental income	-	<b>63</b>
Operating expenses arising from investment properties that generated the rental income	-	<b>(9)</b>
	<u>-</u>	<u>(9)</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****22 Deposits from customers**

## (a) By type of deposit

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Demand deposits	66,164,099	60,099,074	53,684,177	50,330,553
Saving deposits	29,843,398	31,262,728	19,188,667	17,862,332
Fixed deposits	126,370,204	117,355,798	93,455,464	88,140,500
Negotiable instruments of deposit	845,652	725,599	-	308,873
Others	72,676,768	66,489,023	41,114,643	42,241,292
	<b>295,900,121</b>	<b>275,932,222</b>	<b>207,442,951</b>	<b>198,883,550</b>

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Due within six months	105,873,265	100,381,774	79,264,519	76,183,322
Six months to less than one year	20,232,288	16,687,669	13,370,391	11,397,237
One year to less than three years	678,297	754,933	424,298	614,436
Three years to less than five years	431,773	256,801	396,023	254,158
Five years and more	233	220	233	220
	<b>127,215,856</b>	<b>118,081,397</b>	<b>93,455,464</b>	<b>88,449,373</b>

## (b) By type of customer

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Government and statutory bodies	12,138,585	11,232,370	7,810,065	6,758,025
Business enterprises	114,310,971	104,934,555	80,482,589	78,015,865
Individuals	113,251,760	99,685,850	84,205,501	71,788,266
Others	56,198,805	60,079,447	34,944,796	42,321,394
	<b>295,900,121</b>	<b>275,932,222</b>	<b>207,442,951</b>	<b>198,883,550</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****23 Investment accounts of customers**

	Note	The Group		The Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Unrestricted investment accounts	56(o)	<u>907,763</u>	<u>254,408</u>	<u>-</u>	<u>-</u>
		<b>907,763</b>	<b>254,408</b>	<b>-</b>	<b>-</b>

**24 Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Licensed banks	<b>13,937,480</b>	23,197,754	<b>14,838,683</b>	23,801,377
Licensed finance companies	<b>1,223,313</b>	892,184	<b>92,360</b>	112,856
Licensed investment banks	<b>39,379</b>	37,246	<b>39,039</b>	36,326
Bank Negara Malaysia	<b>6,176</b>	51,747	<b>6,176</b>	51,747
Other financial institutions	<b>1,895,601</b>	2,362,500	<b>1,187,851</b>	1,924,291
	<b>17,101,949</b>	<b>26,541,431</b>	<b>16,164,109</b>	<b>25,926,597</b>

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Due within six months	<b>16,245,477</b>	23,446,749	<b>15,364,639</b>	22,919,004
Six months to less than one year	<b>755,408</b>	2,804,115	<b>699,038</b>	2,717,428
One year to less than three years	<b>632</b>	189,939	<b>-</b>	189,537
Three years to less than five years	<b>100,432</b>	100,628	<b>100,432</b>	100,628
	<b>17,101,949</b>	<b>26,541,431</b>	<b>16,164,109</b>	<b>25,926,597</b>

The Group and the Bank have undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM124,867,000 and RM100,000,000 (31 December 2016: RM158,865,000 and RM100,000,000) respectively using interest rate swaps.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****25 Financial liabilities designated at fair value**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Deposits from customers - structured investments	<b>1,903,205</b>	2,006,644	<b>1,900,972</b>	2,004,463
Debentures	<b>650,016</b>	807,881	-	-
Bills payable	<b>2,220,219</b>	1,553,052	-	-
	<b><u>4,773,440</u></b>	<u>4,367,577</u>	<b><u>1,900,972</u></b>	<u>2,004,463</u>

The Group and the Bank have issued structured investments, bills payable and debentures 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 at 31 December 2017 were RM282,365,000 (2016: RM431,079,000) and RM282,355,000 (2016: RM431,017,000) respectively lower than the contractual amount at maturity for the structured investments, RM18,142,000 (2016: RM12,538,000) lower than the contractual amount at maturity for the debentures and RM345,801,000 (2016: RM182,391,000) higher than the contractual amount at maturity for the bills payable. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies****(a) 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 end of the reporting period, and do not represent amounts at risk.

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

	The Group			The Bank		
	Principal	Fair values		Principal	Fair values	
At 31 December 2017	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	30,088,906	446,403	(845,347)	23,574,986	380,006	(726,781)
Currency swaps	188,296,627	1,562,797	(1,908,338)	75,601,706	521,916	(1,037,548)
Currency spots	3,579,335	4,057	(4,128)	2,858,399	3,469	(3,514)
Currency options	20,317,486	284,078	(311,528)	19,950,647	277,175	(302,122)
Cross currency interest rate swaps	60,809,881	2,598,613	(2,624,681)	34,593,836	2,179,919	(2,098,111)
	303,092,235	4,895,948	(5,694,022)	156,579,574	3,362,485	(4,168,076)
Interest rate derivatives						
Interest rate swaps	385,620,302	2,483,855	(1,719,087)	256,581,940	1,603,248	(1,215,559)
Interest rate futures	9,631,775	8,322	(7,058)	9,631,775	8,322	(7,058)
Interest rate options	559,754	3,162	(2,897)	373,248	2,897	(2,897)
	395,811,831	2,495,339	(1,729,042)	266,586,963	1,614,467	(1,225,514)
Equity related derivatives						
Equity swaps	921,932	39,245	(1,618)	921,932	39,245	(1,618)
Equity options	10,164,149	57,553	(117,163)	10,171,000	57,242	(116,852)
Equity futures	343,155	782	(3,362)	343,155	782	(3,362)
	11,429,236	97,580	(122,143)	11,436,087	97,269	(121,832)
Commodity related derivatives						
Commodity swaps	2,542,517	297,789	(350,027)	2,510,815	297,780	(350,027)
Commodity futures	1,147,390	111,671	(53,468)	1,147,390	111,671	(53,468)
Commodity options	3,784,702	214,223	(217,138)	3,784,702	214,223	(217,138)
	7,474,609	623,683	(620,633)	7,442,907	623,674	(620,633)
Credit related contract						
Credit default swaps	2,826,699	4,249	(947)	2,824,938	27,292	(22,020)
Total return swaps	372,138	7,853	(7,925)	372,138	7,853	(7,925)
Credit spread option	16,218	-	(310)	16,218	-	(310)
	3,215,055	12,102	(9,182)	3,213,294	35,145	(30,255)
Bond Forward	1,170,650	5,674	(15,831)	120,000	1,243	(99)
<u>Hedging derivatives</u>						
Currency swaps	4,149,117	147,419	(18,633)	4,149,117	147,419	(18,633)
Cross currency interest rate swaps	4,158,466	5,124	(238,267)	1,682,292	5,124	(58,211)
Interest rate swaps	25,444,830	87,578	(280,684)	28,709,047	175,716	(280,356)
Total derivatives assets/(liabilities)	755,946,029	8,370,447	(8,728,437)	479,919,281	6,062,542	(6,523,609)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)**

	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
At 31 December 2016						
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	25,772,318	781,816	(928,816)	18,000,029	497,622	(851,062)
Currency swaps	154,770,013	1,745,933	(1,569,343)	69,828,899	1,194,347	(755,587)
Currency spots	2,880,628	5,399	(2,876)	2,570,376	4,938	(2,442)
Currency options	15,593,967	545,672	(572,099)	15,307,799	532,976	(560,049)
Cross currency interest rate swaps	62,663,827	4,641,946	(4,745,865)	35,311,655	4,070,104	(4,161,716)
	261,680,753	7,720,766	(7,818,999)	141,018,758	6,299,987	(6,330,856)
Interest rate derivatives						
Interest rate swaps	437,082,980	2,669,467	(2,033,941)	341,006,056	1,914,265	(1,498,924)
Interest rate futures	6,035,464	8,574	(8,659)	6,035,464	8,574	(8,659)
Interest rate options	62,135	14	(14)	62,135	14	(14)
	443,180,579	2,678,055	(2,042,614)	347,103,655	1,922,853	(1,507,597)
Equity related derivatives						
Equity swaps	740,684	1,675	(7,390)	731,606	1,594	(7,390)
Equity options	9,966,772	94,940	(198,893)	9,966,772	94,940	(198,893)
Equity futures	265,830	1,219	(2,444)	265,830	1,219	(2,444)
	10,973,286	97,834	(208,727)	10,964,208	97,753	(208,727)
Commodity related derivatives						
Commodity swaps	3,684,103	320,887	(514,252)	3,671,470	320,866	(514,255)
Commodity futures	6,472,099	405,180	(191,328)	6,472,099	405,180	(191,328)
Commodity options	4,202,948	227,122	(205,747)	4,202,948	227,122	(205,747)
	14,359,150	953,189	(911,327)	14,346,517	953,168	(911,330)
Credit related contract						
Credit default swaps	6,781,108	56,700	(66,341)	6,780,867	63,127	(73,258)
Total return swaps	1,468,770	9,282	(39,229)	1,441,920	9,096	(39,043)
	8,249,878	65,982	(105,570)	8,222,787	72,223	(112,301)
Bond Forward	265,217	14,388	(429)	90,000	971	(429)
<u>Hedging derivatives</u>						
Currency swaps	4,971,124	60,331	(163,051)	4,971,124	60,331	(163,051)
Cross currency interest rate swaps	4,355,932	106,949	(383,641)	1,858,643	40,824	(149,914)
Interest rate swaps	25,457,424	112,467	(396,530)	29,294,262	240,733	(396,530)
Total derivatives assets/(liabilities)	773,493,343	11,809,961	(12,030,888)	557,869,954	9,688,843	(9,780,735)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) 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 interest rates and foreign exchange rates. The Group and the Bank use interest rate swaps and cross-currency interest rate swaps to hedge against interest rate risk and foreign exchange risk of loans, senior bonds issued, subordinated obligations, negotiable instruments of deposits issued, bills and acceptances payable and bonds. 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 interest rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the statement of income immediately.

Included in the net non-interest income is the net (losses)/gains arising from fair value hedges during the financial year as follow:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loss on hedging instruments	<b>(83,876)</b>	(111,999)	<b>(123,664)</b>	(111,698)
Gain on the hedged items attributable to the hedged risk	<b>71,899</b>	63,639	<b>113,173</b>	65,345

**Net investment hedge**

Currency swaps and non-derivative financial liabilities are used to hedge the Group's and the Bank's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the currency swaps are transferred to equity to offset against any gains or losses on translation of the net investment in foreign operations. The fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income during the financial year for the Group and the Bank of RM47,738,619 and RM49,679,944 (2016: RM166,610,479 and RM166,503,627) respectively. No amounts were withdrawn from equity during the financial year as there was no disposal of net investment.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)****Cash flow hedge**

Cash flow hedges are used by the Group and the Bank to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group and the Bank hedge cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps.

The Group and the Bank also hedge senior bond and debentures issued and interbranch lending against foreign exchange and interest rate risks by using cross currency interest rate swaps. The notional amount of the outstanding cross currency interest rate swaps as at 31 December 2017 for the Group and the Bank were RM4,484,430,195 and RM1,703,629,217 (2016: RM4,081,972,374 and RM1,584,683,821) respectively. Gains and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged cash flows affect profit or loss. Total loss of RM234,288 of the Group and the Bank (2016: RM360,633) were recognised in the statement of income for the financial year ended 31 December 2017 due to hedge ineffectiveness from cash flow hedges.

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

As at 31 December 2017	The Group					
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1-5 years	> 5 years
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash inflows (assets)	180,205	9,919	5,733	8,582	3,798,178	-
Cash outflows (liabilities)	(27,833)	(969)	(4,907)	(34,144)	(1,155,861)	(520,587)
Net cash outflows	152,372	8,950	826	(25,562)	2,642,317	(520,587)

	The Bank				
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1-5 years
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash inflows (assets)	180,205	8,736	4,525	6,143	3,467,485
Cash outflows (liabilities)	-	-	-	-	-
Net cash inflows	180,205	8,736	4,525	6,143	3,467,485

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)****Cash flow hedge (Continued)**

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

	Up to 1 month RM'000	> 1-3 months RM'000	The Bank		
			> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000
Cash inflows (assets)	764	7,546	45,813	109,733	2,819,342
Cash outflows (liabilities)	-	-	-	-	-
Net cash inflows	<u>764</u>	<u>7,546</u>	<u>45,813</u>	<u>109,733</u>	<u>2,819,342</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>Principal RM'000</b>	Principal RM'000	<b>Principal RM'000</b>	Principal RM'000
<u>Credit-related</u>				
Direct credit substitutes	<b>3,940,359</b>	3,716,152	<b>3,359,900</b>	3,498,784
Transaction-related contingent items	<b>6,116,543</b>	5,731,778	<b>4,175,910</b>	3,875,445
Short-term self-liquidating trade-related contingencies	<b>3,767,991</b>	4,437,262	<b>3,106,689</b>	3,641,147
Irrevocable commitments to extend credit :				
- maturity not exceeding one year	<b>53,995,802</b>	47,180,249	<b>43,044,596</b>	38,500,809
- maturity exceeding one year	<b>29,784,625</b>	28,260,340	<b>22,815,345</b>	24,841,154
Miscellaneous commitments and contingencies	<b>1,018,887</b>	2,361,562	<b>809,871</b>	1,468,994
Total credit-related commitments and contingencies	<b>98,624,207</b>	91,687,343	<b>77,312,311</b>	75,826,333

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(b) Commitments and contingencies (Continued)**

The Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

	The Group		The Bank	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Principal RM'000	Principal RM'000	Principal RM'000	Principal RM'000
<u>Treasury-related</u>				
Foreign exchange related contracts :				
- less than one year	251,994,211	214,023,153	126,934,815	112,873,281
- one year to five years	44,562,752	43,403,524	28,742,848	26,617,360
- more than five years	14,842,855	13,581,132	6,733,320	8,357,884
	<b>311,399,818</b>	271,007,809	<b>162,410,983</b>	147,848,525
Interest rate related contracts :				
- less than one year	134,545,018	179,823,547	85,801,208	148,484,244
- one year to five years	229,115,266	241,396,679	175,535,269	194,629,154
- more than five years	57,596,377	47,417,777	33,959,533	33,284,519
	<b>421,256,661</b>	468,638,003	<b>295,296,010</b>	376,397,917
Equity related contracts:				
- less than one year	4,526,201	2,928,225	4,533,052	2,928,225
- one year to five years	6,026,266	7,305,802	6,026,266	7,305,802
- more than five years	876,769	739,259	876,769	730,181
	<b>11,429,236</b>	10,973,286	<b>11,436,087</b>	10,964,208
Credit related contracts :				
- less than one year	348,152	3,311,427	348,152	3,311,427
- one year to five years	1,902,674	3,924,885	1,902,674	3,924,885
- more than five years	964,229	1,013,566	962,468	986,475
	<b>3,215,055</b>	8,249,878	<b>3,213,294</b>	8,222,787
Commodity related contracts:				
- less than one year	7,066,786	12,838,727	7,035,084	12,826,094
- one year to five years	407,823	1,520,423	407,823	1,520,423
	<b>7,474,609</b>	14,359,150	<b>7,442,907</b>	14,346,517
Bond forward:				
- less than one year	198,940	137,643	-	-
- one year to five years	851,710	37,574	-	-
- more than five years	120,000	90,000	120,000	90,000
	<b>1,170,650</b>	265,217	<b>120,000</b>	90,000
Total treasury-related commitments and contingencies	<b>755,946,029</b>	773,493,343	<b>479,919,281</b>	557,869,954
	<b>854,570,236</b>	865,180,686	<b>557,231,592</b>	633,696,287

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 27 Other liabilities

	Note	The Group		The Bank	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Due to brokers and clients		145,699	27,318	145,699	27,318
Accrued employee benefits	(a)	31,192	34,732	19,527	26,994
Post employment benefit obligations	(b)	209,381	213,163	33,697	28,649
Sundry creditors		3,818,974	812,953	3,465,349	773,620
Expenditure payable		1,326,778	1,356,450	1,052,999	1,130,996
Collateral for securities lending		72,023	10,559	72,023	10,559
Allowance for commitments and contingencies	(c)	32,592	43,169	5,460	3,238
Provision for legal claims		71,924	58,780	42,038	42,506
Credit card expenditure payable		126,512	131,675	126,512	131,675
Collateral received for derivative transactions		1,626,637	3,148,558	1,156,847	3,419,169
Structured deposits		3,942,352	2,906,375	3,901,570	2,826,966
Others		599,527	442,775	408,793	222,477
		<b>12,003,591</b>	<b>9,186,507</b>	<b>10,430,514</b>	<b>8,644,167</b>

#### (a) Accrued employee benefits

This refers to the accruals for short term employee benefits for leave entitlement. Under their employment contract, employees can earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. Accruals are made for the estimate of liability for unutilised annual leave.

#### (b) Post employment benefit obligations

		The Group		The Bank	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Defined contribution plan – EPF	(i)	33,697	28,649	33,697	28,649
Defined benefit plans	(ii)	175,684	184,514	-	-
		<b>209,381</b>	<b>213,163</b>	<b>33,697</b>	<b>28,649</b>

#### (i) Defined contribution plan

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 27 Other liabilities (Continued)

#### (b) Post employment benefit obligations (Continued)

##### (ii) Defined benefit plans

CIMB Thai Bank operates final salary defined benefit plans for employees. The latest actuarial valuation of the plans for CIMB Thai Bank was carried out as at 31 December 2017.

The amounts recognised in the statements of financial position in respect of defined benefit plans are determined as follows:

	<b>The Group</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Present value of unfunded obligations	<b>175,684</b>	184,514
Liability	<b><u>175,684</u></b>	<u>184,514</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****27 Other liabilities (Continued)****(b) Post employment benefit obligations (Continued)****(ii) Defined benefit plans (Continued)**

The amount recognised in the statements of income and statements of comprehensive income in respect of defined benefit plans are as follows:

	<b>The Group</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Service cost:		
Current service costs	<b>15,799</b>	13,440
Net interest expense	<b>4,151</b>	4,382
Components of defined benefits costs recognised in statements of income	<b>19,950</b>	17,822
Remeasurement:		
- Actuarial losses/(gains):		
- from changes in demographic assumptions	<b>1,801</b>	-
- from changes in financial assumptions	<b>(7,807)</b>	6,995
- Experience adjustments	<b>(4,039)</b>	(4,145)
Components of defined benefits costs recognised in statements of comprehensive income	<b>(10,045)</b>	2,850
	<b>9,905</b>	20,672

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****27 Other liabilities (Continued)****(b) Post employment benefit obligation (Continued)****(ii) Defined benefit plans (Continued)**

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

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>184,514</b>	167,114
Current services costs	<b>15,799</b>	13,440
Interest costs	<b>4,151</b>	4,382
	<b><u>204,464</u></b>	<u>184,936</u>
Remeasurement:		
- Actuarial losses/(gains):		
- from changes in demographic assumptions	<b>1,801</b>	-
- from changes in financial assumptions	<b>(7,807)</b>	6,995
- Experience adjustments	<b>(4,039)</b>	(4,145)
	<b><u>(10,045)</u></b>	<u>2,850</u>
Exchange fluctuation	<b>(1,520)</b>	9,371
Benefits paid	<b>(17,215)</b>	(12,643)
At 31 December	<b><u>175,684</u></b>	<u>184,514</u>



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****27 Other liabilities (Continued)****(b) Post employment benefit obligation (Continued)****(ii) Defined benefit plans (Continued)**

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

	<b>The Group</b>	
	<b>31 December 2017</b>	31 December 2016
	%	%
Discount rates	<b>2.75</b>	2.25
Future salary increases	<b>5.00</b>	5.00
Rate of price inflation - other fixed allowance	<b>2.00</b>	2.00

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

	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
<b>2017</b>			
Discount rates	0.5%	Decreased by 4.08%	Increased by 4.36%
Future salary increases	1.0%	Increased by 9.33%	Decreased by 8.29%
<b>2016</b>			
Discount rates	0.5%	Decreased by 4.24%	Increased by 4.54%
Future salary increases	1.0%	Increased by 9.68%	Decreased by 8.58%

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

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

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

The expected contribution to post-employment benefits plan for the financial year ended 31 December 2017 to the Group is RM11,491,000 (2016: RM11,918,000 ).

The weighted average duration of the defined benefit obligation of the Group is 8 years (2016: 10 years).

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****27 Other liabilities (Continued)****(c) Allowances for commitments and contingencies**

Movement in the allowances for commitments and contingencies are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>43,169</b>	9,219	<b>3,238</b>	3,238
Allowance (written-back)/made during the financial year	<b>(10,364)</b>	30,461	<b>2,222</b>	-
Exchange fluctuation	<b>(213)</b>	3,489	-	-
At 31 December	<b>32,592</b>	43,169	<b>5,460</b>	3,238

**28 Recourse obligation on loans and financing sold to Cagamas**

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****29 Bonds, Sukuk and debentures**

	Note	The Group		The Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
HKD462 million notes (2012/2017)	(a)	-	271,351	-	271,351
USD350 million notes (2012/2017)	(b)	-	1,585,206	-	1,585,206
Structured debentures	(c)	<b>137,331</b>	6,258	-	-
Short term debentures	(c)	<b>380,044</b>	495,323	-	-
HKD171 million notes (2013/2018)	(d)	<b>66,821</b>	66,848	<b>66,821</b>	66,848
SGD20 million notes (2013/2018)	(e)	<b>60,930</b>	62,023	<b>60,930</b>	62,023
HKD300 million notes (2014/2019)	(f)	<b>129,017</b>	129,310	<b>129,017</b>	129,310
HKD150 million notes (2014/2019)	(g)	<b>78,030</b>	87,008	<b>78,030</b>	87,008
AUD100 million notes (2014/2019)	(h)	<b>292,534</b>	292,320	<b>292,534</b>	292,320
HKD1,130 million notes (2014/2019)	(i)	<b>532,872</b>	562,862	<b>532,872</b>	562,862
USD313 million notes (2015/2045; callable in 2020)	(j)	<b>1,426,726</b>	1,510,589	<b>1,426,726</b>	1,510,589
SGD100 million notes (2015/2018)	(k)	<b>306,512</b>	310,187	<b>306,512</b>	310,187
CNY220 million notes (2015/2018)	(l)	<b>137,326</b>	137,403	<b>137,326</b>	137,403
CNY130 million notes (2016/2019)	(m)	<b>82,494</b>	82,563	<b>82,494</b>	82,563
CNY130 million notes (2016/2019)	(n)	<b>78,801</b>	78,849	<b>78,801</b>	78,849
Ziya Capital Berhad Sukuk	(o)	<b>462,256</b>	586,488	-	-
USD15 million notes (2017/2022)	(p)	<b>60,919</b>	-	<b>60,919</b>	-
USD600 million notes (2017/2020)	(q)	<b>2,435,444</b>	-	<b>2,435,444</b>	-
USD500 million notes (2017/2022)	(r)	<b>2,046,727</b>	-	<b>2,046,727</b>	-
USD2.65 million notes (2017/2022)	(s)	<b>10,780</b>	-	<b>10,780</b>	-
THB2.0 billion debenture (2017/2020)	(t)	<b>249,572</b>	-	-	-
HKD874 million notes (2017/2021)	(u)	<b>495,252</b>	-	<b>495,252</b>	-
RM1.0 billion notes (2017/2022)	(v)	<b>1,005,063</b>	-	<b>1,005,063</b>	-
RM1.2 billion notes (2017/2024)	(v)	<b>1,206,352</b>	-	<b>1,206,352</b>	-
RM800 million notes (2017/2027)	(v)	<b>804,327</b>	-	<b>804,327</b>	-
Merdeka Kapital Berhad Medium Term Note	(w)	<b>829,234</b>	-	-	-
RM1.0 million Sukuk Wakalah (2017/2018)	(x)	-	-	-	-
		<b>13,315,364</b>	6,264,588	<b>11,256,927</b>	5,176,519
Fair value changes arising from fair value hedges		<b>(51,979)</b>	22,565	<b>(51,979)</b>	22,565
		<b>13,263,385</b>	6,287,153	<b>11,204,948</b>	5,199,084

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(a) HKD462 million notes**

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

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

#### **(b) USD350 million notes**

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

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

#### **(c) Structured debentures and short term debentures**

- i. CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature within 6 months from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.
- ii. CIMB Thai Bank issued various unsecured short term debentures with tenures varying from 1 months to 6 months. The debentures carry fixed interest rates of 1.21% to 1.45%, payable at respective maturity dates.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(d) HKD171 million notes**

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

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

#### **(e) SGD20 million notes**

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(f) HKD300 million notes**

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

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

#### **(g) HKD150 million notes**

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

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

#### **(h) AUD100 million notes**

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(i) HKD1,130 million notes**

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

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

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

#### **(j) USD313 million notes**

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

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(k) SGD100 million notes**

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

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

#### **(l) CNY220 million notes**

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

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

#### **(m) CNY130 million notes**

On 18 May 2016, the Bank issued CNY130 million 3-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 18 May 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.2% per annum payable annually.

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



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(n) CNY130 million notes**

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

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

#### **(o) Ziya Capital Bhd Sukuk**

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

#### **(p) USD15 million notes**

On 8 March 2017, the Bank issued USD15 million 5-year senior floating rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

#### **(q) USD600 million notes**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(r) USD500 million notes**

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

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

#### **(s) USD2.65 million notes**

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

#### **(t) THB2.0 billion debenture**

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

#### **(u) HKD874 million notes**

On 9 May 2017, the Bank issued HKD874 million 4-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **29 Bonds, Sukuk and debentures (Continued)**

#### **(v) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes**

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

The Bank has undertaken fair value hedge on the interest rate of the RM2.8 billion notes using interest rate swaps.

#### **(w) Merdeka Kapital Berhad Medium Term Note**

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

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

#### **(x) RM1.0 million Sukuk Wakalah**

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

The Sukuk was subscribed by the Bank, hence the amount was eliminated at consolidated level.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****30 Other borrowings**

		<b>The Group</b>		<b>The Bank</b>	
		<b>31 December 2017 RM'000</b>	31 December 2016 RM'000	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Term loans	(a)	<b>5,100,684</b>	3,565,826	<b>5,100,684</b>	3,565,826
Others	(b)	-	-	<b>597,044</b>	-
		<b>5,100,684</b>	3,565,826	<b>5,697,728</b>	3,565,826

- (a) These loans were undertaken by the Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 2 February 2018 being the earliest to mature and 3 October 2022 being the latest to mature. Interest rates charged are between 2.15% to 2.50% per annum (2016: 24 March 2017 to 30 August 2019, 1.47% to 1.89% per annum).
- (b) The Bank obtained funding through the securitisation of its hire purchase receivables to a third party, via issuance of Medium Term Note by Merdeka Kapital Berhad (“MKB”).

On 31 March 2017, the funding of RM880 million is raised for an effective interest rate of 3.92% per annum payable on monthly basis, and is subject to monthly redemption with final redemption due on 28 March 2014.

The Group and the Bank continue to recognise the hire purchase receivables on its statements of financial position as at 31 December 2017 as the Group and the Bank continue to retain the risk and rewards of the hire purchase receivables.

At Group level, due to consolidation of MKB, the funding is eliminated and reclassified under bonds.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****31 Subordinated obligations**

	Note	The Group		The Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Subordinated Bonds 2008/2038 RM1.0 billion	(a)	<b>1,015,419</b>	1,015,786	<b>1,015,419</b>	1,015,786
Subordinated notes - THB544 million	(b)	-	68,196	-	-
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche redeemed in 2016; 3rd tranche redeemed in 2017)	(c)	<b>303,684</b>	606,833	-	-
Subordinated Debt 2010/2025 RM2 billion, (1st tranche redeemed in 2015; 2nd tranche due in 2025, optional redemption in 2020)	(d)	<b>1,012,263</b>	1,018,265	<b>1,012,263</b>	1,018,265
Subordinated Debt RM1.5 billion (1st tranche redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(e)	<b>152,821</b>	152,821	<b>152,821</b>	152,821
Subordinated Debt 2012/2022 RM1.5 billion	(f)	-	1,505,458	-	1,505,458
Subordinated Notes 2012/2022 THB3 billion	(g)	-	378,352	-	-
Subordinated Debts 2013/2023 RM1.05 billion	(h)	<b>1,062,612</b>	1,060,910	<b>1,062,612</b>	1,060,910
Subordinated Notes 2014/2024 RM400 million	(i)	<b>409,920</b>	411,130	-	-
Subordinated Debts 2015/2025 RM2 billion	(j)	<b>2,001,693</b>	2,002,538	<b>2,001,693</b>	2,002,538
Additional Tier 1 Securities RM1.0 billion	(k)	<b>1,005,562</b>	1,005,879	<b>1,005,562</b>	1,005,879
Subordinated debts 2016/2026 RM570 million	(l)	<b>103,696</b>	102,931	-	-
Subordinated debts 2016/2026 RM1.35 billion	(m)	<b>1,375,758</b>	1,375,758	<b>1,375,758</b>	1,375,758
Subordinated Sukuk 2016/2026 RM10 million	(n)	<b>10,127</b>	10,127	-	-
Additional Tier 1 Securities RM400 million	(o)	<b>400,844</b>	400,964	<b>400,844</b>	400,964
Subordinated debts 2017/2027 RM1.5 billion	(p)	<b>1,506,443</b>	-	<b>1,506,443</b>	-
Subordinated Sukuk 2017/2027 RM300 million	(q)	-	-	-	-
		<b>10,360,842</b>	11,115,948	<b>9,533,415</b>	9,538,379
Fair value changes arising from fair value hedges		<b>476</b>	(9,329)	<b>476</b>	(8,660)
		<b>10,361,318</b>	11,106,619	<b>9,533,891</b>	9,529,719

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(a) Subordinated Bonds 2008/2038 RM1.0 billion**

The RM1.0 billion subordinated bonds (“the RM1.0 billion Bonds”) were issued at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 and callable with step-up interest on 7 October 2018. The bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

The Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion subordinated bonds in whole but not in part, on 7 October 2018 or any interest payment date thereafter, at their principal amount plus accrued interest.

The RM1.0 billion Bonds qualify as Tier I Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

#### **(b) Subordinated Notes THB544 million**

The THB544 million subordinated notes (“the THB544 million Notes”) represent the promissory notes previously issued by few financial institutions which had been transferred to CIMB Thai Bank after the series of merger.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(c) Subordinated Sukuk RM850 million**

The RM850 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme by the Bank’s direct subsidiary, CIMB Islamic Bank which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum, payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum, payable semi-annually in arrears.

CIMB Islamic 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 optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

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

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank (subject to the gradual phase-out treatment under Basel III).

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(d) Subordinated Debts RM2 billion**

The Bank has on 23 December 2010 completed the issuance of unsecured RM2.0 billion Subordinated Debt.

The RM2.0 billion Subordinated Debt issuance was issued under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“10 years tranche”), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“15 years tranche”). Redemption of the Subordinated Debt on the call dates shall be subject to BNM’s approval.

The coupon rate for the Subordinated Debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

The subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

On 23 December 2015, the Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date of 23 December 2015.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(e) Subordinated Debt RM1.5 billion**

The Bank has on 8 August 2011 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“Tranche 1”), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“Tranche 2”). Redemption of the Subordinated Debt on the call dates shall be subject to BNM’s approval.

The coupon rate for the Subordinated Debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

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

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

The Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(f) Subordinated Debt 2012/2022 RM1.5 billion**

The Bank has on 30 November 2012 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the third issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued as a single tranche of RM1.5 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter. Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.15% per annum. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank's working capital purposes.

The RM1.5 billion Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

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

#### **(g) Subordinated Notes 2012/2022 THB3 billion**

On 9 November 2012, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 3,000,000 units unsecured 10-year subordinated notes. The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry fixed interest rate of 4.80% per annum payable semi annually on 9 November and 9 May.

The THB3 billion Notes will mature on 9 November 2022. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(h) Subordinated Debts 2013/2023 RM1.05 billion**

On 1 August 2013 the Bank has successfully set up a Basel III Compliant Tier II Subordinated Debt Issuance Programme of up to RM10.0 billion in nominal value (“Basel III Subordinated Debt Programme”). The Basel III Subordinated Debt Programme was approved by the Securities Commission on 10 June 2013.

The Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

The Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia (“BNM”)’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(i) Subordinated Debts 2014/2024 RM400 million**

On 7 July 2014, CIMB Thai Bank issued RM400 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes (“RM400 million Notes”) to their overseas investors. The RM400 million Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM400 million Notes as Tier II capital according to the correspondence For Kor Kor. (02) 453/2557.

#### **(j) Subordinated Debts 2015/2025 RM2 billion**

On 23 December 2015, the Bank completed the third issuance of a RM2.0 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM2.0 billion at 5.15% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia (“BNM”)’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM2 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM2.0 billion subordinated debts using interest rate swaps.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(k) Additional Tier I Securities RM1.0 billion**

On 25 May 2016, CIMB Bank Berhad issued a nominal value RM1.0 billion perpetual subordinated capital securities (“Additional Tier I Securities”). The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.80% p.a.

The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts using interest rate swaps.

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

#### **(l) Subordinated Notes 2016/2026 RM570 million**

On 11 July 2016, CIMB Thai Bank issued RM570 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM570 million Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the BoT.

CIMB Thai Bank has an approval from BoT to classify the RM570 million Notes (equivalent to THB4,710,435,721) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(m) Subordinated debts 2016/2026 RM1.35 billion**

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

Redemption of the Subordinated Debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.35 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

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

#### **(n) Subordinated Sukuk 2016/2026 RM10 million**

On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk ("Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(o) Additional Tier I Securities RM400 million**

On 16 December 2016, CIMB Bank Berhad issued a nominal value RM400 million perpetual subordinated capital securities (“Additional Tier I Securities”). The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.50% p.a.

The Additional Tier I Securities is perpetual with an Issuer’s call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM400 million subordinated debts using interest rate swaps.

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

#### **(p) Subordinated debts 2017/2027 RM1.5 billion**

On 30 November 2017, CIMB Bank Berhad completed the fifth issuance of a RM1.5 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.5 billion at 4.90% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts 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 debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.5 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **31 Subordinated obligations (Continued)**

#### **(q) Subordinated Sukuk 2017/2027 RM300 million**

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

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

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

The Sukuk was held by the Bank, hence the amount was eliminated at consolidated level.





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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****33 Ordinary share capital**

		<b>The Group and The Bank</b>	
		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Ordinary shares:</b>			
<b>Authorised:</b>			
At 1 January/31 December		-	7,000,000
		<b>The Group and The Bank</b>	
		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>		
<b>Issued and fully paid shares:</b>			
At 1 January		5,276,655	5,148,084
Transition to no-par value regime on 31 January 2017	35(j)	10,910,056	-
Issue of shares from rights issue		1,424,228	128,571
At 31 December		<u>17,610,939</u>	<u>5,276,655</u>

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

The new Companies Act, 2016 (the “Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank’s share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**(b) Increase in issued and paid-up capital**

On 21 June 2017, CIMB Bank issued 91 million Rights Issue at RM 5.39 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM490 million.

On 22 December 2017, CIMB Bank issued 168 million Rights Issue at RM 5.55 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM934 million.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****34 Perpetual preference shares**

	<b>The Group and The Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>		
<b>Perpetual preference shares:</b>		
At 1 January/31 December	<u>-</u>	<u>500,000</u>
	<b>The Group and The Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid</b>		
<b>Perpetual preference shares:</b>		
At 1 January/31 December	<u>200,000</u>	<u>200,000</u>

The main features of the Perpetual Preference Shares (“PPS”) are as follows:

- (a) The PPS have no right to dividends.
- (b) In the event of liquidation, dissolution or winding-up of the Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of the Bank.
- (c) The PPS rank pari passu in all aspects among themselves.
- (d) The Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 2016 and as approved by BNM.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **35 Reserves**

- (a) The statutory reserve is maintained in compliance with BNM guidelines. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities.

- (b) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (c) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad (now known as Mutiara Aset Berhad) and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the predecessor basis of accounting in financial year 2006.
- (d) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****35 Reserves (Continued)**

- (e) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (f) Hedging reserve mainly arise from net investment hedge activities undertaken by the Bank on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed. The Group and the Bank have also entered into cash flow hedges on senior bond issued and interbranch lending.
- (g) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (h) Share-based payment reserve arose from Employee Ownership Plan, the Group's and the Bank's share-based compensation benefits.
- (i) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.
- (j) Share premium

	Note	The Group		The Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Relating to - Ordinary shares					
At 1 January		<b>10,910,056</b>	10,363,629	<b>10,910,056</b>	10,363,629
Transition to no-par value regime on 31 January 2017	33	<b>(10,910,056)</b>	-	<b>(10,910,056)</b>	-
Issued during the financial year		-	546,427	-	546,427
At 31 December		<b>-</b>	<b>10,910,056</b>	<b>-</b>	<b>10,910,056</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****36 Interest income**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income	<b>10,160,080</b>	9,675,048	<b>8,376,952</b>	8,024,042
- unwinding income <sup>^</sup>	<b>82,632</b>	54,607	<b>62,774</b>	45,989
Money at call and deposits with financial institutions	<b>664,715</b>	414,483	<b>827,561</b>	547,269
Reverse repurchase agreements	<b>129,958</b>	145,181	<b>118,415</b>	140,915
Financial assets held for trading	<b>393,667</b>	355,638	<b>365,347</b>	330,825
Financial investments available-for- sale	<b>779,367</b>	839,493	<b>696,573</b>	749,083
Financial investments held-to-maturity	<b>1,051,044</b>	923,770	<b>1,014,277</b>	851,618
	<b>13,261,463</b>	12,408,220	<b>11,461,899</b>	10,689,741
Net accretion of discount less amortisation of premium	<b>(1,949)</b>	(41,646)	<b>28,061</b>	5,856
	<b>13,259,514</b>	12,366,574	<b>11,489,960</b>	10,695,597

<sup>^</sup> Unwinding income is interest income earned on impaired financial assets**37 Interest expense**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	<b>305,651</b>	223,001	<b>281,683</b>	191,434
Deposits from customers	<b>4,697,426</b>	4,327,199	<b>4,369,109</b>	4,000,988
Repurchase agreements	<b>104,086</b>	198,741	<b>100,580</b>	193,084
Financial liabilities designated at fair value	<b>124,282</b>	124,289	<b>76,906</b>	86,550
Negotiable certificates of deposits	<b>110,807</b>	169,824	<b>106,498</b>	166,230
Recourse obligation on loan and financing sold to Cagamas	<b>119,156</b>	110,491	<b>119,156</b>	110,491
Bonds, Sukuk and debentures	<b>299,344</b>	185,334	<b>269,454</b>	142,255
Subordinated obligations	<b>508,984</b>	545,292	<b>461,329</b>	490,621
Other borrowings	<b>113,500</b>	53,351	<b>123,755</b>	66,639
Structured deposits	<b>69,489</b>	82,245	<b>69,489</b>	82,245
	<b>6,452,725</b>	6,019,767	<b>5,977,959</b>	5,530,537

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****38 Net non-interest income**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Net fee and commission income</b>				
Commissions	582,745	374,901	452,598	296,559
Fee on loans and advances	461,138	497,254	453,377	493,513
Service charges and fees	537,428	498,992	454,145	433,211
Guarantee fees	65,919	66,553	53,586	54,653
Other fee income	275,243	283,014	225,163	223,076
Fee and commission income	1,922,473	1,720,714	1,638,869	1,501,012
Fee and commission expense	(466,395)	(439,555)	(437,340)	(412,878)
Net fee and commission income	1,456,078	1,281,159	1,201,529	1,088,134
<b>Gross dividend income from:</b>				
<u>In Malaysia</u>				
Subsidiaries	-	-	-	19,884
Financial assets held for trading	50,363	44,106	50,363	44,106
Financial investments available-for-sale	24,475	12,750	24,343	12,588
	74,838	56,856	74,706	76,578
<u>Outside Malaysia</u>				
Financial investments available-for-sale	1,757	2,301	-	-
Associate	-	-	-	23,721
	1,757	2,301	-	23,721
<b>Net gain/(loss) arising from financial assets held for trading</b>				
- realised ^	73,152	(265,078)	40,440	(263,711)
- unrealised	470,920	91,234	451,635	94,937
	544,072	(173,844)	492,075	(168,774)
<b>Net loss arising from hedging activities</b>	(5,894)	(25,175)	(6,221)	(23,169)
<b>Net (loss)/gain arising from derivative financial instruments</b>				
- realised	621,527	1,789,961	526,916	1,675,173
- unrealised	(1,022,472)	346,478	(1,203,406)	323,047
	(400,945)	2,136,439	(676,490)	1,998,220
<b>Net loss arising from financial liabilities designated at fair value</b>				
- realised	(26,167)	(10,391)	(15,470)	(307)
- unrealised	(205,184)	(219,432)	(43,113)	(171,669)
	(231,351)	(229,823)	(58,583)	(171,976)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****38 Net non-interest income (Continued)**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net gain from sale of financial investments available-for-sale</b>	<b>98,380</b>	156,237	<b>84,336</b>	98,234
<b>Net gain/(loss) from redemption of financial investments held-to-maturity</b>	<b>1,878</b>	(6)	<b>1,878</b>	(6)
<b>Other non-interest income</b>				
Foreign exchange gain/(loss)	<b>1,406,935</b>	(717,566)	<b>1,443,938</b>	(814,574)
Rental income	<b>13,515</b>	13,474	<b>11,697</b>	10,420
Gain on disposal of property, plant and equipment/assets held for sale	<b>20,763</b>	5,543	<b>16,294</b>	5,170
Loss on disposal of foreclosed assets	<b>(42,384)</b>	(27,609)	-	-
Gain on disposal of leased assets	<b>212</b>	181	-	-
Gain on disposal of associate	<b>43,365</b>	-	<b>624,135</b>	-
Others	<b>63,007</b>	62,544	<b>23,870</b>	39,074
	<b>1,505,413</b>	(663,433)	<b>2,119,934</b>	(759,910)
	<b>3,044,226</b>	2,540,711	<b>3,233,164</b>	2,161,052

^ Included in 2016 is a loss on early termination of unconsolidated structured entity of RM230,671,000. Refer to Note 14(g)



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****39 Overheads**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	2,647,758	2,369,059	2,109,545	1,910,820
- Pension cost (defined contribution plan)	257,709	232,528	236,172	211,529
- Pension cost (defined benefit plan)	19,950	17,822	-	-
- Overtime	15,949	16,611	10,512	11,439
- Staff incentives and other staff payments	166,346	155,670	132,626	135,506
- Medical expenses	89,713	84,886	83,756	78,218
- Others	97,059	92,066	60,669	60,592
	3,294,484	2,968,642	2,633,280	2,408,104
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	188,910	162,071	144,329	114,942
- Amortisation of prepaid lease payments	10	82	-	-
- Amortisation of intangible assets	183,150	195,133	160,392	170,630
- Rental	300,199	302,364	251,411	257,121
- Repairs and maintenance	293,353	251,333	254,793	221,687
- Outsourced services	97,913	109,681	90,788	96,235
- Security expenses	97,730	99,581	96,709	99,646
- Utility expenses	45,719	51,433	36,275	42,103
- Others	52,814	40,196	35,031	26,810
	1,259,798	1,211,874	1,069,728	1,029,174
<b>Marketing expenses</b>				
- Sales commission	6,458	5,686	1,002	525
- Advertisement	158,140	156,866	127,343	131,369
- Others	25,199	21,720	23,040	19,958
	189,797	184,272	151,385	151,852
<b>Administration and general expenses</b>				
- Communication	26,245	23,841	18,633	16,940
- Consultancy and professional fees	69,524	56,257	56,098	49,527
- Legal expenses	30,002	17,661	9,536	8,428
- Stationery	30,588	33,109	21,678	23,940
- Postages	46,892	50,686	38,027	41,741
- Administrative travelling and vehicle expenses	43,751	41,362	33,417	31,302
- Incidental expenses on banking operations	37,356	48,425	25,184	25,194
- Insurance	171,365	161,903	41,028	37,577
- Others	288,367	308,082	250,411	260,179
	744,090	741,326	494,012	494,828
<b>Shared service cost</b>	45,164	29,156	(398,130)	(361,396)
	5,533,333	5,135,270	3,950,275	3,722,562

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****39 Overheads (Continued)**

The above expenditure includes the following:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 43)	<b>13,281</b>	10,977	<b>12,665</b>	10,291
Hire of equipment	<b>2,294</b>	3,090	<b>1,827</b>	2,615
Lease rental	<b>5,756</b>	5,916	<b>5,751</b>	5,912
Auditors' remuneration:				
PwC Malaysia (audit)				
- statutory audit	<b>3,378</b>	3,257	<b>2,860</b>	2,733
- limited review	<b>823</b>	815	<b>763</b>	738
- other audit related	<b>481</b>	409	<b>248</b>	274
PwC Malaysia (non audit)	<b>365</b>	663	<b>228</b>	612
Other member firms of PwC International Limited (audit)				
- statutory audit	<b>1,878</b>	1,801	<b>1,211</b>	1,209
- limited review	<b>781</b>	769	<b>127</b>	130
- other audit related	<b>180</b>	169	<b>18</b>	12
Other member firms of PwC International Limited (non audit)	<b>684</b>	822	<b>511</b>	638
Property, plant and equipment written-off	<b>1,909</b>	3,328	<b>1,909</b>	3,328

PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****40 Allowances for impairment losses on loans, advances and financing**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net allowance made during the financial year				
Individual impairment allowance				
- Net allowance made during the financial year	<b>713,087</b>	629,401	<b>250,233</b>	110,486
Portfolio impairment allowance				
- Net allowance made during the financial year	<b>778,441</b>	737,224	<b>375,862</b>	417,423
Impaired loans and advances				
- recovered	<b>(351,116)</b>	(324,510)	<b>(190,253)</b>	(197,209)
- written off	<b>18,043</b>	12,593	<b>13,586</b>	9,652
	<b><u>1,158,455</u></b>	<u>1,054,708</u>	<b><u>449,428</u></b>	<u>340,352</u>

**41 Allowances for other impairment losses**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial investments available-for-sale				
- net allowance made during the financial year	<b>39,880</b>	50,164	<b>39,296</b>	32,761
	<b><u>39,880</u></b>	<u>50,164</u>	<b><u>39,296</u></b>	<u>32,761</u>

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 42 Significant related party transactions and balances

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

<b>Related parties</b>	<b>Relationship</b>
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Holding company
Subsidiaries of the Bank as disclosed in Note 14	Subsidiaries
SBB Berhad	Subsidiary of ultimate holding company
Commerce Asset Realty Sdn. Bhd.	Subsidiary of ultimate holding company
Commerce MGI Sdn. Bhd.	Subsidiary of ultimate holding company
CIMB Investment Bank Berhad	Subsidiary of holding company
PT Bank CIMB Niaga Tbk and Group	Subsidiary of holding company
Commerce International Group Berhad	Subsidiary of holding company
Commerce Asset Ventures Sdn. Bhd. and Group	Subsidiary of holding company
Joint venture of the Bank as disclosed in Note 15	Joint venture
Associates of the Bank as disclosed in Note 16	Associates
Key management personnel	See below

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)**

## (b) Related party transactions

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

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Holding Company RM'000	Other related companies RM'000	Associate and joint venture RM'000	Key management personnel RM'000	Subsidiaries RM'000	Key management personnel RM'000
<b>2017</b>						
<b>Income</b>						
Interest on deposits and placements with financial institutions	-	13,772	-	-	218,396	-
Interest on loans, advances and financing	25,598	17,192	-	222	3,581	102
Interest on securities	292	-	-	-	26,391	-
Dividends	-	-	-	-	-	-
Others	1,434	46,555	45,006	213	16,586	64
<b>Expenditure</b>						
Interest on deposits from customers and securities sold under repurchase agreements	24,603	25,534	10,231	340	9,027	74
Interest on deposits and placements of banks and other financial institutions	-	1,763	-	-	23,091	-
Interest on other borrowing	-	-	-	-	25,495	-
Interest on subordinated bonds	189,444	3,891	-	-	-	-
Rental of premises	284	22,592	-	-	372	-
Shared service cost	-	45,071	-	-	(443,201)	-
Dividends	2,127,129	-	-	-	-	-
Others	-	74,398	-	-	81,191	-
<b>2016</b>						
<b>Income</b>						
Interest on deposits and placements with financial institutions	-	19,815	283	-	142,175	-
Interest on loans, advances and financing	34,404	11,746	-	189	5,559	358
Interest on securities	201	-	-	-	12,974	-
Dividends	-	-	23,721	-	19,884	-
Others	167	47,308	47,415	83	12,055	53
<b>Expenditure</b>						
Interest on deposits from customers and securities sold under repurchase agreements	20,378	29,924	7,176	1,336	20,770	342
Interest on deposits and placements of banks and other financial institutions	-	4,955	-	-	7,315	-
Interest on other borrowing	-	-	-	-	12,147	0
Interest on subordinated bonds	139,364	4,847	-	-	-	-
Rental of premises	284	17,184	-	-	372	-
Shared service cost	-	29,342	-	-	(390,739)	-
Dividends	1,781,421	-	-	-	-	-
Others	2,601	86,607	-	-	75,981	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)**

## (c) Related party balances

	← The Group and the Bank →			The Group Key management personnel RM'000	← The Bank →	
	Holding and Ultimate Holding Company RM'000	Other related companies RM'000	Associate and joint venture RM'000		Subsidiaries RM'000	Key management personnel RM'000
<b>2017</b>						
<b>Amounts due from</b>						
Current accounts, deposits and placements with banks and other financial institutions	-	271,433	-	-	1,699,912	-
Placement from Investment Account	-	-	-	-	8,145,684	-
Loans, advances and financing	200,106	511,116	-	25,090	38,000	18,525
Derivative financial instruments	-	-	-	-	545,680	-
Investments securities	3,329	-	-	-	814,651	-
Others	-	185,386	1,075,250	-	1,711	-
<b>Amounts due to</b>						
Deposits from customers and securities sold under repurchase agreements	332,702	906,404	-	79,110	612,030	50,190
Deposits and placements of banks and other financial institutions	-	68,670	-	-	1,490,941	-
Other borrowings	-	-	-	-	829,234	-
Derivative financial instruments	-	-	-	-	423,994	-
Subordinated obligations	4,941,161	1,319,970	-	-	-	-
Others	-	35,507	-	-	165,035	-
<b>Commitment and contingencies</b>						
Foreign exchange related contracts	-	-	-	-	12,145,637	-
Equity related contracts	-	140,554	-	-	210,791	-
Interest rate related contracts	-	-	-	-	20,693,606	-
Credit related contracts	-	-	-	-	678,653	-

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)****(c) Related party balances (Continued)**

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Company	Other related companies	Associate and joint venture	Key management personnel	Subsidiaries	Key management personnel
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
<b>Amounts due from</b>						
Current accounts, deposits and placements with banks and other financial institutions	-	949,440	26,916	-	1,037,393	-
Placement from Investment Account	-	-	-	-	3,912,011	-
Loans, advances and financing	1,058,422	444,101	-	34,179	76,000	35,832
Derivative financial instruments	-	90	-	-	1,077,396	-
Investments securities	11,180	-	-	-	514,968	-
Others	-	233,199	1,197,832	-	625	-
<b>Amounts due to</b>						
Deposits from customers and securities sold under repurchase agreements	651,547	1,561,873	1,524	99,641	267,046	33,738
Deposits and placements of banks and other financial institutions	-	107,310	-	-	1,104,204	-
Derivative financial instruments	8,619	-	-	-	328,847	-
Subordinated obligations	3,434,789	104,900	-	-	-	-
Others	-	8,837	-	-	766,424	-
<b>Commitment and contingencies</b>						
Foreign exchange related contracts	289,440	17,944	-	-	12,986,063	-
Equity related contracts	-	158,441	-	-	219,036	-
Commodity related derivatives	-	-	-	-	7,016	-
Interest rate related contracts	-	-	-	-	33,407,220	-
Credit related contracts	134,580	-	-	-	593,526	-

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)**

(d) Key management personnel

Key management compensation

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Salaries and other employee benefits <sup>#</sup>	<b>110,538</b>	87,068	<b>48,328</b>	55,261
Shares of the ultimate holding company (units)	<b>4,125,374</b>	4,182,357	<b>1,471,956</b>	2,205,389

*# includes compensation paid by other related companies*

Loans to Directors of the Bank amounting to RM2,266,054 (2016: RM3,073,552). Loans made to Directors and 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 2017 and 2016 for loans, advances and financing made to the key management personnel.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)****(e) 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 Group and the Bank. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group and the Bank will be utilised to purchase ordinary shares of CIMB Group from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A 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 date. 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 RM45,389,000 (2016: RM45,981,000) and RM39,884,000 (2016: RM41,496,000) respectively.

The weighted average fair value of shares awarded under EOP was RM5.41 per ordinary share (2016: RM4.17 per ordinary share), 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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Shares</b>				
At 1 January	<b>14,155</b>	13,200	<b>12,202</b>	12,156
Awarded	<b>9,891</b>	10,082	<b>8,607</b>	8,483
Released	<b>(8,011)</b>	(9,127)	<b>(6,882)</b>	(8,437)
At 31 December	<b>16,035</b>	14,155	<b>13,927</b>	12,202

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****42 Significant related party transactions and balances (Continued)**

## (f) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective in 2008 are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Outstanding credit exposures with connected parties	<b>10,292,353</b>	14,976,234	<b>8,082,182</b>	13,024,576
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>2.5%</b>	3.9%	<b>2.5%</b>	4.2%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

## (g) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 27.3% of the issued capital of the ultimate holding company (2016: 29.3%). 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 is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

The Group and the Bank have collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's 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.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****43 Directors' remuneration**

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

Non-Executive Directors

Dato' Zainal Abidin bin Putih  
 Dato' Sri Mohamed Nazir bin Abdul Razak  
 Puan Rosnah Dato' Kamarul Zaman  
 Mr. Venkatachalam Krishnakumar  
 Datin Grace Yeoh Cheng Geok  
 Dato' Sri Amrin bin Awaluddin  
 Datuk Mohd Nasir bin Ahmad  
 Dato' Lee Kok Kwan  
 Encik Afzal bin Abdul Rahim  
 Ms. Tan Mei Shwen Serena (appointed 1 December 2017)  
 Encik Ahmad Zulqarnain Che On (resigned on 21 September 2017)

Executive Director

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Executive Directors				
- Salary and other remuneration	<b>9,861</b>	7,611	<b>9,861</b>	7,611
- Benefits-in-kind	<b>24</b>	17	<b>24</b>	17
	<b>9,885</b>	7,628	<b>9,885</b>	7,628
Non-Executive Directors				
- Fees	<b>1,413</b>	1,246	<b>1,025</b>	966
- Other remuneration	<b>1,946</b>	2,036	<b>1,718</b>	1,660
- Benefits-in-kind	<b>37</b>	67	<b>37</b>	37
	<b>3,396</b>	3,349	<b>2,780</b>	2,663
	<b>13,281</b>	10,977	<b>12,665</b>	10,291

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****43 Directors' remuneration (Continued)**

	Salary and/or other Fees RM'000	remuneration RM'000	Benefits-in- kind RM'000	The Group Total RM'000	Salary and/or other Fees RM'000	remuneration RM'000	Benefits- in-kind RM'000	The Bank Total RM'000
<b>2017</b>								
<b>Executive Directors</b>								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	9,861	24	9,885	-	9,861	24	9,885
	-	9,861	24	9,885	-	9,861	24	9,885
<b>Non-Executive Directors</b>								
Dato' Zainal Abidin bin Putih	128	406	37	571	128	406	37	571
Dato' Sri Mohamed Nazir bin Abdul Razak	112	165	-	277	112	165	-	277
Puan Rosnah Dato' Kamarul Zaman	241	538	-	779	124	335	-	459
Mr. Venkatachalam Krishnakumar	112	85	-	197	112	85	-	197
Datin Grace Yeoh Cheng Geok	112	95	-	207	112	95	-	207
Dato' Sri Amrin bin Awaluddin	112	75	-	187	112	75	-	187
Datuk Mohd Nasir bin Ahmad	124	320	-	444	124	320	-	444
Dato' Lee Kok Kwan	273	168	-	441	116	143	-	259
Encik Afzal bin Abdul Rahim	-	*	-	*	-	*	-	*
Ms. Tan Mei Shwen Serena	124	16	-	140	10	16	-	26
Encik Ahmad Zulqarnain Che On	75	78	-	153	75	78	-	153
	1,413	1,946	37	3,396	1,025	1,718	37	2,780
	1,413	11,807	61	13,281	1,025	11,579	61	12,665

\*denote RM217

	Salary and/or other Fees RM'000	remuneration RM'000	Benefits-in- kind RM'000	The Group Total RM'000	Salary and/or other Fees RM'000	remuneration RM'000	Benefits- in-kind RM'000	The Bank Total RM'000
<b>2016</b>								
<b>Executive Directors</b>								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	7,611	17	7,628	-	7,611	17	7,628
	-	7,611	17	7,628	-	7,611	17	7,628
<b>Non-Executive Directors</b>								
Dato' Zainal Abidin bin Putih	186	318	37	541	186	318	37	541
Dato' Sri Mohamed Nazir bin Abdul Razak	65	113	-	178	65	113	-	178
Puan Rosnah Dato' Kamarul Zaman	245	304	-	549	144	209	-	353
Mr. Venkatachalam Krishnakumar	72	120	-	192	72	120	-	192
Datin Grace Yeoh Cheng Geok	72	135	-	207	72	135	-	207
Encik Ahmad Zulqarnain Che On	96	145	-	241	96	145	-	241
Dato' Sri Amrin bin Awaluddin	72	115	-	187	72	115	-	187
Datuk Mohd Nasir bin Ahmad	93	207	-	300	93	207	-	300
Dato' Lee Kok Kwan	88	180	-	268	70	154	-	224
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	257	399	30	686	96	144	-	240
	1,246	2,036	67	3,349	966	1,660	37	2,663
	1,246	9,647	84	10,977	966	9,271	54	10,291

Note: The Directors and officers of the Group and of the Bank are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Bank amounted to RM961,714 and RM799,423 respectively.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****44 Taxation and zakat**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	963,752	771,116	745,426	589,120
- Foreign tax	174,180	72,990	122,663	38,634
Deferred taxation (Note 9)	(71,428)	(28,307)	(36,091)	5,987
(Over)/under provision in prior financial years	(24,962)	137,021	2,304	131,222
	<b>1,041,542</b>	<b>952,820</b>	<b>834,302</b>	<b>764,963</b>
Zakat	1,250	300	-	-
	<b>1,042,792</b>	<b>953,120</b>	<b>834,302</b>	<b>764,963</b>

**Reconciliation between tax expense and the Malaysian tax rate**

Profit before taxation and zakat	4,933,777	4,176,445	4,475,167	3,316,269
Less:				
Share of results of joint venture	(4,659)	(2,254)	-	-
Share of results of associates	-	(111,980)	-	-
	<b>4,929,118</b>	<b>4,062,211</b>	<b>4,475,167</b>	<b>3,316,269</b>
Tax calculated at a rate of 24%	1,182,988	974,931	1,074,040	795,905
- different tax rates in Labuan and other countries	(132,989)	(192,675)	(123,402)	(198,029)
- expenses not deductible for tax purposes	92,514	95,028	79,880	85,817
- income not subject to tax	(75,331)	(60,179)	(198,520)	(49,952)
- utilisation of previously unrecognised tax losses	(678)	(1,306)	-	-
- (over)/under provision in prior financial years	(24,962)	137,021	2,304	131,222
Tax expense	<b>1,041,542</b>	<b>952,820</b>	<b>834,302</b>	<b>764,963</b>

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **45 Earnings per share**

#### **(a) Basic earnings per share**

The basic earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM3,884,409,000 (2016: RM3,227,089,000). For the Bank, the basic earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM3,640,865,000 (2016: RM2,551,306,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 5,329,619,000 (2016: 5,154,055,000) is used for the computation.

#### **(b) Diluted earnings per share**

There were no dilutive potential ordinary shares outstanding as at 31 December 2017 and 31 December 2016.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****46 Dividends**

The gross and net dividend declared per share for each financial year are as follows:

	2017			2016		
	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000
Dividends recognised as distributions to equity holders:						
<u>Interim dividend</u>						
Per ordinary shares - single tier	23.90	23.90	1,282,864	-	-	-
Per redeemable preference shares - single tier	-	-	-	27.40	27.40	814,879
<u>Interim dividend - in respect of previous year</u>						
Per ordinary shares - single tier	16.00	16.00	844,265	-	-	-
Per redeemable preference shares - single tier	-	-	-	32.50	32.50	966,553
	<b>39.90</b>	<b>39.90</b>	<b>2,127,129</b>	<b>59.90</b>	<b>59.90</b>	<b>1,781,432</b>

The Directors have proposed a single tier second interim dividend of approximately 29.40 sen per share on 5,535,895,089 ordinary shares of RM1.00 each, amounting to RM1,628 million in respect of the financial year ended 31 December 2017. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 29 January 2018.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2017.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****47 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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Within one year	<b>229,559</b>	227,313	<b>201,028</b>	199,464
One year to less than five years	<b>318,083</b>	342,683	<b>287,266</b>	321,929
Five years and more	<b>72,490</b>	518	<b>71,976</b>	-
	<b><u>72,490</u></b>	<u>518</u>	<b><u>71,976</u></b>	<u>-</u>

**48 Capital commitments**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Capital expenditure:				
- authorised and contracted for	<b>145,133</b>	89,059	<b>142,054</b>	88,983
- authorised but not contracted for	<b>839,995</b>	277,846	<b>698,541</b>	218,295
	<b><u>985,128</u></b>	<u>366,905</u>	<b><u>840,595</u></b>	<u>307,278</u>

Analysed as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	31 December 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Property, plant and equipment	<b>693,997</b>	311,597	<b>589,437</b>	263,499
Computer software	<b>291,131</b>	55,308	<b>251,158</b>	43,779
	<b><u>985,128</u></b>	<u>366,905</u>	<b><u>840,595</u></b>	<u>307,278</u>



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **49 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 Strategic Oversight Committee who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

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

The Internal Ratings Based ("IRB") Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand ("BOT") guidelines issued on 8 November 2012. The risk-weighted assets of CIMB Thai Bank is based on Bank of Thailand ("BOT") requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNorSor. 12/2555 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****49 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 2017.

**31 December 2017 - Basel III**

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

	<b>The Group</b>	<b>The Bank*</b>
<b>Before deducting proposed dividends</b>		
Common equity tier I ratio	12.942%	12.866%
Tier I ratio	14.095%	14.333%
Total capital ratio	<u>17.700%</u>	<u>17.784%</u>
<b>After deducting proposed dividends</b>		
Common equity tier I ratio	12.227%	11.879%
Tier I ratio	13.381%	13.347%
Total capital ratio	<u>16.986%</u>	<u>16.797%</u>

CIMB Group successfully completed its ninth DRS of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.

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

CIMB Group's second interim dividend in respect of the financial year ended 2017 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **49 Capital adequacy (Continued)**

#### **31 December 2017 - Basel III (Continued)**

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

	<b>The Group</b>	<b>The Bank*</b>
	<b>RM’000</b>	<b>RM’000</b>
Credit risk	<b>193,146,506</b>	<b>138,811,146</b>
Market risk	<b>14,125,733</b>	<b>11,050,726</b>
Large exposure risk requirements	<b>768,600</b>	<b>768,600</b>
Operational risk	<b>19,782,736</b>	<b>14,330,500</b>
Total risk-weighted assets	<b><u>227,823,575</u></b>	<b><u>164,960,972</u></b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****49 Capital adequacy (Continued)****31 December 2017 - Basel III (Continued)**

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

	The Group RM'000		The Bank* RM'000	
<b>Common Equity Tier I capital</b>				
Ordinary shares	17,610,939	@	17,610,939	@
Other reserves	20,007,741	@	13,904,088	@
Qualifying non-controlling interests	152,698		-	
Less: Proposed dividends	<u>(1,627,553)</u>		<u>(1,627,553)</u>	
Common Equity Tier I capital before regulatory adjustments	36,143,825		29,887,474	
<u>Less: Regulatory adjustments</u>				
Goodwill	(5,177,536)		(3,555,075)	
Intangible assets	(951,237)		(832,713)	
Deferred tax assets	(382,224)		(157,309)	
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-		(4,260,702)	
Others	<u>(1,775,705)</u>		<u>(1,485,929)</u>	
Common Equity Tier I capital after regulatory adjustments	<u>27,857,123</u>		<u>19,595,746</u>	
<b>Additional Tier I capital</b>				
Perpetual preference shares	200,000		200,000	
Innovative Tier I Capital	1,000,000		1,000,000	
Perpetual subordinated capital securities	1,400,000		1,400,000	
Qualifying capital instruments held by third parties	<u>30,301</u>		<u>-</u>	
Additional Tier I capital before regulatory adjustments	2,630,301		2,600,000	
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(2,641)</u>		<u>(178,641)</u>	
Additional Tier I capital after regulatory adjustments	<u>2,627,660</u>		<u>2,421,359</u>	
<b>Total Tier I capital</b>	<u>30,484,783</u>		<u>22,017,105</u>	
<b>Tier II capital</b>				
Subordinated notes	7,050,000		7,050,000	
Redeemable preference shares	29,740		29,740	
Qualifying capital instruments held by third parties	363,627		-	
Surplus eligible provisions over expected loss	118,446		267,987	
Portfolio impairment allowance and regulatory reserves ^	<u>651,277</u>		<u>254,766</u>	
Tier II capital before regulatory adjustments	8,213,090		7,602,493	
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(660)</u>		<u>(1,911,008)</u>	
<b>Total Tier II capital</b>	<u>8,212,430</u>		<u>5,691,485</u>	
<b>Total capital</b>	<u>38,697,213</u>		<u>27,708,590</u>	

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****49 Capital adequacy (Continued)****31 December 2017 - Basel III (Continued)**

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

**31 December 2017**

	<b>CIMB Islamic Bank</b>	<b>CIMB Thai Bank</b>	<b>CIMB Bank PLC</b>	<b>CIMB Bank (Vietnam) Ltd</b>
Common equity tier I ratio	<b>13.286%</b>	<b>12.471%</b>	N/A	N/A
Tier I ratio	<b>13.892%</b>	<b>12.471%</b>	N/A	N/A
Total capital ratio	<b>16.291%</b>	<b>16.631%</b>	<b>16.622%</b>	<b>332.242%</b>

**31 December 2016 - Basel III**

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

<b>Before deducting proposed dividends</b>	<b>The Group</b>	<b>The Bank*</b>
Common equity tier I ratio	11.942%	12.064%
Tier I ratio	13.156%	13.567%
Total capital ratio	<b>16.771%</b>	<b>16.699%</b>
<b>After deducting proposed dividends</b>		
Common equity tier I ratio	11.556%	11.549%
Tier 1 ratio	12.770%	13.051%
Total capital ratio	<b>16.385%</b>	<b>16.183%</b>

On 31 October 2016, CIMB Group successfully completed its eighth DRS of which RM599 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM675 million into CIMB Bank via rights issue which was completed on 15 December 2016.

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

	<b>The Group RM'000</b>	<b>The Bank* RM'000</b>
Credit risk	185,063,333	138,362,816
Market risk	14,567,619	11,249,430
Large exposure risk requirements	719,612	719,612
Operational risk	18,282,144	13,500,836
Total risk-weighted assets	<b>218,632,708</b>	<b>163,832,694</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****49 Capital adequacy (Continued)****31 December 2016 - Basel III (Continued)**

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

	<b>The Group RM'000</b>	<b>The Bank* RM'000</b>
<b>Common Equity Tier I capital</b>		
Ordinary shares	5,276,655	5,276,655
Other reserves	28,982,224	23,251,046
Qualifying non-controlling interests	307,549	-
Less: Proposed dividends	(844,265)	(844,265)
Common Equity Tier I capital before regulatory adjustments	<u>33,722,163</u>	<u>27,683,436</u>
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,188,198)	(3,555,075)
Intangible assets	(934,211)	(833,024)
Deferred tax assets	(384,082)	(164,602)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(531,812)	(2,963,652)
Others	(1,419,044)	(1,246,394)
Common Equity Tier I capital after regulatory adjustments	<u>25,264,816</u>	<u>18,920,689</u>
<b>Additional Tier I capital</b>		
Perpetual preference shares	200,000	200,000
Innovative Tier I Capital	1,000,000	1,000,000
Perpetual subordinated capital securities	1,400,000	1,400,000
Qualifying capital instruments held by third parties	60,423	-
Additional Tier I capital before and after regulatory adjustments	<u>2,660,423</u>	<u>2,600,000</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(6,568)	(138,568)
Additional Tier I capital after regulatory adjustments	<u>2,653,855</u>	<u>2,461,432</u>
<b>Total Tier I capital</b>	<u>27,918,671</u>	<u>21,382,121</u>
<b>Tier II capital</b>		
Subordinated notes	7,050,000	7,050,000
Redeemable preference shares	29,740	29,740
Qualifying capital instruments held by third parties	407,064	-
Surplus eligible provisions over expected loss	180,808	375,461
Portfolio impairment allowance and regulatory reserves <sup>^</sup>	596,054	247,139
Tier II capital before regulatory adjustments	<u>8,263,666</u>	<u>7,702,340</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(359,121)	(2,571,006)
<b>Total Tier II capital</b>	<u>7,904,545</u>	<u>5,131,334</u>
<b>Total capital</b>	<u>35,823,216</u>	<u>26,513,455</u>

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 49 Capital adequacy (Continued)

#### 31 December 2016 - Basel III (Continued)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	<b>CIMB Islamic Bank</b>	<b>CIMB Thai Bank</b>	<b>CIMB Bank PLC</b>
Common equity tier I ratio	14.711%	10.156%	N/A
Tier I ratio	15.526%	10.156%	N/A
Total capital ratio	<u>18.025%</u>	<u>15.583%</u>	<u>15.926%</u>

\* Includes the operations of CIMB Bank (L) Limited.

^ The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM165 million (2016: RM186 million) and RM151 million (2016: RM166 million) respectively.

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **50(i) Significant events during the financial year**

#### **(a) Disposal of investment in Bank of Yingkou**

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

#### **(b) Full redemption of bonds**

The redemptions during the financial year are as follows:

- (i) On 8 May 2017, CIMB Bank has redeemed its HKD462 million senior unsecured notes as disclosed in Note 29(a);
- (ii) On 26 July 2017, CIMB Bank has redeemed its USD350 million senior unsecured notes as disclosed in Note 29(b).

#### **(c) Rights issue at CIMB Thai Bank**

On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights offering of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **50(i) Significant events during the financial year (Continued)**

#### **(d) Rights issue at CIMB Bank**

The right issue during the financial year are as follows:

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

#### **(e) Full redemption of subordinated obligations**

The redemptions during the financial year are as follows:

- (i) On 18 September 2017, CIMB Islamic Bank has redeemed its RM300 million Sukuk as disclosed in Note 31(c);
- (iii) On 9 November 2017, CIMB Thai Bank has redeemed its THB3 billion Subordinated Notes as disclosed in Note 31(g);
- (iv) On 30 November 2017, CIMB Bank has redeemed its RM1.5 billion Subordinated Debt on its first optional redemption date as disclosed in Note 31(f).

#### **(f) Issuance of subordinated obligations**

Issuance during the financial year are as follows:

- (i) On 30 November 2017, CIMB Bank issued RM1.5 billion 10 years non-callable at the end of year 5 years Tier II subordinated debt, bearing a fixed rate coupon of 4.90% per annum (see Note 31 (p));
- (ii) On 28 December 2017, CIMB Islamic Bank issued RM300 million Tier II Junior Sukuk at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum (see Note 31(q));

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **50(i) Significant events during the financial year (Continued)**

#### **(g) Issuance of bonds and sukuk**

Issuance during the financial year are as follows:

- (i) On 8 March 2017, CIMB Bank issued USD15 million 5-year senior floating rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly (see Note 29(p));
- (ii) On 15 March 2017, CIMB Bank issued USD600 million 3-year senior floating rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD3-month LIBOR+0.80% per annum payable quarterly (see Note 29(q));
- (iii) On 15 March 2017, CIMB Bank Berhad issued USD500 million 5-year senior fixed rate notes (the “FXD Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 and bears a coupon rate of 3.263% per annum payable semi-annually (see Note 29(r));
- (iv) On 28 March 2017 and 27 April 2017, CIMB Bank issued USD2.15 million and USD0.5 million credit linked notes (the “CLN”) under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme, which was established on 12 May 2014, respectively. The CLN, which is linked to a specified Reference Entity, will mature on 20 June 2022 and bears a coupon rate of 3.80% per annum payable semi-annually (see Note 29(s));

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **50(i) Significant events during the financial year (Continued)**

#### **(g) Issuance of bonds and sukuk (Continued)**

Issuance during the financial year are as follows: (Continued)

- (v) On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 Mar 2024. During the financial year, CIMB Bank has undertaken a partial redemption of the MTN amounting to RM49.6 million (see Note 29(w));
- (vi) On 8 May 2017, Center Auto Lease Co. Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debentures will mature on 8 May 2020 and bears a coupon rate of 2.44% per annum payable semi-annually (see Note 29(t));
- (vii) On 9 May 2017, CIMB Bank issued HKD874 million 4-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually (see Note 29(u));
- (viii) On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually (see Note 29(v));
- (ix) On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually (see Note 29(x)).

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **50(i) Significant events during the financial year (Continued)**

#### **(h) Establish and operate a branch in Republic of the Philippines**

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

#### **(i) Capital injection into CIMB Bank PLC by CIMB Bank**

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

On 15 December 2017, CIMB Bank injected USD6.2 million into CIMB Bank PLC. The amount is recorded under other receivables pending the approval from National Bank of Cambodia and Ministry of Commerce on the registration of CIMB Bank PLC's share capital.

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

### **50(ii) Subsequent event after the financial year**

#### **(a) Redemption of HKD171 million notes**

On 22 January 2018, CIMB Bank has redeemed its HKD171 million senior unsecured notes as disclosed in Note 29(d).

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **51 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 and 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 loans, advances and financing*

The Group and the Bank make allowance for losses on loans, advances and financing 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 loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **51 Critical accounting estimates and judgements in applying accounting policies (Continued)**

#### *(c) Goodwill impairment*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M(a) of the Summary of Significant 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 ("CGUs"). The goodwill is then allocated to these various CGUs. 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 CGUs, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 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.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **51 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, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 53.4.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **52 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.

#### **(i) Business segment reporting**

##### Definition of segments

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

##### *Consumer Banking*

Consumer Banking provides everyday banking solutions to individual customers covering both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services. It also offers products and services through Enterprise Banking to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited.

##### *Commercial Banking*

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include core banking credit facilities, trade financing, remittance and foreign exchange, as well as general deposit products.

Commercial Banking also secured several cash management mandates from SMEs in various sectors by leveraging on CIMB Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **52 Segment reporting (Continued)**

#### **(i) Business segment reporting (Continued)**

##### *Wholesale Banking*

Wholesale Banking comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, Equities and Private Banking.

Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

Corporate Banking offers a broad spectrum of both conventional and Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate loans, to derivatives, structured products and debt capital market.

Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

Equities provides broking services to corporate, institutional and retail clients.

Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

##### *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 comprises unallocated middle and back-office processes and cost centres and other subsidiaries whose results are not material to the Group.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****52 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

31 December 2017 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income						
- external	4,636,901	703,688	1,062,936	408,336	(5,072)	6,806,789
- inter-segment	(893,269)	208,621	578,800	105,848	-	-
	3,743,632	912,309	1,641,736	514,184	(5,072)	6,806,789
Income from Islamic banking operations	817,770	185,678	670,780	129,705	-	1,803,933
Net non-interest income	1,338,709	316,953	1,167,074	189,903	31,587	3,044,226
	5,900,111	1,414,940	3,479,590	833,792	26,515	11,654,948
Overheads	(3,026,270)	(633,319)	(1,554,377)	(267,326)	(52,041)	(5,533,333)
of which:						
Depreciation of property, plant and equipment	(165,958)	(3,674)	(13,857)	(5,421)	-	(188,910)
Amortisation of prepaid lease payments	-	-	-	(10)	-	(10)
Amortisation of intangible assets	(136,601)	(1,277)	(23,827)	(21,445)	-	(183,150)
Profit before allowances	2,873,841	781,621	1,925,213	566,466	(25,526)	6,121,615
Allowances for impairment losses on loans, advances and financing made	(510,886)	(616,489)	(31,038)	(42)	-	(1,158,455)
Allowances for losses on other receivables written-back	-	-	-	-	(4,526)	(4,526)
Allowances for commitments and contingencies written-back/(made)	-	12,586	(2,222)	-	-	10,364
Allowances for other impairment losses made	-	(156)	(38,317)	(1,407)	-	(39,880)
Segment results	2,362,955	177,562	1,853,636	565,017	(30,052)	4,929,118
Share of results of joint venture	4,659	-	-	-	-	4,659
Taxation and zakat						(1,042,792)
Net profit after taxation						3,890,985

31 December 2017 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	154,707,147	32,824,998	192,373,817	24,588,629	404,494,591
Unallocated assets					12,565,250
<b>Total assets</b>					<b>417,059,841</b>
Segment liabilities	137,509,478	34,542,575	186,993,581	11,473,671	370,519,305
Unallocated liabilities					8,435,605
<b>Total liabilities</b>					<b>378,954,910</b>
<b>Other segment items</b>					
Capital expenditure	349,676	7,164	33,239	17,100	407,179
Investment in joint venture	169,688	-	-	-	169,688

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****52 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

31 December 2016 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income						
- external	4,352,770	659,281	898,654	449,480	(13,378)	6,346,807
- inter-segment	(906,718)	205,290	652,722	48,706	-	-
	3,446,052	864,571	1,551,376	498,186	(13,378)	6,346,807
Income from Islamic banking operations	751,849	162,971	412,710	117,690	-	1,445,220
Net non-interest income	1,106,966	262,631	1,003,588	131,788	35,738	2,540,711
	5,304,867	1,290,173	2,967,674	747,664	22,360	10,332,738
Overheads	(2,886,932)	(606,574)	(1,332,876)	(224,695)	(84,193)	(5,135,270)
of which:						
Depreciation of property, plant and equipment	(142,160)	(4,339)	(17,194)	1,622	-	(162,071)
Amortisation of prepaid lease payments	(59)	(6)	(17)	-	-	(82)
Amortisation of intangible assets	(144,662)	(2,186)	(26,530)	(21,755)	-	(195,133)
Profit before allowances	2,417,935	683,599	1,634,798	522,969	(61,833)	5,197,468
Allowances for impairment losses on loans, advances and financing (made)/written-back	(438,031)	(437,100)	(179,814)	237	-	(1,054,708)
Allowances for losses on other receivables written-back	-	-	-	-	76	76
Allowances for commitments and contingencies made	-	(30,461)	-	-	-	(30,461)
Allowances for other impairment losses written-back/(made)	-	101	-	(50,265)	-	(50,164)
Segment results	1,979,904	216,139	1,454,984	472,941	(61,757)	4,062,211
Share of results of joint venture	2,254	-	-	-	-	2,254
Share of results of associates	-	-	-	111,980	-	111,980
Taxation and zakat						(953,120)
Net profit after taxation						3,223,325
						3,223,325

31 December 2016 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	144,910,432	30,977,379	183,896,123	21,875,025	381,658,959
Unallocated assets					13,872,751
<b>Total assets</b>					<b>395,531,710</b>
Segment liabilities	117,611,584	33,490,961	191,999,028	11,031,521	354,133,094
Unallocated liabilities					6,506,122
<b>Total liabilities</b>					<b>360,639,216</b>
<b>Other segment items</b>					
Capital expenditure	363,958	10,063	48,460	6,873	429,354
Investment in joint venture	165,029	-	-	-	165,029

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****52 Segment reporting (Continued)****(i) Business segment reporting (Continued)***Basis of pricing for inter-segment transfers:*

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

**(ii) Geographic segment reporting**

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Cambodia, Singapore, United Kingdom, Hong Kong, Shanghai and Vietnam. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia, no other individual country contributed more than 10% of the net interest income and of total assets.

	31 December 2017				
	Net interest	Total	Total	Total	Capital
	income	non-current	assets	liabilities	expenditure
	RM'000	assets	RM'000	RM'000	RM'000
<b>The Group</b>	<b>4,824,971</b>	<b>10,389,519</b>	<b>318,595,316</b>	<b>341,773,628</b>	<b>340,639</b>
Malaysia	1,981,818	5,661,155	98,464,525	37,181,282	66,540
Overseas operations	6,806,789	16,050,674	417,059,841	378,954,910	407,179
	31 December 2016				
	Net interest	Total	Total	Total	Capital
	income	non-current	assets	liabilities	expenditure
	RM'000	assets	RM'000	RM'000	RM'000
<b>The Group</b>	<b>4,536,921</b>	<b>10,896,255</b>	<b>293,450,853</b>	<b>266,039,609</b>	<b>359,201</b>
Malaysia	1,809,886	5,916,962	102,080,857	94,599,607	70,153
Overseas operations	6,346,807	16,813,217	395,531,710	360,639,216	429,354

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management

#### (a) Financial risk management objectives and policies

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

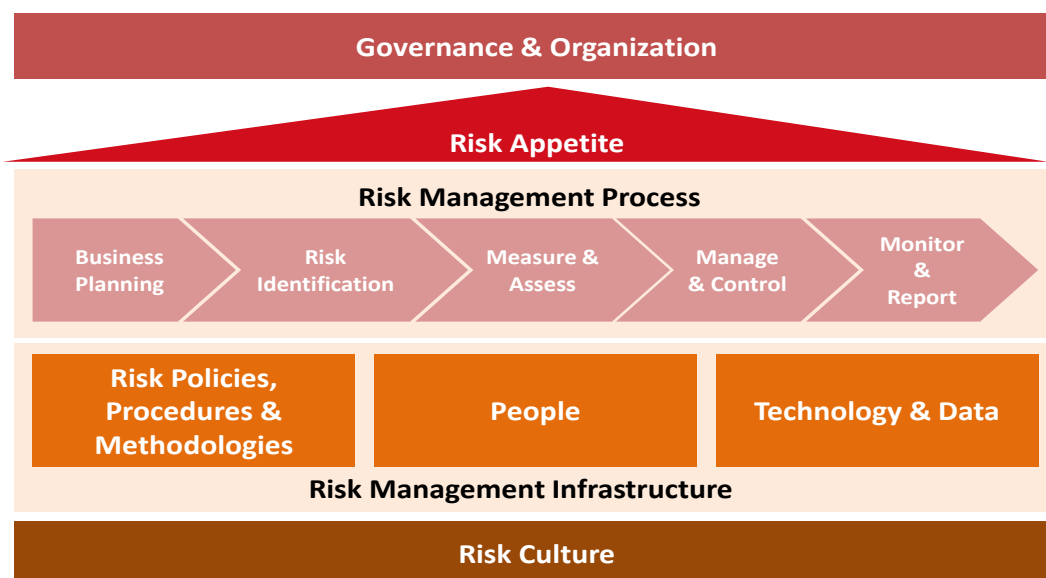
Generally, the objectives of the risk management activities are to:

- Identify the various risk exposures and capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholders’ value through proper allocation of capital and facilitate development of new businesses.

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

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

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



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(b) Enterprise Wide Risk Management Framework (Continued)**

The design of the EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

The key features of the EWRM framework include:

#### **i) Governance & Organisation**

A strong governance structure is important to ensure an effective and consistent implementation of the Group’s EWRM framework. The Board is ultimately responsible for the Group’s strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is effectively maintained.

#### **ii) Risk Appetite**

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

#### **iii) Risk Management Process**

- **Business Planning:** Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group’s risk frameworks, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using 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.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(b) Enterprise Wide Risk Management Framework (Continued)**

##### iii) 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 the Group's risk appetite.

##### iv) Risk Management Infrastructure

- Risk Policies, Methodologies and Procedures: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met in order to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
- People: Attracting the right talent and skillset are key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

##### v) Risk Culture

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(c) Risk Governance**

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

To facilitate the effective implementation of the EWRM framework, the BRC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of the supervision of the risk management functions is delegated to the GRC, comprised of 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 (GCC), Group Market Risk Committee (GMRC), Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

- (i) Market risk, arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- (ii) Credit risk, arising from the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Group;
- (iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- (iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- (v) Interest rate 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;



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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### (c) Risk Governance (Continued)

- (vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction of the Group, thereby resulting in a potential capital charge; and
- (vii) Shariah Non Compliance (SNC) risk, arising from possible failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the Board Shariah Committee (BSC) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of the Group's Risk Committees is depicted as follows:



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(c) Risk Governance (continued)**

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

#### ***Three-Lines of Defence***

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

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

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

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

- a) Actively engages the Board and senior management on risk management issues and initiatives.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(c) Risk Governance (continued)**

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

- b) Maintains an oversight on risk management functions across all entities within the Group. In each key country of operation, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

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

- a) Risk Analytics & Infrastructure CoE

The Risk Analytics & Infrastructure CoE designs frameworks, develops risk models and tools and implements standardised infrastructure for risk management across the Group.

- b) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

- c) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(c) Risk Governance (continued)**

##### ***The Roles of Group Chief Risk Officer (CRO) and Group Risk (continued)***

#### **d) Asset Liability Management CoE**

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

#### **e) Credit Risk CoE**

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk models; underwriting; and portfolio analytics.

#### **f) Shariah Risk Management CoE (SRM CoE)**

The SRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic businesses and services. SRM COE formulates, recommends and implements appropriate SRM policies & guidelines; and develops and implements processes for SNC risk awareness.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **(c) Risk Governance (continued)**

##### *The Roles of Group Chief Risk Officer (CRO) and Group Risk (continued)*

In addition to the above Risk CoEs, there is also specialised team within Group Risk:

- The Regional Risk & CRO International Offices team oversees the risk management functions of the regional offices, the Group's unit trust and securities businesses and also houses the validation team.

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **Strategies and Processes for Various Risk Management**

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

#### **53.1 Credit risk**

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

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts.

In sales and trading activities, credit risk arises from the possibility that the Group's counterparties are unable or unwilling to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

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

#### **Credit Risk Management**

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

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

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **Credit Risk Management (Continued)**

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committees.

The GRC with the support of GCC, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **Credit Risk Management (continued)**

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

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

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

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

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

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

##### *ii) Collateral Valuation and Management*

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **Credit Risk Mitigation (Continued)**

iii) *Netting*

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) *Portfolio diversification for better clarity*

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)**

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

##### **i) Credit Risk Mitigation**

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement (CSA) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

##### **ii) Treatment of Rating Downgrade**

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2017, the additional collateral to be posted was RM Nil (2016: RM6,729,000).

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.1 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.

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial guarantees	<b>6,034,079</b>	6,375,142	<b>5,069,647</b>	5,774,484
Credit related commitments and contingencies	<b>82,362,260</b>	77,924,513	<b>68,197,614</b>	66,333,759
	<b>88,396,339</b>	84,299,655	<b>73,267,261</b>	72,108,243

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 70.1% (2016: 80.0%) and 77.0% (2016: 81.6%) respectively while the financial effect of collateral for derivatives for the Group and the Bank is 60.1% (2016: 76.6%) and 51.9% (2016: 74.2%) respectively. The financial effect of collateral held for the remaining financial assets are insignificant.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type**

	The Group						The Bank					
	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2017</b>												
<u>Financial assets</u>												
Derivatives	8,370,447	-	8,370,447	(4,211,037)	(607,703)	3,551,707	6,062,542	-	6,062,542	(2,951,003)	(67,800)	3,043,739
Reverse repurchase agreements	6,484,687	-	6,484,687	(506,656)	(5,902,331)	75,700	5,000,601	-	5,000,601	(506,656)	(4,461,025)	32,920
Share margin financing	888,736	-	888,736	-	(885,034)	3,702	884,999	-	884,999	-	(884,341)	658
<b>Total</b>	<b>15,743,870</b>	<b>-</b>	<b>15,743,870</b>	<b>(4,717,693)</b>	<b>(7,395,068)</b>	<b>3,631,109</b>	<b>11,948,142</b>	<b>-</b>	<b>11,948,142</b>	<b>(3,457,659)</b>	<b>(5,413,166)</b>	<b>3,077,317</b>
<b>31 December 2016</b>												
<u>Financial assets</u>												
Derivatives	11,809,961	-	11,809,961	(6,026,459)	(2,165,380)	3,618,122	9,688,843	-	9,688,843	(4,647,044)	(2,455,736)	2,586,063
Reverse repurchase agreements	5,107,539	-	5,107,539	(746,933)	(4,262,068)	98,538	4,698,080	-	4,698,080	(746,933)	(3,858,600)	92,547
Share margin financing	705,571	-	705,571	-	(703,902)	1,669	703,543	-	703,543	-	(702,836)	707
<b>Total</b>	<b>17,623,071</b>	<b>-</b>	<b>17,623,071</b>	<b>(6,773,392)</b>	<b>(7,131,350)</b>	<b>3,718,329</b>	<b>15,090,466</b>	<b>-</b>	<b>15,090,466</b>	<b>(5,393,977)</b>	<b>(7,017,172)</b>	<b>2,679,317</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.1 Credit risk (Continued)

#### 53.1.2 Offsetting financial assets and financial liabilities (Continued)

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

	The Group						The Bank					
	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2017</b>												
<b>Financial liabilities</b>												
Derivatives	8,728,437	-	8,728,437	(4,209,611)	(508,094)	4,010,732	6,523,609	-	6,523,609	(2,951,850)	(40,087)	3,531,672
Repurchase agreements	3,318,517	-	3,318,517	(3,305,499)	-	13,018	3,318,517	-	3,318,517	(3,305,499)	-	13,018
<b>Total</b>	<b>12,046,954</b>	<b>-</b>	<b>12,046,954</b>	<b>(7,515,110)</b>	<b>(508,094)</b>	<b>4,023,750</b>	<b>9,842,126</b>	<b>-</b>	<b>9,842,126</b>	<b>(6,257,349)</b>	<b>(40,087)</b>	<b>3,544,690</b>
<b>31 December 2016</b>												
<b>Financial liabilities</b>												
Derivatives	12,030,888	-	12,030,888	(5,923,837)	(3,127,070)	2,979,981	9,780,735	-	9,780,735	(4,548,119)	(2,771,053)	2,461,563
Repurchase agreements	4,340,854	-	4,340,854	(4,340,065)	-	789	4,340,854	-	4,340,854	(4,340,065)	-	789
<b>Total</b>	<b>16,371,742</b>	<b>-</b>	<b>16,371,742</b>	<b>(10,263,902)</b>	<b>(3,127,070)</b>	<b>2,980,770</b>	<b>14,121,589</b>	<b>-</b>	<b>14,121,589</b>	<b>(8,888,184)</b>	<b>(2,771,053)</b>	<b>2,462,352</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.1 Credit risk (Continued)

##### 53.1.3 Concentration of risks of financial assets with credit risk exposure

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

#### (a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows:

	The Group									
	31 December 2017									
	Malaysia	Indonesia	Thailand	Singapore	United States	United Kingdom	Hong Kong	China	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	25,726,372	55,583	160,911	435,963	1,106,435	998,560	263,624	256,983	1,663,326	30,667,757
Reverse repurchase agreements	2,095,743	933	1,484,655	923,600	39,046	349,334	85,809	76,947	1,428,620	6,484,687
Deposits and placements with banks and other financial institutions	334,633	163,134	-	234	-	164,585	-	331,343	200,276	1,194,205
Financial assets held for trading	9,604,234	181,112	1,349,163	4,412,842	84,040	562,357	547,288	397,975	1,777,026	18,916,037
Financial investments available-for-sale	15,053,877	542,253	2,668,424	1,978,970	10,292	433,186	1,336,513	413,265	825,449	23,262,229
Financial investments held-to-maturity	28,334,338	-	1,705,420	4,269,075	-	-	-	-	14,269	34,323,102
Derivative financial instruments	2,773,201	220,988	2,438,362	961,613	1,704	897,033	566,922	-	510,624	8,370,447
Loans, advances and financing	186,882,339	2,737,103	28,653,125	26,253,912	188,364	3,872,242	2,275,167	4,767,643	6,158,814	261,788,709
Other assets	6,062,686	31,878	562,034	761,000	210,938	319,131	72,755	134	956,003	8,976,559
Amounts due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	3,227
Amount due from related companies	1,104,786	1,206	236	61	-	29	-	1	698	1,107,017
Financial guarantees	2,241,152	168,079	407,683	1,694,267	60,111	91,446	158,599	36,994	1,175,748	6,034,079
Credit related commitments and contingencies	74,918,196	161,301	1,434,205	1,548,973	1,454	645,828	737,892	707,985	2,206,426	82,362,260
<b>Total credit exposures</b>	<b>355,134,784</b>	<b>4,263,570</b>	<b>40,864,218</b>	<b>43,240,510</b>	<b>1,702,384</b>	<b>8,333,731</b>	<b>6,044,569</b>	<b>6,989,270</b>	<b>16,917,279</b>	<b>483,490,315</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows: (Continued)

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Group 31 December 2016		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	11,530,336	63,113	167,442	46,183	562,801	729,029	696,063	330,438	1,359,122	15,484,527
Reverse repurchase agreements	2,107,953	2,940	411,121	803,108	25,197	53,086	148,234	9,305	1,546,595	5,107,539
Deposits and placements with banks and other financial institutions	77,299	300,622	48,309	282	-	387,278	-	139,909	228,030	1,181,729
Financial assets held for trading	8,779,725	150,176	946,031	6,539,646	519,634	707,003	242,638	148,402	2,338,437	20,371,692
Financial investments available-for-sale	14,157,984	475,655	3,989,900	2,571,342	157,956	253,409	1,963,912	384,309	702,707	24,657,174
Financial investments held-to-maturity	23,568,870	-	2,212,966	1,803,238	-	-	-	-	15,788	27,600,862
Derivative financial instruments	4,427,549	265,721	2,766,513	1,708,115	359,690	959,038	224,980	242	1,098,113	11,809,961
Loans, advances and financing	179,878,624	2,981,250	28,606,825	30,350,628	214,373	3,994,836	2,096,472	1,448,900	6,628,041	256,199,949
Other assets	7,027,132	35,663	558,551	549,076	10,632	534,068	128,282	277	325,376	9,169,057
Amounts due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	-	-	4,084
Amount due from related companies	1,219,161	902	306	1,739	-	29	2	1	936	1,223,076
Financial guarantees	2,556,299	503	10,285	2,941,239	1,500	52,574	307,830	11,878	493,034	6,375,142
Credit related commitments and contingencies	69,134,680	937,476	1,527,026	2,160,332	1,636	456,819	804,395	754,684	2,147,465	77,924,513
<b>Total credit exposures</b>	<b>324,469,696</b>	<b>5,214,021</b>	<b>41,245,275</b>	<b>49,474,928</b>	<b>1,853,419</b>	<b>8,127,169</b>	<b>6,612,808</b>	<b>3,228,345</b>	<b>16,883,644</b>	<b>457,109,305</b>



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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 as follows: (Continued)

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Bank 31 December 2017		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	14,138,525	53,844	130,776	459,628	603,349	947,031	262,900	257,499	435,305	17,288,857
Reverse repurchase agreements	2,095,743	933	569	923,600	39,046	349,334	85,809	76,947	1,428,620	5,000,601
Deposits and placements with banks and other financial institutions	8,568,365	163,134	-	-	-	164,585	-	331,343	-	9,227,427
Financial assets held for trading	6,381,946	181,112	153,801	4,412,842	84,040	562,357	547,288	397,975	1,777,026	14,498,387
Financial investments available-for-sale	13,193,735	542,253	74,088	1,927,763	10,292	433,186	1,336,513	413,265	810,246	18,741,341
Financial investments held-to-maturity	23,904,570	-	481,987	4,269,075	-	-	-	-	42,929	28,698,561
Derivative financial instruments	2,892,747	220,988	255,914	944,624	822	836,398	566,294	-	344,755	6,062,542
Loans, advances and financing	129,028,271	2,737,103	3,662,723	26,253,910	42,367	3,872,242	2,275,167	4,767,643	4,257,610	176,897,036
Other assets	5,808,857	31,878	236	761,000	210,938	274,148	72,755	134	890,118	8,050,064
Amounts due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	3,227
Amount due from subsidiaries	44,671	-	1,219	-	-	17,330	-	1	606	63,827
Amount due from related companies	1,103,765	1,184	44	61	-	29	-	1	698	1,105,782
Financial guarantees	2,026,879	168,079	56,911	1,694,267	60,111	91,446	158,599	36,994	776,361	5,069,647
Credit related commitments and contingencies	62,534,514	155,792	2,297	1,522,215	-	642,212	734,161	705,308	1,901,115	68,197,614
<b>Total credit exposures</b>	<b>271,725,815</b>	<b>4,256,300</b>	<b>4,820,565</b>	<b>43,168,985</b>	<b>1,050,965</b>	<b>8,190,298</b>	<b>6,039,486</b>	<b>6,987,110</b>	<b>12,665,389</b>	<b>358,904,913</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows: (Continued)

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Bank 31 December 2016		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	4,738,556	58,035	152,980	42,628	498,994	679,835	694,594	330,438	433,312	7,629,372
Reverse repurchase agreements	2,107,953	2,940	1,662	803,108	25,197	53,086	148,234	9,305	1,546,595	4,698,080
Deposits and placements with banks and other financial institutions	4,217,080	300,622	-	-	-	387,278	-	139,909	-	5,044,889
Financial assets held for trading	6,138,172	150,176	60,372	6,539,646	519,634	619,162	242,638	148,402	2,338,437	16,756,639
Financial investments available-for-sale	12,603,428	475,655	168,994	2,513,130	157,956	253,409	1,963,912	384,309	687,449	19,208,242
Financial investments held-to-maturity	20,239,740	-	481,987	1,803,238	-	-	-	-	47,497	22,572,462
Derivative financial instruments	4,722,688	265,721	717,089	1,700,704	358,138	844,137	223,042	242	857,082	9,688,843
Loans, advances and financing	132,378,473	2,981,235	4,150,519	30,350,628	33,745	3,994,834	2,096,472	1,448,900	5,150,969	182,585,775
Other assets	6,885,105	35,663	168	536,601	10,632	516,068	128,282	277	272,966	8,385,762
Amounts due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	-	-	4,084
Amount due from subsidiaries	517,187	-	3,639	-	-	25,402	-	1	233	546,462
Amount due from related companies	1,217,388	877	123	1,739	-	29	2	1	661	1,220,820
Financial guarantees	2,380,245	503	-	2,941,239	1,500	52,574	307,830	11,878	78,715	5,774,484
Credit related commitments and contingencies	59,354,176	935,378	-	2,154,133	-	456,539	804,174	753,836	1,875,523	66,333,759
<b>Total credit exposures</b>	<b>257,504,275</b>	<b>5,206,805</b>	<b>5,737,533</b>	<b>49,386,794</b>	<b>1,605,796</b>	<b>7,882,353</b>	<b>6,609,180</b>	<b>3,227,498</b>	<b>13,289,439</b>	<b>350,449,673</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows:

	The Group 31 December 2017									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets <sup>*</sup> RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	1,020	254,809	-	53,238	6,717,940	-	7,027,007
Mining and quarrying	-	-	-	280,715	331,271	1,132,352	91,342	6,123,056	-	7,958,736
Manufacturing	-	-	-	81,811	438,503	103,565	123,228	13,139,050	-	13,886,157
Electricity, gas and water supply	-	-	-	794,512	3,560,089	1,398,505	243,116	2,681,025	1,991	8,679,238
Construction	-	-	-	321,009	1,824,144	754,426	59,381	10,414,908	-	13,373,868
Transport, storage and communications	-	-	-	422,458	2,409,700	2,047,353	310,140	8,117,054	168,051	13,474,756
Education, health and others	-	-	-	-	10,324	-	6,813	8,218,816	-	8,235,953
Wholesale and retail trade, and restaurants and hotels	-	-	-	66	148,185	5,027	6,276	19,164,209	364	19,324,127
Finance, insurance/takaful, real estate and business activities	8,284,616	5,493,702	1,194,205	9,074,778	9,935,973	8,777,775	6,533,437	31,888,525	9,487,469	90,670,480
<i>Others</i>										
Government and government agencies	22,383,141	-	-	7,109,366	2,693,017	19,359,644	175,375	9,095,626	77,768	60,893,937
Household	-	-	-	-	-	-	2,673	143,960,967	7,129	143,970,769
Others	-	990,985	-	830,302	1,656,214	744,455	765,428	2,267,533	344,031	7,598,948
	<b>30,667,757</b>	<b>6,484,687</b>	<b>1,194,205</b>	<b>18,916,037</b>	<b>23,262,229</b>	<b>34,323,102</b>	<b>8,370,447</b>	<b>261,788,709</b>	<b>10,086,803</b>	<b>395,093,976</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows:  
(Continued)

	The Group									
	31 December 2016									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	4,148	218,684	-	83,261	7,763,666	-	8,069,759
Mining and quarrying	-	-	-	165,059	318,349	-	2,717	6,503,096	4,886	6,994,107
Manufacturing	-	-	-	91,134	901,896	219,655	87,703	11,461,394	-	12,761,782
Electricity, gas and water supply	-	-	-	400,684	2,039,369	1,503,234	184,207	3,096,541	3,474	7,227,509
Construction	-	-	-	432,461	1,935,211	582,352	30,661	5,292,936	-	8,273,621
Transport, storage and communications	-	-	-	299,994	2,612,439	1,681,238	459,365	7,383,118	390,863	12,827,017
Education, health and others	-	-	-	19,494	26,227	-	1,184	7,954,693	425	8,002,023
Wholesale and retail trade, and restaurants and hotels	-	-	-	22,936	210,581	5,063	658	14,391,916	-	14,631,154
Finance, insurance/takaful, real estate and business activities	7,822,289	3,804,556	1,181,729	14,472,991	9,884,927	7,845,899	9,280,044	30,149,837	9,563,427	94,005,699
<i>Others</i>										
Government and government agencies	7,655,497	-	-	4,014,702	3,531,661	14,993,871	592,860	9,447,696	4,820	40,241,107
Household	6,741	-	-	-	-	-	-	151,181,833	8,149	151,196,723
Others	-	1,302,983	-	448,089	2,977,830	769,550	1,087,301	1,573,223	420,173	8,579,149
	15,484,527	5,107,539	1,181,729	20,371,692	24,657,174	27,600,862	11,809,961	256,199,949	10,396,217	372,809,650

\* Other financial assets include amount due from holding company and ultimate holding company, amount due from related companies and other financial assets

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows:

	The Bank 31 December 2017									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	1,020	198,639	-	53,200	4,633,131	-	4,885,990
Mining and quarrying	-	-	-	280,715	312,169	1,132,352	87,846	3,944,990	-	5,758,072
Manufacturing	-	-	-	77,335	422,816	76,702	34,279	7,989,893	-	8,601,025
Electricity, gas and water supply	-	-	-	794,512	3,326,399	1,182,362	116,340	1,124,035	1,991	6,545,639
Construction	-	-	-	304,112	1,487,909	552,184	56,775	8,910,956	-	11,311,936
Transport, storage and communications	-	-	-	403,406	1,813,651	1,075,338	300,620	5,435,064	167,943	9,196,022
Education, health and others	-	-	-	-	-	-	-	7,259,717	-	7,259,717
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	14,076,916	342	14,077,258
Finance, insurance/takaful, real estate and business activities	7,033,442	4,009,616	9,227,427	6,133,486	7,435,954	7,822,479	4,597,415	22,945,179	8,684,135	77,889,133
<i>Others</i>										
Government and government agencies	10,255,415	-	-	5,688,796	2,134,472	16,112,689	57,190	2,021,338	69,864	36,339,764
Household	-	-	-	-	-	-	-	96,742,448	-	96,742,448
Others	-	990,985	-	815,005	1,609,332	744,455	758,877	1,813,369	298,625	7,030,648
	<b>17,288,857</b>	<b>5,000,601</b>	<b>9,227,427</b>	<b>14,498,387</b>	<b>18,741,341</b>	<b>28,698,561</b>	<b>6,062,542</b>	<b>176,897,036</b>	<b>9,222,900</b>	<b>285,637,652</b>

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The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows:  
(Continued)

<b>The Bank 31 December 2016</b>										
	<b>Cash and short term funds RM'000</b>	<b>Reverse repurchase agreements RM'000</b>	<b>Deposits and placements with banks and other financial institutions RM'000</b>	<b>Financial assets held for trading RM'000</b>	<b>Financial investments available-for- sale RM'000</b>	<b>Financial investments held-to- maturity RM'000</b>	<b>Derivative financial instruments RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Other financial assets * RM'000</b>	<b>Total credit exposures RM'000</b>
Primary agriculture	-	-	-	4,148	163,672	-	82,370	6,452,030	-	6,702,220
Mining and quarrying	-	-	-	151,905	305,239	-	88	5,110,350	4,886	5,572,468
Manufacturing	-	-	-	40,689	774,647	173,535	71,859	6,653,101	-	7,713,831
Electricity, gas and water supply	-	-	-	399,195	1,865,301	1,231,750	48,904	1,503,700	3,472	5,052,322
Construction	-	-	-	397,670	1,479,683	552,276	29,762	3,916,022	-	6,375,413
Transport, storage and communications	-	-	-	256,560	2,007,868	660,989	440,895	5,168,432	391,093	8,925,837
Education, health and others	-	-	-	-	-	-	-	6,016,505	425	6,016,930
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	9,818,189	-	9,818,189
Finance, insurance/takaful, real estate and business activities	6,844,990	3,395,097	5,044,889	11,724,794	7,389,193	6,276,690	7,742,827	22,677,576	9,356,380	80,452,436
<i>Others</i>										
Government and government agencies	784,382	-	-	3,333,589	2,268,211	12,907,672	193,466	2,021,279	-	21,508,599
Household	-	-	-	-	-	-	-	112,174,922	-	112,174,922
Others	-	1,302,983	-	448,089	2,954,428	769,550	1,078,672	1,073,669	400,872	8,028,263
	<b>7,629,372</b>	<b>4,698,080</b>	<b>5,044,889</b>	<b>16,756,639</b>	<b>19,208,242</b>	<b>22,572,462</b>	<b>9,688,843</b>	<b>182,585,775</b>	<b>10,157,128</b>	<b>278,341,430</b>

\* Other financial assets include amount due from holding company and ultimate holding company, amount due from subsidiaries, amount due from related companies and other financial assets

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 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			
	31 December 2017		31 December 2016	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	81,454	1,598,887	30,304	1,295,247
Mining and quarrying	152,547	567,239	187,804	960,607
Manufacturing	610,326	5,653,838	544,810	5,074,518
Electricity, gas and water supply	138,522	604,802	87,244	1,170,242
Construction	593,325	6,136,815	705,700	7,127,018
Transport, storage and communications	228,837	2,050,166	445,454	2,683,984
Education, health and others	91,722	3,575,248	87,511	3,419,036
Wholesale and retail trade, and restaurants and hotels	2,359,781	6,715,281	2,366,764	6,723,228
Finance, insurance/takaful, real estate and business activities	1,601,990	9,544,360	1,025,112	8,753,318
<u>Others</u>				
Household	61,925	40,373,319	780,379	36,282,554
Others	113,650	5,542,305	114,060	4,434,761
	<b>6,034,079</b>	<b>82,362,260</b>	<b>6,375,142</b>	<b>77,924,513</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 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: (Continued)

	The Bank			
	31 December 2017		31 December 2016	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	75,124	1,309,911	28,954	1,144,442
Mining and quarrying	152,254	268,874	187,492	895,106
Manufacturing	442,086	4,718,025	369,600	3,988,079
Electricity, gas and water supply	53,812	533,916	51,027	697,193
Construction	556,525	4,249,146	657,998	4,069,207
Transport, storage and communications	223,487	1,611,112	440,853	1,898,738
Education, health and others	90,649	3,178,729	85,350	3,316,839
Wholesale and retail trade, and restaurants and hotels	2,004,299	5,870,419	2,074,205	5,801,468
Finance, insurance/takaful, real estate and business activities	1,324,225	5,605,886	1,015,268	6,876,220
<u>Others</u>				
Household	61,825	35,938,160	780,279	33,461,697
Others	85,361	4,913,436	83,458	4,184,770
	<b>5,069,647</b>	<b>68,197,614</b>	<b>5,774,484</b>	<b>66,333,759</b>



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### 53 Financial Risk Management (Continued)

#### 53.1 Credit risk (Continued)

##### 53.1.4 Credit quality of financial assets

Financial assets are required under MFRS 7, to be categorised into “neither past due nor impaired”, “past due but not impaired” or “impaired”.

#### (a) Loan, advances and financing

Loans, advances and financing are summarised as follows:

	The Group 31 December 2017			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	
	RM'000	RM'000	RM'000	
Overdrafts	4,627,846	410,528	272,851	5,311,225
Term loans/financing	196,824,699	12,792,181	4,910,072	214,526,952
Bills receivable	9,028,116	14,757	513,320	9,556,193
Trust receipts	1,665,781	16,608	81,737	1,764,126
Claim on customers under acceptance credit	3,680,689	21,377	86,042	3,788,108
Credit card receivables	6,655,337	356,051	120,315	7,131,703
Revolving credit	22,738,031	119,098	202,931	23,060,060
Share margin financing	887,905	-	831	888,736
<b>Total</b>	<b>246,108,404</b>	<b>13,730,600</b>	<b>6,188,099</b>	<b>266,027,103</b>
Less: Impairment allowances				(4,238,394) *
<b>Total net amount</b>				<b>261,788,709</b>

	The Group 31 December 2016			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	
	RM'000	RM'000	RM'000	
Overdrafts	4,578,149	403,225	298,531	5,279,905
Term loans/financing	198,865,589	13,170,709	4,201,905	216,238,203
Bills receivable	5,922,446	112,727	467,237	6,502,410
Trust receipts	1,454,567	1,918	186,858	1,643,343
Claim on customers under acceptance credit	3,213,146	8,188	112,160	3,333,494
Credit card receivables	6,465,569	422,013	184,999	7,072,581
Revolving credit	19,608,384	11,314	133,179	19,752,877
Share margin financing	704,688	-	883	705,571
<b>Total</b>	<b>240,812,538</b>	<b>14,130,094</b>	<b>5,585,752</b>	<b>260,528,384</b>
Less: Impairment allowances				(4,328,435) *
<b>Total net amount</b>				<b>256,199,949</b>

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

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Loans, advances and financing are summarised as follows: (Continued)

	<b>The Bank</b>			<b>Total</b>
	<b>31 December 2017</b>			
	<b>Neither past due nor impaired (i)</b>	<b>Past due but not impaired (ii)</b>	<b>Impaired (iii)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,964,520	372,759	180,411	3,517,690
Term loans/financing	128,912,945	8,168,251	3,283,405	140,364,601
Bills receivable	5,471,516	7,156	60,379	5,539,051
Trust receipts	804,658	12,636	14,701	831,995
Claim on customers under acceptance credit	2,837,665	15,857	79,104	2,932,626
Credit card receivables	6,497,034	337,248	114,251	6,948,533
Revolving credit	18,188,396	109,170	197,653	18,495,219
Share margin financing	884,345	-	654	884,999
<b>Total</b>	<b>166,561,079</b>	<b>9,023,077</b>	<b>3,930,558</b>	<b>179,514,714</b>
Less: Impairment allowances				<b>(2,617,678) *</b>
<b>Total net amount</b>				<b>176,897,036</b>

	<b>The Bank</b>			<b>Total</b>
	<b>31 December 2016</b>			
	<b>Neither past due nor impaired (i)</b>	<b>Past due but not impaired (ii)</b>	<b>Impaired (iii)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,992,758	345,367	204,387	3,542,512
Term loans/financing	140,476,214	8,438,105	2,745,666	151,659,985
Bills receivable	2,503,230	1,798	38,973	2,544,001
Trust receipts	918,517	1,918	85,289	1,005,724
Claim on customers under acceptance credit	2,794,592	6,142	104,394	2,905,128
Credit card receivables	6,285,716	399,585	177,430	6,862,731
Revolving credit	15,946,539	-	126,610	16,073,149
Share margin financing	702,843	-	700	703,543
<b>Total</b>	<b>172,620,409</b>	<b>9,192,915</b>	<b>3,483,449</b>	<b>185,296,773</b>
Less: Impairment allowances				<b>(2,710,998) *</b>
<b>Total net amount</b>				<b>182,585,775</b>

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

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

	The Group							
	31 December 2017				31 December 2016			
	Good	Satisfactory	No rating	Total	Good	Satisfactory	No rating	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,208,057	180,985	2,238,804	4,627,846	2,275,255	144,450	2,158,444	4,578,149
Term loans/financing	38,784,825	959,175	157,080,699	196,824,699	67,421,620	2,689,345	128,754,624	198,865,589
Bills receivable	7,673,720	118,841	1,235,555	9,028,116	4,937,870	430,775	553,801	5,922,446
Trust receipts	1,296,296	65,350	304,135	1,665,781	1,338,744	15,248	100,575	1,454,567
Claim on customers under acceptance credit	2,041,094	35,842	1,603,753	3,680,689	2,008,278	22,683	1,182,185	3,213,146
Credit card receivables	-	-	6,655,337	6,655,337	-	-	6,465,569	6,465,569
Revolving credit	13,457,751	145,186	9,135,094	22,738,031	17,424,516	255,348	1,928,520	19,608,384
Share margin financing	-	-	887,905	887,905	-	-	704,688	704,688
<b>Total</b>	<b>65,461,743</b>	<b>1,505,379</b>	<b>179,141,282</b>	<b>246,108,404</b>	<b>95,406,283</b>	<b>3,557,849</b>	<b>141,848,406</b>	<b>240,812,538</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)**

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

	<b>The Bank</b>							
	<b>31 December 2017</b>				<b>31 December 2016</b>			
	<b>Good RM'000</b>	<b>Satisfactory RM'000</b>	<b>No rating RM'000</b>	<b>Total RM'000</b>	<b>Good RM'000</b>	<b>Satisfactory RM'000</b>	<b>No rating RM'000</b>	<b>Total RM'000</b>
Overdrafts	1,327,081	87,404	1,550,035	2,964,520	1,401,245	66,159	1,525,354	2,992,758
Term loans/financing	29,079,154	387,270	99,446,521	128,912,945	48,469,582	1,445,382	90,561,250	140,476,214
Bills receivable	4,394,910	36,769	1,039,837	5,471,516	1,715,969	319,546	467,715	2,503,230
Trust receipts	738,694	48,535	17,429	804,658	881,767	951	35,799	918,517
Claim on customers under acceptance credit	1,667,103	34,960	1,135,602	2,837,665	1,691,098	1,429	1,102,065	2,794,592
Credit card receivables	-	-	6,497,034	6,497,034	-	-	6,285,716	6,285,716
Revolving credit	12,575,252	145,186	5,467,958	18,188,396	13,897,132	203,708	1,845,699	15,946,539
Share margin financing	-	-	884,345	884,345	-	-	702,843	702,843
<b>Total</b>	<b>49,782,194</b>	<b>740,124</b>	<b>116,038,761</b>	<b>166,561,079</b>	<b>68,056,793</b>	<b>2,037,175</b>	<b>102,526,441</b>	<b>172,620,409</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **53.1.4 Credit quality of financial assets (Continued)**

###### **(a) Loan, advances and financing (Continued)**

###### **(i) Loans, advances and financing 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 of principal and interest.

**No rating** - Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, cooperatives and others.

###### **(ii) Loans, advances and financing that are “past due but not impaired”**

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

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loans, advances and financing (Continued)****(ii) Loans, advances and financing that are “past due but not impaired” (Continued)**

An age analysis of loans, advances and financing that are “past due but not impaired” are set out as below:

	The Group					
	31 December 2017			31 December 2016		
	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
Overdrafts	367,908	42,620	410,528	362,426	40,799	403,225
Term loans/financing	9,781,866	3,010,315	12,792,181	10,461,805	2,708,904	13,170,709
Bills receivable	12,573	2,184	14,757	68,251	44,476	112,727
Trust receipts	6,453	10,155	16,608	1,028	890	1,918
Claim on customers under acceptance credit	12,149	9,228	21,377	6,360	1,828	8,188
Credit card receivables	287,740	68,311	356,051	354,846	67,167	422,013
Revolving credit	109,170	9,928	119,098	3,843	7,471	11,314
<b>Total</b>	<b>10,577,859</b>	<b>3,152,741</b>	<b>13,730,600</b>	<b>11,258,559</b>	<b>2,871,535</b>	<b>14,130,094</b>

	The Bank					
	31 December 2017			31 December 2016		
	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
Overdrafts	331,319	41,440	372,759	313,932	31,435	345,367
Term loans/financing	6,157,876	2,010,375	8,168,251	6,660,643	1,777,462	8,438,105
Bills receivable	6,581	575	7,156	1,778	20	1,798
Trust receipts	5,994	6,642	12,636	1,028	890	1,918
Claim on customers under acceptance credit	6,629	9,228	15,857	4,953	1,189	6,142
Credit card receivables	281,305	55,943	337,248	337,587	61,998	399,585
Revolving credit	109,170	-	109,170	-	-	-
<b>Total</b>	<b>6,898,874</b>	<b>2,124,203</b>	<b>9,023,077</b>	<b>7,319,921</b>	<b>1,872,994</b>	<b>9,192,915</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(iii) Impaired loans, advances and financing**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Total gross impaired loans	<b>6,188,099</b>	5,585,752	<b>3,930,558</b>	3,483,449
Less: Impairment allowances	<b>(3,134,789)</b>	(3,080,997)	<b>(2,071,792)</b>	(2,030,229)
<b>Total net impaired loans</b>	<b><u>3,053,310</u></b>	<u>2,504,755</u>	<b><u>1,858,766</u></b>	<u>1,453,220</u>

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

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments**

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

	The Group					
	31 December 2017			31 December 2016		
	Neither past due nor impaired		Total	Neither past due nor impaired		Total
	(i)	Impaired		(i)	Impaired	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	18,916,037	-	18,916,037	20,371,692	-	20,371,692
Financial investments available-for-sale	23,262,229	77,714	23,339,943	24,657,174	40,393	24,697,567
Financial investments held-to-maturity	34,323,102	7,180	34,330,282	27,600,862	7,181	27,608,043
<b>Total</b>	<b>76,501,368</b>	<b>84,894</b>	<b>76,586,262</b>	<b>72,629,728</b>	<b>47,574</b>	<b>72,677,302</b>
Less: Impairment allowance			(84,894) *			(47,574) *
<b>Total net amount</b>			<b>76,501,368</b>			<b>72,629,728</b>

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

	The Bank					
	31 December 2017			31 December 2016		
	Neither past due nor impaired		Total	Neither past due nor impaired		Total
	(i)	Impaired		(i)	Impaired	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	14,498,387	-	14,498,387	16,756,639	-	16,756,639
Financial investments available-for-sale	18,741,341	77,714	18,819,055	19,208,242	40,393	19,248,635
Financial investments held-to-maturity	28,698,561	-	28,698,561	22,572,462	-	22,572,462
<b>Total</b>	<b>61,938,289</b>	<b>77,714</b>	<b>62,016,003</b>	<b>58,537,343</b>	<b>40,393</b>	<b>58,577,736</b>
Less: Impairment allowance			(77,714) *			(40,393) *
<b>Total net amount</b>			<b>61,938,289</b>			<b>58,537,343</b>

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

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” as at 31 December 2017 and 31 December 2016 for the Group and the Bank.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) 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:

	31 December 2017					The Group		31 December 2016				
	Sovereign	Investment grade		Non investment grade	No rating	Total	Sovereign	Investment grade		Non investment grade	No rating	Total
		(AAA to BBB-)	(BB+ and below)					(AAA to BBB-)	(BB+ and below)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	7,639,706	10,505,521	20,737	750,073	18,916,037	10,386,340	9,214,914	-	770,438	20,371,692		
Financial investments available-for-sale	4,001,557	16,707,225	54,120	2,499,327	23,262,229	4,134,546	17,626,495	387,628	2,508,505	24,657,174		
Financial investments held-to-maturity	25,351,026	5,405,835	153,720	3,412,521	34,323,102	19,437,319	5,030,510	153,875	2,979,158	27,600,862		
<b>Total</b>	<b>36,992,289</b>	<b>32,618,581</b>	<b>228,577</b>	<b>6,661,921</b>	<b>76,501,368</b>	<b>33,958,205</b>	<b>31,871,919</b>	<b>541,503</b>	<b>6,258,101</b>	<b>72,629,728</b>		

The securities with no ratings mainly consist of corporate bond and Sukuk.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired” (Continued)**

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: (Continued)

	31 December 2017					The Bank					31 December 2016				
	Investment grade		Non investment grade		No rating	Total	Investment grade		Non investment grade		No rating	Total			
	Sovereign	(AAA to BBB-)	(BB+ and below)				Sovereign	(AAA to BBB-)	(BB+ and below)						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Financial assets held for trading	6,198,781	7,528,796	20,737	750,073	14,498,387	9,691,420	6,325,523	-	739,696	16,756,639					
Financial investments available-for-sale	3,206,480	13,058,464	54,120	2,422,277	18,741,341	2,675,841	13,636,268	387,628	2,508,505	19,208,242					
Financial investments held-to-maturity	21,107,233	3,722,190	153,720	3,715,418	28,698,561	16,195,663	3,232,331	153,875	2,990,593	22,572,462					
<b>Total</b>	<b>30,512,494</b>	<b>24,309,450</b>	<b>228,577</b>	<b>6,887,768</b>	<b>61,938,289</b>	<b>28,562,924</b>	<b>23,194,122</b>	<b>541,503</b>	<b>6,238,794</b>	<b>58,537,343</b>					

The securities with no ratings mainly consist of corporate bond and Sukuk.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets**

Other financial assets are summarised as follows:

	The Group 31 December 2017			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	30,667,757	-	-	30,667,757
Reverse repurchase agreements	6,484,687	-	-	6,484,687
Deposits and placements with banks and other financial institutions	1,194,205	-	-	1,194,205
Other assets	8,967,138	4,349	17,907	8,989,394
Derivative financial instruments	8,370,447	-	-	8,370,447
Amount due from holding company and ultimate holding company	3,227	-	-	3,227
Amount due from related companies	1,107,017	-	-	1,107,017
<b>Total</b>	<b>56,794,478</b>	<b>4,349</b>	<b>17,907</b>	<b>56,816,734</b>
Less: Impairment allowances				(12,835) *
<b>Total net amount</b>				<b>56,803,899</b>

	The Group 31 December 2016			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	15,484,527	-	-	15,484,527
Reverse repurchase agreements	5,107,539	-	-	5,107,539
Deposits and placements with banks and other financial institutions	1,181,729	-	-	1,181,729
Other assets	9,158,844	8,493	16,110	9,183,447
Derivative financial instruments	11,809,961	-	-	11,809,961
Amount due from holding company and ultimate holding company	4,084	-	-	4,084
Amount due from related companies	1,223,076	-	-	1,223,076
<b>Total</b>	<b>43,969,760</b>	<b>8,493</b>	<b>16,110</b>	<b>43,994,363</b>
Less: Impairment allowances				(14,390) *
<b>Total net amount</b>				<b>43,979,973</b>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

Other financial assets are summarised as follows: (Continued)

	The Bank 31 December 2017			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	17,288,857	-	-	17,288,857
Reverse repurchase agreements	5,000,601	-	-	5,000,601
Deposits and placements with banks and other financial institutions	9,227,427	-	-	9,227,427
Other assets	8,040,284	4,349	14,895	8,059,528
Derivative financial instruments	6,062,542	-	-	6,062,542
Amount due from holding company and ultimate holding company	3,227	-	-	3,227
Amount due from subsidiaries	63,827	-	-	63,827
Amount due from related companies	1,105,782	-	-	1,105,782
<b>Total</b>	<b>46,792,547</b>	<b>4,349</b>	<b>14,895</b>	<b>46,811,791</b>
Less: Impairment allowances				(9,464) *
<b>Total net amount</b>				<b>46,802,327</b>

	The Bank 31 December 2016			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	7,629,372	-	-	7,629,372
Reverse repurchase agreements	4,698,080	-	-	4,698,080
Deposits and placements with banks and other financial institutions	5,044,889	-	-	5,044,889
Other assets	8,375,483	8,372	13,258	8,397,113
Derivative financial instruments	9,688,843	-	-	9,688,843
Amount due from holding company and ultimate holding company	4,084	-	-	4,084
Amount due from subsidiaries	546,462	-	-	546,462
Amount due from related companies	1,220,820	-	-	1,220,820
	<b>37,208,033</b>	<b>8,372</b>	<b>13,258</b>	<b>37,229,663</b>
Less: Impairment allowances				(11,351) *
<b>Total net amount</b>				<b>37,218,312</b>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)****(i) Other financial assets that are “neither past due nor impaired”**

An analysis of the credit quality of the Group’s and the Bank’s other credit risk financial assets that are “neither past due nor impaired” are set out below:

	The Group									
	31 December 2017					31 December 2016				
	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
Cash and short term funds	22,432,429	6,940,509	3,228	1,291,591	30,667,757	7,010,005	7,555,336	2,594	916,592	15,484,527
Reverse repurchase agreements	-	5,427,055	569	1,057,063	6,484,687	112,713	4,738,333	17,400	239,093	5,107,539
Deposits and placements with banks and other financial institutions	-	996,763	-	197,442	1,194,205	68,296	1,093,970	-	19,463	1,181,729
Other assets	174,583	4,040,037	1,169,357	3,583,160	8,967,137	31,038	5,013,068	585,813	3,528,925	9,158,844
Derivative financial instruments	225,232	5,306,267	1,699,788	1,139,160	8,370,447	21,265	8,912,453	2,432,179	444,064	11,809,961
Amount due from holding company and ultimate holding company	-	3,227	-	-	3,227	-	4,084	-	-	4,084
Amount due from related companies	-	17,824	-	1,089,193	1,107,017	-	9,285	-	1,213,791	1,223,076
<b>Total</b>	<b>22,832,244</b>	<b>22,731,682</b>	<b>2,872,942</b>	<b>8,357,609</b>	<b>56,794,477</b>	<b>7,243,317</b>	<b>27,326,529</b>	<b>3,037,986</b>	<b>6,361,928</b>	<b>43,969,760</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)****(i) Other financial assets that are “neither past due nor impaired” (Continued)**

An analysis of the credit quality of the Group’s and the Bank’s other credit risk financial assets that are “neither past due nor impaired” are set out below: (Continued)

	The Bank									
	31 December 2017					31 December 2016				
	Sovereign	Investment grade	Non investment grade	No rating	Total	Sovereign	Investment grade	Non investment grade	No rating	Total
RM'000	(AAA to BBB-) RM'000	(BB+ and below) RM'000	RM'000	RM'000	RM'000	RM'000	(AAA to BBB-) RM'000	(BB+ and below) RM'000	RM'000	RM'000
Cash and short term funds	10,255,415	6,813,284	978	219,180	17,288,857	100,184	6,990,856	900	537,432	7,629,372
Reverse repurchase agreements	-	3,942,969	569	1,057,063	5,000,601	112,713	4,328,874	17,400	239,093	4,698,080
Deposits and placements with banks and other financial institutions	-	9,227,427	-	-	9,227,427	-	5,044,889	-	-	5,044,889
Other assets	69,864	3,514,155	1,169,357	3,286,907	8,040,283	-	3,721,773	584,018	4,069,692	8,375,483
Derivative financial instruments	228	3,607,094	1,385,833	1,069,387	6,062,542	20,242	7,248,328	2,104,242	316,031	9,688,843
Amount due from holding company and ultimate holding company	-	3,227	-	-	3,227	-	4,084	-	-	4,084
Amount due from subsidiaries	-	37,202	-	26,625	63,827	-	517,458	-	29,004	546,462
Amount due from related companies	-	17,803	-	1,087,979	1,105,782	-	9,163	-	1,211,657	1,220,820
<b>Total</b>	<b>10,325,507</b>	<b>27,163,161</b>	<b>2,556,737</b>	<b>6,747,141</b>	<b>46,792,546</b>	<b>233,139</b>	<b>27,865,425</b>	<b>2,706,560</b>	<b>6,402,909</b>	<b>37,208,033</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)****(ii) Other financial assets that are “past due but not impaired”**

An age analysis of other financial assets that are “past due but not impaired” are set out as below:

	The Group					
	31 December 2017			31 December 2016		
	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	2,701	1,648	4,349	2,722	5,771	8,493
<b>Total</b>	<b>2,701</b>	<b>1,648</b>	<b>4,349</b>	<b>2,722</b>	<b>5,771</b>	<b>8,493</b>

	The Bank					
	31 December 2017			31 December 2016		
	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	2,701	1,648	4,349	2,722	5,650	8,372
<b>Total</b>	<b>2,701</b>	<b>1,648</b>	<b>4,349</b>	<b>2,722</b>	<b>5,650</b>	<b>8,372</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.1 Credit risk (Continued)**

##### **53.1.5 Repossessed collateral**

The Group obtained assets by taking possession of collateral held as security as follows:

	<b>The Group</b>	
	<b>Carrying amount</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
<b>Nature of assets</b>	<b>RM'000</b>	<b>RM'000</b>
Industrial and residential properties, development land and motor vehicles	<b>105,549</b>	135,872

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.



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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.2 Market risk**

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

#### **Market Risk Management (MRM)**

The Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. The GRC with the assistance of GMRC and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, are responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

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

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

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

The Group adopts the VaR methodology as an approach in the measurement of market risk. Backtesting is performed to validate and reassess the accuracy of the existing VaR model. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Back-testing involves the comparison of the daily model-generated VaR against the actual or hypothetical profit or loss data over the corresponding period. The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2017 is shown in table 53.2.1.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.2 Market risk (Continued)**

##### **Market Risk Management (MRM) (Continued)**

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

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

##### *Capital Treatment for Market Risk*

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

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.1 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:

	<b>The Group</b>		<b>The Bank *</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
Foreign exchange risk	<b>5,507</b>	5,182	<b>4,274</b>	5,484
Interest rate risk	<b>14,340</b>	21,530	<b>11,921</b>	19,080
Equity risk	<b>2,652</b>	5,063	<b>2,652</b>	5,063
Commodity risk	<b>1,555</b>	1,294	<b>1,555</b>	1,294
<b>Total</b>	<b>24,054</b>	33,069	<b>20,402</b>	30,921
<b>Total shareholder's fund</b>	<b>37,618,680</b>	34,258,879	<b>31,474,900</b>	28,450,917
<b>Percentage over shareholder's funds</b>	<b>0.06%</b>	0.10%	<b>0.06%</b>	0.11%

\* Includes the operations of CIMB Bank (L) Limited.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk**

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

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

	The Group 31 December 2017						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	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			
<b>Financial assets</b>									
Cash and short-term funds	28,002,329	-	-	-	-	-	5,339,190	-	33,341,519
Reverse repurchase agreements	4,940,107	1,245,097	131,095	141,756	9,163	-	17,469	-	6,484,687
Deposits and placements with banks and other financial institutions	8,300	1,027,222	154,462	393	-	-	3,828	-	1,194,205
Financial assets held for trading	-	-	-	-	-	-	-	20,410,054	20,410,054
Financial investments available-for-sale	127,903	723,627	471,430	1,098,204	9,214,562	11,449,604	1,518,946	-	24,604,276
Financial investments held-to-maturity	2,474,888	1,701,622	856,428	2,475,114	14,942,144	11,549,262	323,644	-	34,323,102
Derivative financial instruments	24,083	67,241	51,343	6,320	47,040	44,094	-	8,130,326	8,370,447
Loans, advances and financing	211,555,664	11,012,288	4,146,321	7,574,109	18,149,933	9,349,858	536	-	261,788,709
Other assets	2,642,232	376,670	17,763	489,921	646,967	2,818	4,800,188	-	8,976,559
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	3,227	-	3,227
Amount due from related companies	-	-	-	-	-	-	1,107,017	-	1,107,017
<b>Total financial assets</b>	<b>249,775,506</b>	<b>16,153,767</b>	<b>5,828,842</b>	<b>11,785,817</b>	<b>43,009,809</b>	<b>32,395,636</b>	<b>13,114,045</b>	<b>28,540,380</b>	<b>400,603,802</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

- (a) The tables below summarise the Group'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 2017						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	← 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			
<b>Financial liabilities</b>									
Deposits from customers	144,931,707	53,975,489	41,859,923	22,295,796	709,847	26,511	32,100,848	-	295,900,121
Investment accounts of customers	289,484	522,310	92,529	-	-	-	3,440	-	907,763
Deposits and placements of banks and other financial institutions	8,392,252	5,317,911	1,453,076	1,213,042	125,080	-	600,588	-	17,101,949
Repurchase agreements	75,273	1,941,228	780,129	139,702	362,304	-	19,881	-	3,318,517
Financial liabilities designated at fair value	125,079	908,122	1,806,814	218,915	1,503,330	151,000	14,886	45,294	4,773,440
Derivative financial instruments	4,387	6,216	9,062	14,990	336,661	166,268	-	8,190,853	8,728,437
Bills and acceptances payable	1,075,049	78,908	27,087	24,867	3,098	680,115	36,965	-	1,926,089
Amount due to related companies	-	-	-	-	-	-	13,267	-	13,267
Other liabilities	2,974,161	1,542,218	101,642	38,746	378,027	25,000	6,440,237	-	11,500,031
Recourse obligation on loans and financing sold to Cagamas	350,003	940,018	-	-	3,377,860	484,282	43,085	-	5,195,248
Bonds, sukuk and debentures	98,662	2,691,652	573,393	155,478	6,710,170	2,811,691	222,339	-	13,263,385
Other borrowings	1,824,525	3,253,648	-	-	-	-	22,511	-	5,100,684
Subordinated obligations	-	-	-	2,048,743	7,538,938	641,278	132,359	-	10,361,318
<b>Total financial liabilities</b>	<b>160,140,582</b>	<b>71,177,720</b>	<b>46,703,655</b>	<b>26,150,279</b>	<b>21,045,315</b>	<b>4,986,145</b>	<b>39,650,406</b>	<b>8,236,147</b>	<b>378,090,249</b>
<b>Net interest sensitivity gap</b>	<b>89,634,924</b>	<b>(55,023,953)</b>	<b>(40,874,813)</b>	<b>(14,364,462)</b>	<b>21,964,494</b>	<b>27,409,491</b>		<b>20,304,233</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	6,034,079	-	6,034,079
Credit related commitments and contingencies	-	-	-	-	-	-	82,362,260	-	82,362,260
Treasury related commitments and contingencies (hedging)	88,708	-	740,851	5,301,048	18,513,737	9,108,069	-	-	33,752,413
<b>Net interest sensitivity gap</b>	<b>88,708</b>	<b>-</b>	<b>740,851</b>	<b>5,301,048</b>	<b>18,513,737</b>	<b>9,108,069</b>	<b>88,396,339</b>	<b>-</b>	<b>122,148,752</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

- (a) The tables below summarise the Group'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-interest sensitive RM'000	Trading book RM'000	Total RM'000
	← 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			
<b>Financial assets</b>									
Cash and short-term funds	12,936,127	-	-	-	-	-	5,684,183	-	18,620,310
Reverse repurchase agreements	3,972,033	1,125,691	-	-	-	-	9,815	-	5,107,539
Deposits and placements with banks and other financial institutions	451,253	524,793	157,626	85	-	-	47,972	-	1,181,729
Financial assets held for trading	-	-	-	-	-	-	-	21,333,299	21,333,299
Financial investments available-for-sale	458,563	592,772	368,599	1,937,760	9,095,255	12,006,815	1,508,070	-	25,967,834
Financial investments held-to-maturity	668,156	523,816	753,635	459,023	14,354,162	10,566,489	275,581	-	27,600,862
Derivative financial instruments	53,123	8,510	21,578	32,115	86,324	78,097	-	11,530,214	11,809,961
Loans, advances and financing	210,814,318	9,833,188	2,862,467	2,638,551	19,682,735	10,368,690	-	-	256,199,949
Other assets	1,195,335	4,017,228	45,040	159,739	1,283,633	397	2,467,685	-	9,169,057
Amount due from holding company and Amount due from related companies	-	-	-	-	-	-	4,084	-	4,084
	-	-	-	-	-	-	1,223,076	-	1,223,076
<b>Total financial assets</b>	<b>230,548,908</b>	<b>16,625,998</b>	<b>4,208,945</b>	<b>5,227,273</b>	<b>44,502,109</b>	<b>33,020,488</b>	<b>11,220,466</b>	<b>32,863,513</b>	<b>378,217,700</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Group							Trading book	Total
	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-interest sensitive	Trading book	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial liabilities</b>									
Deposits from customers	140,581,804	58,505,933	29,963,445	19,473,229	581,899	228	26,825,684	-	275,932,222
Investment accounts of customers	254,408	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	11,883,448	10,681,419	2,163,857	969,298	348,561	318,009	176,839	-	26,541,431
Repurchase agreements	352,679	2,182,711	1,275,867	-	513,262	-	16,335	-	4,340,854
Financial liabilities designated at fair value	141,846	568,910	1,473,503	-	2,262,370	166,900	15,274	(261,226)	4,367,577
Derivative financial instruments	62,897	90,279	3,293	48,867	516,122	221,764	-	11,087,666	12,030,888
Bills and acceptances payable	1,602,469	136,560	221,022	26,019	27,295	251,675	36,328	-	2,301,368
Amount due to related companies	-	-	-	-	-	-	5,228	-	5,228
Other liabilities	1,373,593	4,333,658	49,779	199,300	364,132	27,150	2,408,161	-	8,755,773
Recourse obligation on loans and financing sold to Cagamas	350,000	1,253,473	-	-	2,045,640	812,207	37,049	-	4,498,369
Bonds, sukuk and debentures	7,581	460,523	297,803	1,575,910	3,800,074	-	145,262	-	6,287,153
Other borrowings	1,794,400	1,763,296	-	-	-	-	8,130	-	3,565,826
Subordinated obligations	-	-	-	1,801,763	8,263,481	863,379	177,996	-	11,106,619
<b>Total financial liabilities</b>	<b>158,405,125</b>	<b>79,976,762</b>	<b>35,448,569</b>	<b>24,094,386</b>	<b>18,722,836</b>	<b>2,661,312</b>	<b>29,852,286</b>	<b>10,826,440</b>	<b>359,987,716</b>
<b>Net interest sensitivity gap</b>	<b>72,143,783</b>	<b>(63,350,764)</b>	<b>(31,239,624)</b>	<b>(18,867,113)</b>	<b>25,779,273</b>	<b>30,359,176</b>		<b>22,037,073</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	6,375,142	-	6,375,142
Credit related commitments and contingencies	-	-	-	-	-	-	77,924,513	-	77,924,513
Treasury related commitments and contingencies (hedging)	1,919,138	109,076	5,322,867	4,980,737	15,404,170	7,048,492	-	-	34,784,480
<b>Net interest sensitivity gap</b>	<b>1,919,138</b>	<b>109,076</b>	<b>5,322,867</b>	<b>4,980,737</b>	<b>15,404,170</b>	<b>7,048,492</b>	<b>84,299,655</b>	<b>-</b>	<b>119,084,135</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2017						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	← 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			
<b>Financial assets</b>									
Cash and short-term funds	16,199,072	-	-	-	-	-	3,443,449	-	19,642,521
Reverse repurchase agreements	3,634,565	1,245,097	68,927	26,123	9,163	-	16,726	-	5,000,601
Deposits and placements with banks and other financial institutions	5,881,995	3,190,955	136,201	2,044	-	-	16,232	-	9,227,427
Financial assets held for trading	-	-	-	-	-	-	-	15,992,404	15,992,404
Financial investments available-for-sale	124,374	711,134	437,535	1,052,397	6,427,920	9,850,989	1,450,918	-	20,055,267
Financial investments held-to-maturity	2,474,888	1,670,034	753,914	1,694,287	12,000,647	9,851,808	252,983	-	28,698,561
Derivative financial instruments	24,083	67,241	51,343	6,994	134,504	44,094	-	5,734,283	6,062,542
Loans, advances and financing	154,202,368	7,554,535	2,700,655	4,361,877	4,118,038	3,959,563	-	-	176,897,036
Other assets	2,620,222	280,004	-	440,347	629,160	-	4,080,331	-	8,050,064
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	3,227	-	3,227
Amount due from subsidiaries	-	-	-	-	-	-	63,827	-	63,827
Amount due from related companies	-	-	-	-	-	-	1,105,782	-	1,105,782
<b>Total financial assets</b>	<b>185,161,567</b>	<b>14,719,000</b>	<b>4,148,575</b>	<b>7,584,069</b>	<b>23,319,432</b>	<b>23,706,454</b>	<b>10,433,475</b>	<b>21,726,687</b>	<b>290,799,259</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

- (b) The tables below summarise the 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 2017						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	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			
<b>Financial liabilities</b>									
Deposits from customers	96,140,519	35,198,961	30,419,148	13,438,313	440,533	26,511	31,778,966	-	207,442,951
Deposits and placements of banks and other financial institutions	7,783,331	5,388,768	1,289,309	1,158,780	124,455	-	419,466	-	16,164,109
Repurchase agreements	75,273	1,941,228	780,129	139,702	362,304	-	19,881	-	3,318,517
Financial liabilities designated at fair value	6,375	4,650	290,439	218,915	1,503,330	151,000	8,618	(282,355)	1,900,972
Derivative financial instruments	4,387	6,216	9,062	15,640	168,466	153,429	-	6,166,409	6,523,609
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	-	1,086,455
Amount due to subsidiaries	-	-	-	-	-	-	12,555	-	12,555
Amount due to related company	-	-	-	-	-	-	10,308	-	10,308
Other liabilities	2,958,362	1,536,800	100,903	38,723	361,453	-	5,277,366	-	10,273,607
Recourse obligation on loans and financing sold to Cagamas	350,003	783,018	-	-	1,477,853	484,282	27,792	-	3,122,948
Bonds	85,784	2,554,168	303,787	131,643	5,926,230	1,982,814	220,522	-	11,204,948
Other borrowing	1,824,525	3,253,648	-	-	-	596,688	22,867	-	5,697,728
Subordinated obligations	-	-	-	2,048,743	7,411,950	-	73,198	-	9,533,891
<b>Total financial liabilities</b>	<b>110,212,274</b>	<b>50,743,110</b>	<b>33,219,864</b>	<b>17,190,459</b>	<b>17,776,574</b>	<b>3,394,724</b>	<b>37,871,539</b>	<b>5,884,054</b>	<b>276,292,598</b>
<b>Net interest sensitivity gap</b>	<b>74,949,293</b>	<b>(36,024,110)</b>	<b>(29,071,289)</b>	<b>(9,606,390)</b>	<b>5,542,858</b>	<b>20,311,730</b>	<b>-</b>	<b>15,842,633</b>	<b>-</b>
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	5,069,647	-	5,069,647
Credit related commitments and contingencies	-	-	-	-	-	-	68,197,614	-	68,197,614
Treasury related commitments and contingencies (hedging)	88,708	-	715,983	5,601,048	19,026,648	9,108,069	-	-	34,540,456
<b>Net interest sensitivity gap</b>	<b>88,708</b>	<b>-</b>	<b>715,983</b>	<b>5,601,048</b>	<b>19,026,648</b>	<b>9,108,069</b>	<b>73,267,261</b>	<b>-</b>	<b>107,807,717</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2016						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	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			
<b>Financial assets</b>									
Cash and short-term funds	5,997,010	-	-	-	-	-	4,360,993	-	10,358,003
Reverse repurchase agreements	3,562,610	1,125,691	-	-	-	-	9,779	-	4,698,080
Deposits and placements with banks and other financial institutions	3,840,524	1,030,487	160,959	2,240	-	-	10,679	-	5,044,889
Financial assets held for trading	-	-	-	-	-	-	-	17,613,301	17,613,301
Financial investments available-for-sale	405,041	592,772	367,339	1,673,976	5,474,072	10,538,417	1,433,809	-	20,485,426
Financial investments held-to-maturity	377,589	500,000	661,537	240,561	11,643,077	8,926,410	223,288	-	22,572,462
Derivative financial instruments	53,123	8,510	21,578	31,556	158,933	68,188	-	9,346,955	9,688,843
Loans, advances and financing	159,709,131	7,835,875	2,004,569	1,847,046	6,156,846	5,032,308	-	-	182,585,775
Other assets	1,182,268	4,015,561	-	110,153	1,276,327	-	1,801,453	-	8,385,762
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	4,084	-	4,084
Amount due from subsidiaries	-	-	-	-	-	-	546,462	-	546,462
Amount due from related companies	-	-	-	-	-	-	1,220,820	-	1,220,820
<b>Total financial assets</b>	<b>175,127,296</b>	<b>15,108,896</b>	<b>3,215,982</b>	<b>3,905,532</b>	<b>24,709,255</b>	<b>24,565,323</b>	<b>9,611,367</b>	<b>26,960,256</b>	<b>283,203,907</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

- (b) The tables below summarise the 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							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
<b>Financial liabilities</b>									
Deposits from customers	98,968,556	38,819,653	21,540,678	12,772,256	439,450	228	26,342,729	-	198,883,550
Deposits and placements of banks and other financial institutions	11,540,333	10,727,027	1,970,143	931,885	348,163	318,009	91,037	-	25,926,597
Repurchase agreements	352,679	2,182,711	1,275,867	-	513,262	-	16,335	-	4,340,854
Financial liabilities designated at fair value	-	-	-	-	2,260,133	166,900	8,447	(431,017)	2,004,463
Derivative financial instruments	62,897	90,279	3,293	47,957	283,377	221,692	-	9,071,240	9,780,735
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	-	886,404
Amount due to subsidiaries	-	-	-	-	-	-	29,422	-	29,422
Amount due to related company	-	-	-	-	-	-	3,570	-	3,570
Other liabilities	1,357,455	4,296,118	49,779	185,875	363,120	-	2,318,706	-	8,571,053
Recourse obligation on loans and financing sold to Cagamas	350,000	807,969	-	-	1,145,637	812,207	29,166	-	3,144,979
Bonds	-	-	266,867	1,575,910	3,214,074	-	142,233	-	5,199,084
Other borrowings	1,794,400	1,763,296	-	-	-	-	8,130	-	3,565,826
Subordinated obligations	-	-	-	1,501,763	7,953,739	-	74,217	-	9,529,719
<b>Total financial liabilities</b>	<b>115,221,146</b>	<b>58,755,047</b>	<b>25,130,195</b>	<b>17,015,662</b>	<b>16,520,955</b>	<b>1,519,036</b>	<b>29,063,992</b>	<b>8,640,223</b>	<b>271,866,256</b>
<b>Net interest sensitivity gap</b>	<b>59,906,150</b>	<b>(43,646,151)</b>	<b>(21,914,213)</b>	<b>(13,110,130)</b>	<b>8,188,300</b>	<b>23,046,287</b>		<b>18,320,033</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	5,774,484	-	5,774,484
Credit related commitments and contingencies	-	-	-	-	-	-	66,333,759	-	66,333,759
Treasury related commitments and contingencies (hedging)	7,154,390	109,076	5,322,867	4,680,737	11,808,467	7,048,492	-	-	36,124,029
<b>Net interest sensitivity gap</b>	<b>7,154,390</b>	<b>109,076</b>	<b>5,322,867</b>	<b>4,680,737</b>	<b>11,808,467</b>	<b>7,048,492</b>	<b>72,108,243</b>	<b>-</b>	<b>108,232,272</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)****(c) Sensitivity of profit**

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

	<b>The Group</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	<b>92,109</b>	<b>(92,109)</b>	(59,059)	59,059

	<b>The Bank</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	<b>172,763</b>	<b>(172,763)</b>	31,268	(31,268)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)****(d) Sensitivity of reserves**

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

	<b>The Group</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to revaluation reserve-financial investments available-for-sale	<b>(1,106,866)</b>	<b>1,106,866</b>	(1,119,791)	1,119,791

	<b>The Bank</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to revaluation reserve-financial investments available-for-sale	<b>(900,860)</b>	<b>900,860</b>	(906,854)	906,854

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserve 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 interest rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective interest movements.

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.2 Market risk (Continued)

##### 53.2.3 Foreign exchange risk

The Group and 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 2017														
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	23,920,547	56,442	298,354	658,242	5,492,121	266,920	1,047,796	99,923	224,973	141,652	99,103	1,035,446	9,420,972	33,341,519
Reverse repurchase agreements	1,924,008	-	1,484,086	414,470	2,243,899	64,405	80,632	194,283	-	63,182	13,524	2,198	4,560,679	6,484,687
Deposits and placements with banks and other financial institutions	71,095	-	-	235	969,905	245	736	-	93,868	-	-	58,121	1,123,110	1,194,205
Financial assets held for trading	10,270,879	15	1,219,209	4,445,775	2,452,448	432,457	-	692,365	-	232,412	38,920	625,574	10,139,175	20,410,054
Financial investments available-for-sale	15,689,594	-	2,609,598	1,979,227	3,566,994	278,535	336,710	-	-	49,668	93,950	-	8,914,682	24,604,276
Financial investments held-to-maturity	27,900,396	-	1,223,434	4,269,075	930,197	-	-	-	-	-	-	-	6,422,706	34,323,102
Derivative financial instruments	20,055,382	113,303	48,086,858	14,714,807	(84,711,434)	1,390,148	1,040,732	(71,045)	3,871,964	3,931,855	(1,371,401)	1,319,278	(11,684,935)	8,370,447
Loans, advances and financing	181,690,056	-	23,576,774	24,324,846	24,430,296	446,498	4,044,950	983,294	421,233	612,136	1,116,933	141,693	80,098,653	261,788,709
Other assets	4,332,227	22,583	517,795	103,063	3,364,811	11,393	68,902	3,061	79	35,783	124,354	392,508	4,644,332	8,976,559
Amount due from ultimate holding company	3,227	-	-	-	-	-	-	-	-	-	-	-	-	3,227
Amount due from related companies	1,107,017	-	-	-	-	-	-	-	-	-	-	-	-	1,107,017
	286,964,428	192,343	79,016,108	50,909,740	(41,260,763)	2,890,601	6,620,458	1,901,881	4,612,117	5,066,688	115,383	3,574,818	113,639,374	400,603,802
<b>Financial liabilities</b>														
Deposits from customers	211,917,426	47	21,893,030	30,184,562	24,761,328	1,297,970	2,581,664	279,753	1,104,733	377,920	726,073	775,615	83,982,695	295,900,121
Investment accounts of customers	347,143	-	-	-	560,620	-	-	-	-	-	-	-	560,620	907,763
Deposits and placements of banks and other financial institutions	2,457,155	-	1,590,012	1,397,501	9,219,341	143,997	1,874,137	203	37,702	43,240	312,432	26,229	14,644,794	17,101,949
Repurchase agreements	1,207,356	-	-	432,564	1,678,597	-	-	-	-	-	-	-	2,111,161	3,318,517
Derivatives financial instruments	26,589,556	60,915	48,554,536	19,088,037	(96,607,391)	710,485	1,479,561	1,567,956	3,031,737	4,538,093	(2,428,637)	2,143,589	(17,861,119)	8,728,437
Bills and acceptances payable	790,446	-	405,668	116,481	495,499	-	117,995	-	-	-	-	-	1,135,643	1,926,089
Amount due to related companies	3,597	-	2,213	6,353	-	-	-	-	-	-	1,104	-	9,670	13,267
Other liabilities	8,006,881	22,705	451,991	533,073	1,911,457	77,755	270,776	3,374	2,965	97,438	101,704	19,912	3,493,150	11,500,031
Recourse obligation on loans and financing sold to Cagamas	5,195,248	-	-	-	-	-	-	-	-	-	-	-	-	5,195,248
Other borrowings	-	-	-	-	5,100,684	-	-	-	-	-	-	-	5,100,684	5,100,684
Bonds, Sukuk and debentures	4,282,087	-	766,947	367,976	5,882,696	325,939	-	-	292,130	-	1,345,610	-	8,981,298	13,263,385
Subordinated obligations	10,361,318	-	-	-	-	-	-	-	-	-	-	-	-	10,361,318
Financial liabilities designated at fair value	1,902,296	-	2,870,235	909	-	-	-	-	-	-	-	-	2,871,144	4,773,440
	273,060,509	83,667	76,534,632	52,127,456	(46,997,169)	2,556,146	6,324,133	1,851,286	4,469,267	5,056,691	58,286	2,965,345	105,029,740	378,090,249
<b>Financial guarantees</b>	2,192,260	-	363,459	623,376	2,734,532	-	75,977	20,243	-	20,918	726	2,588	3,841,819	6,034,079
<b>Credit related commitments and contingencies</b>	69,595,315	-	1,227,188	1,180,491	7,295,687	3,449	1,276,901	108,074	443,104	113,296	1,114,619	4,136	12,766,945	82,362,260
	71,787,575	-	1,590,647	1,803,867	10,030,219	3,449	1,352,878	128,317	443,104	134,214	1,115,345	6,724	16,608,764	88,396,339

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.2 Market risk (Continued)

##### 53.2.3 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												Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000		
<b>Financial assets</b>														
Cash and short-term funds	12,503,913	62,273	316,517	208,249	2,832,782	58,071	524,947	25,976	306,918	377,183	430,624	972,857	6,116,397	18,620,310
Reverse repurchase agreements	1,634,749	-	409,459	888,898	1,754,724	38,973	83,661	276,266	-	17,112	3,296	401	3,472,790	5,107,539
Deposits and placements with banks and other financial institutions	469,784	-	34,029	282	375,347	-	-	-	96,694	-	-	205,593	711,945	1,181,729
Financial assets held for trading	8,753,965	21	885,659	6,678,523	2,394,893	44,463	171,749	1,853,276	-	240,453	112,510	197,787	12,579,334	21,333,299
Financial investments available-for-sale	14,139,739	-	3,842,030	2,524,856	4,973,387	44,141	252,226	-	133,191	-	58,264	-	11,828,095	25,967,834
Financial investments held-to-maturity	23,037,295	-	1,730,979	1,803,238	1,029,350	-	-	-	-	-	-	-	4,563,567	27,600,862
Derivative financial instruments	(40,383,093)	43,757	(44,853,025)	(11,643,989)	118,605,700	(164,769)	(2,230,268)	(2,628,973)	(2,769,125)	(2,448,576)	84,155	198,167	52,193,054	11,809,961
Loans, advances and financing	171,014,331	-	23,056,146	25,619,753	29,255,643	291,117	4,670,913	541,157	12,803	529,125	1,154,939	54,022	85,185,618	256,199,949
Other assets	3,642,542	1,565	153,873	160,538	4,682,609	1,135	81,456	3,387	285	40,954	35,691	365,022	5,526,515	9,169,057
Amount due from ultimate holding company	4,024	-	-	-	-	-	-	-	-	-	-	60	60	4,084
Amount due from related companies	1,223,076	-	-	-	-	-	-	-	-	-	-	-	-	1,223,076
	196,040,325	107,616	(14,424,333)	26,240,348	165,904,435	313,131	3,554,684	71,089	(2,219,234)	(1,243,749)	1,879,539	1,993,849	182,177,375	378,217,700
<b>Financial liabilities</b>														
Deposits from customers	187,058,818	51	22,867,960	31,565,156	27,219,162	1,009,627	3,088,909	91,607	1,290,040	380,365	621,886	738,641	88,873,404	275,932,222
Investment accounts of customers	254,408	-	-	-	-	-	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	3,540,932	-	1,044,838	2,413,542	16,329,915	319,023	1,485,976	3,902	281,418	107,666	878,924	135,295	23,000,499	26,541,431
Repurchase agreements	1,518,064	-	-	586,040	2,236,750	-	-	-	-	-	-	-	2,822,790	4,340,854
Derivatives financial instruments	(34,245,124)	44,221	(45,676,582)	(7,859,152)	109,285,949	(1,490,040)	(1,386,162)	(678,279)	(4,200,478)	(1,940,199)	(204,631)	381,365	46,276,012	12,030,888
Bills and acceptances payable	473,710	-	1,071,028	140,411	616,200	-	19	-	-	-	-	-	1,827,658	2,301,368
Amount due to related companies	3,295	-	946	8	358	-	-	-	-	-	621	-	1,933	5,228
Other liabilities	3,632,917	92	435,932	513,163	3,909,279	103,846	49,982	12,298	6,271	27,067	51,657	13,269	5,122,856	8,755,773
Recourse obligation on loans and financing	4,498,369	-	-	-	-	-	-	-	-	-	-	-	-	4,498,369
Other borrowings	-	-	-	-	3,565,826	-	-	-	-	-	-	-	3,565,826	3,565,826
Bonds, Sukuk and debentures	586,487	-	501,582	372,126	2,918,052	338,803	-	-	299,863	-	1,270,240	-	5,700,666	6,287,153
Subordinated obligations	10,660,072	-	446,547	-	-	-	-	-	-	-	-	-	446,547	11,106,619
Financial liabilities designated at fair value	1,850,986	-	2,360,933	155,658	-	-	-	-	-	-	-	-	2,516,591	4,367,577
	179,832,934	44,364	(16,946,816)	27,886,952	166,081,491	281,259	3,238,724	(570,472)	(2,322,886)	(1,425,101)	2,618,697	1,268,570	180,154,782	359,987,716
Financial guarantees	1,699,236	-	15,479	898,848	2,943,027	50,986	99,982	3,207	654,814	6,529	-	3,034	4,675,906	6,375,142
Credit related commitments and contingencies	64,061,233	-	1,299,113	2,014,489	8,718,494	259,546	1,221,939	49,700	9,244	108,135	169,449	13,171	13,863,280	77,924,513
	65,760,469	-	1,314,592	2,913,337	11,661,521	310,532	1,321,921	52,907	664,058	114,664	169,449	16,205	18,539,186	84,299,655

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 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 2017														
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	12,903,818	54,602	31,168	658,055	3,939,596	234,179	816,411	87,471	224,141	138,259	96,503	458,318	6,738,703	19,642,521
Reverse repurchase agreements	1,924,008	-	-	414,470	2,243,899	64,405	80,632	194,283	-	63,182	13,524	2,198	3,076,593	5,000,601
Deposits and placements with banks and other financial institutions	8,310,847	-	-	-	821,976	-	736	-	93,868	-	-	-	916,580	9,227,427
Financial assets held for trading	7,048,590	15	23,848	4,445,775	2,452,448	432,457	-	692,365	-	232,412	38,920	625,574	8,943,814	15,992,404
Financial investments available-for-sale	13,773,246	-	-	1,978,536	3,544,693	278,535	336,710	-	-	49,597	93,950	-	6,282,021	20,055,267
Financial investments held-to-maturity	23,469,161	-	-	4,269,075	960,325	-	-	-	-	-	-	-	5,229,400	28,698,561
Derivative financial instruments	17,800,309	113,398	184,941	10,949,340	(30,630,313)	918,062	818,828	283,656	3,871,964	2,160,500	(1,368,014)	959,871	(11,737,767)	6,062,542
Loans, advances and financing	124,996,716	-	-	24,324,846	20,101,773	289,368	4,044,950	971,409	421,233	533,183	1,116,933	96,625	51,900,320	176,897,036
Other assets	4,192,169	22,553	656	102,888	3,097,826	11,393	68,902	3,061	79	35,741	124,354	390,442	3,857,895	8,050,064
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	-	-	-	-	3,227
Amount due from subsidiaries	38,339	-	15,585	7,421	1,785	-	73	-	-	144	480	-	25,488	63,827
Amount due from related companies	1,105,602	-	-	178	-	-	-	-	-	-	2	-	180	1,105,782
	215,566,032	190,568	256,198	47,150,584	6,534,008	2,228,399	6,167,242	2,232,245	4,611,285	3,213,018	116,652	2,533,028	75,233,227	290,799,259
<b>Financial liabilities</b>														
Deposits from customers	148,590,130	47	9,771	30,169,990	21,777,087	1,296,896	2,580,283	277,496	1,104,733	372,291	726,073	538,154	58,852,821	207,442,951
Deposits and placements of banks and other financial institutions	2,492,185	-	-	1,398,645	10,084,782	143,997	1,648,506	-	37,702	37,762	312,432	8,098	13,671,924	16,164,109
Repurchase agreements	1,207,356	-	-	432,564	1,678,597	-	-	-	-	-	-	-	2,111,161	3,318,517
Derivatives financial instruments	24,582,242	61,015	216,691	15,313,316	(42,140,443)	245,820	1,260,629	1,906,754	3,031,737	2,691,164	(2,425,533)	1,780,217	(18,058,633)	6,523,609
Bills and acceptances payable	790,446	-	-	116,481	61,555	-	117,973	-	-	-	-	-	296,009	1,086,455
Amount due to subsidiaries	449	-	-	9,012	2,614	-	-	-	-	-	480	-	12,106	12,555
Amount due to related companies	2,860	-	-	6,344	-	-	-	-	-	-	1,104	-	7,448	10,308
Other liabilities	7,565,846	22,692	1,434	533,900	1,578,949	77,606	270,776	3,374	2,965	97,425	101,704	16,936	2,707,761	10,273,607
Recourse obligation on loans and financing sold to Cagamas	3,122,948	-	-	-	-	-	-	-	-	-	-	-	-	3,122,948
Other borrowings	597,044	-	-	-	5,100,684	-	-	-	-	-	-	-	5,100,684	5,697,728
Bonds	2,990,597	-	-	367,976	5,882,696	325,939	-	-	292,130	-	1,345,610	-	8,214,351	11,204,948
Subordinated notes	9,533,891	-	-	-	-	-	-	-	-	-	-	-	-	9,533,891
Financial liabilities designated at fair value	1,900,063	-	-	909	-	-	-	-	-	-	-	-	909	1,900,972
	203,376,057	83,754	227,896	48,349,137	4,026,521	2,090,258	5,878,167	2,187,624	4,469,267	3,198,642	61,870	2,343,405	72,916,541	276,292,598
<b>Financial guarantees</b>	1,980,690	-	1,243	623,376	2,359,391	-	75,977	8,586	-	17,260	726	2,398	3,088,957	5,069,647
Credit related commitments and contingencies	57,182,736	-	-	1,180,357	6,837,329	3,449	1,274,982	97,468	440,561	61,977	1,114,619	4,136	11,014,878	68,197,614
	59,163,426	-	1,243	1,803,733	9,196,720	3,449	1,350,959	106,054	440,561	79,237	1,115,345	6,534	14,103,835	73,267,261



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 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	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000	
<b>Financial assets</b>															
Cash and short-term funds	6,257,214	58,986	39,093	203,313	1,829,636	49,436	291,299	20,815	306,736	363,885	428,278	509,312	4,100,789	10,358,003	
Reverse repurchase agreements	1,634,749	-	-	888,898	1,754,724	38,973	83,661	276,266	-	17,112	3,296	401	3,063,331	4,698,080	
Deposits and placements with banks and other financial institutions	4,492,191	-	-	-	456,004	-	-	-	96,694	-	-	-	552,698	5,044,889	
Financial assets held for trading	6,143,155	21	-	6,678,523	2,171,364	44,463	171,749	1,853,276	-	240,453	112,510	197,787	11,470,146	17,613,301	
Financial investments available-for-sale	12,524,886	-	-	2,524,080	4,948,638	44,141	252,226	-	133,191	-	58,264	-	7,960,540	20,485,426	
Financial investments held-to-maturity	19,706,697	-	-	1,803,238	1,062,527	-	-	-	-	-	-	-	2,865,765	22,572,462	
Derivative financial instruments	(35,095,961)	43,757	213,457	(7,816,942)	61,648,394	(152,490)	(2,069,545)	(2,357,461)	(2,769,125)	(1,381,661)	77,301	(650,881)	44,784,804	9,688,843	
Loans, advances and financing	124,337,995	-	-	25,202,545	25,975,090	291,117	4,669,543	539,610	12,505	386,677	1,154,939	15,754	58,247,780	182,585,775	
Other assets	3,732,617	1,522	1,380	160,514	3,964,444	1,135	81,308	3,387	285	39,209	35,691	364,270	4,653,145	8,385,762	
Amount due from holding company and ultimate holding company	4,024	-	-	-	-	-	-	-	-	-	60	-	60	4,084	
Amount due from subsidiaries	527,254	-	-	3,123	5,294	-	73	-	-	4,384	2,660	3,674	19,208	546,462	
Amount due from related companies	1,210,746	-	-	9,911	163	-	-	-	-	-	-	-	10,074	1,220,820	
	145,475,567	104,286	253,930	29,657,203	103,816,278	316,775	3,480,314	335,893	(2,219,714)	(329,941)	1,872,999	440,317	137,728,340	283,203,907	
<b>Financial liabilities</b>															
Deposits from customers	135,315,664	51	8,418	31,544,375	25,007,993	1,005,678	3,085,721	89,972	1,290,040	362,988	621,886	550,764	63,567,886	198,883,550	
Deposits and placements of banks and other financial institutions	5,335,070	-	-	2,417,292	15,142,665	319,023	1,481,695	-	113,747	104,837	878,924	133,344	20,591,527	25,926,597	
Repurchase agreements	1,518,064	-	-	586,040	2,236,750	-	-	-	-	-	-	-	2,822,790	4,340,854	
Derivatives financial instruments	(27,843,340)	44,221	128,556	(4,454,481)	50,798,629	(1,476,714)	(1,446,370)	(392,557)	(4,200,478)	(1,025,900)	(213,603)	(137,228)	37,624,075	9,780,735	
Bills and acceptances payable	473,710	-	-	140,411	272,283	-	-	-	-	-	-	-	412,694	886,404	
Amount due to subsidiaries	18,121	-	-	6,914	-	-	-	-	-	-	4,387	-	11,301	29,422	
Amount due to related companies	2,948	-	-	-	1	-	-	-	-	-	621	-	622	3,570	
Other liabilities	3,971,764	92	1,890	513,163	3,821,142	103,695	49,982	12,298	6,271	27,055	51,657	12,044	4,599,289	8,571,053	
Recourse obligation on loans and financing sold to Cagamas	3,144,979	-	-	-	-	-	-	-	-	-	-	-	-	3,144,979	
Other borrowings	-	-	-	-	3,565,826	-	-	-	-	-	-	-	3,565,826	3,565,826	
Bonds	-	-	-	372,126	2,918,052	338,803	-	-	299,863	-	1,270,240	-	5,199,084	5,199,084	
Subordinated notes	9,529,719	-	-	-	-	-	-	-	-	-	-	-	9,529,719	9,529,719	
Financial liabilities designated at fair value	1,848,805	-	-	155,658	-	-	-	-	-	-	-	-	155,658	2,004,463	
	133,315,504	44,364	138,864	31,281,498	103,763,341	290,485	3,171,028	(290,287)	(2,490,557)	(531,020)	2,614,112	558,924	138,550,752	271,866,256	
Financial guarantees	1,524,619	-	1,252	898,848	2,531,654	50,927	99,982	3,207	654,814	6,148	-	3,033	4,249,865	5,774,484	
Credit related commitments and contingencies	54,401,614	-	-	2,014,489	8,185,866	259,479	1,220,095	14,788	9,244	45,564	169,449	13,171	11,932,145	66,333,759	
	55,926,233	-	1,252	2,913,337	10,717,520	310,406	1,320,077	17,995	664,058	51,712	169,449	16,204	16,182,010	72,108,243	

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit and reserves**

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

	<b>The Group</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>1% appreciation in foreign currency</b>	<b>1% depreciation in foreign currency</b>	<b>1% appreciation in foreign currency</b>	<b>1% depreciation in foreign currency</b>
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	4,601	(4,601)	4,657	(4,657)
Impact to reserves	(53,655)	53,655	(46,932)	46,932

	<b>The Bank</b>			
	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>1% appreciation in foreign currency</b>	<b>1% depreciation in foreign currency</b>	<b>1% appreciation in foreign currency</b>	<b>1% depreciation in foreign currency</b>
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	4,218	(4,218)	7,295	(7,295)
Impact to reserves	(53,655)	53,655	(46,932)	46,932

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.3 Liquidity risk**

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a large stable funding base.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset- Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and thresholds. Limits and Management Action Triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.3 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) which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. The Group also performs a consolidated stress test, including liquidity stress test, a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and combined crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities, are documented.

The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk Committee, and the Board Risk Committees/Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities**

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

	The Group							Total
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Assets</b>								
Cash and short-term funds	33,341,519	-	-	-	-	-	-	33,341,519
Reverse repurchase agreements	5,061,206	1,176,170	131,252	116,059	-	-	-	6,484,687
Deposits and placements with banks and other financial institutions	7,822	1,023,650	160,505	2,228	-	-	-	1,194,205
Financial assets held for trading	3,871,559	5,266,782	2,148,850	1,102,230	1,876,708	4,649,908	1,494,017	20,410,054
Financial investments available-for-sale	217,122	256,383	480,241	1,112,477	9,605,500	11,590,507	1,342,046	24,604,276
Financial investments held-to-maturity	1,471,349	1,058,063	794,915	2,512,576	15,792,165	12,694,034	-	34,323,102
Derivative financial instruments	414,987	1,103,628	1,044,463	799,941	3,421,190	1,586,238	-	8,370,447
Loans, advances and financing	32,237,905	9,773,212	5,535,371	13,390,276	46,068,922	154,783,023	-	261,788,709
Other assets	7,355,904	95,787	336,874	772,305	809,177	2,630	-	9,372,677
Deferred taxation	-	-	-	-	-	-	333,851	333,851
Tax recoverable	9,246	-	-	-	-	-	-	9,246
Statutory deposits with central banks	-	-	-	-	-	-	8,630,364	8,630,364
Investment in joint venture	-	-	-	-	-	-	169,688	169,688
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	3,227
Amount due from related companies	1,107,017	-	-	-	-	-	-	1,107,017
Goodwill	-	-	-	-	-	-	5,177,536	5,177,536
Intangible assets	-	-	-	-	-	-	1,002,253	1,002,253
Prepaid lease payments	-	-	-	-	-	-	397	397
Property, plant and equipment	-	-	-	-	-	-	732,387	732,387
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	4,199	4,199
<b>Total assets</b>	<b>85,098,863</b>	<b>19,753,675</b>	<b>10,632,471</b>	<b>19,808,092</b>	<b>77,573,662</b>	<b>185,306,340</b>	<b>18,886,738</b>	<b>417,059,841</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	RM'000
<b>Liabilities</b>								
Deposits from customers	173,516,356	53,248,805	43,227,306	24,759,870	1,008,255	139,529	-	295,900,121
Investment accounts of customers	289,488	524,984	93,291	-	-	-	-	907,763
Deposits and placements of banks and other financial institutions	9,663,666	5,288,889	1,294,921	753,416	101,057	-	-	17,101,949
Repurchase agreements	659,145	1,876,936	781,189	1,247	-	-	-	3,318,517
Derivative financial instruments	544,863	1,227,465	1,138,109	1,337,103	3,186,803	1,294,094	-	8,728,437
Bills and acceptances payable	1,112,014	78,908	27,087	24,867	3,098	680,115	-	1,926,089
Financial liabilities designated at fair value	21,235	6,857	223,276	171,723	1,742,074	2,608,275	-	4,773,440
Amount due to related companies	13,267	-	-	-	-	-	-	13,267
Other liabilities	9,006,864	236,548	160,575	91,491	2,016,481	491,632	-	12,003,591
Recourse obligation on loans and financing sold to Cagamas	43,085	157,000	-	973,004	3,377,861	644,298	-	5,195,248
Deferred taxation	-	-	-	-	-	-	2,639	2,639
Provision for taxation	358,462	-	-	-	-	-	-	358,462
Bonds, Sukuk and debentures	162,080	199,121	573,304	155,478	9,361,354	2,812,048	-	13,263,385
Other borrowings	18,854	611,832	-	-	4,469,998	-	-	5,100,684
Subordinated obligations	103,715	-	-	2,048,743	8,021,950	186,910	-	10,361,318
<b>Total liabilities</b>	<b>195,513,094</b>	<b>63,457,345</b>	<b>47,519,058</b>	<b>30,316,942</b>	<b>33,288,931</b>	<b>8,856,901</b>	<b>2,639</b>	<b>378,954,910</b>
<b>Net liquidity gap</b>	<b>(110,414,231)</b>	<b>(43,703,670)</b>	<b>(36,886,587)</b>	<b>(10,508,850)</b>	<b>44,284,731</b>	<b>176,449,439</b>	<b>18,884,099</b>	

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total
	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	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Cash and short-term funds	18,620,310	-	-	-	-	-	-	18,620,310
Reverse repurchase agreements	3,981,848	1,125,691	-	-	-	-	-	5,107,539
Deposits and placements with banks and other financial institutions	450,605	573,370	157,670	84	-	-	-	1,181,729
Financial assets held for trading	4,387,465	6,608,445	3,117,658	1,880,459	2,234,711	2,142,954	961,607	21,333,299
Financial investments available-for-sale	607,338	606,603	381,337	1,912,816	8,964,162	12,184,918	1,310,660	25,967,834
Financial investments held-to-maturity	492,269	115,188	567,401	550,754	14,733,263	11,141,987	-	27,600,862
Derivative financial instruments	560,827	1,277,668	990,889	2,088,768	4,952,115	1,939,694	-	11,809,961
Loans, advances and financing	28,072,114	9,326,897	5,361,242	6,947,243	56,802,089	149,690,364	-	256,199,949
Other assets	7,047,911	1,509	155,076	298,083	2,159,635	397	657	9,663,268
Deferred taxation	-	-	-	-	-	-	313,200	313,200
Tax recoverable	6,583	-	-	-	-	-	-	6,583
Statutory deposits with central banks	-	-	-	-	-	-	8,484,241	8,484,241
Investment in joint venture	-	-	-	-	-	-	165,029	165,029
Amount due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	4,084
Amount due from related companies	1,223,076	-	-	-	-	-	-	1,223,076
Goodwill	-	-	-	-	-	-	5,188,198	5,188,198
Intangible assets	-	-	-	-	-	-	1,007,672	1,007,672
Prepaid lease payments	-	-	-	-	-	-	408	408
Property, plant and equipment	-	-	-	-	-	-	763,541	763,541
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	890,927	890,927
<b>Total assets</b>	<b>65,454,430</b>	<b>19,635,371</b>	<b>10,731,273</b>	<b>13,678,207</b>	<b>89,845,975</b>	<b>177,100,314</b>	<b>19,086,140</b>	<b>395,531,710</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group 31 December 2016							Total RM'000
	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	
<b>Liabilities</b>								
Deposits from customers	164,033,005	57,747,619	29,793,494	20,218,599	4,024,303	115,202	-	275,932,222
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	11,356,899	12,230,036	2,522,368	311,104	121,024	-	-	26,541,431
Repurchase agreements	362,162	2,187,463	1,276,693	1,275	513,261	-	-	4,340,854
Derivative financial instruments	585,888	1,074,594	997,415	1,440,274	6,164,832	1,767,885	-	12,030,888
Bills and acceptances payable	1,562,509	69,246	23,568	26,019	27,295	592,731	-	2,301,368
Financial liabilities designated at fair value	15,269	-	-	-	2,946,861	1,405,447	-	4,367,577
Amount due to related companies	5,228	-	-	-	-	-	-	5,228
Other liabilities	7,027,720	170,738	68,250	410,755	1,158,190	350,854	-	9,186,507
Recourse obligation on loans and financing sold to Cagamas	37,049	786,455	-	307,009	2,395,640	972,216	-	4,498,369
Deferred taxation	-	-	-	-	-	-	2,579	2,579
Provision for taxation	218,187	-	-	-	-	-	-	218,187
Bonds, Sukuk and debentures	46,634	460,523	297,803	1,575,910	3,799,812	106,471	-	6,287,153
Other borrowings	8,130	897,200	-	1,121,500	1,538,996	-	-	3,565,826
Subordinated obligations	178,011	-	-	1,801,763	8,263,739	863,106	-	11,106,619
<b>Total liabilities</b>	<b>185,691,099</b>	<b>75,623,874</b>	<b>34,979,591</b>	<b>27,214,208</b>	<b>30,953,953</b>	<b>6,173,912</b>	<b>2,579</b>	<b>360,639,216</b>
<b>Net liquidity gap</b>	<b>(120,236,669)</b>	<b>(55,988,503)</b>	<b>(24,248,318)</b>	<b>(13,536,001)</b>	<b>58,892,022</b>	<b>170,926,402</b>	<b>19,083,561</b>	



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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	RM'000
<b>Assets</b>								
Cash and short-term funds	19,642,521	-	-	-	-	-	-	19,642,521
Reverse repurchase agreements	3,755,504	1,176,170	68,927	-	-	-	-	5,000,601
Deposits and placements with banks and other financial institutions	5,745,145	3,343,998	136,240	2,044	-	-	-	9,227,427
Financial assets held for trading	2,884,685	4,072,690	1,549,852	863,917	1,708,653	3,418,590	1,494,017	15,992,404
Financial investments available-for-sale	196,730	243,772	446,321	1,066,568	6,811,112	9,976,838	1,313,926	20,055,267
Financial investments held-to-maturity	1,455,066	1,026,183	692,263	1,731,729	12,827,317	10,966,003	-	28,698,561
Derivative financial instruments	477,226	702,872	650,800	575,335	2,834,845	821,464	-	6,062,542
Loans, advances and financing	26,000,454	7,119,446	4,196,256	9,030,134	29,032,414	101,518,332	-	176,897,036
Other assets	6,297,771	-	319,738	723,431	791,625	-	-	8,132,565
Deferred taxation	-	-	-	-	-	-	111,658	111,658
Statutory deposits with central banks	-	-	-	-	-	-	6,503,641	6,503,641
Investment in subsidiaries	-	-	-	-	-	-	6,002,931	6,002,931
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	3,227
Amount due from subsidiaries	63,827	-	-	-	-	-	-	63,827
Amount due from related companies	1,105,782	-	-	-	-	-	-	1,105,782
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	877,706	877,706
Property, plant and equipment	-	-	-	-	-	-	396,628	396,628
<b>Total assets</b>	<b>67,627,938</b>	<b>17,685,131</b>	<b>8,060,397</b>	<b>13,993,158</b>	<b>54,005,966</b>	<b>126,701,227</b>	<b>20,380,582</b>	<b>308,454,399</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total RM'000
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Liabilities</b>								
Deposits from customers	124,759,457	34,379,098	31,679,607	15,859,407	738,871	26,511	-	207,442,951
Deposits and placements of banks and other financial institutions	8,410,834	5,827,433	1,128,033	697,377	100,432	-	-	16,164,109
Repurchase agreements	659,145	1,876,936	781,189	1,247	-	-	-	3,318,517
Derivative financial instruments	680,062	697,056	797,648	1,140,451	2,414,009	794,383	-	6,523,609
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	1,086,455
Financial liabilities designated at fair value	14,975	4,624	223,276	171,723	1,345,124	141,250	-	1,900,972
Amount due to subsidiaries	12,555	-	-	-	-	-	-	12,555
Amount due to related companies	10,308	-	-	-	-	-	-	10,308
Other liabilities	7,495,488	206,997	159,523	91,468	1,996,275	480,763	-	10,430,514
Recourse obligation on loans and financing sold to Cagamas	27,793	-	-	973,004	1,477,853	644,298	-	3,122,948
Provision for taxation	300,254	-	-	-	-	-	-	300,254
Bonds	148,638	60,740	303,698	131,643	8,577,415	1,982,814	-	11,204,948
Other borrowings	19,210	611,832	-	-	4,469,998	596,688	-	5,697,728
Subordinated obligations	73,197	-	-	2,048,743	7,411,951	-	-	9,533,891
<b>Total liabilities</b>	<b>143,595,631</b>	<b>43,740,369</b>	<b>35,100,061</b>	<b>21,115,063</b>	<b>28,531,928</b>	<b>4,666,707</b>	<b>-</b>	<b>276,749,759</b>
<b>Net liquidity gap</b>	<b>(75,967,693)</b>	<b>(26,055,238)</b>	<b>(27,039,664)</b>	<b>(7,121,905)</b>	<b>25,474,038</b>	<b>122,034,520</b>	<b>20,380,582</b>	

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total RM'000
	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	
<b>Assets</b>								
Cash and short-term funds	10,358,003	-	-	-	-	-	-	10,358,003
Reverse repurchase agreements	3,572,389	1,125,691	-	-	-	-	-	4,698,080
Deposits and placements with banks and other financial institutions	3,850,990	1,030,657	161,002	2,240	-	-	-	5,044,889
Financial assets held for trading	3,580,110	5,692,179	2,371,046	1,661,509	1,673,943	1,777,853	856,661	17,613,301
Financial investments available-for-sale	535,105	606,603	380,069	1,648,953	5,325,690	10,711,823	1,277,183	20,485,426
Financial investments held-to-maturity	167,842	91,187	474,845	330,351	12,006,827	9,501,410	-	22,572,462
Derivative financial instruments	786,682	857,137	830,640	1,910,227	4,072,152	1,232,005	-	9,688,843
Loans, advances and financing	22,374,618	5,126,267	4,303,878	5,648,425	38,701,020	106,431,567	-	182,585,775
Other assets	6,097,350	-	112,874	248,556	2,160,370	-	657	8,619,807
Deferred taxation	-	-	-	-	-	-	108,082	108,082
Statutory deposits with central banks	-	-	-	-	-	-	6,640,483	6,640,483
Investment in subsidiaries	-	-	-	-	-	-	5,310,889	5,310,889
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Amount due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	4,084
Amount due from subsidiaries	546,462	-	-	-	-	-	-	546,462
Amount due from related companies	1,220,820	-	-	-	-	-	-	1,220,820
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	888,572	888,572
Property, plant and equipment	-	-	-	-	-	-	417,030	417,030
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	305,959	305,959
<b>Total assets</b>	<b>53,094,455</b>	<b>14,529,721</b>	<b>8,634,354</b>	<b>11,450,261</b>	<b>63,940,002</b>	<b>129,654,658</b>	<b>19,485,591</b>	<b>300,789,042</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank 31 December 2016							Total RM'000
	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	
<b>Liabilities</b>								
Deposits from customers	122,184,248	37,989,054	21,326,820	13,501,390	3,881,818	220	-	198,883,550
Deposits and placements of banks and other financial institutions	10,926,771	12,275,730	2,329,702	273,768	120,626	-	-	25,926,597
Repurchase agreements	362,162	2,187,463	1,276,693	1,275	513,261	-	-	4,340,854
Derivative financial instruments	759,105	685,079	774,821	1,285,006	5,031,035	1,245,689	-	9,780,735
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	886,404
Financial liabilities designated at fair value	8,446	-	-	-	1,844,422	151,595	-	2,004,463
Amount due to subsidiaries	29,422	-	-	-	-	-	-	29,422
Amount due to related companies	3,570	-	-	-	-	-	-	3,570
Other liabilities	6,610,658	145,286	49,779	397,328	1,123,099	318,017	-	8,644,167
Recourse obligation on loans and financing sold to Cagamas	29,166	340,951	-	307,009	1,495,637	972,216	-	3,144,979
Provision for taxation	169,015	-	-	-	-	-	-	169,015
Bonds	36,022	-	266,867	1,575,910	3,213,814	106,471	-	5,199,084
Other borrowings	8,130	897,200	-	1,121,500	1,538,996	-	-	3,565,826
Subordinated obligations	74,217	-	-	1,501,763	7,953,739	-	-	9,529,719
<b>Total liabilities</b>	<b>141,995,758</b>	<b>54,588,757</b>	<b>26,048,250</b>	<b>19,964,965</b>	<b>26,716,447</b>	<b>2,794,208</b>	<b>-</b>	<b>272,108,385</b>
<b>Net liquidity gap</b>	<b>(88,901,303)</b>	<b>(40,059,036)</b>	<b>(17,413,896)</b>	<b>(8,514,704)</b>	<b>37,223,555</b>	<b>126,860,450</b>	<b>19,485,591</b>	

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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							Total RM'000
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Non-derivative financial liabilities</b>								
Deposits from customers	173,868,316	53,453,019	43,657,075	25,197,120	1,052,850	169,499	-	297,397,879
Investment accounts of customers	292,927	526,215	93,713	-	-	-	-	912,855
Deposits and placements of banks and other financial institutions	9,668,660	5,303,224	1,301,223	762,141	101,073	-	-	17,136,321
Repurchase agreements	660,041	1,880,235	782,344	4,113	21,352	-	-	3,348,085
Bills and acceptances payable	1,112,122	79,783	30,824	34,178	71,342	773,894	-	2,102,143
Financial liabilities designated at fair value	347,107	21,592	248,285	203,543	1,908,497	2,613,177	-	5,342,201
Amount due to related companies	13,267	-	-	-	-	-	-	13,267
Other liabilities	8,442,147	242,242	162,257	94,532	2,120,954	499,102	-	11,561,234
Recourse obligation on loans and financing sold to Cagamas	47,725	179,781	30,378	1,058,426	3,738,696	823,077	-	5,878,083
Bonds, Sukuk and debentures	164,728	228,722	656,815	315,885	10,461,116	3,063,770	-	14,891,036
Other borrowings	24,199	626,581	3,542	29,541	4,905,947	70,365	-	5,660,175
Subordinated obligations	105,065	25,504	125,726	2,368,941	9,277,762	353,955	-	12,256,953
Financial guarantees	6,034,079	-	-	-	-	-	-	6,034,079
Credit related commitments and contingencies	49,239,601	795,738	877,303	3,404,082	2,511,064	25,066,969	467,503	82,362,260
	<b>250,019,984</b>	<b>63,362,636</b>	<b>47,969,485</b>	<b>33,472,502</b>	<b>36,170,653</b>	<b>33,433,808</b>	<b>467,503</b>	<b>464,896,571</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 Group							Total
	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	
<b>Non-derivative financial liabilities</b>								
Deposits from customers	164,122,517	58,155,889	30,154,784	20,846,553	4,143,238	175,156	-	277,598,137
Investment accounts of customers	254,409	-	-	-	-	-	-	254,409
Deposits and placements of banks and other financial institutions	11,991,333	13,081,927	2,757,568	314,512	121,037	-	-	28,266,377
Repurchase agreements	362,698	2,189,933	1,279,410	4,205	546,776	-	-	4,383,022
Bills and acceptances payable	1,562,622	70,322	25,469	33,847	85,155	679,455	-	2,456,870
Financial liabilities designated at fair value	183,241	15,800	24,981	38,549	3,249,029	1,518,384	-	5,029,984
Amount due to related companies	5,228	-	-	-	-	-	-	5,228
Other liabilities	6,588,816	170,745	68,511	410,755	1,160,870	350,857	-	8,750,554
Recourse obligation on loans and financing sold to Cagamas	37,514	812,160	45,952	355,160	2,794,888	1,195,889	-	5,241,563
Bonds, Sukuk and debentures	61,241	464,287	316,848	1,633,899	4,187,702	106,471	-	6,770,448
Other borrowings	9,937	904,176	7,025	1,135,327	1,574,159	-	-	3,630,624
Subordinated obligations	179,361	21,898	157,783	2,053,535	9,773,987	1,100,898	-	13,287,462
Financial guarantees	6,375,142	-	-	-	-	-	-	6,375,142
Credit related commitments and contingencies	44,083,117	575,115	2,072,904	2,292,848	4,906,403	23,325,105	669,021	77,924,513
	<u>235,817,176</u>	<u>76,462,252</u>	<u>36,911,235</u>	<u>29,119,190</u>	<u>32,543,244</u>	<u>28,452,215</u>	<u>669,021</u>	<u>439,974,333</u>

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**Notes to the Financial Statements  
for financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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)

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank 31 December 2017		Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000			
<b>Non-derivative financial liabilities</b>								
Deposits from customers	124,809,668	34,571,786	32,078,992	16,184,008	776,694	31,501	-	208,452,649
Deposits and placements of banks and other financial institutions	8,412,698	5,841,028	1,133,533	705,681	100,432	-	-	16,193,372
Repurchase agreements	660,041	1,880,235	782,344	4,113	21,352	-	-	3,348,085
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	1,086,455
Financial liabilities designated at fair value	13,155	18,542	246,653	198,738	1,500,439	155,300	-	2,132,827
Bonds	149,313	89,718	382,755	287,670	9,618,725	2,234,536	-	12,762,717
Other borrowings	24,555	626,581	3,542	29,541	4,905,947	667,053	-	6,257,219
Amount due to subsidiaries	12,555	-	-	-	-	-	-	12,555
Amount due to related companies	10,308	-	-	-	-	-	-	10,308
Other liabilities	7,329,898	212,690	161,205	94,509	2,100,748	488,233	-	10,387,283
Recourse obligation on loans and financing sold to Cagamas	28,334	10,566	21,130	1,015,024	1,710,591	823,077	-	3,608,722
Subordinated obligations	73,197	14,559	125,726	2,326,380	8,435,342	-	-	10,975,204
Financial guarantees	5,069,647	-	-	-	-	-	-	5,069,647
Credit related commitments and contingencies	40,689,885	607,914	816,718	3,088,251	2,278,888	20,248,455	467,503	68,197,614
	<b>188,266,969</b>	<b>43,949,272</b>	<b>35,779,685</b>	<b>23,933,915</b>	<b>31,449,158</b>	<b>24,648,155</b>	<b>467,503</b>	<b>348,494,657</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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)

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2016</b>							
	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 6 months</b>	<b>&gt; 6 – 12 months</b>	<b>&gt; 1 – 5 years</b>	<b>Over 5 years</b>	<b>No-specific maturity</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	122,248,832	38,278,020	21,565,897	14,025,760	3,997,120	31,817	-	200,147,446
Deposits and placements of banks and other financial institutions	11,560,359	13,126,525	2,563,915	276,721	120,626	-	-	27,648,146
Repurchase agreements	362,698	2,189,933	1,279,410	4,205	546,776	-	-	4,383,022
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	886,404
Financial liabilities designated at fair value	6,469	15,303	20,821	30,472	2,077,961	175,049	-	2,326,075
Bonds	41,210	2,779	285,681	1,623,995	3,522,475	106,471	-	5,582,611
Other borrowings	9,937	904,176	7,025	1,135,327	1,574,159	-	-	3,630,624
Amount due to subsidiaries	29,422	-	-	-	-	-	-	29,422
Amount due to related companies	3,570	-	-	-	-	-	-	3,570
Other liabilities	6,537,544	145,286	49,779	397,328	1,123,099	318,017	-	8,571,053
Recourse obligation on loans and financing sold to Cagamas	29,632	350,369	24,023	343,516	1,790,806	1,195,889	-	3,734,235
Subordinated obligations	74,218	14,559	151,308	1,703,194	9,143,014	-	-	11,086,293
Financial guarantees	5,774,484	-	-	-	-	-	-	5,774,484
Credit related commitments and contingencies	36,279,344	571,661	1,901,224	2,131,770	4,855,452	19,925,287	669,021	66,333,759
	<b>183,752,545</b>	<b>55,666,605</b>	<b>27,872,651</b>	<b>21,672,304</b>	<b>28,751,488</b>	<b>21,752,530</b>	<b>669,021</b>	<b>340,137,144</b>



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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.3 Liquidity risk (Continued)**

##### **53.3.2 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.

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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							Total
	31 December 2017							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(492,018)	-	-	-	-	-	-	(492,018)
- Interest rate derivatives	(1,729,042)	-	-	-	-	-	-	(1,729,042)
- Equity related derivatives	(122,143)	-	-	-	-	-	-	(122,143)
- Commodity related derivatives	(620,633)	-	-	-	-	-	-	(620,633)
- Credit related contracts	(9,182)	-	-	-	-	-	-	(9,182)
- Bond forward	(15,831)	-	-	-	-	-	-	(15,831)
<b>Hedging derivatives</b>								
- Interest rate derivatives	(39,565)	28,642	(65,904)	(54,230)	(172,878)	(45,592)	-	(349,527)
	<b>(3,028,414)</b>	<b>28,642</b>	<b>(65,904)</b>	<b>(54,230)</b>	<b>(172,878)</b>	<b>(45,592)</b>	<b>-</b>	<b>(3,338,376)</b>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 31 December 2016							Total RM'000
	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	
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(811,290)	-	-	-	-	-	-	(811,290)
- Interest rate derivatives	(2,042,614)	-	-	-	-	-	-	(2,042,614)
- Equity related derivatives	(208,727)	-	-	-	-	-	-	(208,727)
- Commodity related derivatives	(911,327)	-	-	-	-	-	-	(911,327)
- Credit related contracts	(105,570)	-	-	-	-	-	-	(105,570)
- Bond forward	(429)	-	-	-	-	-	-	(429)
<b>Hedging derivatives</b>								
- Foreign exchange derivatives	-	(1,294)	-	-	-	-	-	(1,294)
- Interest rate derivatives	(25,294)	53,680	(60,579)	(78,463)	(177,305)	732,323	-	444,362
	(4,105,251)	52,386	(60,579)	(78,463)	(177,305)	732,323	-	(3,636,889)

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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)

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank 31 December 2017		Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000			
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(492,018)	-	-	-	-	-	-	(492,018)
- Interest rate derivatives	(1,225,514)	-	-	-	-	-	-	(1,225,514)
- Equity related derivatives	(121,832)	-	-	-	-	-	-	(121,832)
- Commodity related derivatives	(620,633)	-	-	-	-	-	-	(620,633)
- Credit related contracts	(30,255)	-	-	-	-	-	-	(30,255)
- Bond forward	(99)	-	-	-	-	-	-	(99)
<b>Hedging derivatives</b>								
- Interest rate derivatives	(32,215)	10,015	(30,711)	(33,594)	(125,209)	(45,592)	-	(257,306)
	(2,522,566)	10,015	(30,711)	(33,594)	(125,209)	(45,592)	-	(2,747,657)

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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)

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2016</b>							
	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 6 months</b>	<b>&gt; 6 – 12 months</b>	<b>&gt; 1 – 5 years</b>	<b>Over 5 years</b>	<b>No-specific maturity</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(810,965)	-	-	-	-	-	-	(810,965)
- Interest rate derivatives	(1,507,597)	-	-	-	-	-	-	(1,507,597)
- Equity related derivatives	(208,727)	-	-	-	-	-	-	(208,727)
- Commodity related derivatives	(911,330)	-	-	-	-	-	-	(911,330)
- Credit related contracts	(112,301)	-	-	-	-	-	-	(112,301)
- Bond forward	(429)	-	-	-	-	-	-	(429)
<b>Hedging derivatives</b>								
- Interest rate derivatives	(17,671)	36,126	(24,921)	(55,549)	(87,871)	732,323	-	582,437
	(3,569,020)	36,126	(24,921)	(55,549)	(87,871)	732,323	-	(2,968,912)

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 interest rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	The Group							Total
	31 December 2017							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(5,202,004)	-	-	-	-	-	-	(5,202,004)
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(601,577)	(3,075,275)	(2,429,104)	(293,407)	(3,645,591)	(534,919)	-	(10,579,873)
- Inflow	614,234	3,135,256	2,486,097	303,778	3,481,412	519,689	-	10,540,466
	(5,189,347)	59,981	56,993	10,371	(164,179)	(15,230)	-	(5,241,411)

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Group							Total
	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	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(7,007,709)	-	-	-	-	-	-	(7,007,709)
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(2,739,891)	(2,848,350)	(642,645)	(314,884)	(2,616,613)	(109,784)	-	(9,272,167)
- Inflow	2,737,633	2,797,564	648,640	293,128	2,314,358	116,100	-	8,907,423
	<u>(7,009,967)</u>	<u>(50,786)</u>	<u>5,995</u>	<u>(21,756)</u>	<u>(302,255)</u>	<u>6,316</u>	<u>-</u>	<u>(7,372,453)</u>

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for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Bank							Total RM'000
	31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(3,676,058)	-	-	-	-	-	-	(3,676,058)
<b>Derivative financial liabilities</b>								
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(555,028)	(3,074,551)	(2,425,943)	(241,350)	(1,206,907)	-	-	(7,503,779)
- Inflow	566,082	3,134,297	2,481,238	247,544	1,149,368	-	-	7,578,529
	<b>(3,665,004)</b>	<b>59,746</b>	<b>55,295</b>	<b>6,194</b>	<b>(57,539)</b>	<b>-</b>	<b>-</b>	<b>(3,601,308)</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 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 into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2016</b>							
	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 6 months</b>	<b>&gt; 6 – 12 months</b>	<b>&gt; 1 – 5 years</b>	<b>Over 5 years</b>	<b>No-specific maturity</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(5,519,891)	-	-	-	-	-	-	(5,519,891)
<b>Derivative financial liabilities</b>								
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(2,720,669)	(2,848,350)	(642,109)	(293,341)	(1,262,831)	(45,834)	-	(7,813,134)
- Inflow	2,710,889	2,797,564	647,960	266,286	1,169,247	49,797	-	7,641,743
	<u>(5,529,671)</u>	<u>(50,786)</u>	<u>5,851</u>	<u>(27,055)</u>	<u>(93,584)</u>	<u>3,963</u>	<u>-</u>	<u>(5,691,282)</u>

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.4 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.

##### 53.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.  |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets and liabilities in active markets; or</li><li>• Quoted prices for identical or similar assets and liabilities in non-active markets; or</li><li>• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.</li></ul> |
| Level 3 | One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

Assets/Liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/Liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4.1 Determination of fair value and fair value hierarchy (Continued)**

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

#### **Valuation Model Review and Approval**

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMRC;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 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:

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2017</b>										
<b>Recurring fair value measurements</b>										
<b>Financial assets</b>										
Financial assets held for trading										
-Money market instruments	13,885,908	-	13,885,908	-	13,885,908	9,649,627	-	9,649,627	-	9,649,627
-Quoted securities	1,329,774	1,329,774	-	-	1,329,774	1,329,774	1,329,774	-	-	1,329,774
-Unquoted securities	5,194,372	-	5,030,129	164,243	5,194,372	5,013,003	-	4,848,760	164,243	5,013,003
Financial investments available-for-sale										
-Money market instruments	2,401,517	-	2,401,517	-	2,401,517	2,006,289	-	2,006,289	-	2,006,289
-Quoted securities	10,216	10,216	-	-	10,216	131	131	-	-	131
-Unquoted securities	22,192,543	-	20,860,712	1,331,831	22,192,543	18,048,847	-	16,735,052	1,313,795	18,048,847
Derivative financial instruments										
-Trading derivatives	8,130,326	122,342	7,951,588	56,396	8,130,326	5,734,283	122,342	5,555,545	56,396	5,734,283
-Hedging derivatives	240,121	-	240,121	-	240,121	328,259	-	328,259	-	328,259
<b>Non-recurring fair value measurements</b>										
<b>Non-financial assets</b>										
Non-current assets/disposal groups held for sale	4,199	-	4,199	-	4,199	-	-	-	-	-
<b>Total</b>	<b>53,388,976</b>	<b>1,462,332</b>	<b>50,374,174</b>	<b>1,552,470</b>	<b>53,388,976</b>	<b>42,110,213</b>	<b>1,452,247</b>	<b>39,123,532</b>	<b>1,534,434</b>	<b>42,110,213</b>
<b>Recurring fair value measurements</b>										
<b>Financial liabilities</b>										
Derivative financial instruments										
-Trading derivatives	8,190,853	157,099	8,009,650	24,104	8,190,853	6,166,409	157,099	5,977,712	31,598	6,166,409
-Hedging derivatives	537,584	-	537,584	-	537,584	357,200	-	357,200	-	357,200
Financial liabilities designated at fair value	4,773,440	-	4,378,382	395,058	4,773,440	1,900,972	-	1,505,914	395,058	1,900,972
<b>Total</b>	<b>13,501,877</b>	<b>157,099</b>	<b>12,925,616</b>	<b>419,162</b>	<b>13,501,877</b>	<b>8,424,581</b>	<b>157,099</b>	<b>7,840,826</b>	<b>426,656</b>	<b>8,424,581</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 53 Financial Risk Management (Continued)

#### 53.4 Fair value estimation (Continued)

##### 53.4.1 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 Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2016</b>										
<b>Recurring fair value measurements</b>										
<b>Financial assets</b>										
Financial assets held for trading										
-Money market instruments	16,177,992	-	16,177,992	-	16,177,992	13,057,470	-	13,057,470	-	13,057,470
-Quoted securities	783,156	783,156	-	-	783,156	783,156	783,156	-	-	783,156
-Unquoted securities	4,372,151	-	4,193,700	178,451	4,372,151	3,772,675	-	3,699,169	73,506	3,772,675
Financial investments available-for-sale										
-Money market instruments	3,100,531	-	3,100,531	-	3,100,531	1,833,994	-	1,833,994	-	1,833,994
-Quoted securities	12,792	12,792	-	-	12,792	63	63	-	-	63
-Unquoted securities	22,854,511	-	21,556,643	1,297,868	22,854,511	18,651,369	-	17,374,248	1,277,121	18,651,369
Derivative financial instruments										
-Trading derivatives	11,530,214	423,619	11,010,413	96,182	11,530,214	9,346,955	423,619	8,813,623	109,713	9,346,955
-Hedging derivatives	279,747	-	279,747	-	279,747	341,888	-	341,888	-	341,888
<b>Non-recurring fair value measurements</b>										
<b>Non-financial assets</b>										
Non-current assets/disposal groups held for sale	4,573	-	4,573	-	4,573	375	-	375	-	375
<b>Total</b>	<b>59,115,667</b>	<b>1,219,567</b>	<b>56,323,599</b>	<b>1,572,501</b>	<b>59,115,667</b>	<b>47,787,945</b>	<b>1,206,838</b>	<b>45,120,767</b>	<b>1,460,340</b>	<b>47,787,945</b>
<b>Recurring fair value measurements</b>										
<b>Financial liabilities</b>										
Derivative financial instruments										
-Trading derivatives	11,087,666	270,504	10,676,652	140,510	11,087,666	9,071,240	270,504	8,660,226	140,510	9,071,240
-Hedging derivatives	943,222	-	943,222	-	943,222	709,495	-	709,495	-	709,495
Financial liabilities designated at fair value	4,367,577	-	3,981,115	386,462	4,367,577	2,004,463	-	1,618,001	386,462	2,004,463
<b>Total</b>	<b>16,398,465</b>	<b>270,504</b>	<b>15,600,989</b>	<b>526,972</b>	<b>16,398,465</b>	<b>11,785,198</b>	<b>270,504</b>	<b>10,987,722</b>	<b>526,972</b>	<b>11,785,198</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group and the Bank:

	Financial Assets				Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments	Total	Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>							
<b>2017</b>							
At 1 January	178,451	1,297,868	96,182	1,572,501	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	3,136	(2,141)	(38,693)	(37,698)	64,662	(32,607)	32,055
Total gains recognised in other comprehensive income	-	84,294	-	84,294	-	-	-
Purchases	-	27,367	36,054	63,421	(44,016)	-	(44,016)
Sales and redemptions	-	(39,610)	-	(39,610)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(17,344)	(35,947)	(526)	(53,817)	431	-	431
At 31 December	<u>164,243</u>	<u>1,331,831</u>	<u>56,396</u>	<u>1,552,470</u>	<u>(24,104)</u>	<u>(395,058)</u>	<u>(419,162)</u>
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	3,136	(1,700)	(38,693)	(37,257)	64,662	(15,465)	49,197
- interest expense	-	-	-	-	-	(17,142)	(17,142)
- allowances for other impairment losses	-	(441)	-	(441)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	<u>-</u>	<u>84,294</u>	<u>-</u>	<u>84,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	<u>3,136</u>	<u>-</u>	<u>2,577</u>	<u>5,713</u>	<u>18,127</u>	<u>(15,465)</u>	<u>2,662</u>

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The following represents the changes in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000		Trading derivatives RM'000	RM'000	
<b>The Group</b>							
<b>2016</b>							
At 1 January	157,385	1,315,165	132,878	1,605,428	(216,627)	(359,089)	(575,716)
Total gains/(losses) recognised in statement of income	12,927	(28,949)	(69,781)	(85,803)	107,021	(46,608)	60,413
Total gains recognised in other comprehensive income	-	83,849	-	83,849	-	-	-
Purchases	-	122,760	39,369	162,129	(38,421)	-	(38,421)
Sales and redemptions	-	(208,454)	-	(208,454)	-	-	-
Settlements	-	-	(5,666)	(5,666)	6,246	19,235	25,481
Exchange fluctuation	8,139	13,497	(618)	21,018	1,271	-	1,271
At 31 December	178,451	1,297,868	96,182	1,572,501	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2016 under:							
- net non-interest income	12,927	(25,220)	(69,781)	(82,074)	107,021	(30,236)	76,785
- interest expense	-	-	-	-	-	(16,372)	(16,372)
- allowances for other impairment losses	-	(3,729)	-	(3,729)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2016 under "revaluation reserves"	-	83,849	-	83,849	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2016 under "net non-interest income"	12,927	-	11,111	24,038	62,697	(30,236)	32,461

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The following represents the changes in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>The Bank</b>							
<b>2017</b>							
At 1 January	73,506	1,277,121	109,713	1,460,340	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	629	(1,694)	(52,224)	(53,289)	57,168	(32,607)	24,561
Total gains recognised in other comprehensive income	-	83,753	-	83,753	-	-	-
Purchases	103,106	27,266	36,054	166,426	(44,016)	-	(44,016)
Sales and redemptions	-	(36,733)	-	(36,733)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(12,998)	(35,918)	(526)	(49,442)	431	-	431
At 31 December	<b>164,243</b>	<b>1,313,795</b>	<b>56,396</b>	<b>1,534,434</b>	<b>(31,598)</b>	<b>(395,058)</b>	<b>(426,656)</b>
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	629	(1,694)	(52,224)	(53,289)	57,168	(15,465)	41,703
- interest expense	-	-	-	-	-	(17,142)	(17,142)
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	-	83,753	-	83,753	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	629	-	2,577	3,206	10,633	(15,465)	(4,832)



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The following represents the changes in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>The Bank</b>							
<b>2016</b>							
At 1 January	64,829	1,247,419	132,878	1,445,126	(216,627)	(359,089)	(575,716)
Total gains/(losses) recognised in statement of income	5,325	(11,847)	(56,250)	(62,772)	107,021	(46,608)	60,413
Total gains recognised in other comprehensive income	-	66,696	-	66,696	-	-	-
Purchases	-	121,333	39,369	160,702	(38,421)	-	(38,421)
Sales and redemptions	-	(161,086)	-	(161,086)	-	-	-
Settlements	-	-	(5,666)	(5,666)	6,246	19,235	25,481
Exchange fluctuation	3,352	14,606	(618)	17,340	1,271	-	1,271
At 31 December	73,506	1,277,121	109,713	1,460,340	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2016 under:							
- net non-interest income	5,325	(11,847)	(56,250)	(62,772)	107,021	(30,236)	76,785
- interest expense	-	-	-	-	-	(16,372)	(16,372)
Total gains recognised in other comprehensive income for financial year ended 31 December 2016 under "revaluation reserves"	-	66,696	-	66,696	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2016 under "net non-interest income"	5,325	-	24,642	29,967	62,697	(30,236)	32,461

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed:

	Carrying amount RM'000	The Group Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Assets</b>				
Cash and short-term funds	33,341,519	33,341,519	-	33,341,519
Reverse repurchase agreements	6,484,687	-	6,484,328	6,484,328
Deposits and placement with banks and other financial institutions	1,194,205	-	1,194,205	1,194,205
Financial investments held-to-maturity	34,323,102	-	34,525,057	34,525,057
Loans, advances and financing	261,788,709	-	257,907,038	257,907,038
Other assets	9,372,677	-	9,403,227	9,403,227
Statutory deposits with central banks	8,630,364	8,630,364	-	8,630,364
Amounts due from holding company and ultimate holding company	3,227	-	3,227	3,227
Amounts due from related companies	1,107,017	-	1,107,017	1,107,017
<b>Total</b>	<b>356,245,507</b>	<b>41,971,883</b>	<b>310,624,099</b>	<b>352,595,982</b>

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
<b>31 December 2017</b>				
<b>Liabilities</b>				
Deposits from customers	295,900,121	-	295,780,422	295,780,422
Investment accounts of customers	907,763	-	907,763	907,763
Deposits and placements of banks and other financial institutions	17,101,949	-	17,089,509	17,089,509
Repurchase agreements	3,318,517	-	3,318,517	3,318,517
Bills and acceptances payable	1,926,089	-	1,926,610	1,926,610
Amounts due to related companies	13,267	-	13,267	13,267
Other liabilities	12,003,591	-	12,003,591	12,003,591
Recourse obligation on loans and financing sold to Cagamas	5,195,248	-	5,256,535	5,256,535
Bonds, Sukuk and debentures	13,263,385	-	13,228,022	13,228,022
Other borrowings	5,100,684	-	5,046,828	5,046,828
Subordinated obligations	10,361,318	-	10,483,222	10,483,222
<b>Total</b>	<b>365,091,932</b>	<b>-</b>	<b>365,054,286</b>	<b>365,054,286</b>

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
<b>31 December 2016</b>				
<b>Assets</b>				
Cash and short-term funds	18,620,310	18,620,310	-	18,620,310
Reverse repurchase agreements	5,107,539	-	5,107,539	5,107,539
Deposits and placement with banks and other financial institutions	1,181,729	-	1,181,729	1,181,729
Financial investments held-to-maturity	27,600,862	-	27,687,099	27,687,099
Loans, advances and financing	256,199,949	-	250,883,762	250,883,762
Other assets	9,663,268	-	9,663,871	9,663,871
Statutory deposits with central banks	8,484,241	8,484,241	-	8,484,241
Amounts due from holding company and ultimate holding company	4,084	-	4,084	4,084
Amounts due from related companies	1,223,076	-	1,223,076	1,223,076
Non-current assets/disposal groups held for sale	886,354	-	972,735	972,735
<b>Total</b>	<b>328,971,412</b>	<b>27,104,551</b>	<b>296,723,895</b>	<b>323,828,446</b>

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Group Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>31 December 2016</b>				
<b>Liabilities</b>				
Deposits from customers	275,932,222	-	275,772,070	275,772,070
Investment accounts of customers	254,408	-	254,408	254,408
Deposits and placements of banks and other financial institutions	26,541,431	-	26,444,322	26,444,322
Repurchase agreements	4,340,854	-	4,340,854	4,340,854
Bills and acceptances payable	2,301,368	-	2,267,810	2,267,810
Amounts due to related companies	5,228	-	5,228	5,228
Other liabilities	9,186,507	-	9,186,507	9,186,507
Recourse obligation on loans and financing sold to Cagamas	4,498,369	-	4,572,449	4,572,449
Bonds, Sukuk and debentures	6,287,153	-	6,275,347	6,275,347
Other borrowings	3,565,826	-	3,495,509	3,495,509
Subordinated obligations	11,106,619	-	11,180,755	11,180,755
<b>Total</b>	<b>344,019,985</b>	<b>-</b>	<b>343,795,259</b>	<b>343,795,259</b>

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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed:

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Assets</b>				
Cash and short-term funds	19,642,521	19,642,521	-	19,642,521
Reverse repurchase agreements	5,000,601	-	5,000,242	5,000,242
Deposits and placement with banks and other financial institutions	9,227,427	-	9,227,427	9,227,427
Financial investments held-to-maturity	28,698,561	-	28,879,673	28,879,673
Loans, advances and financing	176,897,036	-	175,712,098	175,712,098
Other assets	8,132,565	-	8,163,120	8,163,120
Statutory deposits with central banks	6,503,641	6,503,641	-	6,503,641
Amounts due from holding company and ultimate holding company	3,227	-	3,227	3,227
Amounts due from subsidiaries	63,827	-	63,827	63,827
Amounts due from related companies	1,105,782	-	1,105,782	1,105,782
<b>Total</b>	<b>255,275,188</b>	<b>26,146,162</b>	<b>228,155,396</b>	<b>254,301,558</b>

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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Liabilities</b>				
Deposits from customers	207,442,951	-	207,344,671	207,344,671
Deposits and placements of banks and other financial institutions	16,164,109	-	16,153,931	16,153,931
Repurchase agreements	3,318,517	-	3,315,717	3,315,717
Bills and acceptances payable	1,086,455	-	1,086,455	1,086,455
Amounts due to subsidiaries	12,555	-	12,555	12,555
Amounts due to related companies	10,308	-	10,308	10,308
Other liabilities	10,430,514	-	10,430,514	10,430,514
Recourse obligation on loans and financing sold to Cagamas	3,122,948		3,184,235	3,184,235
Bonds	11,204,948	-	11,239,259	11,239,259
Other borrowings	5,697,728	-	5,643,872	5,643,872
Subordinated obligations	9,533,891	-	9,613,610	9,613,610
<b>Total</b>	<b>268,024,924</b>	<b>-</b>	<b>268,035,127</b>	<b>268,035,127</b>

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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Bank Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
<b>31 December 2016</b>				
<b>Assets</b>				
Cash and short-term funds	10,358,003	10,358,003	-	10,358,003
Reverse repurchase agreements	4,698,080	-	4,698,080	4,698,080
Deposits and placement with banks and other financial institutions	5,044,889	-	5,044,889	5,044,889
Financial investments held-to-maturity	22,572,462	-	22,647,643	22,647,643
Loans, advances and financing	182,585,775	-	179,596,215	179,596,215
Other assets	8,619,807	-	8,620,412	8,620,412
Statutory deposits with central banks	6,640,483	6,640,483	-	6,640,483
Amounts due from holding company and ultimate holding company	4,084	-	4,084	4,084
Amounts due from subsidiaries	546,462	-	546,462	546,462
Amounts due from related companies	1,220,820	-	1,220,820	1,220,820
Non-current assets/disposal groups held for sale	305,584	-	305,584	305,584
<b>Total</b>	<b>242,596,449</b>	<b>16,998,486</b>	<b>222,684,189</b>	<b>239,682,675</b>



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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>31 December 2016</b>				
<b>Liabilities</b>				
Deposits from customers	198,883,550	-	199,552,328	199,552,328
Deposits and placements of banks and other financial institutions	25,926,597	-	25,829,466	25,829,466
Repurchase agreements	4,340,854	-	4,334,177	4,334,177
Bills and acceptances payable	886,404	-	886,404	886,404
Amounts due to subsidiaries	29,422	-	29,422	29,422
Amounts due to related companies	3,570	-	3,570	3,570
Other liabilities	8,644,167	-	8,644,167	8,644,167
Recourse obligation on loans and financing sold to Cagamas	3,144,979	-	3,219,060	3,219,060
Bonds	5,199,084	-	5,210,964	5,210,964
Other borrowings	3,565,826	-	3,495,509	3,495,509
Subordinated obligations	9,529,719	-	9,572,599	9,572,599
<b>Total</b>	<b>260,154,172</b>	<b>-</b>	<b>260,777,666</b>	<b>260,777,666</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4 Fair value estimation (Continued)**

##### **53.4.2 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 money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

##### **Financial investments held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

##### **Other assets**

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

##### **Loans, advances and financing**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4 Fair value estimation (Continued)**

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

###### **Amount due (to)/from subsidiaries and related companies and amount due from holding company and ultimate holding company**

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due from ultimate holding company approximate the carrying values as the balances are either callable on demand or are based on the current rates for such similar loans.

###### **Deposits from customers**

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

###### **Investment accounts of customers**

The estimated fair values of placements from investment accounts with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

###### **Deposits and placements of banks and other financial institutions**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

###### **Obligations on securities sold under repurchase agreements**

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4 Fair value estimation (Continued)**

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

###### **Bills and acceptances payable**

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

###### **Other liabilities**

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

###### **Recourse obligation on loans and financing sold to Cagamas**

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

###### **Bonds, Sukuk and debentures and other borrowings**

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for bonds, Sukuk and debentures and other borrowings with similar risk profile.

###### **Subordinated obligations**

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4 Fair value estimation (Continued)**

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

###### **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.

##### **53.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange (“FX”) rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Credit correlation between the underlying debt instruments
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation (reserve on a Level 3 input) –
  1. Long correlation positions will be shocked with lower correlation
  2. Short correlation positions will be shocked with higher correlation
- Credit and FX correlation (reserve on a Level 3 input) –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **53 Financial Risk Management (Continued)**

#### **53.4 Fair value estimation (Continued)**

##### **53.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)**

- FX Volatility (reserve on valuation model) –
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions

Fund derivatives which primarily include over-the-counter options on funds (mutual funds, unit trusts etc.) are valued using option pricing models such as Black-Scholes.

These models utilize pricing inputs which include underlying fund prices, dividend and yield curves. A Level 3 input for fund options is historical volatility i.e. volatility derived from the funds' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Lower volatility will result in higher fair value for net short positions

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

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**Notes to the Financial Statements  
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2017 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Derivative financial instruments</b>						
- Credit derivatives (The Group)	725	(464)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-55.00% to -8.48%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Credit derivatives (The Bank)	725	(7,958)				
- Fund derivatives (The Group and The Bank)	620	(2,917)	Option pricing	Fund volatility	1.00% to 3.33%	Higher volatility results in lower fair value based on a net short fund option position
- Equity derivatives (The Group and the Bank)	55,051	(20,723)	Option pricing	Equity volatility	7.45% to 96.41%	Higher volatility results in higher/lower fair value depending on the net long/short positions
<b>Financial assets held for trading</b>						
- Unquoted shares and private equity funds (The Group and the Bank)	164,243	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
<b>Financial investments available-for-sale</b>						
- Unquoted shares and private equity funds (The Group)	1,331,831	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
- Unquoted shares and private equity funds (The Bank)	1,313,795					
<b>Financial liabilities designated at fair value The Group and the Bank</b>						
- Credit linked structured deposits	Not applicable	(395,058)	Discounted cash flow	Internal deposit rates	1.26% to 3.57%	Higher internal deposit rates results in decrease in fair value measurement

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**Notes to the Financial Statements  
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2016 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Derivative financial instruments</b>						
- Credit derivatives (The Group)	4,995	(5,083)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-58% to -3%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Credit derivatives (The Bank)	18,526	(5,083)				
- Equity derivatives (The Group and the Bank)	91,187	(135,427)	Option pricing	Equity volatility	5.37% to 77.09%	Higher volatility results in higher/lower fair value depending on the net long/short positions
<b>Financial assets held for trading</b>						
- Unquoted shares and private equity funds (The Group)	178,451	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
- Unquoted shares and private equity funds (The Bank)	73,506					
<b>Financial investments available-for-sale</b>						
- Unquoted shares and private equity funds (The Group)	1,297,868	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
- Unquoted shares and private equity funds (The Bank)	1,277,121					
<b>Financial liabilities designated at fair value The Group and the Bank</b>						
- Credit linked structured deposits	Not applicable	(386,462)	Discounted cash flow	Internal deposit rates	0.47% to 3.42%	Higher internal deposit rates results in decrease in fair value measurement



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2017	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	- *	-
	-10%	-	- **
- Fund derivatives	+25%	-	(770)
	-25%	756	-
- Equity derivatives	+25%	7,651	-
	-25%	-	(6,771)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits	+ 1%	947	-
	- 1%	-	(947)
<b>Total</b>		<b>9,354</b>	<b>(8,488)</b>

2016	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	9	-
	-10%	-	(9)
- Equity derivatives	+25%	8,378	-
	-25%	-	(10,034)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits	+ 1%	1,740	-
	- 1%	-	(1,740)
<b>Total</b>		<b>10,127</b>	<b>(11,783)</b>

\* denoted favorable changes of RM150

\*\* denoted unfavorable changes of RM190

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**Notes to the Financial Statements  
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2017	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	13	-
	-10%	-	(12)
- Fund derivatives	+25%	-	(770)
	-25%	756	-
- Equity derivatives	+25%	7,651	-
	-25%	-	(6,771)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits	+ 1%	947	-
	- 1%	-	(947)
<b>Total</b>		<b>9,367</b>	<b>(8,500)</b>

2016	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	54	-
	-10%	-	(53)
- Equity derivatives	+25%	8,378	-
	-25%	-	(10,034)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits	+ 1%	1,740	-
	- 1%	-	(1,740)
<b>Total</b>		<b>10,172</b>	<b>(11,827)</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****54 Non-current assets/disposal groups held for sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000	<b>31 December 2017 RM'000</b>	31 December 2016 RM'000
<b>Non-current assets held for sale:</b>				
- Property plant and equipment	<b>4,199</b>	4,573	-	375
- Investment in associates	-	886,354	-	305,584
Total non-current assets held for sale	<b>4,199</b>	890,927	-	305,959

Foreclosed properties, property, plant and equipment and investment properties of the Group and the Bank where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2018.

The Bank's investment in BYK have been presented as held for sale as at 31 December 2016 following the Share Transfer Agreement entered by the Bank on 30 December 2016 to sell its 18.21% stake in BYK to Shanghai Guozhijie Investment Development Co., Ltd. ("Proposed Divestment") for a total consideration of RMB1.507 billion (approximately RM972 million).

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****55 Changes in comparatives**

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

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

Impact on the Group's and the Bank's statements of financial position as at 31 December 2016:

	<b>The Group</b>		
	<b>As previously reported RM'000</b>	<b>Reclassification RM'000</b>	<b>As restated RM'000</b>
<b>Liabilities</b>			
Deposits from customers	278,480,261	(2,548,039)	275,932,222
Deposits and placements of banks and other financial institutions	26,899,767	(358,336)	26,541,431
Other liabilities	6,280,132	2,906,375	9,186,507
	<b>The Bank</b>		
	<b>As previously reported RM'000</b>	<b>Reclassification RM'000</b>	<b>As restated RM'000</b>
<b>Liabilities</b>			
Deposits from customers	201,352,180	(2,468,630)	198,883,550
Deposits and placements of banks and other financial institutions	26,284,933	(358,336)	25,926,597
Other liabilities	5,817,201	2,826,966	8,644,167

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

	As previously reported RM'000	The Group	
		Restatement RM'000	As restated RM'000
<b>Derivative financial instruments (Principal Amount)</b>			
<b>Trading derivatives</b>			
<u>Foreign exchange derivatives</u>			
Currency options	20,993,677	(5,399,710)	15,593,967
<u>Interest rate derivatives</u>			
Interest rate swaps	355,695,031	81,387,949	437,082,980
<b>Hedging derivatives</b>			
Interest rate swaps	30,848,391	(5,390,967)	25,457,424
<b>Commitments and contingencies</b>	794,583,414	70,597,272	865,180,686
	As previously reported RM'000	The Bank	
		Restatement RM'000	As restated RM'000
<b>Derivative financial instruments (Principal Amount)</b>			
<b>Trading derivatives</b>			
<u>Foreign exchange derivatives</u>			
Currency options	20,707,509	(5,399,710)	15,307,799
<u>Interest rate derivatives</u>			
Interest rate swaps	259,618,107	81,387,949	341,006,056
<b>Hedging derivatives</b>			
Interest rate swaps	34,685,229	(5,390,967)	29,294,262
<b>Commitments and contingencies</b>	563,099,015	70,597,272	633,696,287

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2017**

	Note	The Group 2017 RM'000	2016 RM'000	The Bank 2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and short-term funds	(a)	13,976,616	8,425,152	1,817,616	1,372,170
Deposits and placements with banks and other financial institutions	(b)	1,411,098	430,948	1,418,303	551,349
Financial assets held for trading	(c)	3,547,420	2,949,804	322,282	219,139
Financial investments available-for-sale	(d)	2,383,164	1,918,663	459,437	293,433
Financial investments held-to-maturity	(e)	4,961,207	3,564,547	228,817	233,947
Islamic derivative financial instruments	(f)(i)	653,828	872,532	19,521	1,881
Financing, advances and other financing/loans	(g)	62,984,440	51,545,247	5,433,031	4,372,374
Other assets	(h)	915,820	1,493,475	311,730	610,095
Deferred taxation	(i)	17,794	15,427	-	-
Amount due from conventional operations		1,278,436	1,278,436	-	-
Amount due from related companies		1,215,664	3,575,340	1,215,250	3,574,444
Statutory deposits with Bank Negara Malaysia	(j)	1,554,286	1,384,859	-	-
Goodwill	(k)	136,000	136,000	-	-
Intangible assets	(l)	79,149	81,079	58	39
Property, plant and equipment	(m)	6,038	9,603	7	21
<b>Total assets</b>		<b>95,120,960</b>	<b>77,681,112</b>	<b>11,226,052</b>	<b>11,228,892</b>
<b>Liabilities</b>					
Deposits from customers	(n)	68,915,949	56,029,338	4,186,971	3,346,460
Investment accounts of customers	(o)	907,763	254,408	-	-
Deposits and placements of banks and other financial institutions	(p)	1,880,964	2,236,242	2,381,667	2,476,700
Investment accounts due to designated financial institutions	(q)	8,145,684	3,912,011	-	-
Financial liabilities designated at fair value	(r)	2,234	2,181	-	-
Islamic derivative financial instruments	(f)(i)	701,912	979,203	9,152	193
Other liabilities	(s)	3,777,163	4,512,080	3,157,681	4,176,683
Recourse obligation on loans and financing sold to Cagamas	(t)	2,072,300	1,353,390	-	-
Sukuk	(u)	463,257	586,488	-	-
Amount due to related companies		1,187,453	1,049,776	1,090,910	942,644
Amount due to conventional operations		20,588	495,087	-	-
Provision for taxation	(v)	54,389	45,623	-	-
Subordinated Sukuk	(w)	615,006	617,563	-	-
<b>Total liabilities</b>		<b>88,744,662</b>	<b>72,073,390</b>	<b>10,826,381</b>	<b>10,942,680</b>
<b>Equity</b>					
Ordinary share capital	(x)	1,000,000	1,000,000	-	-
Perpetual preference shares	(y)	220,000	220,000	-	-
Reserves	(z)	5,156,298	4,387,722	399,671	286,212
<b>Total equity</b>		<b>6,376,298</b>	<b>5,607,722</b>	<b>399,671</b>	<b>286,212</b>
<b>Total equity and liabilities</b>		<b>95,120,960</b>	<b>77,681,112</b>	<b>11,226,052</b>	<b>11,228,892</b>
<b>Commitment and contingencies</b>	(f)(ii)	<b>56,794,465</b>	<b>53,621,920</b>	<b>1,582,411</b>	<b>541,415</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2017**

	Note	The Group		The Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds and others	(aa)	<b>3,160,230</b>	2,486,196	<b>224,556</b>	147,862
Income derived from investment of investment accounts	(ab)	<b>252,057</b>	188,683	-	-
Net income derived from investment of shareholders' funds	(ac)	<b>317,465</b>	362,680	<b>5,716</b>	1,865
Allowances for impairment losses on financing, advances and other financing/loans	(ad)	<b>(121,240)</b>	(30,355)	<b>(35,478)</b>	(20,820)
Allowance for losses on other receivables		<b>(1)</b>	(198)	-	-
Allowance for other impairment losses	(ae)	-	(3,160)	-	(3,160)
Total distributable income		<b>3,608,511</b>	3,003,846	<b>194,794</b>	125,747
Income attributable to depositors	(af)	<b>(1,942,619)</b>	(1,597,403)	<b>(72,240)</b>	(62,698)
Profit distributed to investment account holder	(ag)	<b>(188,508)</b>	(133,058)	-	-
Total net income		<b>1,477,384</b>	1,273,385	<b>122,554</b>	63,049
Personnel expenses	(ah)	<b>(33,701)</b>	(36,858)	<b>(2,881)</b>	(2,750)
Other overheads and expenditures	(ai)	<b>(512,362)</b>	(449,787)	<b>(835)</b>	(441)
Profit before taxation and zakat		<b>931,321</b>	786,740	<b>118,838</b>	59,858
Taxation and zakat	(ak)	<b>(172,544)</b>	(181,184)	-	-
<b>Profit after taxation and zakat</b>		<b>758,777</b>	605,556	<b>118,838</b>	59,858

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Comprehensive Income for the financial year ended 31 December 2017**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	758,777	605,556	118,838	59,858
Other comprehensive income/(expense):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve of financial investments available-for-sale	14,458	(690)	9,664	2,008
- Net gain from change in fair value	19,344	7,685	10,230	3,160
- Realised gain transferred to statement of income on disposal	(4,621)	(7,796)	(1,840)	(934)
- Income tax effects	(1,523)	(260)	-	-
- Currency translation difference	1,258	(319)	1,274	(218)
Exchange fluctuation reserves	(4,846)	(8,500)	(15,043)	(4,092)
	9,612	(9,190)	(5,379)	(2,084)
<b>Total comprehensive income for the financial year</b>	<b>768,389</b>	<b>596,366</b>	<b>113,459</b>	<b>57,774</b>
Total net income	1,477,384	1,273,385	122,554	63,049
Add: Allowances for impairment losses on financing, advances and other financing/loans	121,240	30,355	35,478	20,820
Add: Allowance for other impairment losses	-	3,160	-	3,160
Add: Allowance for losses on other receivables	1	198	-	-
	1,598,625	1,307,098	158,032	87,029
Elimination for transactions with conventional operations	205,308	138,122	11,307	-
	1,803,933	1,445,220	169,339	87,029



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2017**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group</b>									
<b>At 1 January 2017</b>	<b>1,000,000</b>	<b>220,000</b>	<b>1,083,035</b>	<b>(1,594)</b>	<b>(23,251)</b>	<b>201,344</b>	<b>580</b>	<b>3,127,608</b>	<b>5,607,722</b>
Profit for the financial year	-	-	-	-	-	-	-	758,777	758,777
Other comprehensive (expense)/income, net of tax	-	-	-	(4,846)	14,458	-	-	-	9,612
- financial investments available-for-sale	-	-	-	-	14,458	-	-	-	14,458
- currency translation difference	-	-	-	(4,846)	-	-	-	-	(4,846)
Total comprehensive (expense)/income for the financial year	-	-	-	(4,846)	14,458	-	-	758,777	768,389
Share-based payment expense	-	-	-	-	-	-	187	-	187
Transfer from statutory reserve	-	-	(1,083,035)	-	-	-	-	1,083,035	-
Transfer to regulatory reserve	-	-	-	-	-	90,256	-	(90,256)	-
<b>At 31 December 2017</b>	<b>1,000,000</b>	<b>220,000</b>	<b>-</b>	<b>(6,440)</b>	<b>(8,793)</b>	<b>291,600</b>	<b>767</b>	<b>4,879,164</b>	<b>6,376,298</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2017 (Continued)**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group</b>									
At 1 January 2016	1,000,000	220,000	947,235	6,906	(22,561)	60,957	548	2,798,239	5,011,324
Profit for the financial year	-	-	-	-	-	-	-	605,556	605,556
Other comprehensive expense, net of tax	-	-	-	(8,500)	(690)	-	-	-	(9,190)
- financial investments available-for-sale	-	-	-	-	(690)	-	-	-	(690)
- currency translation difference	-	-	-	(8,500)	-	-	-	-	(8,500)
Total comprehensive (expense)/income for the financial year	-	-	-	(8,500)	(690)	-	-	605,556	596,366
Share-based payment expense	-	-	-	-	-	-	858	-	858
Shares released under Equity Ownership plan	-	-	-	-	-	-	(826)	-	(826)
Transfer to statutory reserve	-	-	135,800	-	-	-	-	(135,800)	-
Transfer to regulatory reserve	-	-	-	-	-	140,387	-	(140,387)	-
At 31 December 2016	1,000,000	220,000	1,083,035	(1,594)	(23,251)	201,344	580	3,127,608	5,607,722

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2017 (Continued)**

	<u>Non- distributable</u>		<u>Distributable</u>	
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained profits RM'000	Total RM'000
<b>The Bank</b>				
At 1 January 2017	33,022	437	252,753	286,212
Profit for the financial year	-	-	118,838	118,838
Currency translation difference	(15,043)	-	-	(15,043)
Financial investments available-for-sale	-	9,664	-	9,664
At 31 December 2017	17,979	10,101	371,591	399,671

	<u>Non- distributable</u>		<u>Distributable</u>	
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained profits RM'000	Total RM'000
<b>The Bank</b>				
At 1 January 2016	37,114	(1,571)	192,895	228,438
Profit for the financial year	-	-	59,858	59,858
Currency translation difference	(4,092)	-	-	(4,092)
Financial investments available-for-sale	-	2,008	-	2,008
At 31 December 2016	33,022	437	252,753	286,212

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 56 The operations of Islamic Banking (Continued)

#### Statements of Cash Flow for the financial year ended 31 December 2017

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	931,321	786,740	118,838	59,858
Adjustments for:				
Depreciation of property, plant and equipment	5,867	4,142	16	18
Property, plant and equipment written off	217	119	-	-
Amortisation of intangible assets	8,103	10,942	35	27
Allowance for losses on other receivables made	1	198	-	-
Net gain from disposal of financial investments available-for-sale	(4,621)	(7,796)	(1,840)	(934)
Share-based payment expense	186	858	-	-
Unrealised gain on Islamic derivative financial instruments	(9,260)	(2,749)	(347)	(2)
Unrealised (gain)/loss on foreign exchange	(90,124)	41,412	-	-
Allowance for impairment losses on financing, advances and other financing/loans	174,345	80,281	35,478	20,820
Unrealised (gain)/ loss from revaluation of financial assets held for trading	(13,026)	2,142	(11,098)	888
Unrealised loss from financial liabilities designated at fair value	52	8,520	-	-
Profit expense on recourse obligation on loans and financing sold to Cagamas	59,912	53,072	-	-
Accretion of discount less amortisation of premium	(98,436)	(59,339)	247	220
Profit income from financial investments available-for-sale	(88,688)	(75,057)	(11,800)	(8,254)
Profit income from financial investments held-to-maturity	(178,550)	(112,595)	(6,805)	(6,577)
Net loss/(gain) from hedging derivatives	1,305	3,175	(142)	1,121
Profit expense on subordinated Sukuk	27,359	34,175	-	-
Profit expense on Sukuk	18,390	8,063	-	-
	<b>744,353</b>	<b>776,303</b>	<b>122,582</b>	<b>67,185</b>
<b>(Increase)/Decrease in operating assets</b>				
Deposits and placements with banks and other financial institutions	(980,150)	(26,707)	(866,954)	(280,060)
Financial assets held for trading	(486,020)	52,838	(92,045)	33,255
Financing, advances and other financing/loans	(11,619,100)	(6,592,183)	(1,101,602)	314,674
Other assets	577,655	(899,109)	298,365	(184,486)
Amount due from conventional operations	-	(9,831)	-	-
Amount due from related companies	2,359,676	(586,976)	2,359,194	(586,716)
Statutory deposits with Bank Negara Malaysia	(169,427)	(127,681)	-	-
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	12,886,611	9,287,750	840,511	773,342
Investment accounts of customers	653,355	21,692	-	-
Deposits and placements of banks and other financial institutions	(355,278)	(1,347,831)	(95,033)	135,627
Investment accounts due to designated financial institutions	4,233,673	1,011,029	-	-
Islamic derivative financial instruments	(49,327)	2,901	(8,334)	1,576
Financial liabilities designated at fair value	1	(205,402)	-	-
Amount due to conventional operations	(474,499)	484,044	-	-
Amount due to related companies	137,677	(141,054)	148,266	(132,188)
Other liabilities	(644,124)	(609,358)	(1,019,002)	(418,938)
Cash flows generated/(used in) from operations	<b>6,815,076</b>	<b>1,090,425</b>	<b>585,948</b>	<b>(276,729)</b>
Taxation and zakat paid	(167,668)	(158,382)	-	-
Cash flows generated/(used in) from operating activities	<b>6,647,408</b>	<b>932,043</b>	<b>585,948</b>	<b>(276,729)</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2017 (Continued)**

Note	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from investing activities</b>				
Net (purchase)/redemption of financial investments held-to-maturity	(1,378,990)	(1,667,779)	5,342	(4,280)
Net (purchase)/proceeds of financial investments available-for-sale	(453,125)	413,433	(154,925)	106,434
Profit income from financial investments held-to-maturity	160,880	109,790	6,593	6,342
Profit income from financial investments available-for-sale	96,146	84,977	11,791	9,060
Proceeds from disposal of intangible assets	-	49	-	-
Purchase of property, plant and equipment	(2,517)	(1,540)	-	(4)
Purchase of intangible assets	(6,174)	(8,758)	(55)	-
Cash flows (used in)/generated from investing activities	<u>(1,583,780)</u>	<u>(1,069,828)</u>	<u>(131,254)</u>	<u>117,552</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of subordinated Sukuk	300,000	10,000	-	-
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas	1,157,000	845,507	-	-
Repayment of recourse obligation on loans and financing sold to Cagamas	(445,500)	-	-	-
Redemption of Sukuk	(124,000)	-	-	-
Issuance of Sukuk	1,000	578,425	-	-
Profit expense paid on recourse obligation on loans and financing sold to Cagamas	(52,502)	(47,558)	-	-
Profit expense paid on subordinated Sukuk	(30,585)	(36,194)	-	-
Profit expense paid on Sukuk	(18,621)	-	-	-
Repayment of subordinated Sukuk	(300,000)	(250,000)	-	-
Cash flows generated from financing activities	<u>486,792</u>	<u>1,100,180</u>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,550,420</b>	<b>962,395</b>	<b>454,694</b>	<b>(159,177)</b>
<b>Effects of exchange rate differences</b>	<b>1,044</b>	<b>(13,110)</b>	<b>(9,248)</b>	<b>(8,665)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>8,425,152</b>	<b>7,475,867</b>	<b>1,372,170</b>	<b>1,540,012</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>13,976,616</b>	<b>8,425,152</b>	<b>1,817,616</b>	<b>1,372,170</b>
<b>Cash and cash equivalents comprise:</b>				
<b>Cash and short-term funds</b>	(a) <b>13,976,616</b>	<b>8,425,152</b>	<b>1,817,616</b>	<b>1,372,170</b>

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

The Group	Sukuk	Recourse obligation on loans and financing sold to Cagamas	Subordinated Sukuk	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	586,488	1,353,390	617,563	2,557,441
Proceeds from issuance	1,000	1,157,000	300,000	1,458,000
Repayment and redemption	(124,000)	(445,500)	(300,000)	(869,500)
Profit paid	(18,621)	(52,502)	(30,585)	(101,708)
Other non cash movement	18,390	59,912	28,028	106,330
At 31 December 2017	<u>463,257</u>	<u>2,072,300</u>	<u>615,006</u>	<u>3,150,563</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(a) Cash and short-term funds**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	3,181,179	1,903,956	1,756,772	1,241,353
Money at call and deposit placements maturing within one month	10,795,437	6,521,196	60,844	130,817
	<b>13,976,616</b>	<b>8,425,152</b>	<b>1,817,616</b>	<b>1,372,170</b>

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,411,098	430,948	1,418,303	551,349

**(c) Financial assets held for trading**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	347,099	55,459	-	-
Malaysian Government treasury bills	1,357	120,987	-	-
Islamic negotiable instruments of deposits	2,764,951	2,425,600	-	-
Islamic Cagamas bonds	50,759	-	-	-
Other Government Securities	41,546	-	41,546	-
	<b>3,205,712</b>	<b>2,602,046</b>	<b>41,546</b>	<b>-</b>
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk	136,022	40,778	75,050	-
<u>Outside Malaysia</u>				
Corporate Sukuk	205,686	306,980	205,686	219,139
	<b>3,547,420</b>	<b>2,949,804</b>	<b>322,282</b>	<b>219,139</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(d) Financial investments available-for-sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	355,065	111,863	-	-
Islamic Cagamas bonds	5,524	40,772	-	-
Malaysian Government Sukuk	22,107	29,622	-	-
	<b>382,696</b>	<b>182,257</b>	<b>-</b>	<b>-</b>
<b>Unquoted securities</b>				
<b><u>In Malaysia</u></b>				
Corporate Sukuk	1,549,527	1,468,354	75,611	99,586
Placements with Islamic Banking and Finance Institute Malaysia	575	575	-	-
<b><u>Outside Malaysia</u></b>				
Corporate Sukuk	339,670	151,930	273,260	78,459
Private equity funds	113,787	118,967	113,657	118,808
Less: Allowance for impairment losses	(3,091)	(3,420)	(3,091)	(3,420)
	<b>2,383,164</b>	<b>1,918,663</b>	<b>459,437</b>	<b>293,433</b>

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	3,420	4,659	3,420	-
Allowance made during the financial year	-	3,160	-	3,160
Disposal of securities	-	(4,659)	-	-
Exchange fluctuation	(329)	260	(329)	260
At 31 December	<b>3,091</b>	<b>3,420</b>	<b>3,091</b>	<b>3,420</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(e) Financial investments held-to-maturity**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	<b>1,556,967</b>	811,683	-	-
Khazanah bond	<b>12,662</b>	12,662	-	-
Islamic Cagamas Notes	-	30,945	-	-
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk	<b>3,157,520</b>	2,472,854	-	-
<u>Outside Malaysia</u>				
Corporate Sukuk	<b>228,817</b>	233,947	<b>228,817</b>	233,947
Amortisation of premium				
less accretion of discounts	<b>5,241</b>	2,456	-	-
	<b>4,961,207</b>	3,564,547	<b>228,817</b>	233,947

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

There is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale during the year. In 2016, the fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale at the date of reclassification are RM263,531,000, RM266,431,000 and RM2,900,000 respectively.

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

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



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies****(i) Islamic derivative financial instruments**

The following tables summarise the contractual or underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, 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			The Bank		
	Principal	Fair values	Liabilities	Principal	Fair values	Liabilities
At 31 December 2017	RM'000	Assets RM'000	RM'000	RM'000	Assets RM'000	RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	7,565,881	153,933	(223,012)	515,141	9,388	(3,084)
Currency swaps	10,748,117	193,300	(97,959)	721,023	7,000	(3,424)
Currency spot	11,778	19	(9)	1,023	1	-
Cross currency profit rate swaps	3,252,984	185,841	(180,773)	41,970	2,974	(2,644)
	21,578,760	533,093	(501,753)	1,279,157	19,363	(9,152)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	17,796,260	117,156	(107,951)	303,254	158	-
<u>Equity related derivatives</u>						
Equity options	338,078	2,953	(2,953)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	50,000	626	(626)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,593,712	-	(88,629)	-	-	-
Total derivative assets/(liabilities)	43,356,810	653,828	(701,912)	1,582,411	19,521	(9,152)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(i) Islamic derivative financial instruments (Continued)**

At 31 December 2016	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	6,544,610	376,129	(185,418)	152,013	3,719	(180)
Currency swaps	12,176,335	120,528	(306,096)	159,948	(3,493)	-
Currency spot	26,607	38	(47)	2,062	19	(13)
Currency option	2,512	93	(93)	-	-	-
Cross currency profit rate swaps	4,232,269	252,730	(245,706)	42,911	427	-
	22,982,333	749,518	(737,360)	356,934	672	(193)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	15,651,929	118,432	(107,721)	184,481	1,209	-
<u>Equity related derivatives</u>						
Equity options	447,153	3,713	(3,632)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	81,150	869	(869)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,895,703	-	(129,621)	-	-	-
Total derivative assets/(liabilities)	43,058,268	872,532	(979,203)	541,415	1,881	(193)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies**

In the normal course of business, the Group and the Bank entered 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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>Principal</b>	Principal	<b>Principal</b>	Principal
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Credit related</u>				
Direct credit substitutes	<b>229,687</b>	207,083	-	-
Certain transaction-related contingent items	<b>712,390</b>	520,884	-	-
Short-term self-liquidating trade-related contingencies	<b>23,014</b>	153,685	-	-
Irrevocable commitments to extend credit:				
- maturity not exceeding one year	<b>6,901,712</b>	6,236,307	-	-
- maturity exceeding one year	<b>5,507,311</b>	3,388,319	-	-
Forward asset purchase				-
Miscellaneous commitments and contingencies	<b>63,541</b>	57,374	-	-
Total credit-related commitments and contingencies	<b>13,437,655</b>	10,563,652	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies (Continued)**

	The Group		The Bank	
	2017	2016	2017	2016
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
<u>Treasury related</u>				
Foreign exchange related contracts:				
- less than one year	16,314,164	18,864,140	1,237,187	356,934
- one year to less than five years	4,040,233	2,841,449	41,970	-
- five years and above	1,224,363	1,276,744	-	-
	<b>21,578,760</b>	22,982,333	<b>1,279,157</b>	356,934
Profit rate related contracts:				
- less than one year	3,567,420	2,963,832	303,254	184,481
- one year to less than five years	16,848,542	15,846,824	-	-
- five years and above	974,010	736,976	-	-
	<b>21,389,972</b>	19,547,632	<b>303,254</b>	184,481
Equity related contracts:				
- less than one year	-	93,021	-	-
- one year to less than five years	61,926	78,876	-	-
- five years and above	276,152	275,256	-	-
	<b>338,078</b>	447,153	-	-
Credit related contracts:				
- five years and above	50,000	81,150	-	-
	<b>50,000</b>	81,150	-	-
Total treasury-related commitments and contingencies				
	<b>43,356,810</b>	43,058,268	<b>1,582,411</b>	541,415
	<b>56,794,465</b>	53,621,920	<b>1,582,411</b>	541,415

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans****(i) By type and Shariah contract:**The Group  
At 31 December 2017

	Sale-based contracts				Tawarruq RM'000	Lease-based contracts		Equity-based contracts RM'000	Loan contract RM'000	Other RM'000	Total RM'000
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000		Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai RM'000				
At amortised cost											
Cash line <sup>^</sup>	-	14,452	4,221	-	777,355	-	-	-	2,064	-	798,092
Term financing											
- House financing	-	6,329,300	-	-	6,775,695	1,433,334	-	-	-	-	14,538,329
- Syndicated financing	496,721	-	228,506	-	2,092,012	59,738	-	739	-	-	2,877,716
- Hire purchase receivables	-	-	-	-	-	-	5,709,622	-	-	-	5,709,622
- Other term financing	1,079,047	1,720,870	9,305,762	-	19,486,424	55,169	-	-	-	-	31,647,272
Bills receivable	-	-	-	1,567,399	-	-	-	-	292	-	1,567,691
Islamic trust receipts	153,508	-	-	-	-	-	-	-	-	-	153,508
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,729	-	-	-	-	-	57,729
Revolving credits	-	-	-	-	4,929,326	-	-	-	-	-	4,929,326
Credit card receivables	-	-	-	-	-	-	-	-	-	128,947	128,947
Share purchase financing	3,737	-	-	-	-	-	-	-	-	-	3,737
Gross financing, advances and other financing/loans	2,432,690	8,064,622	9,538,489	1,720,130	34,118,541	1,548,241	5,709,622	739	2,356	128,947	63,264,377
Fair value changes arising from fair value hedge											69,873
											63,334,250
Less: Allowance for impairment losses											
- Individual impairment allowance											(103,254)
- Portfolio impairment allowance											(246,556)
											(349,810)
<b>Net financing, advances and other financing/loans</b>											<b>62,984,440</b>

<sup>^</sup> Includes current account in excess

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for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)**The Group  
At 31 December 2016

	Sale-based contracts				Lease-based contracts		Equity-based contracts	Loan contract	Other	Total RM'000	
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai RM'000	Mudharabah RM'000	Qard RM'000		Ujrah RM'000
At amortised cost											
Cash line <sup>^</sup>	-	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	287,191	-	260,465	-	1,978,421	110,216	-	898	-	-	2,637,191
- Hire purchase receivables	-	-	-	-	-	-	4,004,807	-	-	-	4,004,807
- Other term financing	3,692,486	1,971,036	10,090,242	-	11,785,762	57,511	-	-	-	-	27,597,037
Bills receivable	-	-	-	57,210	-	-	-	-	-	-	57,210
Islamic trust receipts	157,584	-	-	-	-	-	-	-	-	-	157,584
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	-	427,776
Staff financing	2	-	-	-	15,203	-	-	-	-	-	15,205
Revolving credits	290,905	-	-	-	3,626,798	-	-	-	-	-	3,917,703
Credit card receivables	-	-	-	-	-	-	-	-	-	121,558	121,558
Share purchase financing	2,028	-	-	-	-	-	-	-	-	-	2,028
Gross financing, advances and other financing/loans	4,799,460	8,940,260	10,362,479	115,722	21,753,037	1,646,711	4,004,807	898	4,283	121,558	51,749,215
Fair value changes arising from fair value hedge											110,982
											51,860,197
Less: Allowance for impairment losses											
- Individual impairment allowance											(65,362)
- Portfolio impairment allowance											(249,588)
											(314,950)
<b>Net financing, advances and other financing/loans</b>											<b>51,545,247</b>

<sup>^</sup> Includes current account in excess

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The Bank

At 31 December 2017

At amortised cost	Sale-based contracts			Equity-based contracts	Total
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
Term financing					
- Syndicated financing	496,721	-	185,740	739	683,200
- Other term financing	1,079,047	-	1,643,376	-	2,722,423
Bills receivable	-	1,543,473	-	-	1,543,473
Islamic trust receipts	68,015	-	-	-	68,015
Staff financing	-	-	24	-	24
Revolving credits	-	-	471,681	-	471,681
Gross financing, advances and other financing/loans	<u>1,643,783</u>	<u>1,543,473</u>	<u>2,300,821</u>	<u>739</u>	<u>5,488,816</u>
Less: Allowance for impairment losses					
- Individual impairment allowance					(53,902)
- Portfolio impairment allowance					(1,883)
					<u>(55,785)</u>
Net financing, advances and other financing/loans					<u>5,433,031</u>

At 31 December 2016

At amortised cost	Sale-based contracts			Equity-based contracts	Total
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
Term financing					
- Syndicated financing	25,862	-	261,329	898	288,089
- Other term financing	1,434,883	-	2,257,603	-	3,692,486
Islamic trust receipts	124,918	-	-	-	124,918
Staff financing	-	-	2	-	2
Revolving credits	-	-	290,905	-	290,905
Gross financing, advances and other financing/loans	<u>1,585,663</u>	<u>-</u>	<u>2,809,839</u>	<u>898</u>	<u>4,396,400</u>
Less: Allowance for impairment losses					
- Individual impairment allowance					(17,300)
- Portfolio impairment allowance					(6,726)
					<u>(24,026)</u>
Net financing, advances and other financing/loans					<u>4,372,374</u>

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

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

##### **(i) By type and Shariah contract: (Continued)**

#### **Sale-based contracts**

##### **- Murabahah**

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

##### **- Bai' al-'inah**

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

##### **- Tawarruq**

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

##### **- Bai' Bithaman Ajil**

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or installment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

##### **- Bai' al-Dayn**

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.



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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

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

##### **(i) By type and Shariah contract: (Continued)**

#### **Lease-based 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.

#### **Loan contracts**

##### **- Qard**

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing shall be generated from the transactions.

#### **Rahnu**

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

#### **Ujrah**

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

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

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

- a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM3,695,054,000 (2016: RM3,575,000,000) financing using Islamic profit rate swaps.
- b) Included in financing, advances and other financing/loans of the Group are exposures to Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of an arrangement between CIMB Islamic Bank and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts financing arising thereon.

As at 31 December 2017, the gross exposures to RPSIA financing is RM6,123,712,000 (2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA is RM10,248,000 (2016: RM5,374,000).

There was no individual impairment provided on this RPSIA financing.

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

c) Movement in Qard financing:

	The Group	
	2017	2016
	RM'000	RM'000
As at 1 January	4,283	17,267
New disbursement	1,064	1,740
Repayment	(2,991)	(14,724)
As at 31 December	<u>2,356</u>	<u>4,283</u>
Sources of Qard fund:		
Depositors' fund	2,220	4,027
Shareholders' fund	136	256
	<u>2,356</u>	<u>4,283</u>
Uses of Qard fund:		
Personal use	162	664
Business purpose	2,194	3,619
	<u>2,356</u>	<u>4,283</u>

(ii) By type of customer:

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	-	28,897	-	-
Domestic non-bank financial institutions	2,659,598	580,070	-	-
Domestic business enterprises				
- small medium enterprises	7,900,555	7,670,224	-	-
- others	7,017,482	5,737,922	96,368	184,109
Government and statutory bodies	7,060,073	7,279,784	-	-
Individuals	33,002,550	26,024,321	-	-
Other domestic entities	84,783	92,657	-	-
Foreign entities	5,539,336	4,335,340	5,392,448	4,212,291
	<u>63,264,377</u>	<u>51,749,215</u>	<u>5,488,816</u>	<u>4,396,400</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)****(iii) By profit rate sensitivity:**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- House financing	87,009	118,366	-	-
- Hire-purchase receivables	4,219,343	3,959,825	-	-
- other financing/loans	11,538,019	10,877,992	1,947,276	902,084
Variable rate				
- House financing	14,451,319	12,006,662	-	-
- Others	32,968,687	24,786,370	3,541,540	3,494,316
	<b>63,264,377</b>	<b>51,749,215</b>	<b>5,488,816</b>	<b>4,396,400</b>

**(iv) By economic purposes:**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personal use	2,370,568	2,502,702	-	-
Credit card	128,947	121,558	-	-
Purchase of consumer durables	17,950	19,049	-	-
Residential property	15,143,785	12,654,762	218,817	220,535
Non residential property	4,760,381	4,620,311	574,559	803,763
Purchase of fixed assets other than land and building	611,028	140,923	471,176	-
Construction	1,822,160	1,341,384	-	-
Purchase of securities	9,029,785	6,071,444	-	-
Purchase of transport vehicles	6,389,569	4,512,381	741	898
Working capital	14,078,774	12,152,074	223,025	288,791
Merger and acquisition	158,941	274,836	156,204	272,574
Other purpose	8,752,489	7,337,791	3,844,294	2,809,839
	<b>63,264,377</b>	<b>51,749,215</b>	<b>5,488,816</b>	<b>4,396,400</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(v) By geographical distribution:

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	57,877,099	47,536,924	101,538	184,109
Indonesia	62,846	89,896	62,846	89,896
Singapore	4,150,641	2,885,809	4,150,641	2,885,809
Other countries	1,173,791	1,236,586	1,173,791	1,236,586
	<b>63,264,377</b>	<b>51,749,215</b>	<b>5,488,816</b>	<b>4,396,400</b>

(vi) By residual contractual maturity:

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within one year	12,312,189	6,841,682	2,671,410	979,764
One year to less than three years	7,697,439	7,541,325	1,851,996	2,421,815
Three years to less than five years	3,394,370	7,028,599	445,703	874,215
Five years and more	39,860,379	30,337,609	519,707	120,606
	<b>63,264,377</b>	<b>51,749,215</b>	<b>5,488,816</b>	<b>4,396,400</b>

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personal use	17,573	22,088	-	-
Credit card	2,066	3,768	-	-
Purchase of consumer durables	338	70	-	-
Residential property	122,710	91,091	-	-
Non residential property	64,736	67,424	-	-
Construction	31,093	34,221	-	-
Purchase of securities	1,370	654	-	-
Purchase of transport vehicles	84,613	106,758	-	-
Working capital	26,410	85,428	-	-
Other purpose	162,594	159,468	131,633	104,607
	<b>513,503</b>	<b>570,970</b>	<b>131,633</b>	<b>104,607</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

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

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	456,101	558,920	74,231	92,557
Singapore	8,369	12,050	8,369	12,050
Other countries	49,033	-	49,033	-
	<b>513,503</b>	<b>570,970</b>	<b>131,633</b>	<b>104,607</b>

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

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	570,970	424,383	104,607	-
Classified as impaired during the financial year	481,579	698,545	31,432	101,247
Reclassified as not impaired during the financial year	(295,807)	(290,211)	-	-
Amount written back in respect of recoveries	(107,680)	(139,867)	-	-
Amount written off	(132,482)	(125,240)	(1,329)	-
Exchange fluctuation	(3,077)	3,360	(3,077)	3,360
At 31 December	<b>513,503</b>	<b>570,970</b>	<b>131,633</b>	<b>104,607</b>
Ratio of gross impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	<b>0.81%</b>	0.90%	<b>2.40%</b>	2.38%

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	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Individual impairment allowance</b>				
At 1 January	65,362	46,168	17,300	-
Net allowance made during the financial year	49,786	18,639	40,024	16,745
Amount written off	(9,801)	-	(1,329)	-
Exchange fluctuation	(2,093)	555	(2,093)	555
At 31 December	<b>103,254</b>	<b>65,362</b>	<b>53,902</b>	<b>17,300</b>
<b>Portfolio impairment allowance</b>				
At 1 January	249,588	316,310	6,726	2,256
Allowance made/(written back) during the financial year	120,114	58,756	(4,546)	4,075
Amount written off	(122,681)	(125,314)	-	-
Transfer to conventional operations	(73)	(596)	-	-
Exchange fluctuation	(392)	432	(297)	395
At 31 December	<b>246,556</b>	<b>249,588</b>	<b>1,883</b>	<b>6,726</b>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	<b>1.07%</b>	1.09%	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(h) Other assets**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and prepayments	4,725	4,105	-	-
Sundry debtors	564,591	692,590	311,730	610,095
Collateral pledged for derivative transactions	47,751	575,445	-	-
Clearing accounts	298,753	221,335	-	-
	<b>915,820</b>	<b>1,493,475</b>	<b>311,730</b>	<b>610,095</b>

**(i) Deferred taxation**

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	19,000	17,348	-	-
Deferred tax liabilities	(1,206)	(1,921)	-	-
	<b>17,794</b>	<b>15,427</b>	<b>-</b>	<b>-</b>

Further breakdown are as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Deferred tax assets</b>				
Revaluation reserve - financial investments available-for-sale	6,591	8,114	-	-
Provision for expenses	12,409	9,234	-	-
<b>Deferred tax assets</b>	<b>19,000</b>	<b>17,348</b>	<b>-</b>	<b>-</b>

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Deferred tax liabilities</b>				
Excess of capital allowance over depreciation	(1,206)	(1,921)	-	-
<b>Deferred tax liabilities</b>	<b>(1,206)</b>	<b>(1,921)</b>	<b>-</b>	<b>-</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(i) Deferred taxation (Continued)**

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

	At 1 January 2017 RM'000	Credited to statements of income RM'000	(Under)/Over provision in prior financial year RM'000	Transferred from equity RM'000	At 31 December 2017 RM'000
<b>Deferred tax assets/(liabilities)</b>					
Accelerated tax depreciation	(1,921)	1,271	(556)	-	(1,206)
Revaluation reserve- financial investments available-for-sale	8,114	-	-	(1,523)	6,591
EOP reserve	133	44	(20)	-	157
Provision for expenses	9,101	3,063	88	-	12,252
	<u>15,427</u>	<u>4,378</u>	<u>(488)</u>	<u>(1,523)</u>	<u>17,794</u>

	At 1 January 2016 RM'000	Credited/ (Charged) to statements of income RM'000	Over/(Under) provision in prior financial year RM'000	Transferred from equity RM'000	At 31 December 2016 RM'000
<b>Deferred tax assets/(liabilities)</b>					
Accelerated tax depreciation	(398)	(1,524)	1	-	(1,921)
Revaluation reserve- financial investments available-for-sale	8,374	-	-	(260)	8,114
EOP reserve	131	21	(19)	-	133
Provision for expenses	22,347	(8,568)	(4,678)	-	9,101
	<u>30,454</u>	<u>(10,071)</u>	<u>(4,696)</u>	<u>(260)</u>	<u>15,427</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(j) Statutory deposits with Bank Negara Malaysia**

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Statutory deposit with Bank Negara Malaysia	<b>1,554,286</b>	1,384,859

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 the amounts of which are determined at set percentages of total eligible liabilities.

**(k) Goodwill**

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
<b>Cost</b>		
At 1 January/31 December	<b>136,000</b>	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 2018 financial budgets approved by Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.20% (2016: 4.20%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 6.92% (2016: 7.12%). The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

**Impairment charge**

There was no impairment charge for the financial year ended 31 December 2017 and 31 December 2016.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(l) Intangible assets**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Computer software</b>				
<b>Cost</b>				
At 1 January	132,650	123,634	131	129
Additions	6,174	8,758	55	-
Disposal/Written-off	(3,332)	(49)	-	-
Reclassified (to)/from property, plant and equipment (Note m)	(1,332)	306	-	-
Exchange fluctuation	(2)	1	(2)	2
At 31 December	<u>134,158</u>	<u>132,650</u>	<u>184</u>	<u>131</u>
<b>Amortisation</b>				
At 1 January	51,571	40,629	92	65
Charge for the financial year	8,103	10,942	35	27
Disposal/Written-off	(3,332)	-	-	-
Reclassified to property, plant and equipment (Note m)	(1,332)	-	-	-
Exchange fluctuation	(1)	-	(1)	-
At 31 December	<u>55,009</u>	<u>51,571</u>	<u>126</u>	<u>92</u>
<b>Net book value at 31 December</b>	<u>79,149</u>	<u>81,079</u>	<u>58</u>	<u>39</u>

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 of RM4,405,484 (2016: RM85,216).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment**

<b>The Group 2017</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	2,295	19,077	2,139	23,511
Additions	-	1,916	601	2,517
Written-off	(1)	(1,338)	(2,353)	(3,692)
Reclassified from intangible assets (Note 1)	-	1,332	-	1,332
Exchange fluctuation	-	(1)	-	(1)
At 31 December	<u>2,294</u>	<u>20,986</u>	<u>387</u>	<u>23,667</u>
<b>Accumulated depreciation</b>				
At 1 January	2,072	10,845	991	13,908
Charge for the financial year	161	4,517	1,189	5,867
Written-off	(1)	(1,338)	(2,136)	(3,475)
Reclassified from intangible assets (Note 1)	-	1,332	-	1,332
Exchange fluctuation	-	(3)	-	(3)
At 31 December	<u>2,232</u>	<u>15,353</u>	<u>44</u>	<u>17,629</u>
<b>Net book value at 31 December</b>	<u>62</u>	<u>5,633</u>	<u>343</u>	<u>6,038</u>

<b>The Group 2016</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	2,287	17,908	2,867	23,062
Additions	6	1,475	59	1,540
Written-off	-	-	(787)	(787)
Reclassified to intangible assets (Note 1)	-	(306)	-	(306)
Exchange fluctuation	2	-	-	2
At 31 December	<u>2,295</u>	<u>19,077</u>	<u>2,139</u>	<u>23,511</u>
<b>Accumulated depreciation</b>				
At 1 January	1,714	7,064	1,656	10,434
Charge for the financial year	358	3,781	3	4,142
Written-off	-	-	(668)	(668)
At 31 December	<u>2,072</u>	<u>10,845</u>	<u>991</u>	<u>13,908</u>
<b>Net book value at 31 December</b>	<u>223</u>	<u>8,232</u>	<u>1,148</u>	<u>9,603</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment (Continued)**

<b>The Bank 2017</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January	49	21	70
Exchange fluctuation	-	(1)	(1)
At 31 December	<u>49</u>	<u>20</u>	<u>69</u>
<b>Accumulated depreciation</b>			
At 1 January	33	16	49
Charge for the financial year	9	7	16
Exchange fluctuation	-	(3)	(3)
At 31 December	<u>42</u>	<u>20</u>	<u>62</u>
<b>Net book value at 31 December</b>	<u>7</u>	<u>-</u>	<u>7</u>

<b>The Bank 2016</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January	47	15	62
Additions	-	4	4
Exchange fluctuation	2	2	4
At 31 December	<u>49</u>	<u>21</u>	<u>70</u>
<b>Accumulated depreciation</b>			
At 1 January	21	9	30
Charge for the financial year	11	7	18
Exchange fluctuation	1	-	1
At 31 December	<u>33</u>	<u>16</u>	<u>49</u>
<b>Net book value at 31 December</b>	<u>16</u>	<u>5</u>	<u>21</u>

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of the Group of RM14,173 (2016: RM14,173).

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(n) Deposits from customers****(i) By type of deposits**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Savings deposits				
Wadiah	3,320,512	3,104,346	264,896	176,577
Qard	610	-	-	-
Commodity Murabahah (via Tawarruq arrangement)	10,451	-	-	-
Demand deposit				
Wadiah	11,281,432	9,025,669	252,233	260,864
Qard	210,386	201,919	-	-
Term deposit				
Commodity Murabahah (via Tawarruq arrangement)*	53,531,392	43,348,305	3,639,384	2,700,862
Islamic negotiable instruments				
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	398,199	-	-	-
Short term money market deposit-i				
Wakalah	11,961	20,415	11,961	20,415
Wadiah	9,516	177,595	9,516	177,595
Other term deposit				
Wadiah	8,981	10,147	8,981	10,147
General investment account				
Mudharabah	2,169	12,260	-	-
Specific investment account				
Mudharabah	113,014	114,978	-	-
Others-Qard	17,326	13,704	-	-
	<b>68,915,949</b>	<b>56,029,338</b>	<b>4,186,971</b>	<b>3,346,460</b>

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

**(ii) By maturity structures of term deposits**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Due within six months	48,119,521	40,447,526	2,979,081	2,639,610
Six months to less than one year	5,762,301	3,096,004	633,835	255,390
One year to less than three years	78,284	22,549	56,926	14,019
Three years to less than five years	2,114	2,643	-	-
Five years and more	113,012	114,978	-	-
	<b>54,075,232</b>	<b>43,683,700</b>	<b>3,669,842</b>	<b>2,909,019</b>

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 56 The operations of Islamic Banking (Continued)

#### (n) Deposits from customers (Continued)

##### (iii) By type of customer

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	3,745,450	4,006,241	145	118
Business enterprises	28,122,389	19,801,259	1,966,444	1,444,990
Individuals	17,224,352	15,422,691	2,054,872	1,858,029
Others	19,823,758	16,799,147	165,510	43,323
	<b>68,915,949</b>	<b>56,029,338</b>	<b>4,186,971</b>	<b>3,346,460</b>

#### 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 name as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

#### Mudharabah

A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio (PSR) whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorized into two types:

- Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.
- 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.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

#### **(n) Deposits from customers (Continued)**

Profit shall be recognised accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

#### **Wakalah**

A trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. This contract is categorised into two types which are Restricted Agency (Wakalah Muqayyadah) and Unrestricted Agency (Wakalah Mutlaqah). The fee shall be recognised based on agreement.

#### **Bai' Bithaman Ajil**

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

#### **Bai' al-Dayn**

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

#### **Qard**

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.



# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 56 The operations of Islamic Banking (Continued)

#### (o) Investment accounts of customers

	Note	The Group	
		2017	2016
		RM'000	RM'000
Unrestricted investment accounts			
-without maturity			
Special Mudharabah Investment Account		289,203	254,408
-with maturity			
Term Investment Account-i		618,560	-
	23	<u>907,763</u>	<u>254,408</u>

#### (i) Movement in the investment accounts

	2017	2016
The Group	RM'000	RM'000
<b>As at 1 January</b>	<b>254,408</b>	<b>232,716</b>
<i>Funding inflows/outflows</i>		
New placement during the financial year	744,068	95,665
Redemption during the financial year	(94,717)	(74,526)
Income from investment	14,966	11,076
<i>CIMB Islamic Bank's share of profit</i>		
Profit distributed to mudarib	(10,962)	(10,523)
<b>As at 31 December</b>	<b><u>907,763</u></b>	<b><u>254,408</u></b>

#### *Investment asset:*

House financing	710,520	189,054
Other term financing	197,243	65,354
<b>Total investment</b>	<b><u>907,763</u></b>	<b><u>254,408</u></b>

#### (ii) Profit Sharing Ratio and Rate of Return

	2017		2016	
	Investment account holder		Investment account holder	
	Average profit sharing ratio	Average rate of return	Average profit sharing ratio	Average rate of return
	(%)	(%)	(%)	(%)
Unrestricted investment accounts:				
no specific tenure	5.00	0.21	5.00	0.23
between 3 to 6 months	88.11	4.22	-	-

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(p) Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b><u>Mudharabah</u></b>				
Licensed banks	779,212	898,314	1,756,017	1,460,424
Licensed investment banks	340	920	-	-
Other financial institutions	1,101,412	1,337,008	625,650	1,016,276
	<b>1,880,964</b>	<b>2,236,242</b>	<b>2,381,667</b>	<b>2,476,700</b>

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

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Mudharabah	8,145,684	3,912,011	-	-
By type of counterparty				
Licensed banks	8,145,684	3,912,011	-	-

**(i) Movement in the investment accounts**

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(q) Investment accounts due to designated financial institutions (continued)****(ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee**

	2017			2016		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts: less than 1 year	99.00	3.54	0.98	99.00	3.69	1.22

Included in the investment accounts due to designated financial institutions is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by CIMB Bank amounting to RM8,145,684,000 (2016: RM3,912,011,000) for tenures between 1 month to 3 months (2016: 1 month to 3 months) at indicative profit rates from 2.02% to 3.83% per annum (2016 : 3.16% to 3.85% per annum). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

**(r) Financial liabilities designated at fair value**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits from customers - structured investments	2,234	2,181	-	-

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

The carrying amount of the Group as at 31 December 2017 of financial liabilities designated at fair value was RM10,000 (2016: RM62,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

CIMB Islamic Bank did not issue any new structured investment in 2017 and 2016.

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

### 56 The operations of Islamic Banking (Continued)

#### (s) Other liabilities

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Clearing accounts	2,764,556	4,002,111	2,576,856	3,839,401
Accruals and other payables	349,405	69,740	-	-
Structured deposits	40,782	79,410	-	-
Others	622,420	360,819	580,825	337,282
	<b>3,777,163</b>	<b>4,512,080</b>	<b>3,157,681</b>	<b>4,176,683</b>

#### (t) Recourse obligation on loans and financing sold to Cagamas

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

#### (u) Sukuk

	Note	The Group		The Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Ziya Capital Berhad Sukuk	(a)	462,257	586,488	-	-
RM1.0 million Sukuk Wakalah (2017/2018)	(b)	1,000	-	-	-
		<b>463,257</b>	<b>586,488</b>	<b>-</b>	<b>-</b>

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(v) Provision for taxation**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Taxation	<b>54,389</b>	45,623	-	-

**(w) Subordinated Sukuk**

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

- (a) The RM850 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

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

On 18 September 2012, the third tranche of Sukuk of RM300 million was issued at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

#### **(w) Subordinated Sukuk (continued)**

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

Redemption of the Subordinated Sukuk on the call dates shall be subject to Bank Negara Malaysia (“BNM”)’s approval. The proceeds of the Subordinated Sukuk shall be made available to CIMB Islamic Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing Subordinated Sukuk previously issued by the Issuer under other programmes established by CIMB Islamic Bank.

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

- (b) On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk (“Sukuk”) at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

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

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

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(x) Ordinary share capital**

	<b>The Group 2017 RM'000</b>	2016 RM'000
<b>Ordinary shares:</b>		
<b>Authorised</b>		
At 1 January/31 December	<u>-</u>	<u>1,400,000</u>
<b>Issued and fully paid</b>		
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

**(y) Perpetual preference shares**

	<b>The Group 2017 RM'000</b>	2016 RM'000
<b>Authorised</b>		
<b>Perpetual preference shares:</b>		
At 1 January/31 December	<u>-</u>	<u>400,000</u>
<b>Issued and fully paid</b>		
<b>Perpetual preference shares:</b>		
At 1 January/31 December	<u>220,000</u>	<u>220,000</u>

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 CIMB Islamic 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 CIMB Islamic Bank beyond such redemption rights as are expressly set out in these Articles.

CIMB Islamic 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 CIMB Islamic Bank.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)**

### **56 The operations of Islamic Banking (Continued)**

#### **(z) Reserves**

- (a) The statutory reserves are maintained in compliance with BNM guidelines and is not distributable as cash dividends. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.
- (b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (c) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the financing/loans impairment financing assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (d) Share-based payment reserve arose from the Employee Ownership Plan, the Group's share-based compensation benefits.
- (e) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(aa) Income derived from investment of depositors' funds and others**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income derived from investment of:				
(i) General investment deposits	2,290,905	1,770,996	222,409	147,862
(ii) Specific investment deposits	5,031	3,325	1,889	-
(iii) Other deposits	864,294	711,875	258	-
	<b>3,160,230</b>	<b>2,486,196</b>	<b>224,556</b>	<b>147,862</b>

**(i) Income derived from investment of general investment deposits**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financing, advances and other financing/loans				
- profit income	1,663,137	1,400,513	133,701	117,453
- unwinding income <sup>^</sup>	8,214	10,332	-	-
Financial assets held for trading	35,591	18,298	6,535	4,135
Financial investments available-for-sale	62,615	51,700	11,671	8,091
Financial investments held-to-maturity	120,415	75,912	6,562	6,369
Money at call and deposits with financial institutions	211,322	182,866	9,306	2,995
Others	-	1,282	-	1,282
	<b>2,101,294</b>	<b>1,740,903</b>	<b>167,775</b>	<b>140,325</b>
Accretion of discount less amortisation of premium	65,127	38,433	(247)	(220)
Total finance income and hibah	<b>2,166,421</b>	<b>1,779,336</b>	<b>167,528</b>	<b>140,105</b>
Other operating income				
- Net gain/(loss) from financial assets held for trading				
-realised	1,485	8,033	29	316
-unrealised	12,128	(1,667)	10,849	(858)
- Net gain from sale of financial investments available-for-sale	3,645	3,880	1,800	927
- Net gain/(loss) from foreign exchange transactions	92,575	(27,531)	32,681	1,465
	<b>109,833</b>	<b>(17,285)</b>	<b>45,359</b>	<b>1,850</b>
Fee and commission income	14,651	8,945	9,522	5,907
	<b>2,290,905</b>	<b>1,770,996</b>	<b>222,409</b>	<b>147,862</b>

<sup>^</sup> Unwinding income is income earned on impaired financial assets

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(aa) Income derived from investment of depositors' funds and others (continued)****(ii) Income derived from specific investment deposits**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money at call and deposit with financial institutions	<b>3,142</b>	3,325	-	-
Fee and commission income	<b>1,889</b>	-	<b>1,889</b>	-
	<b>5,031</b>	3,325	<b>1,889</b>	-

**(iii) Income derived from investment of other deposits**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financing, advances and other financing/loans				
- profit income	<b>638,981</b>	557,235	-	-
- unwinding income <sup>^</sup>	<b>3,435</b>	4,409	-	-
Financial assets held for trading	<b>12,126</b>	6,099	-	-
Financial investments available-for-sale	<b>21,279</b>	18,784	-	-
Financial investments held-to-maturity	<b>47,505</b>	29,554	-	-
Money at call and deposits with financial institutions	<b>84,385</b>	83,728	-	-
	<b>807,711</b>	699,809	-	-
Accretion of discount less amortisation of premium	<b>27,312</b>	16,938	-	-
Total finance income and hibah	<b>835,023</b>	716,747	-	-
Other operating income				
- Net gain/(loss) from financial assets held for trading				
-realised	<b>617</b>	3,122	-	-
-unrealised	<b>796</b>	(367)	<b>258</b>	-
- Net gain from sale of financial investments available-for-sale	<b>767</b>	1,228	-	-
- Net gain/(loss) from foreign exchange transactions	<b>25,006</b>	(10,098)	-	-
	<b>27,186</b>	(6,115)	<b>258</b>	-
Fee and commission income	<b>2,085</b>	1,243	-	-
	<b>864,294</b>	711,875	<b>258</b>	-

<sup>^</sup> 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 2017 (Continued)

### 56 The operations of Islamic Banking (Continued)

#### (ab) Income derived from investment of investment account

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Financing, advances and other financing/loans		
- Profit income	<b>222,422</b>	172,124
- Unwinding income <sup>^</sup>	<b>67</b>	47
Money at call and deposit with financial institutions	<b>29,568</b>	16,512
	<b><u>252,057</u></b>	<u>188,683</u>

<sup>^</sup> *Unwinding income is income earned on impaired financing, advances and other financing/loans*

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(ac) Net income/(expenses) derived from investment of shareholders' funds**

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other financing/loans				
- profit income	142,837	133,071	2,733	2,335
- unwinding income <sup>^</sup>	754	1,036	-	-
Financial assets held for trading	2,712	1,514	61	78
Financial investments available-for-sale	4,794	4,573	129	163
Financial investments held-to-maturity	10,630	7,129	243	208
Money at call and deposits with financial institutions	18,915	17,889	426	89
	<b>180,642</b>	165,212	<b>3,592</b>	2,873
Accretion of discount less amortisation of premium	5,997	3,968	-	-
Total finance income and hibah	<b>186,639</b>	169,180	<b>3,592</b>	2,873
Other operating income				
- Net gain/(loss) from financial assets held for trading				
- Realised	135	791	(3)	-
- Unrealised	102	(108)	(9)	(30)
- Net gain/(loss) arising from financial liabilities designated at fair value				
- Realised	40	(1,938)	-	-
- Unrealised	(52)	(8,520)	-	-
- Net gain from sale of financial investments available-for-sale	209	2,688	40	7
- Net (loss)/gain from derivative financial instruments				
- Realised	(22,751)	93,028	1,801	(1,404)
- Unrealised	9,260	2,749	347	2
- Net gain/(loss) from foreign exchange transactions	4,978	(732)	(475)	1,441
- Net (loss)/gain from hedging derivatives	(1,305)	(3,175)	142	(1,121)
	<b>(9,384)</b>	84,783	<b>1,843</b>	(1,105)
Fee and commission income	147,212	106,254	281	97
Fee and commission expense	(10,703)	(7,834)	-	-
Net fee and commission income	136,509	98,420	281	97
Sundry income	3,701	10,297	-	-
	<b>317,465</b>	362,680	<b>5,716</b>	1,865

<sup>^</sup> Unwinding income is income earned on impaired financial assets

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(ad) Allowances for impairment losses on financing, advances and other financing/loans**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts and financing:				
Individual impairment allowance				
- Net allowance made during the financial year	<b>49,786</b>	18,639	<b>40,024</b>	16,745
Portfolio impairment allowance				
- Net allowance made/(written back) during the financial year	<b>120,114</b>	58,756	<b>(4,546)</b>	4,075
Bad debts on financing:				
- recovered	<b>(53,105)</b>	(49,926)	-	-
- written off	<b>4,445</b>	2,886	-	-
	<b>121,240</b>	30,355	<b>35,478</b>	20,820

**(ae) Allowance for other impairment losses**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial investments available-for-sale				
- net allowance made during the financial year	-	3,160	-	3,160

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(af) Income attributable to depositors**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits from customers				
- Mudharabah	39,322	49,610	35,064	47,251
- Non-Mudharabah	1,718,965	1,414,401	2,685	1,912
Deposits and placements of banks and other financial institutions				
- Mudharabah	10,598	-	13,863	4,130
- Non-Mudharabah	63,931	28,446	17,416	9,209
Financial liabilities designated at fair value	78	4,169	-	-
Recourse obligation on loan and financing sold to Cagamas	59,912	53,072	-	-
Subordinated Sukuk	27,359	34,175	-	-
Sukuk	18,390	8,063	-	-
Structured deposits	852	5,270	-	-
Others	3,212	197	3,212	196
	<b>1,942,619</b>	<b>1,597,403</b>	<b>72,240</b>	<b>62,698</b>

**(ag) Profit distributed to investment account holder**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- Restricted	184,501	132,510	-	-
- Unrestricted	4,007	548	-	-
	<b>188,508</b>	<b>133,058</b>	<b>-</b>	<b>-</b>

**(ah) Personnel expenses**

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, allowances and bonuses	27,730	27,390	2,881	2,750
Pension costs (defined contribution plan)	2,782	3,741	-	-
Staff incentives and other staff payments	1,481	3,876	-	-
Medical expenses	742	778	-	-
Others	966	1,073	-	-
	<b>33,701</b>	<b>36,858</b>	<b>2,881</b>	<b>2,750</b>

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(ai) Other overheads and expenditures**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Establishment costs</b>				
Rental	<b>3,120</b>	3,485	<b>140</b>	146
Depreciation of property, plant and equipment	<b>5,867</b>	4,142	<b>16</b>	18
Amortisation of intangible assets	<b>8,103</b>	10,942	<b>35</b>	27
Security expenses	<b>37</b>	32	-	-
Utility expenses	<b>97</b>	98	-	-
Others	<b>520</b>	1,075	<b>19</b>	16
<b>Marketing expenses</b>				
Advertisement and publicity	<b>5,265</b>	5,318	<b>452</b>	178
Others	<b>1,017</b>	941	-	-
<b>Administration and general expenses</b>				
Auditor's remuneration - statutory audit	<b>253</b>	269	-	-
Consultancy and professional fees	<b>1,637</b>	1,756	-	-
Legal expenses	<b>321</b>	1	-	-
Stationery	<b>780</b>	684	<b>173</b>	56
Incidental expenses on banking operations	<b>3,692</b>	5,036	-	-
Postage	<b>3,450</b>	4,112	-	-
Donation	<b>2,559</b>	249	-	-
Others	<b>17,724</b>	14,061	-	-
	<b>54,442</b>	52,201	<b>835</b>	441
<b>Shared service cost</b>	<b>457,920</b>	397,586	-	-
	<b>512,362</b>	449,787	<b>835</b>	441

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(aj) Significant related party transactions and balances**

The related parties of, and their relationship with the Group and Bank, are disclosed in Note 42.

	Conventional operations RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2017</b>			
<b>Income</b>			
Fee income	-	2,833	-
Profit income on deposits and placements with banks and other financial institutions	17,260	19	-
<b>Expenditure</b>			
Profit expense on deposits and placements of banks and other financial institutions	33,704	10,852	-
Profit expense on deposits from customers	-	1,547	213
Profit expense on Investment accounts due to designated financial institutions	184,501	-	-
Profit expense on subordinated Sukuk	661	8,509	-
Profit expense on Sukuk	-	20,751	-
Shared service costs	457,827	93	-
Security services	-	37	-
<b>Amounts due from</b>			
Current accounts, deposits and placements with banks and other financial institutions	976,804	13,081	-
Financing, advances and other financing/loans	-	-	-
Others	54,284	-	-
Derivatives	346,961	-	-
<b>Amounts due to</b>			
Deposits from customers	-	238,262	2,439
Deposits and placements of banks and other financial institutions	1,684,313	340	-
Investment accounts due to designated financial institutions	8,145,684	-	-
Subordinated Sukuk	311,321	138,550	-
Senior Sukuk	1,000	-	-
Derivatives	359,572	-	-
Others	-	462,000	-
<b>Commitment and contingencies</b>			
Foreign exchange related contracts	10,539,001	-	-
Equity related contracts	169,038	-	-
Profit rate related contracts	11,610,745	-	-
Credit related contract	25,000	-	-



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(aj) Significant related party transactions and balances (Continued)**

	<b>Conventional operations RM'000</b>	<b>Other related companies RM'000</b>	<b>Key management personnel RM'000</b>
<b>2016</b>			
<b>Income</b>			
Fee income	-	1,538	-
Profit income on deposits and placements with banks and other financial institutions	5,190	9	-
<b>Expenditure</b>			
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	9,039	-
Profit expense on Sukuk	-	9,093	-
Shared service costs	398,115	(530)	-
Security services	-	32	-
<b>Amounts due from</b>			
Current accounts, deposits and placements with banks and other financial institutions	652,672	7,619	-
Financing, advances and other financing/loans	-	-	32
Others	534,340	-	-
Derivatives	240,179	-	-
<b>Amounts due to</b>			
Deposits from customers	-	117,013	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	-	-
Others	-	586,000	-
<b>Commitment and contingencies</b>			
Foreign exchange related contracts	11,882,678	-	-
Equity related contracts	219,036	-	-
Profit rate related contracts	11,612,492	-	-
Credit related contract	27,150	-	-

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(ak) Taxation and zakat****(i) Tax expense for the financial year**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	<b>202,949</b>	166,117	-	-
Deferred taxation (Note i)	<b>(4,378)</b>	10,071	-	-
(Over)/Under provision in prior financial year	<b>(27,277)</b>	4,696	-	-
	<b>171,294</b>	180,884	-	-
Zakat	<b>1,250</b>	300	-	-
	<b>172,544</b>	181,184	-	-

**(ii) Numerical reconciliation of income tax expense**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation and zakat	<b>931,321</b>	786,740	<b>118,838</b>	59,858
Tax calculated at tax rate of 24% (2016: 24%)	<b>223,517</b>	188,818	<b>28,521</b>	14,366
- effect of different tax rates in other countries	<b>(3,823)</b>	(6,119)	<b>(3,794)</b>	(5,072)
- income not subject to tax	<b>(24,641)</b>	(9,050)	<b>(24,727)</b>	(9,294)
- expenses not deductible for tax purposes	<b>3,518</b>	2,539	-	-
(Over)/Under provision in prior financial year	<b>(27,277)</b>	4,696	-	-
	<b>171,294</b>	180,884	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2017 (Continued)****56 The operations of Islamic Banking (Continued)****(al) 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.

	<b>The Group</b>		<b>The Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Sources of charity funds</b>				
Balance as at 1 January	-	-	-	-
Non-shariah compliance income	79	-	79	-
Exchange fluctuation	4	-	4	-
Total sources of charity funds during the financial year	<u>83</u>	<u>-</u>	<u>83</u>	<u>-</u>
<b>Uses of charity funds</b>				
Contribution to non-profit organisation	<u>83</u>	<u>-</u>	<u>83</u>	<u>-</u>
Undistributed charity funds as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**57 Authorisation for issue of Financial Statements**

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 6 March 2018.