Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

Contents

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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 Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2017.

Principal activities

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

Financial results

	The Group RM'000	The Bank RM'000
Net profit after taxation and zakat	**639,821**	**640,565**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2016.

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

Reserves, provisions and allowances

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

Bad and doubtful 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 financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing.

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

Current assets

Before the Financial Statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, 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.

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 47 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.

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 the end of the financial year to the date of the report are:

Dato' Mohamed Ross bin Mohd Din
Rosnah binti Dato' Kamarul Zaman
Mohamed Rafe bin Mohamed Haneef
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (resigned on 27 April 2017)
Professor Dato' Dr. Sudin bin Haron (retired on 4 November 2017)
Ahmed Baqar Rehman (appointed on 24 July 2017)
Ho Yuet Mee (appointed on 3 November 2017)
Jalalullail Othman (appointed on 26 January 2018)

In accordance with Article 84 of the Bank's Articles of Association, Ahmed Baqar Rehman, Ho Yuet Mee and Jalalullail Othman shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

Directors' interests in shares and share options

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 and share options of the immediate holding company, the ultimate holding company and the its related corporation during the financial year are as follows:

	Number of ordinary shares			
	As at 1 January	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December**
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad				
Direct interest				
Mohamed Rafe bin Mohamed Haneef	228,637	217,148 (a)	(97,063) (b)	348,722

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

	Number of shares held			
	As at 1 January	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December**
<u>Related company</u>				
PT Bank CIMB Niaga Tbk				
Direct interest				
Mohamed Rafe bin Mohamed Haneef	8,664	-	-	8,664

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 39 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") of the ultimate holding company (shown in Note 42 to the Financial Statements).

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 38 to the Financial Statements.

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.

The Bank stepped up its 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"), deposits and investment accounts; enhancing productivity through process re-engineering and automation; and emphasising customer experience as a key differentiator.

The Bank continues to expand the reach and impact of its operating model via

- sharing best practices;
- maintaining cost discipline;
- intensifying digital delivery via digital sales enablement;
- harmonizing and aligning frameworks and processes;
- optimizing its cost base through identification of cost saving opportunities, footprint rationalization, and transaction offloads to alternate channels; and
- expanding key partnerships with strategic partners to avail new value-added products for customers.

This year saw considerable traction in our consumer business, arising out of our 'Islamic first' strategy. As a result, our financing and deposits grew by 22% and 23% respectively. The Bank registered a profit before taxation and zakat of RM813 million for the financial year ended 31 December 2017, RM89 million or 12% higher as compared to the profit before taxation of RM724 million registered in the previous corresponding year.

Consumer Banking continued to introduce new products, improving the spectrum of financial solutions available to clients. The re-launch of Full Flexi mortgage was timely, giving customers better control of their mortgage. The introduction of the Term Investment Account-i widened the options available to customers to grow their portfolio with CIMB Islamic. Takaful Mulia was launched, in collaboration with Sunlife Takaful to enable customers to enhance their life protection for benefit of their loved ones.

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

2017 Business Plan and Strategy (Continued)

The Bank continued to remain a leader in the global Sukuk market. Notable transactions included the World's Largest Green, Sustainable and Responsible Investment Sukuk Issuance to date as well as the first Ringgit-denominated Sukuk by a China-owned company for water infrastructure funding. The introduction of the Islamic Liquidity Management System ("LMS") in Malaysia helped us to improve our services and ability to extend end-to-end cash management financial solutions for non-retail clients. The Bank remained successful in enhancing its value proposition and fostering long-term relationships with its corporate clients, evidenced by a healthy 17% year-on-year growth of its corporate financing portfolio. The Bank hopes this trend will sustain in 2018.

Commercial Banking focused on the Islamic Affinity Market segment, by creating awareness on Islamic finance and cash management solutions with businesses which contribute to the Halal Economy. There were also a number of process improvements undertaken to improve customer experience without compromising Shariah requirements. These included extending the facility period and renewal process of Cashline-i as well as enhancing the Term Financing-i yearly statement to align with our customers' financial reporting periods.

While net financing income from term financing, mortgage and hire purchase contributed the most, retail banking and corporate financing business also helped strengthen the performance of Islamic banking during the year under review. During the financial year under review, the Bank registered higher net financing income and fee-based income by RM165 million and RM58 million respectively. This was offset by higher overheads expenses and higher allowance on financing, advances and other financing/loans during the financial year.

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 Islamic is expected to grow in tandem with the domestic economic growth as well as improving Ringgit and firming up oil prices. The financing book should maintain the growth trajectory from 2017 while the outlook for sukuk issuances is expected to track infrastructure activity.

Rating by External Rating Agencies

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	November 2017	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM2.0 bil Tier 2 Junior Sukuk Programme 4. RM5.0 bil Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA MARC-1 AA+ IS AA+ IS	Stable
RAM Rating Services Berhad ("RAM")	December 2017	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service ("Moody's")	October 2017	1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating	A3 P-2 A3 P-2	Stable

Board Shariah Committee

Pursuant to the enterprise wide Shariah Governance Framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and the Islamic Financial Services Act, 2013, the Board of Directors (the "Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank's operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under the Bank.

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank and its subsidiaries that it has management control. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh 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 bin Mohamed Adil (contract of appointment expired on 31 October 2017)

Board Shariah Committee (Continued)

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

Zakat obligations

The Bank 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 Bank is at the discretion of the Management 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 47 to the Financial Statements.

Statement of Directors' Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 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 the Bank as at 31 December 2017 and financial performance of the Group and 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 15 of the Financial Statements.

Ultimate holding company

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

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

Statement of Directors' Responsibility (Continued)

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

Dato' Mohamed Ross bin Mohd Din
Director

Mohamed Rafe bin Mohamed Haneef
Director

Kuala Lumpur
6 March 2018

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

We, Dato' Mohamed Ross bin Mohd Din and Mohamed Rafe bin Mohamed Haneef, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 24 to 235 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, International Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia.

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

Dato' Mohamed Ross bin Mohd Din
Director

Mohamed Rafe bin Mohamed Haneef
Director

Kuala Lumpur
6 March 2018

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

I, Khairulanwar bin Rifaie, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 24 to 235 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.

Khairulanwar bin Rifaie

Subscribed and solemnly declared by the above named Khairulanwar bin Rifaie at Kuala Lumpur before me, on 6 March 2018.

Commissioner for Oaths

PESURUHJAYA SUMPAH
No W533
Name: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA
205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Board Shariah Committee's Report

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

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

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

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

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

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

Board Shariah Committee's Report (Continued)

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

Firstly, the system of internal control for effective Shariah governance is supported by a professional staff of Shariah researchers that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. Secondly, the Management has a Shariah review framework that operates on a front to back basis comprising of self-assessment/self-reporting mechanism and periodic independent review undertaken by Group Compliance Division. Thirdly, 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 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.

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

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 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. There were no 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 Islamic 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 financial year ended 31 December 2017 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee.

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
6 March 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Islamic Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 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 24 to 235.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 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 Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2017

		The Group		The Bank	
	Note	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016
		RM'000	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	2	**14,282,896**	8,315,442	**14,282,850**	8,315,396
Deposits and placements with banks and other financial institutions	3	**530,017**	90,398	**530,017**	90,398
Financial assets held for trading	4	**3,225,138**	2,730,665	**3,225,138**	2,730,665
Financial investments available-for-sale	5	**1,923,597**	1,625,071	**1,923,597**	1,625,071
Financial investments held-to-maturity	6	**4,732,389**	3,330,600	**4,732,389**	3,330,600
Islamic derivative financial instruments	23(a)	**634,306**	870,650	**634,306**	870,650
Financing, advances and other financing/loans	7	**57,551,408**	47,172,873	**57,551,408**	47,172,873
Other assets	8	**604,089**	883,378	**604,089**	883,378
Deferred taxation	9	**17,795**	15,427	**17,795**	15,427
Amount due from related companies	12	**414**	906	**414**	906
Statutory deposits with Bank Negara Malaysia	13	**1,554,286**	1,384,859	**1,554,286**	1,384,859
Investment in subsidiaries	14	**-**	-	**11**	11
Property, plant and equipment	15	**6,031**	9,581	**6,031**	9,581
Intangible assets	16	**79,092**	81,041	**79,092**	81,041
Goodwill	17	**136,000**	136,000	**136,000**	136,000
Total assets		**85,277,458**	66,646,891	**85,277,423**	66,646,856
Liabilities					
Deposits from customers	18	**64,728,979**	52,682,878	**64,910,083**	52,754,396
Investment accounts of customers	19	**907,763**	254,408	**907,763**	254,408
Deposits and placements of banks and other financial institutions	20	**2,160,415**	1,232,801	**2,160,415**	1,232,801
Investment accounts due to designated financial institutions	21	**8,145,684**	3,912,011	**8,145,684**	3,912,011
Financial liabilities designated at fair value	22	**2,233**	2,181	**2,233**	2,181
Islamic derivative financial instruments	23(a)	**692,759**	979,011	**692,759**	979,011
Amount due to holding company	10	**20,588**	495,087	**20,588**	495,087
Amount due to subsidiaries	11	**-**	-	**-**	-
Amount due to related companies	12	**813**	1,089	**813**	1,089
Other liabilities	24	**616,505**	332,425	**896,914**	847,395
Provision for tax		**56,150**	47,384	**56,150**	47,384
Recourse obligation on loans and financing sold to Cagamas	25	**2,072,300**	1,353,390	**2,072,300**	1,353,390
Sukuk	26	**463,257**	586,488	**1,000**	-
Subordinated Sukuk	27	**615,006**	617,563	**615,006**	617,563
Total liabilities		**80,482,452**	62,496,716	**80,481,708**	62,496,716
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	28	**220,000**	220,000	**220,000**	220,000
Ordinary share capital	29	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	30	**3,575,006**	2,930,175	**3,575,715**	2,930,140
Total equity		**4,795,006**	4,150,175	**4,795,715**	4,150,140
Total equity and liabilities		**85,277,458**	66,646,891	**85,277,423**	66,646,856
Commitments and contingencies	23(b)	**55,212,053**	53,080,505	**55,212,053**	53,080,505
Net assets per ordinary share attributable to owners of the Parent (RM)		**4.58**	3.93	**4.58**	3.93

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Income
for the financial year ended 31 December 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Income derived from investment of depositors’ funds and others	31	**2,935,552**	2,348,382	**2,935,552**	2,348,382
Income derived from investment of investment account	32	**252,058**	188,684	**252,058**	188,684
Income derived from investment of shareholder's funds	33	**311,753**	358,433	**314,576**	359,463
Allowances for losses on financing, advances and other financing/loans	34	**(85,762)**	(9,534)	**(85,762)**	(9,534)
Allowances for impairment losses on other receivables		**(1)**	(198)	**(1)**	(198)
Total distributable income		**3,413,600**	2,885,767	**3,416,423**	2,886,797
Income attributable to depositors and others	35	**(1,870,381)**	(1,544,874)	**(1,872,742)**	(1,545,904)
Profit distributed to investment account holder	36	**(188,508)**	(133,058)	**(188,508)**	(133,058)
Total net income		**1,354,711**	1,207,835	**1,355,173**	1,207,835
Personnel costs	37	**(30,820)**	(34,108)	**(30,820)**	(34,108)
Other overheads and expenditures	38	**(511,526)**	(449,342)	**(511,244)**	(449,342)
Profit before taxation and zakat		**812,365**	724,385	**813,109**	724,385
Taxation and zakat	40	**(172,544)**	(181,184)	**(172,544)**	(181,184)
Profit after taxation and zakat		**639,821**	543,201	**640,565**	543,201
Earnings per share (sen)					
- basic	41	**63.98**	54.32	**64.06**	54.32

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Profit for the financial year	**639,821**	543,201	**640,565**	543,201
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale				
- Net gain from change in fair value	**9,128**	5,562	**9,128**	5,562
- Realised gain transferred to statement of income on disposal	**(2,781)**	(4,479)	**(2,781)**	(4,479)
- Income tax effects	**(1,523)**	(260)	**(1,523)**	(260)
Total other comprehensive income	**4,824**	823	**4,824**	823
Total comprehensive income for the financial year	**644,645**	544,024	**645,389**	544,024

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

The Group

	← Attributable to owners of the Parent →										
	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175
Net profit for the financial year	-	-	-	-	-	-	-	639,821	639,821	-	639,821
Financial investments available-for-sale	-	-	4,824	-	-	-	-	-	4,824	-	4,824
Total comprehensive income for the financial year	-	-	4,824	-	-	-	-	639,821	644,645	-	644,645
Share-based payment expense	-	-	-	-	-	-	745	-	745	-	745
Transfer from statutory reserve (Note 30)	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	90,256	-	(90,256)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(559)	-	(559)	-	(559)
As at 31 December 2017	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,305,512	4,575,006	220,000	4,795,006

CIMB Islamic Bank Berhad
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Statements of Changes in Equity for the financial year ended 31 December 2017 (Continued)

The Group

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

CIMB Islamic Bank Berhad
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Statements of Changes in Equity
for the financial year ended 31 December 2017 (Continued)

The Bank

	Non-distributable							Distributable			
	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	3,930,140	220,000	4,150,140
Net profit for the financial year	-	-	-	-	-	-	-	640,565	640,565	-	640,565
Financial investments available-for-sale	-	-	4,824	-	-	-	-	-	4,824	-	4,824
Total comprehensive income for the financial year	-	-	4,824	-	-	-	-	640,565	645,389	-	645,389
Share-based payment expense	-	-	-	-	-	-	745	-	745	-	745
Transfer from statutory reserve (Note 30)	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	90,256	-	(90,256)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(559)	-	(559)	-	(559)
As at 31 December 2017	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,306,221	4,575,715	220,000	4,795,715

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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

The Bank

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

CIMB Islamic Bank Berhad
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Statements of 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
Cash flows from operating activities				
Profit before taxation and zakat	**812,365**	724,385	**813,109**	724,385
Adjustments for:				
Depreciation of property, plant and equipment	**5,850**	4,127	**5,850**	4,127
Amortisation of intangible assets	**8,068**	10,914	**8,068**	10,914
Profit income from financial investments available-for-sale	**(76,888)**	(66,803)	**(76,888)**	(66,803)
Profit income from financial investments held-to-maturity	**(171,746)**	(106,018)	**(171,746)**	(106,018)
Profit expense on subordinated Sukuk	**27,359**	34,175	**27,359**	34,175
Profit expense on recourse obligation on loans and financing sold to Cagamas	**59,912**	53,072	**59,912**	53,072
Gain from disposal of financial investments available-for-sale	**(2,781)**	(4,479)	**(2,781)**	(4,479)
Loss on disposal of property, plant and equipment	**217**	119	**217**	119
Intangible asset written off	**-**	49	**-**	49
Net loss from hedging derivatives	**1,447**	2,054	**1,447**	2,054
Unrealised (gain)/loss on foreign exchange	**(90,353)**	41,267	**(90,353)**	41,267
Unrealised (gain)/loss from revaluation of financial assets held for trading	**(1,928)**	1,256	**(1,928)**	1,256
Unrealised loss arising from financial liabilities designated at fair value	**52**	8,520	**52**	8,520
Unrealised gain from revaluation of Islamic derivative financial instruments	**(8,913)**	(2,747)	**(8,913)**	(2,747)
Accretion of discount less amortisation of premium	**(98,684)**	(59,561)	**(98,684)**	(59,561)
Allowances for losses on financing, advances and other financing/loans	**134,422**	56,575	**134,422**	56,575
Allowances for impairment losses on other receivables	**1**	198	**1**	198
Share-based payment expense	**745**	858	**745**	858
	599,145	697,961	**599,889**	697,961
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(10,554,067)**	(6,903,519)	**(10,554,064)**	(6,903,519)
Other assets	**278,729**	(714,622)	**278,729**	(714,622)
Statutory deposits with Bank Negara Malaysia	**(169,427)**	(127,681)	**(169,427)**	(127,681)
Deposits and placements with banks and other financial institutions	**(439,619)**	50,828	**(439,619)**	50,828
Financial assets held for trading	**(391,806)**	21,160	**(391,806)**	21,160
Amount due from related company	**492**	(271)	**492**	(271)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**12,046,101**	8,434,998	**12,155,687**	8,506,516
Investment accounts of customers	**653,355**	21,692	**653,355**	21,692
Deposits and placements from banks and other financial institutions	**927,614**	273,246	**927,615**	273,246
Investment accounts due to designated financial institutions	**4,233,673**	1,011,029	**4,233,674**	1,011,029
Financial liabilities designated at fair value	**-**	(205,402)	**-**	(205,402)
Islamic derivative financial instruments	**(482)**	1,559	**(482)**	1,559
Amount due to holding company	**(474,499)**	484,044	**(474,499)**	484,044
Amount due to subsidiaries	**-**	-	**-**	(1)
Amount due to related companies	**(276)**	(1,527)	**(276)**	(1,527)
Other liabilities	**374,437**	(123,286)	**139,871**	391,684
	7,083,370	2,920,209	**6,959,139**	3,506,696
Taxation and zakat paid	**(167,668)**	(158,382)	**(167,668)**	(158,382)
Net cash flows generated from operating activities	**6,915,702**	2,761,827	**6,791,471**	3,348,314

CIMB Islamic Bank Berhad

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

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Cash flows from investing activities					
Net purchase of financial investments held-to-maturity		**(1,378,729)**	(1,658,087)	**(1,378,729)**	(1,658,087)
Net (purchase)/proceeds from purchase of financial investments available-for-sale		**(286,102)**	305,080	**(286,102)**	305,080
Profit income received from financial investments available-for-sale		**72,555**	67,664	**72,555**	67,664
Profit income received from financial investments held-to-maturity		**147,483**	96,872	**147,483**	96,872
Purchase of property, plant and equipment		**(2,517)**	(1,538)	**(2,517)**	(1,538)
Purchase of intangible assets		**(6,119)**	(8,757)	**(6,119)**	(8,757)
Net cash flows used in from investing activities		**(1,453,429)**	(1,198,766)	**(1,453,429)**	(1,198,766)
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(30,586)**	(36,194)	**(30,586)**	(36,194)
Proceeds from issuance of subordinated Sukuk		**300,000**	10,000	**300,000**	10,000
Redemption of subordinated Sukuk		**(300,000)**	(250,000)	**(300,000)**	(250,000)
Profit expense paid on Sukuk		**(231)**	-	**-**	-
Proceeds from issuance of Sukuk net of redemption		**-**	586,488	**-**	-
Redemption of Sukuk		**(124,000)**	-	**-**	-
Proceeds from issuance of senior sukuk		**1,000**	-	**1,000**	-
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		**(52,502)**	(47,550)	**(52,502)**	(47,550)
Proceeds from recourse obligation on loans and financing sold to Cagamas		**1,157,000**	845,500	**1,157,000**	845,500
Redemption of recourse obligation on loans and financing sold to Cagamas		**(445,500)**	-	**(445,500)**	-
Net cash flows generated from financing activities		**505,181**	1,108,244	**629,412**	521,756
Net increase in cash and cash equivalents		**5,967,454**	2,671,305	**5,967,454**	2,671,304
Cash and cash equivalents at beginning of the financial year		**8,315,442**	5,644,137	**8,315,396**	5,644,092
Cash and cash equivalents at end of the financial year	2	**14,282,896**	8,315,442	**14,282,850**	8,315,396

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

The Group	**Sukuk RM'000**	**Subordinated obligations RM'000**	**Recourse obligation on loans and financing sold to Cagamas RM'000**	**Total RM'000**
At 1 January 2017	**586,488**	**617,563**	**1,353,390**	**2,557,441**
Proceeds from issuance	**1,000**	**300,000**	**1,157,000**	**1,458,000**
Payment and redemption	**(124,000)**	**(300,000)**	**(445,500)**	**(869,500)**
Profit paid	**(231)**	**(30,586)**	**(52,502)**	**(83,319)**
Other non cash movement	**-**	**28,029**	**59,912**	**87,941**
At 31 December 2017	**463,257**	**615,006**	**2,072,300**	**3,150,563**

The Bank	**Sukuk RM'000**	**Subordinated obligations RM'000**	**Recourse obligation on loans and financing sold to Cagamas RM'000**	**Total RM'000**
At 1 January 2017	**-**	**617,563**	**1,353,390**	**1,970,953**
Proceeds from issuance	**1,000**	**300,000**	**1,157,000**	**1,458,000**
Payment and redemption	**-**	**(300,000)**	**(445,500)**	**(745,500)**
Profit paid	**-**	**(30,586)**	**(52,502)**	**(83,088)**
Other non cash movement	**-**	**28,029**	**59,912**	**87,941**
At 31 December 2017	**1,000**	**615,006**	**2,072,300**	**2,688,306**

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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 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 Islamic derivatives financial instruments) at fair value through profit or loss.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 49.

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

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

- 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.

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" (effective from 1 January 2018) 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 profit.

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 instruments currently held at financial investments available-for-sale of which that fail the solely for the payment of principal and profit ("SPPI") test will be reclassified as fair value through profit or loss ("FVTPL") accordingly on 1 January 2018.

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)

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, financings commitments, financial guarantee contracts and other financing commitments.

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 financings 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.

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)

Hedge accounting

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

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 financing, advances and other financing/loans 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 the Bank are now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 31 March 2018.

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.

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

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.

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

- 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.

- Amendments to MFRS9 “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 profit. 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.

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)

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

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

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

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

  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.

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 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 financing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general financings.

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 over the entity.

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

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

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

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

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

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

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

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

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

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

(c) Disposal of subsidiaries

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

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

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

B Economic entities in the Group (Continued)

(d) Interests in subsidiaries

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

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

C Recognition of profit income and profit expense

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

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

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

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

C Recognition of profit income and profit expense (Continued)

Financing, advances and other financing/loans

(i) Bai' contracts

Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

Bai' al-'inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

(ii) Ijarah contracts

Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik ("IMBT"). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai ("AITAB") is a form of IMBT where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

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

C Recognition of profit income and profit expense (Continued)

Financing, advances and other financing/loans (Continued)

Ujrah

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

Deposits from customers

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

Commodity Murabahah

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is named as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

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

C Recognition of profit income and profit expense (Continued)

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

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al- Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

C Recognition of profit income and profit expense (Continued)

Deposits from customers and Placements from investment accounts

Mudharabah

A contract between a capital provider (Rabbul Mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio ("PSR") whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

i) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

ii) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised on accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

D Recognition of fees and other income

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

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

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

D Recognition of fees and other income (Continued)

(b) Fee and other income recognition

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

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

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

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

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

E Financial assets

(a) Classification

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

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

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

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

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

E Financial assets (Continued)

(a) Classification (Continued)

(ii) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

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

E Financial assets (Continued)

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

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

E Financial assets (Continued)

(d) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of financing and receivables out of the held for trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

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

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

F Financial liabilities

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

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

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

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

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

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

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

- eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group and the Bank under this criterion. The profit payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.

F Financial liabilities (Continued)

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

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

- applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and

- relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, investment accounts due to designated financial institutions, subordinated Sukuk, Sukuk, sundry creditors, amount due to related companies, amount due to holding company, amount due to subsidiaries and recourse obligation on loans and financing sold to Cagamas.

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

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

G Derecognition of financial assets and financial liabilities

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

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

H Offsetting financial instruments

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

I Impairment of financial assets

(a) Assets carried at amortised cost

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

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

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

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

I Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

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

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

J Property, plant and equipment

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

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

J Property, plant and equipment (Continued)

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

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

Renovations	5 – 10 years or over the period of the tenancy, whichever is shorter
Office equipment, furniture and fittings	
- Office equipment	3 – 10 years
- Furniture and fittings	5 – 10 years
Plant and machinery	5 – 8 years
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 lease period, whichever is shorter
Motor vehicles	5 years

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

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

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

J Property, plant and equipment (Continued)

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

K Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

Other intangible assets are measured at fair value. Other intangible assets include computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Computer software	3 – 15 years

L Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

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

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

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

M Assets sold under lease

(a) Finance lease

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

(b) Operating lease

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

N Derivative financial instruments and hedge accounting

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

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

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

N Derivative financial instruments and hedge accounting (Continued)

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

N Derivative financial instruments and hedge accounting (Continued)

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

O Currency translations

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

O Currency translations (Continued)

(b) Foreign currency transactions and balances (Continued)

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

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

P Income and deferred taxes

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

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits.

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

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

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

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

P Income and deferred taxes (Continued)

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

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

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

Q Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

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

R Employee benefits

(a) Short-term employee benefits

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

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

(b) Post employment benefits

Defined contribution plans

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

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

(c) Other long-term employee benefits

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

R Employee benefits (Continued)

(d) Termination benefits

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

(e) Bonus plans

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

(f) Share-based compensation benefits

Employee Ownership Plan ("EOP")

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

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

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

S Impairment of non-financial assets

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

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

T Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

U Financial guarantee contracts

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

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

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

V Cash and cash equivalents

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

W Segment reporting

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

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

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

X Contingent assets and contingent liabilities

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

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

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

Y Investment Accounts

This category comprises restricted and unrestricted investment accounts. The placements from investment accounts that are used to fund specific financing are called Restricted Profit Sharing Investment Accounts ("RPSIA"). The RPSIA and unrestricted investment accounts are a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by depositors.

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

1 General information

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

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

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

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

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

2 Cash and short-term funds

	The Group		**The Bank**	
	31 December 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	**1,424,407**	662,603	**1,424,361**	662,557
Money at call and deposit placements maturing within one month	**12,858,489**	7,652,839	**12,858,489**	7,652,839
	14,282,896	8,315,442	**14,282,850**	8,315,396

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

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Licensed banks	**530,017**	90,398

4 Financial assets held for trading

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	**1,357**	120,987
Islamic negotiable instruments of deposits	**2,764,951**	2,425,600
Government Investment Issues	**347,099**	55,459
Islamic Cagamas bonds	**50,759**	-
	3,164,166	2,602,046
Unquoted securities:		
In Malaysia		
Corporate sukuk	**60,972**	40,778
Outside Malaysia		
Corporate sukuk	**-**	87,841
	3,225,138	2,730,665

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

5 Financial investments available-for-sale

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**355,065**	111,863
Islamic Cagamas bonds	**5,524**	40,772
Malaysian Government Sukuk	**22,107**	29,622
	382,696	182,257
Unquoted securities:		
In Malaysia		
Corporate sukuk	**1,473,916**	1,368,768
Placement with Islamic Banking and Finance Institute Malaysia	**575**	575
	1,474,491	1,369,343
Outside Malaysia		
Corporate sukuk	**66,410**	73,471
	1,923,597	1,625,071

6 Financial investments held-to-maturity

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**1,556,967**	811,683
Islamic Cagamas bonds	**-**	30,945
Khazanah bonds	**12,662**	12,662
	1,569,629	855,290
Unquoted securities:		
In Malaysia		
Corporate sukuk	**3,157,519**	2,472,854
Accretion of discount net of amortisation of premium	**5,241**	2,456
	4,732,389	3,330,600

6 Financial investments held-to-maturity (Continued)

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

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).

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

7 Financing, advances and other financing/loans

At amortised cost:
31 December 2017

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma Al-Bai'	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	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	-	-	228,506	-	1,906,272	59,737	-	-	-	2,194,515
Hire purchase receivables	-	-	-	-	-	-	5,709,622	-	-	5,709,622
Other term financing	-	1,720,870	9,305,762	-	17,843,048	55,169	-	-	-	28,924,849
Bills receivable	-	-	-	23,926	-	-	-	292	-	24,218
Islamic trust receipts	85,493	-	-	-	-	-	-	-	-	85,493
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,705	-	-	-	-	57,705
Credit card receivables	-	-	-	-	-	-	-	-	128,947	128,947
Revolving credits	-	-	-	-	4,457,645	-	-	-	-	4,457,645
Share purchase financing	3,737	-	-	-	-	-	-	-	-	3,737
Gross financing, advances and other financing/loans	788,907	8,064,622	9,538,489	176,657	31,817,720	1,548,240	5,709,622	2,356	128,947	57,775,560
Fair value changes arising from fair value hedge										69,873
										57,845,433
Less: Allowance for impairment losses										
- Individual impairment allowance										(49,352)
- Portfolio impairment allowance										(244,673)
										(294,025)
Total net financing, advances and other financing/loans										57,551,408

^ Includes current account in excess

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

At amortised cost:
31 December 2016

The Group and the Bank

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

^ Includes current account in excess

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

(i) By type and Shariah contracts:

(a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM3,695,054,000 (2016: RM3,575,000,000) financing using Islamic profit rate swaps.

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

As at 31 December 2017, the gross exposures to RPSIA financing is RM6,123,712,000 (2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM10,248,000 (2016: RM5,374,000) is recognised in the Financial Statements of CIMB Bank Berhad. There was no individual impairment provided on this RPSIA financing.

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

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

(c) Movement of Qard financing

	The Group and the Bank	
	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	**2,356**	4,283
Sources of Qard fund:		
Depositors' fund	**2,220**	4,027
Shareholders' fund	**136**	256
	2,356	4,283
Uses of Qard fund:		
Personal use	**162**	664
Business purpose	**2,194**	3,619
	2,356	4,283

(ii) By geographical distribution:

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Malaysia	**57,775,560**	47,352,815

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

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

(iii) By type of customer:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 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	**6,921,114**	5,553,813
Government and statutory bodies	**7,060,073**	7,279,784
Individuals	**33,002,550**	26,024,320
Other domestic entities	**84,783**	92,658
Foreign entities	**146,887**	123,049
	57,775,560	47,352,815

(iv) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- house financing	**87,009**	118,366
- hire purchase receivables	**4,219,343**	3,959,825
- others	**9,590,743**	9,975,909
Variable rate		
- house financing	**14,451,319**	12,006,660
- others	**29,427,146**	21,292,055
	57,775,560	47,352,815

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

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

(v) By economic purpose:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Personal use	**2,370,568**	2,502,702
Credit card	**128,947**	121,558
Construction	**1,822,160**	1,341,384
Residential property	**14,924,968**	12,434,227
Non-residential property	**4,185,822**	3,816,548
Purchase of fixed assets other than land and building	**139,852**	140,923
Purchase of securities	**9,029,785**	6,071,444
Purchase of transport vehicles	**6,388,828**	4,511,483
Working capital	**13,855,749**	11,863,283
Merger and acquisition	**2,737**	2,262
Other purpose	**4,926,144**	4,547,001
	57,775,560	47,352,815

(vi) By residual contractual maturity:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Within one year	**9,640,779**	5,861,918
One year to less than three years	**5,845,443**	5,119,510
Three years to less than five years	**2,948,667**	6,154,384
Five years and more	**39,340,671**	30,217,003
	57,775,560	47,352,815

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

(vii) Impaired financing by economic purpose:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Personal use	**17,573**	22,088
Credit cards	**2,066**	3,768
Construction	**31,093**	34,221
Residential property	**122,710**	91,091
Non-residential property	**64,736**	67,424
Purchase of securities	**1,370**	654
Purchase of transport vehicles	**84,613**	106,758
Working capital	**26,410**	85,428
Other purpose	**31,299**	54,933
	381,870	466,365

(viii) Impaired financings by geographical distribution:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Malaysia	**381,870**	466,365

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

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

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
At 1 January	**466,365**	424,384
Classified as impaired during the financial year	**450,146**	597,298
Reclassified as non-impaired during the financial year	**(295,807)**	(290,211)
Amount written back in respect of recoveries	**(107,682)**	(139,866)
Amount written off	**(131,152)**	(125,240)
At 31 December	**381,870**	466,365
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**0.66%**	0.98%

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

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Individual impairment allowance		
At 1 January	**48,062**	46,168
Net allowance made during the financial year	**9,762**	1,894
Amount written off	**(8,472)**	-
At 31 December	**49,352**	48,062

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

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

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

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Portfolio impairment allowance		
At 1 January	**242,862**	314,054
Net allowance made during the financial year	**124,660**	54,681
Transfer from intercompany	**(73)**	(596)
Amount written off	**(122,681)**	(125,315)
Exchange fluctuation	**(95)**	38
At 31 December	**244,673**	242,862
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**1.20%**	1.20%

8 Other assets

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Deposits and prepayments	**4,725**	4,105
Sundry debtors*	**252,860**	82,493
Collateral pledged for derivative transactions	**47,751**	575,445
Clearing accounts	**298,753**	221,335
	604,089	883,378

* net of allowance for doubtful debts of RM364,000 (2016: RM362,000)

8 Other assets (Continued)

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
At 1 January	**362**	175
Net allowance made during the financial year	**2**	198
Write off	**-**	(11)
At 31 December	**364**	362

9 Deferred taxation

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Deferred tax assets	**19,000**	17,348
Deferred tax liabilities	**(1,205)**	(1,921)
	17,795	15,427

Further breakdown are as follows:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Excess of capital allowance over depreciation	**(1,205)**	(1,921)
Revaluation reserve-Financial investments available-for-sale	**6,591**	8,114
Provision for expenses	**12,409**	9,234
Deferred tax assets	**17,795**	15,427

9 Deferred taxation (Continued)

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

	The Group and the Bank				
	Individual impairment allowance/Portfolio impairment allowance	Excess of capital allowance over depreciation	Revaluation reserve - financial investments available-for-sale	Provision for expenses	Total
Deferred tax assets/(liabilities)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	**-**	**(1,921)**	**8,114**	**9,234**	**15,427**
Credited to statement of income (Note 40)	**-**	**1,272**	**-**	**3,107**	**4,379**
(Under)/over provision in prior years	**-**	**(556)**	**-**	**68**	**(488)**
Transferred to equity	**-**		**(1,523)**	**-**	**(1,523)**
At 31 December 2017	**-**	**(1,205)**	**6,591**	**12,409**	**17,795**
At 1 January 2016	-	(398)	8,374	22,478	30,454
Charged to statement of income (Note 40)	-	(1,524)	-	(8,547)	(10,071)
Over/(under) provision in prior years	-	1	-	(4,697)	(4,696)
Transferred to equity	-	-	(260)	-	(260)
At 31 December 2016	-	(1,921)	8,114	9,234	15,427

10 Amount due to holding company

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Amounts due to :		
- holding company	**20,588**	495,087

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

11 Amount due to subsidiaries

	The Group		The Bank	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	RM'000	RM'000	**RM'000**	RM'000
Amounts due to :				
- subsidiaries	**-**	-	**-**	-

Note : There is no amount due to subsidiaries

12 Amount due from/(to) related companies

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Amounts due from :		
- related companies	**414**	906
Amounts due to :		
- related companies	**(813)**	(1,089)

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

13 Statutory deposits with Bank Negara Malaysia

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Statutory deposits with Bank Negara Malaysia	**1,554,286**	1,384,859

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

14 Investment in subsidiaries

	The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Unquoted shares, at cost	**20**	20
Less: Allowance for impairment losses	**(9)**	(9)
	11	11

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

Name	Principal activities	Percentage of equity held directly by the Bank 31 December 2017 %	31 December 2016 %
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
Ziya Capital Berhad**	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**	**

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

All the subsidiaries are incorporated in Malaysia.

(b) Consolidation of Ziya Capital Berhad

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

15 Property, plant and equipment

2017	Note	Renovations, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
		The Group and the Bank			
Cost					
At 1 January		**2,246**	**2,139**	**19,061**	**23,446**
Additions		**-**	**601**	**1,916**	**2,517**
Disposals		**-**	**(2,353)**	**(1,335)**	**(3,688)**
Written off		**-**	**-**	**(3)**	**(3)**
Reclassified from intangible assets	16	**-**	**-**	**1,332**	**1,332**
At 31 December		**2,246**	**387**	**20,971**	**23,604**
Accumulated depreciation					
At 1 January		**2,041**	**993**	**10,831**	**13,865**
Charge for the financial year		**152**	**1,188**	**4,510**	**5,850**
Disposals		**-**	**(2,136)**	**(1,335)**	**(3,471)**
Written off		**-**	**-**	**(3)**	**(3)**
Reclassified from intangible assets		**-**	**-**	**1,332**	**1,332**
At 31 December		**2,193**	**45**	**15,335**	**17,573**
Net book value at 31 December		**53**	**342**	**5,636**	**6,031**

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

The above property, plant and equipment include computer equipment and hardware under construction at cost of the Group and the Bank of RM14,173 (2016: RM14,173).

16 Intangible assets

		The Group and the Bank	
		2017	2016
	Note	**RM'000**	RM'000
Computer software			
Cost			
At 1 January		**132,518**	123,504
Additions		**6,119**	8,757
Written off		**(3,332)**	(49)
Reclassified (to)/from property, plant and equipment	15	**(1,332)**	306
At 31 December		**133,973**	132,518
Accumulated amortisation			
At 1 January		**51,477**	40,563
Amortisation for the financial year		**8,068**	10,914
Written off		**(3,332)**	-
Reclassified to property, plant and equipment		**(1,332)**	-
At 31 December		**54,881**	51,477
Net book value at 31 December		**79,092**	81,041

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

Computer Software 1-15 years

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

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

17 Goodwill

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Cost		
At 1 January/At 31 December	**136,000**	136,000

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

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2018 financial budgets approved by the Board of Directors, projected for five years based on the average terminal historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.20% (2016: 4.20%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 6.92% (2016: 7.12%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

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

18 Deposits from customers

(i) By type of deposits:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
a) Savings deposit	**3,066,677**	2,927,769	**3,066,677**	2,927,769
Wadiah	**3,055,616**	2,927,769	**3,055,616**	2,927,769
Qard	**610**	-	**610**	-
Commodity Murabahah (via Tawarruq arrangement)	**10,451**	-	**10,451**	-
b) Demand deposit	**11,239,585**	8,966,724	**11,239,585**	8,966,724
Wadiah	**11,029,199**	8,764,805	**11,029,199**	8,764,805
Qard	**210,386**	201,919	**210,386**	201,919
c) Term deposit	**50,405,391**	40,774,681	**50,586,495**	40,846,199
Commodity Murabahah (via Tawarruq arrangement)*	**49,892,009**	40,647,443	**50,073,113**	40,718,961
Islamic negotiable instruments	**398,199**	-	**398,199**	-
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**398,199**	-	**398,199**	-
General investment account	**2,169**	12,260	**2,169**	12,260
Mudharabah	**2,169**	12,260	**2,169**	12,260
Specific investment account	**113,014**	114,978	**113,014**	114,978
Mudharabah	**113,014**	114,978	**113,014**	114,978
d) Others	**17,326**	13,704	**17,326**	13,704
Qard	**17,326**	13,704	**17,326**	13,704
	64,728,979	52,682,878	**64,910,083**	52,754,396

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

18 Deposits from customers (Continued)

(i) By type of deposits: (Continued)

The maturity structure of term deposit is as follows:

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Due within six months	**45,140,439**	37,807,916	**45,321,543**	37,879,434
Six months to less than one year	**5,128,466**	2,840,614	**5,128,466**	2,840,614
One year to less than three years	**21,358**	8,530	**21,358**	8,530
Three years to less than five years	**2,114**	2,643	**2,114**	2,643
Five years and more	**113,014**	114,978	**113,014**	114,978
	50,405,391	40,774,681	**50,586,495**	40,846,199

(ii) By type of customers:

	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	**3,745,305**	4,006,123	**3,745,305**	4,006,123
Business enterprises	**26,155,945**	18,356,269	**26,155,945**	18,356,269
Individuals	**15,169,480**	13,564,662	**15,169,480**	13,564,662
Others	**19,658,249**	16,755,824	**19,839,353**	16,827,342
	64,728,979	52,682,878	**64,910,083**	52,754,396

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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

19 Investment accounts of customers

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Unrestricted investment accounts		
-without maturity		
Special Mudharabah Investment Account	**289,203**	254,408
-with maturity		
Term Investment Account-i	**618,560**	-
	907,763	254,408

19 Investment accounts of customers (Continued)

i) Movement in the investment accounts of customers

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

19 Investment accounts of customers (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 (%)**	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts:				
- no specific tenure	**5.00**	**0.21**	5.00	0.23
- between 3 to 6 months	**88.11**	**4.22**	-	-

iii) By type of customers:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Business enterprises	**52,512**	41,603
Individuals	**855,178**	212,749
Others	**73**	56
	907,763	254,408

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

20 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Licensed investment banks	**340**	920
Licensed banks	**1,684,313**	911,149
Other financial institutions	**475,762**	320,732
	2,160,415	1,232,801

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Due within six months	**2,158,364**	1,229,419
Six months to one year	**2,051**	3,382
	2,160,415	1,232,801

21 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 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 due to designated financial institutions

Mudharabah	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	**31 December 2017 RM'000**	31 December 2016 RM'000
1 January	**3,912,011**	2,900,982
Funding inflows/outflows		
New placement during the year	**9,638,037**	3,963,997
Redemption during the year	**(5,588,865)**	(3,085,478)
Income from investment	**236,867**	177,812
Bank's share of profit		
Profit distributed to mudarib	**(2,369)**	(1,778)
Incentive fee	**(49,997)**	(43,524)
31 December	**8,145,684**	3,912,011

Investment asset:		
Other term financing	**6,061,977**	3,197,184
Marketable securities	**1,768,887**	650,881
Miscellaneous other assets	**314,820**	63,946
Total investment	**8,145,684**	3,912,011

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

21 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

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM8,145,684,000 (2016: RM3,912,011,000) for tenures between 1 month to 3 months at indicative profit rates from 2.02% to 3.83% per annum (2016: 3.16% to 3.85% tenures between 1 month to 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

22 Financial liabilities designated at fair value

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Deposits from customers - structured investments	**2,233**	2,181

The Group and the Bank have issued structured investments, and have designated them at fair value in accordance with MFRS 139. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value of the Group and the Bank as at 31 December 2017 were RM10,000 (2016: RM62,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

The Group and the Bank did not issue any new structured investments in 2017 and 2016.

23(a) Islamic derivative financial instruments

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

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

	The Group and the Bank					
	31 December 2017			31 December 2016		
	Principal amount RM'000	**Fair values Assets RM'000**	**Fair values Liabilities RM'000**	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**7,050,740**	**144,544**	**(219,927)**	6,269,523	372,409	(185,239)
Currency swaps	**10,027,094**	**186,300**	**(94,534)**	12,016,387	124,021	(306,096)
Currency spot	**10,755**	**18**	**(9)**	24,545	19	(34)
Currency option	**-**	**-**	**-**	2,512	93	(93)
Cross currency profit rate swaps	**3,211,014**	**182,867**	**(178,130)**	4,312,432	252,303	(245,706)
	20,299,603	**513,729**	**(492,600)**	22,625,399	748,845	(737,168)
Profit rate derivatives						
Islamic profit rate swaps	**17,493,007**	**116,998**	**(107,951)**	15,467,449	117,223	(107,721)
Equity related derivatives						
Equity options	**338,076**	**2,953**	**(2,953)**	447,152	3,713	(3,632)
Credit related contracts						
Total return swaps	**50,000**	**626**	**(626)**	81,150	869	(869)
Hedging derivatives						
Islamic profit rate swaps	**3,593,712**	**-**	**(88,629)**	3,895,703	-	(129,621)
Total derivative assets/(liabilities)	**41,774,398**	**634,306**	**(692,759)**	42,516,853	870,650	(979,011)

23(a) Islamic derivative financial instruments (Continued)

Fair value hedge

Fair value hedges are used by the Group and the Bank to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market rates and foreign exchange rates. The Group and the Bank use Islamic profit rate swaps and cross-currency profit rate swaps to hedge against profit rate risk of financing and foreign exchange risk of financing, advances and other financing/loans, subordinated Sukuk, Islamic negotiable instruments of deposits issued and Sukuk. For designated and qualifying fair value hedges, the changes in fair value of derivative and item in relation to the hedged risk are recognised in the statement of income. If the hedge relationship is terminated, the cumulative adjustment to the carrying amount of the hedged item is amortised in the statement of income based on recalculated effective profit rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the statement of income immediately.

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Gain on hedging instruments	**40,513**	234
Loss on the hedged items attributable to the hedged risk	**(41,960)**	(2,288)

23(b) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the Financial Statements.

These commitments and contingencies are not secured over the assets of the Group and the Bank, except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

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

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

	The Group and the Bank	
	31 December 2017	31 December 2016
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**229,687**	207,083
Transaction-related contingent items	**712,390**	520,884
Short-term self-liquidating trade-related contingencies	**23,014**	153,685
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**6,901,712**	6,236,307
- maturity exceeding one year	**5,507,311**	3,388,319
Miscellaneous commitments and contingencies	**63,541**	57,374
Total credit-related commitments and contingencies	**13,437,655**	10,563,652

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

23(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2017	31 December 2016
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**15,076,977**	18,507,205
- one year to five years	**3,998,263**	2,841,450
- more than five years	**1,224,363**	1,276,744
	20,299,603	22,625,399
Profit rate related contracts:		
- less than one year	**3,264,168**	2,779,351
- one year to five years	**16,848,542**	15,846,824
- more than five years	**974,009**	736,977
	21,086,719	19,363,152
Equity related contracts:		
- less than one year	**-**	93,021
- one year to five years	**61,926**	78,876
- more than five years	**276,150**	275,255
	338,076	447,152
Credit related contracts:		
- more than five years	**50,000**	81,150
Total treasury-related commitments and contingencies	**41,774,398**	42,516,853
	55,212,053	53,080,505

24 Other liabilities

	The Group		TheBank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Accruals and other payables	**368,402**	75,505	**368,402**	75,505
Clearing accounts	**187,700**	162,710	**187,700**	162,710
Structured deposits	**40,782**	79,410	**40,782**	79,410
Others	**19,621**	14,800	**300,030**	529,770
	616,505	332,425	**896,914**	847,395

Included in Others is funding received by the Bank, via issuance of Sukuk from Ziya. At the Group level, due to the consolidation of Ziya, the funding is eliminated and reclassified under Sukuk.

25 Recourse obligation on loans and financing sold to Cagamas

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

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

26 Sukuk

		The Group		The Bank	
		31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Ziya Capital Berhad	(a)	**462,257**	586,488	**-**	-
RM1 million Sukuk: Wakalah (2017/2018)	(b)	**1,000**	-	**1,000**	-
		463,257	586,488	**1,000**	-

a) On 12 August 2016, Ziya issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM124 million of the Sukuk was partially redeemed during the year.

b) On 29 December 2017, the 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.

27 Subordinated Sukuk

		The Group and the Bank	
	Note	**31 December 2017 RM'000**	31 December 2016 RM'000
Subordinated Sukuk RM850 million:			
(1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021 redeemed in 2016 ; 3rd tranche due in 2022 redeemed in 2017)	(a)	**304,725**	608,106
Subordinated Sukuk 2016/2026 RM10 million	(b)	**10,126**	10,126
Subordinated Sukuk 2017/2027 RM300 million	(c)	**300,155**	-
		615,006	618,232
Fair value changes arising from fair value hedges		**-**	(669)
		615,006	617,563

a) Subordinated Sukuk RM850 million

The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

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

On 18 September 2012, the third tranche of the Sukuk of RM300 million was issued at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

27 Subordinated Sukuk (Continued)

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

b) Subordinated Sukuk 2016/2026 RM10 million

On 21 September 2016, the Bank had issued RM10 million Tier II Junior Sukuk ("the Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the 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 the Bank.

c) Subordinated Sukuk 2017/2027 RM300 million

On 28 December 2017, the Bank had issued RM300 million Tier II Junior Sukuk ("the 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, the 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 the Bank.

28 Perpetual preference shares

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Authorised		
Ordinary shares:		
At 1 January/31 December	**-**	400,000
Issued and fully paid		
Perpetual preference shares:		
At 1 January/31 December	**220,000**	220,000

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

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

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

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

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

29 Ordinary share capital

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Authorised		
Ordinary shares:		
At 1 January/31 December	**-**	1,000,000

	2017	2016
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	**1,000,000**	1,000,000

29 Ordinary share capital (Continued)

(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. 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

30 Reserves

(a) Effective from 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline - Capital Funds and is not distributable as cash dividend.

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

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

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

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

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

31 Income derived from investment of depositors' funds and others

	Note	The Group and the Bank 31 December 2017 RM'000	31 December 2016 RM'000
Income derived from investment of:			
- General investment deposits	(i)	**2,068,375**	1,633,181
- Specific investment deposits	(ii)	**3,142**	3,325
- Other deposits	(iii)	**864,035**	711,876
		2,935,552	2,348,382

(i) Income derived from investment of general investment deposits

	The Group and the Bank 31 December 2017 RM'000	31 December 2016 RM'000
Financing, advances and other financing/loans:		
- Profit income	**1,529,436**	1,293,229
- Unwinding income*	**8,214**	10,332
Financial assets held for trading	**29,056**	14,163
Financial investments available-for-sale	**50,944**	43,609
Financial investments held-to-maturity	**113,853**	69,543
Money at call and deposit with financial institutions	**202,016**	179,869
	1,933,519	1,610,745
Accretion of discount less amortisation of premium	**65,374**	38,653
Total finance income and hibah	**1,998,893**	1,649,398
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**1,456**	7,717
- unrealised	**1,279**	(810)
Net gain from sale of financial investments available-for-sale	**1,845**	2,954
Net gain/(loss) from foreign exchange transactions	**59,894**	(28,996)
	64,474	(19,135)
Fee and commission income	**5,008**	2,918
	2,068,375	1,633,181

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

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

(ii) Income derived from investment of specific investment deposits

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Money at call and deposit with financial institutions	**3,142**	3,325

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Financing, advances and other financing/loans:		
- Profit income	**638,981**	557,236
- Unwinding income*	**3,435**	4,409
Financial assets held for trading	**12,125**	6,099
Financial investments available-for-sale	**21,279**	18,784
Financial investments held-to-maturity	**47,505**	29,554
Money at call and deposit with financial institutions	**84,385**	83,728
	807,710	699,810
Accretion of discount less amortisation of premium	**27,312**	16,938
Total finance income and hibah	**835,022**	716,748
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**617**	3,122
- unrealised	**538**	(367)
Net gain from sale of financial investments available-for-sale	**767**	1,228
Net gain/(loss) from foreign exchange transactions	**25,006**	(10,098)
	26,928	(6,115)
Fees and commission income	**2,085**	1,243
	864,035	711,876

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

32 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Financing, advances and other financing/loans:		
- Profit income	**222,423**	172,125
- Unwinding income*	**67**	47
Money at call and deposit with financial institutions	**29,568**	16,512
	252,058	188,684

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

33 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Financing, advances and other financing/loans:				
- Profit income	**140,104**	130,736	**140,104**	130,736
- Unwinding income*	**754**	1,036	**754**	1,036
Financial assets held for trading	**2,651**	1,436	**2,651**	1,436
Financial investments available-for-sale	**4,665**	4,410	**4,665**	4,410
Financial investments held-to-maturity	**10,387**	6,921	**10,387**	6,921
Money at call and deposits with financial institutions	**18,489**	17,800	**18,489**	17,800
	177,050	162,339	**177,050**	162,339
Accretion of discount less amortisation of premium	**5,997**	3,968	**5,997**	3,968
Total finance income and hibah	**183,047**	166,307	**183,047**	166,307
Other operating income				
Net gain/(loss) from financial assets held for trading:				
- realised	**138**	791	**138**	791
- unrealised	**111**	(79)	**111**	(79)
Net gain from sale of financial investments available-for-sale	**169**	297	**169**	297
Net gain/(loss) from foreign exchange transactions	**5,453**	(2,173)	**5,453**	(2,173)
Net loss from hedging activities	**(1,447)**	(2,054)	**(1,447)**	(2,054)
Net gain/(loss) from derivative financial instruments:				
- realised	**(24,549)**	94,435	**(24,549)**	94,435
- unrealised	**8,913**	2,747	**8,913**	2,747
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised	**40**	(1,938)	**40**	(1,938)
- unrealised	**(52)**	(8,520)	**(52)**	(8,520)
	(11,224)	83,506	**(11,224)**	83,506
Fees and commission income	**146,932**	106,157	**149,755**	107,187
Less : Fee and commission expense	**(10,703)**	(7,834)	**(10,703)**	(7,834)
Net fees and commision income	**136,229**	98,323	**139,052**	99,353
Other income:				
- Sundry income	**3,701**	10,297	**3,701**	10,297
	311,753	358,433	**314,576**	359,463

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

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

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

	The Group and the Bank	
	31 December 2017	31 December 2016
	RM'000	RM'000
Net allowance made during the financial year		
- Individual impairment allowance:	**9,762**	1,894
- Portfolio impairment allowance:	**124,660**	54,681
Impaired financing, advances and other financing/loans:		
- recovered	**(53,105)**	(49,927)
- written off	**4,445**	2,886
	85,762	9,534

35 Income attributable to depositors

	The Group		The Bank	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers:				
- Mudharabah	**4,258**	6,472	**4,258**	6,472
- Non-Mudharabah	**1,716,281**	1,412,490	**1,716,281**	1,412,490
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**43,250**	21,162	**43,250**	21,162
Others				
- Financial liabilities designated at fair value	**79**	4,170	**79**	4,170
- Subordinated Sukuk	**27,359**	34,175	**27,359**	34,175
- Recourse obligation on loans and financing sold to Cagamas	**59,912**	53,072	**59,912**	53,072
- Sukuk	**18,390**	8,063	**-**	-
- Structured deposits	**852**	5,270	**852**	5,270
- Others	**-**	-	**20,751**	9,093
	1,870,381	1,544,874	**1,872,742**	1,545,904

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

36 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
- Restricted	**184,501**	132,510
- Unrestricted	**4,007**	548
	188,508	133,058

37 Personnel costs

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Salaries, allowances and bonuses	**24,849**	24,640
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
	30,820	34,108

38 Other overheads and expenditures

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Establishment costs				
Depreciation of property, plant equipment	**5,850**	4,127	**5,850**	4,127
Amortisation of intangible assets	**8,068**	10,914	**8,068**	10,914
Rental	**2,980**	3,339	**2,980**	3,339
Security expenses	**37**	32	**37**	32
Utility expenses	**97**	98	**97**	98
Others	**502**	1,056	**502**	1,056
Marketing expenses				
Advertisement and publicity	**4,813**	5,140	**4,813**	5,140
Others	**1,017**	941	**1,017**	941
Administration and general expenses				
Consultancy and professional fees	**1,637**	1,756	**1,637**	1,756
Legal expenses	**321**	884	**321**	884
Stationery	**607**	628	**607**	628
Postages	**3,450**	4,112	**3,450**	4,112
Donation	**2,559**	249	**2,559**	249
Incidental expenses on banking operations	**3,692**	4,153	**3,692**	4,153
Takaful	**8,319**	7,777	**8,319**	7,777
Others	**9,657**	6,551	**9,375**	6,551
	53,606	51,757	**53,324**	51,757
Shared services costs	**457,920**	397,585	**457,920**	397,585
	511,526	449,342	**511,244**	449,342

38 Other overheads and expenditures (Continued)

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Directors remuneration (Note 39)	**6,198** *	7,945 *	**6,198** *	7,945
Auditors' remuneration :				
PwC Malaysia (audit):				
- statutory audit	**253**	269	**247**	263
- limited review	**60**	57	**60**	57
- other audit related	**233**	135	**233**	135
PwC Malaysia (non-audit):				
- PwC Malaysia (non-audit)	**28**	15	**28**	15

* include fees and allowances paid and borne by CIMB Bank Berhad of RM NIL (2016: RM142,000).

39 Directors and Shariah Committee Members remuneration

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

Executive Director
Mohamed Rafe bin Mohamed Haneef

Non-Executive Directors
Dato' Mohamed Ross bin Mohd Din
Rosnah binti Dato' Kamarul Zaman
Ho Yuet Mee (appointed on 3 November 2017)
Ahmed Baqar Rehman (appointed on 24 July 2017)
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (resigned on 27 April 2017)
Professor Dato' Dr. Sudin bin Haron (retired on 4 November 2017)

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Executive Director		
- Salary and other remuneration	**2,565**	2,659
- Bonus	**2,201**	3,786
- Benefits-in-kind	**269**	296
Non-Executive Directors		
- Fees	**425**	574
- Other remuneration	**699**	600
- Benefits-in-kind	**39**	30
Shariah Committee members		
- Fees	**808**	1,026
- Other remuneration	**149**	147
	7,155	9,118

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

The Director's bonus for the financial year 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 bonus for certain key personnel.

39 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2017				
Executive Directors				
Mohamed Rafe bin Mohamed Haneef	-	4,766	269	5,035
	-	4,766	269	5,035
Non-Executive Directors				
Ahmed Baqar Rehman	61	99	-	160
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	27	82	37	146
Ho Yuet Mee	23	25	-	48
Professor Dato' Dr. Sudin bin Haron	84	60	-	144
Rosnah binti Dato' Kamarul Zaman	117	203	-	320
Dato' Mohamed Ross bin Mohd Din	113	230	2	345
	425	699	39	1,163
Shariah Committee members				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	90	4	-	94
Sheikh Professor Dr. Mohammad Hashim Kamali	96	5	-	101
Sheikh Dr. Nedham Yaqoobi	215	65	-	280
Sheikh Yang Amat Arif Professor Adjung Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	96	5	-	101
Sheikh Associate Professor Dr. Shafaai bin Musa	96	5	-	101
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	215	65	-	280
Professor Dato' Dr. Noor Inayah binti Yaakub	-	-	-	-
Sheikh Muhamad Taufik Ridlo	-	-	-	-
Sheikh Professor Dato' Dr. Sudin bin Haron	-	-	-	-
	808	149	-	957
	1,233	5,614	308	7,155

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 RM161,995.

39 Directors and Shariah Committee Members remuneration (Continued)

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

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

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

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

40 Taxation and zakat

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**202,950**	166,117
Deferred taxation (Note 9)	**(4,379)**	10,071
(Over)/Under provision in prior year	**(27,277)**	4,696
	171,294	180,884
Zakat	**1,250**	300
	172,544	181,184
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**812,365**	724,385
Tax calculated at a rate of 24% (2016: 24%)	**194,968**	173,852
Tax effects:		
- income not subject to tax	**(92)**	(202)
- expenses not deductible for tax purposes	**3,695**	2,538
(Over)/Under provision in prior year	**(27,277)**	4,696
Tax expense	**171,294**	180,884

	The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**202,950**	166,117
Deferred taxation (Note 9)	**(4,379)**	10,071
(Over)/Under provision in prior year	**(27,277)**	4,696
	171,294	180,884
Zakat	**1,250**	300
	172,544	181,184
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**813,109**	724,385
Tax calculated at a rate of 24% (2016: 24%)	**195,146**	173,852
Tax effects:		
- income not subject to tax	**(92)**	(202)
- expenses not deductible for tax purposes	**3,517**	2,538
(Over)/Under provision in prior year	**(27,277)**	4,696
Tax expense	**171,294**	180,884

41 Earnings per share

a) Basic earnings per share

The basic earnings per ordinary share for the Group and the Bank are calculated based on the net profit for the financial year of RM639,821,000 (2016: RM543,201,000) and RM640,565,000 (2016: RM543,201,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2016: 1,000,000,000) in issue during the financial year respectively.

b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

42 Significant related party transactions and balances

(a) Related parties and relationship

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

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

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

42 Significant related party transactions and balances (Continued)

(a) Related parties and relationship (Continued)

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

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

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

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2017			
Income			
Fee income	-	2,833	-
Profit income on deposits and placement with banks and other financial institutions	17,260	19	-
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	33,704	10,852	213
Profit expense on deposits from customers	-	1,547	-
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 services costs	457,827	93	-
Establishment-Security expenses	-	37	-

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 and balances of the Group and the Bank (Continued)

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

	Immediate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM’000
2016			
Income			
Fee income	-	1,538	-
Profit income on deposits and placement with banks and other financial institutions	5,190	9	-
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	8,457	11,776	-
Profit expense on deposits from customers	-	3,746	-
Profit expense on Investment accounts due to designated financial institutions	132,510	-	-
Profit expense on subordinated sukuk	206	9,039	-
Profit expense on sukuk	-	9,093	-
Shared services costs	398,115	(530)	-
Establishment-Security expenses	-	32	-

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 and balances of the Group and the Bank (Continued)

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

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2017			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	**976,804**	**13,081**	**-**
Financing, advances and other financing/loans	**-**	**-**	**-**
Derivatives	**346,961**	**-**	**-**
Others	**54,284**	**-**	**-**
Amounts due to			
Deposit 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**	**-**
Commitment and contingencies			
Foreign exchange related contracts	**10,539,001**	**-**	**-**
Equity related contracts	**169,038**	**-**	**-**
Profit rate related contracts	**11,610,745**	**-**	**-**
Credit related contract	**25,000**	**-**	**-**

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 and balances of the Group and the Bank (Continued)

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

	Immediate and ultimate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2016			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	652,672	7,619	-
Financing, advances and other financing/loans	-	-	32
Derivatives	240,179	-	-
Others	534,340	-	-
Amounts due to			
Deposit from customers	-	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	-
Commitment and contingencies			
Foreign exchange related contracts	11,882,678	-	-
Equity related contracts	219,036	-	-
Profit rate related contracts	11,612,492	-	-
Credit related contract	27,150	-	-

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

42 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	The Group and the Bank	
	2017	2016
	RM'000	RM'000
Salaries and other employee benefits	**28,219**	7,945

	The Group and the Bank	
	2017	2016
	Unit	Unit
Shares of the ultimate holding company	**619,307**	502,570

Financing to Directors of the Bank amounting to RM32,281 (2016: RM32,281). Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances were required in 2017 and 2016 for financing, advances and other financing/loans made to the key management personnel.

42 Significant related party transactions and balances (Continued)

(d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised 'Guidelines on Credit Transactions and Exposures with Connected Parties' which became effective in 2008 are as follows:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Outstanding credit exposures with connected parties	**2,210,171**	1,951,658
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.5%**	2.8%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%

(e) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 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 are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 42(c) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Financing to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on commercial rates and consistently applied in accordance with the Group's and the Bank's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

42 Significant related party transactions and balances (Continued)

(f) Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group from the market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM745,380 (2016: RM857,935).

The weighted average fair value of shares awarded under EOP was RM5.30 per ordinary share (2016: RM4.18), based on market price during the period in which they were purchased.

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

	The Group and the Bank	
	2017	2016
	Unit	Unit
	'000	'000
Shares :		
At 1 January	**592**	382
Awarded	**432**	542
Released	**(333)**	(332)
At 31 December	**691**	592

43 Capital commitments

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Capital expenditure:		
- authorised and contracted for	**1,647**	76
- authorised but not contracted for	**3,062**	162
	4,709	238

Analysed as follows:

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Property, plant and equipment	**3,327**	190
Computer software	**1,382**	48
	4,709	238

44 Lease commitments

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

	The Group and the Bank	
	31 December 2017 RM'000	31 December 2016 RM'000
Within one year	**1,404**	1,593
One year to five years	**226**	801

45 Segment reporting

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

Segment information is presented in respect of the Group's business segment and geographical segment.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

Business segment reporting

Definition of segments

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

Commercial Banking

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include core banking credit facilities, trade financing, remittance and foreign exchange, as well as general deposit products.

Commercial Banking also secured several cash management mandates from SMEs in various sectors by leveraging on the Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services. It also offers products and services through Enterprise Banking to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited.

45 Segment reporting (Continued)

Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, Equities and Private Banking.

Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

Corporate Banking offers a broad spectrum of 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 financings, to derivatives, structured products and debt capital market.

Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

Equities provides broking services to corporate, institutional and retail clients.

Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

45 Segment reporting (Continued)

Business segment reporting (Continued)

Investments

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

Support and others

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

45 Segment reporting (Continued)

Business segment reporting (Continued)

31 December 2017 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	217,097	1,143,053	(260,067)	113,192	-	1,213,275
- inter-segment	(61,606)	(456,175)	517,798	(17)	-	-
	155,491	686,878	257,731	113,175	-	1,213,275
Other income	18,873	127,214	68,892	12,220	-	227,199
Operating income	174,364	814,092	326,623	125,395	-	1,440,474
Overhead expenses	(51,590)	(371,156)	(92,694)	(1,749)	(25,157)	(542,346)
Consist of :						
Depreciation of property, plant and equipment	-	(4,574)	(376)	(900)	-	(5,850)
Amortisation of intangible assets	-	(7,424)	(644)	-	-	(8,068)
Profit/(loss) before allowances	122,774	442,936	233,929	123,646	(25,157)	898,128
Allowances for losses on financing, advances and other financing/loans	3,988	(68,003)	(21,760)	-	13	(85,762)
Allowances for impairment losses on other receivables	-	-	-	-	(1)	(1)
Segment results	126,762	374,933	212,169	123,646	(25,145)	812,365
Taxation and zakat						(172,544)
Net profit for the financial year						639,821
Segment assets	5,958,559	34,162,436	41,499,479	2,949,563	-	84,570,037
Unallocated assets						707,421
Total assets						85,277,458
Segment liabilities	4,698,879	21,484,622	52,565,647	1,080,030	-	79,829,178
Unallocated liabilities						653,274
Total liabilities						80,482,452
Other segment items						
Capital expenditure	-	7,598	651	387	-	8,636

CIMB Islamic Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

45 Business segment reporting (Continued)

31 December 2016 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	209,178	1,025,266	(290,967)	103,053	-	1,046,530
- inter-segment	(76,023)	(392,627)	455,969	12,681	-	-
	133,155	632,639	165,002	115,734	-	1,046,530
Other income	15,574	116,393	36,809	2,261	-	171,037
Operating income	148,729	749,032	201,811	117,995	-	1,217,567
Overhead expenses	(50,300)	(350,498)	(73,607)	2,934	(11,979)	(483,450)
Consist of :						
Depreciation of property, plant and equipment	-	(3,365)	566	341	-	(2,458)
Amortisation of intangible assets	-	(8,044)	(2,870)	-	-	(10,914)
Profit/(loss) before allowances	98,429	398,534	128,204	120,929	(11,979)	734,117
Allowances for losses on financing, advances and other financing/loans	5,986	(24,192)	8,672	-	-	(9,534)
Allowances for impairment losses on other receivables	-	-	-	-	(198)	(198)
Segment results	104,415	374,342	136,876	120,929	(12,177)	724,385
Taxation						(181,184)
Net profit for the financial year						543,201
Segment assets	5,248,223	26,974,031	30,636,307	2,797,997	-	65,656,558
Unallocated assets						990,333
Total assets						66,646,891
Segment liabilities	2,962,764	18,650,148	38,881,015	1,206,214	-	61,700,141
Unallocated liabilities						796,575
Total liabilities						62,496,716
Other segment items						
Capital expenditure	-	7,709	2,092	494	-	10,295

Basis of pricing for inter-segment transfers:

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

46 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 components of eligible regulatory capital of the Group and the Bank are based on the Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components). The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Internal Ratings Based ("IRB") Approach is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach ("BIA").

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") 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 CAFIB (Basel II - Risk Weighted Assets) issued on 28 November 2012 and was subsequently updated on 1 August 2016 and 2 March 2017.

46 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. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the CAFIB (Capital Components) issued by BNM.

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

	The Group		The Bank	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Common equity tier 1 ratio	**13.283%**	14.711%	**13.286%**	14.711%
Tier 1 ratio	**13.890%**	15.526%	**13.892%**	15.526%
Total capital ratio	**16.289%**	18.025%	**16.291%**	18.025%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category 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
Credit risk	**27,492,145**	20,854,017	**27,492,260**	20,854,131
Market risk	**629,312**	537,923	**629,312**	537,923
Operational risk	**2,371,656**	2,166,460	**2,371,944**	2,166,412
Total risk-weighted assets	**30,493,113**	23,558,400	**30,493,516**	23,558,466

46 Capital adequacy (Continued)

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	**31 December 2017 RM'000**	31 December 2016 RM'000
Common Equity Tier I capital				
Ordinary shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**3,575,006**	2,930,175	**3,575,715**	2,930,140
Common Equity Tier I capital before regulatory adjustments	**4,575,006**	3,930,175	**4,575,715**	3,930,140
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(78,777)**	(80,961)	**(78,777)**	(80,961)
Deferred tax assets	**(18,110)**	(15,507)	**(18,110)**	(15,507)
Others	**(291,601)**	(231,914)	**(291,600)**	(231,915)
Common Equity Tier I capital after regulatory adjustments	**4,050,518**	3,465,793	**4,051,228**	3,465,757
Additional Tier I capital				
Perpetual preference shares	**185,000**	192,000	**185,000**	192,000
Additional Tier I capital before regulatory adjustments	**185,000**	192,000	**185,000**	192,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier I capital after regulatory adjustments	**185,000**	192,000	**185,000**	192,000
Total Tier I capital	**4,235,518**	3,657,793	**4,236,228**	3,657,757
Tier II capital				
Subordinated notes	**610,000**	520,000	**610,000**	520,000
Surplus eligible provisions over expected loss	**40,693**	-	**40,691**	-
Portfolio impairment allowance and regulatory reserves ^	**80,753**	68,593	**80,754**	68,594
Tier II capital before regulatory adjustments	**731,446**	588,593	**731,445**	588,594
Less: Regulatory adjustments	**-**	-	**-**	-
Total Tier II capital	**731,446**	588,593	**731,445**	588,594
Total capital	**4,966,964**	4,246,386	**4,967,673**	4,246,351

46 Capital adequacy (Continued)

^ The capital base of the Group and the Bank as at 31 December 2017 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM14.4 million (2016: RM19.7 million) respectively.

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

As at 31 December 2017, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM6,123,712,000 (2016: RM3,236,229,000).

47 Significant event during the financial year

a) On 28 December 2017, the Bank issued RM300 million 10 non-callable 5 years Tier-2 Junior Sukuk at 4.70% per annum which was fully subscribed by CIMB Bank Berhad.

b) On 29 December 2017, the Bank issued RM1.0 million Sukuk Wakalah under its Sukuk Wakalah Programme of RM10.0 billion in nominal value at 4.00% per annum which was fully subscribed by CIMB Bank Berhad.

48 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Impairment of available-for-sale equity investments

The Group and the Bank determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgement. The Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) Impairment losses on financing, advances and other financing/loans

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

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

(c) Goodwill impairment

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

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating-units ("CGU"). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

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

(d) Fair value of financial instruments

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

49 Changes in comparatives

(a) Adoption of Bank Negara Malaysia's Policy Document on Classification and Regulatory Treatment for Structured Products under the 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:

	The Group		
	As previously reported	**Reclassification**	**As restated**
	RM'000	**RM'000**	**RM'000**
Liabilities			
Deposits from customers	52,762,288	(79,410)	52,682,878
Other liabilities	253,015	79,410	332,425

	The Bank		
	As previously reported	**Reclassification**	**As restated**
	RM'000	**RM'000**	**RM'000**
Liabilities			
Deposits from customers	52,833,806	(79,410)	52,754,396
Other liabilities	767,985	79,410	847,395

50 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 and thus enabling risk to be priced appropriately in relation to the return.

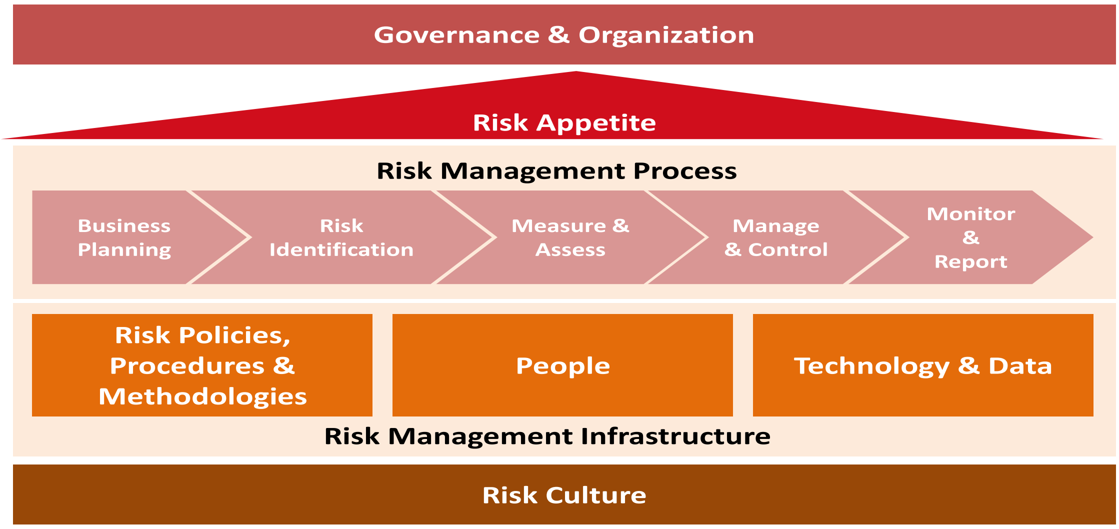
Generally, the objectives of the CIMB Group's risk management activities are to:

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through proper allocation of capital and facilitate development of new businesses.

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

CIMB Group employs an EWRM framework as a standardised approach to effectively manage its risk 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:



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

50 Financial Risk Management (Continued)

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

The design of the EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

The key features of the EWRM include:

a) **Governance & Organisation**: A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

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

c) **Risk Management Process**:

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

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

- Measure and Assess: Risks are measured and aggregated using the Group wide methodologies across each of the risk types, including stress testing.

- Manage and Control: Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

50 Financial Risk Management (Continued)

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

c) **Risk Management Process: (Continued)**

- Monitor and Report: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

d) **Risk Management Infrastructure**

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

- People: Attracting the right talent and skillset are keys to ensuring a well-functioning EWRM Framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.

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

e) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

(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. Board Risk Committee ("BRC") reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk Committee ("GRC").

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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.

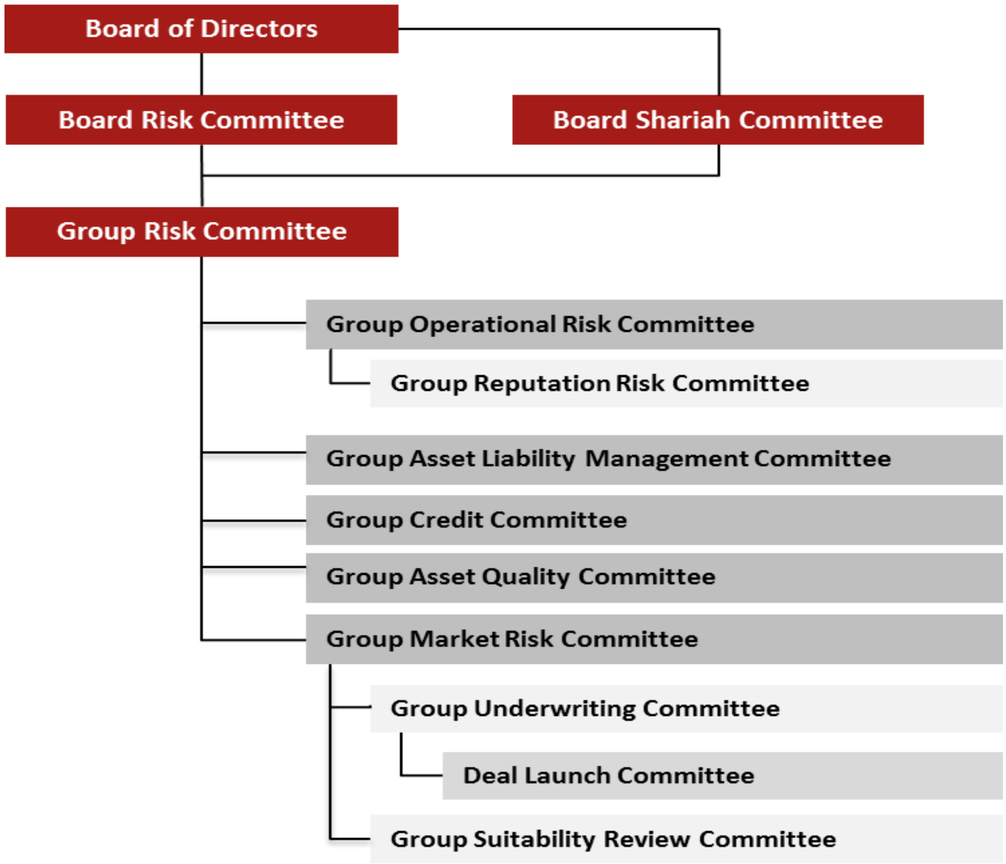
The responsibility of the supervision of the risk management functions is delegated to the GRC, comprised of senior management of the Group and reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated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

- Market risk, arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as rates of returns, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- 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;
- Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- Rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in rate of return;
- 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
- Shariah Non-Compliance ("SNC") risk, arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council ("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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the group and regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases 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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. 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 ("GR")

Within the second line of defence is GR, 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 GR is made of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"). GR is headed by the Group CRO, who is appointed by the Board to lead the Group-wide risk management functions including implementation of the EWRM framework. The Group CRO:

a) actively engages the Board and senior management on risk management issues and initiatives.
b) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local Chief Risk Officer or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

The GR 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.

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

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

a) Risk Analytics & Infrastructure CoE

The Risk Analytics & Infrastructure CoE designs framework, 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 operationalized through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

c) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework.

d) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and 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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

e) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk models; underwriting and portfolio analytics.

f) Shariah Risk Management CoE

The Shariah Risk Management CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic businesses and services. SRM COE formulates, recommends and implements appropriate Shariah Risk Management ("SRM") policies & guidelines; and develops and implements processes for SNC risk awareness.

In addition to the above Risk CoE, there is also specialised teams within Group Risk:

- The Regional Risk & CRO International Offices team oversees the risk management functions of the regional offices, our Group's unit trust and securities businesses and also houses the validation team.

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

50 Financial Risk Management (Continued)

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Profit Risk/Rate of Return Risk in the Banking Book are as follows:

50.1 Credit Risk

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

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

In sales and trading activities, credit risk arises from the possibility that the Group's counterparties are unable or unwilling to fulfill 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 fulfill their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

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

Credit Risk Management

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 GR as a function independent from the business units as the second line of defence. This enhances the collaboration between GR and the business units.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Management (Continued)

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlining a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GR, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking financings, credit applications are independently evaluated by Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. For retail financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committee.

The GRC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as GR is responsible for ensuring adherence to the Board’s approved risk appetite and risk exposure. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and its mitigating controls.

The GRC with the support of Group Credit Committee, Group Asset Quality Committee, Consumer & Commercial Banking Credit Committee, Regional Private Banking Credit Committee and GR is responsible for ensuring the adherence to the Board’s approved risk appetite and risk posture. This amongst others; includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risk and its mitigating controls.

Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

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

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Management (Continued)

Adherence to the above established credit limits is monitored daily by GR, 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 GR.

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

Credit reviews and rating are conducted on the non-retail credit exposures at 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 Value at Risk ("VaR") to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Mitigation

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

i) Collaterals/Securities

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes and exposure as at 31 December 2017 and 31 December 2016, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

50.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	The Group and the Bank	
	31 December 2017	**31 December 2016**
	RM'000	**RM'000**
Financial guarantees	**214,273**	176,053
Credit related commitments and contingencies	**12,510,992**	9,866,714
	12,725,265	10,042,767

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 48.7% (2016: 78.5%) while the financial effect of collateral for derivatives for the Group and the Bank is 79.1% (2016: 34.7%). The financial effects of collateral held for the remaining financial assets are insignificant.

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.2 Offsetting financial assets and financial liabilities

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

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2017						
Financial assets						
Derivative assets	**634,306**	**-**	**634,306**	**(430,899)**	**(1,850)**	**201,557**
Share purchase financing	**3,737**	**-**	**3,737**	**-**	**(693)**	**3,044**
Total	**638,043**	-	**638,043**	**(430,899)**	**(2,543)**	**204,601**
31 December 2016						
Financial assets						
Derivative assets	870,650	-	870,650	(274,757)	(1,850)	594,043
Share purchase financing	2,028	-	2,028	-	(1,066)	962
Total	872,678	-	872,678	(274,757)	(2,916)	595,005

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

	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2017						
Financial liabilities						
Derivative liabilities	**692,759**	**-**	**692,759**	**(428,626)**	**(12,614)**	**251,519**
Total	**692,759**	-	**692,759**	**(428,626)**	**(12,614)**	**251,519**
31 December 2016						
Financial liabilities						
Derivative liabilities	979,011	-	979,011	(271,059)	(352,271)	355,681
Total	979,011	-	979,011	(271,059)	(352,271)	355,681

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.3 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows:

	The Group 31 December 2017						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	13,694,285	1,659	11,918	425,883	6,933	142,218	14,282,896
Deposits and placements with banks and other financial institutions	530,017	-	-	-	-	-	530,017
Financial assets held for trading	3,225,138	-	-	-	-	-	3,225,138
Financial investments available-for-sale	1,856,611	-	51,207	-	-	15,204	1,923,022
Financial investments held-to-maturity	4,732,389	-	-	-	-	-	4,732,389
Islamic derivative financial instruments	517,548	-	-	-	-	116,758	634,306
Financing, advances and other financing/loans	57,551,408	-	-	-	-	-	57,551,408
Other assets	299,260	-	1,142	(279)	-	577	300,700
Amount due from related companies	414	-	-	-	-	-	414
Financial guarantees	214,273	-	-	-	-	-	214,273
Credit related commitments and contingencies	12,382,032	5,510	26,758	1,454	3,616	91,622	12,510,992
Total credit exposures	95,003,375	7,169	91,025	427,058	10,549	366,379	95,905,555

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows: (Continued)

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows: (Continued)

31 December 2017	The Bank 31 December 2017 Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	13,694,239	1,659	11,918	425,883	6,933	142,218	14,282,850
Deposits and placements with banks and other financial institutions	530,017	-	-	-	-	-	530,017
Financial assets held for trading	3,225,138	-	-	-	-	-	3,225,138
Financial investments available-for-sale	1,856,611	-	51,207	-	-	15,204	1,923,022
Financial investments held-to-maturity	4,732,389	-	-	-	-	-	4,732,389
Islamic derivative financial instruments	517,548	-	-	-	-	116,758	634,306
Financing, advances and other financing/loans	57,551,408	-	-	-	-	-	57,551,408
Other assets	299,260	-	1,142	(279)	-	577	300,700
Amount due from related companies	414	-	-	-	-	-	414
Financial guarantees	214,273	-	-	-	-	-	214,273
Credit related commitments and contingencies	12,382,032	5,510	26,758	1,454	3,616	91,622	12,510,992
Total credit exposures	95,003,329	7,169	91,025	427,058	10,549	366,379	95,905,509

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2017 and 31 December 2016 are as follows: (Continued)

	The Bank 31 December 2016						
31 December 2017	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	Total RM'000
Cash and short-term funds	8,212,356	4,923	501	-	243	97,373	8,315,396
Deposits and placements with banks and other financial institutions	90,398	-	-	-	-	-	90,398
Financial assets held for trading	2,642,824	-	-	-	87,841	-	2,730,665
Financial investments available-for-sale	1,551,025	-	58,212	-	-	15,259	1,624,496
Financial investments held-to-maturity	3,330,600	-	-	-	-	-	3,330,600
Islamic derivative financial instruments	707,154	-	-	-	-	163,496	870,650
Financing, advances and other financing/loans	47,172,873	-	-	-	-	-	47,172,873
Other assets	658,000	-	-	-	-	-	658,000
Amount due from related companies	631	-	-	-	-	275	906
Financial guarantees	176,053	-	-	-	-	-	176,053
Credit related commitments and contingencies	9,774,984	2,098	6,199	1,636	280	81,517	9,866,714
Total credit exposures	74,316,898	7,021	64,912	1,636	88,364	357,920	74,836,751

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(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	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	56,170	-	37	-	1,953,065	2,009,272
Mining and quarrying	-	-	-	5,101	-	-	-	1,606,850	1,611,951
Manufacturing	-	-	-	-	-	625	-	1,718,377	1,719,002
Electricity, gas and water supply	-	-	-	226,035	216,143	121	-	103,254	545,553
Construction	-	-	-	318,369	202,243	2,392	-	1,374,873	1,897,877
Transport, storage and communications	-	-	-	292,230	611,742	18	-	2,202,325	3,106,315
Education, health and others	-	-	-	-	-	-	-	580,862	580,862
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,240,340	1,240,340
Finance, takaful, real estate and business activities	2,155,171	530,017	2,861,385	443,581	671,220	512,077	301,114	6,602,826	14,077,391
Others									
Government and government agencies	12,127,725	-	348,456	546,013	3,031,041	112,483	-	7,064,482	23,230,200
Household	-	-	-	-	-	-	-	33,048,542	33,048,542
Others	-	-	15,297	35,523	-	6,553	-	55,612	112,985
	14,282,896	530,017	3,225,138	1,923,022	4,732,389	634,306	301,114	57,551,408	83,180,290

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2017

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Islamic derivative financial instruments RM'000	Other financial assets * RM'000	Financing, advances and other financing/ loans RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	56,170	-	37	-	1,953,065	2,009,272
Mining and quarrying	-	-	-	5,101	-	-	-	1,606,850	1,611,951
Manufacturing	-	-	-	-	-	625	-	1,718,377	1,719,002
Electricity, gas and water supply	-	-	-	226,035	216,143	121	-	103,254	545,553
Construction	-	-	-	318,369	202,243	2,392	-	1,374,873	1,897,877
Transport, storage and communications	-	-	-	292,230	611,742	18	-	2,202,325	3,106,315
Education, health and others	-	-	-	-	-	-	-	580,862	580,862
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,240,340	1,240,340
Finance, takaful, real estate and business activities	2,155,125	530,017	2,861,385	443,581	671,220	512,077	301,114	6,602,826	14,077,345
Others									
Government and government agencies	12,127,725	-	348,456	546,013	3,031,041	112,483	-	7,064,482	23,230,200
Household	-	-	-	-	-	-	-	33,048,542	33,048,542
Others	-	-	15,297	35,523	-	6,553	-	55,612	112,985
	14,282,850	530,017	3,225,138	1,923,022	4,732,389	634,306	301,114	57,551,408	83,180,244

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

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50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2017 and 31 December 2016 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2016

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

	The Group and the Bank			
	31 December 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	**6,330**	**278,415**	1,350	147,596
Mining and quarrying	**293**	**265,660**	312	52,462
Manufacturing	**50,918**	**699,760**	41,641	769,541
Electricity, gas and water supply	**84,710**	**47,405**	36,217	377,295
Construction	**3,139**	**1,610,503**	25,795	2,759,800
Transport, storage and communications	**4,378**	**104,712**	3,525	381,372
Education, health and others	**1,073**	**392,362**	2,161	96,364
Wholesale and retail trade, and restaurants and hotels	**54,829**	**492,185**	57,187	638,739
Finance, takaful, real estate and business activities	**8,413**	**3,598,786**	7,690	1,602,877
Others				
Household	**100**	**4,415,652**	100	2,806,572
Others	**90**	**605,552**	75	234,096
	214,273	**12,510,992**	176,053	9,866,714

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets

Financial assets are required under MFRS 7, to be categorised into “neither past due nor impaired”, “past due but not impaired” or “impaired”.

(i) Financing, advances and other financing/loans

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

	The Group and the Bank 31 December 2017			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	779,726	3,037	15,329	798,092
Term financing	48,015,672	3,063,059	358,457	51,437,188
Bills receivable	18,229	5,992	(3)	24,218
Islamic trust receipts	85,035	458	-	85,493
Claims on customers under acceptance credits	843,024	5,520	3,864	852,408
Staff financing	57,705	-	-	57,705
Share purchase financing	3,561	-	176	3,737
Credit card receivables	119,722	7,174	2,051	128,947
Revolving credits	4,455,649	-	1,996	4,457,645
Total	54,378,323	3,085,240	381,870	57,845,433
Less: Impairment allowances				(294,025)
Total net amount				57,551,408

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

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

	The Group and the Bank 31 December 2017			
	Good	**Satisfactory**	**No rating**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cashline	**603,402**	**37,491**	**138,833**	**779,726**
Term financing	**3,908,217**	**206,340**	**43,901,115**	**48,015,672**
Bills receivable	**15,051**	**-**	**3,178**	**18,229**
Islamic trust receipts	**11,336**	**1,458**	**72,241**	**85,035**
Claims on customers under acceptance credits	**373,991**	**882**	**468,151**	**843,024**
Staff financing	**-**	**-**	**57,705**	**57,705**
Share purchase financing	**-**	**-**	**3,561**	**3,561**
Credit card receivables	**-**	**-**	**119,722**	**119,722**
Revolving credits	**882,500**	**-**	**3,573,149**	**4,455,649**
Total	**5,794,497**	**246,171**	**48,337,655**	**54,378,323**

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

Credit quality descriptions can be summarised as follows:

Good - There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Bank.

Satisfactory - There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

No rating - Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, cooperatives and others.

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

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

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

	The Group and the Bank					
	31 December 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
Cashline	**2,311**	**726**	**3,037**	8,276	349	8,625
Term financing	**2,823,076**	**239,983**	**3,063,059**	2,845,529	180,022	3,025,551
Bills receivable	**5,992**	**-**	**5,992**	24,835	-	24,835
Islamic trust receipts	**458**	**-**	**458**	-	-	-
Claims on customers under acceptance credits	**5,520**	**-**	**5,520**	1,407	639	2,046
Credit card receivables	**6,435**	**739**	**7,174**	7,077	861	7,938
Total	**2,843,792**	**241,448**	**3,085,240**	2,887,124	181,871	3,068,995

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

	The Group and the Bank	
	31 December 2017 RM'000	**31 December 2016 RM'000**
Total gross impaired financing, advances and other financing/loans	**381,870**	466,365
Less: Impairment allowances	**(154,623)**	(169,626)
Total net impaired financing, advances and other financing/loans	**227,247**	296,739

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments

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

	The Group and the Bank	
	31 December 2017	**31 December 2016**
	Neither past due nor impaired	**Neither past due nor impaired**
	RM'000	**RM'000**
Financial assets held for trading	**3,225,138**	2,730,665
Financial investments available-for-sale	**1,923,022**	1,624,496
Financial investments held-to-maturity	**4,732,389**	3,330,600
Total	**9,880,549**	7,685,761

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” or “impaired” as at 31 December 2017 and 31 December 2016 for the Group and the Bank.

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

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

	The Group and the Bank 31 December 2017			
	Sovereign	Investment grade (AAA to BBB-)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	**368,810**	**2,856,328**	**-**	**3,225,138**
Financial investments available-for-sale	**782,545**	**1,063,427**	**77,050**	**1,923,022**
Financial investments held-to-maturity	**3,900,367**	**323,118**	**508,904**	**4,732,389**
Total	**5,051,722**	**4,242,873**	**585,954**	**9,880,549**

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

Securities with no rating mainly consist of corporate Sukuk.

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

(a) Other financial assets are summarised as follows:

	The Group 31 December 2017			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	**14,282,896**	**-**	**-**	**14,282,896**
Deposits and placements with banks and other financial institutions	**530,017**	**-**	**-**	**530,017**
Islamic derivative financial instruments	**634,306**	**-**	**-**	**634,306**
Other assets	**300,682**	**-**	**382**	**301,064**
Amount due from related companies	**414**	**-**	**-**	**414**
Total	**15,748,315**	**-**	**382**	**15,748,697**
Less: Impairment allowances				**(364)** *
Total net amount				**15,748,333**

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

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

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

	The Bank 31 December 2017			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	**14,282,850**	**-**	**-**	**14,282,850**
Deposits and placements with banks and other financial institutions	**530,017**	**-**	**-**	**530,017**
Islamic derivative financial instruments	**634,306**	**-**	**-**	**634,306**
Other assets	**300,682**	**-**	**382**	**301,064**
Amount due from related companies	**414**	**-**	**-**	**414**
Total	**15,748,269**	**-**	**382**	**15,748,651**
Less: Impairment allowances				**(364)** *
Total net amount				**15,748,287**

	The Bank 31 December 2016			
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	8,315,396	-	-	8,315,396
Deposits and placements with banks and other financial institutions	90,398	-	-	90,398
Islamic derivative financial instruments	870,650	-	-	870,650
Other assets	657,856	121	385	658,362
Amount due from related companies	906	-	-	906
Total	9,935,206	121	385	9,935,712
Less: Impairment allowances				(362) *
Total net amount				9,935,350

* 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)

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(iii) Credit risk of other financial assets

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

	The Group 31 December 2017				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	**12,127,725**	**2,148,701**	**2,250**	**4,220**	**14,282,896**
Deposits and placements with banks and other financial institutions	**-**	**530,017**	**-**	**-**	**530,017**
Islamic derivative financial instruments	**-**	**595,727**	**1,375**	**37,204**	**634,306**
Other assets	**-**	**47,751**	**-**	**252,930**	**300,681**
Amount due from related companies	**-**	**-**	**-**	**414**	**414**
Total	**12,127,725**	**3,322,196**	**3,625**	**294,768**	**15,748,314**

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

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

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

	The Bank 31 December 2017				
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	**12,127,725**	**2,148,655**	**2,250**	**4,220**	**14,282,850**
Deposits and placements with banks and other financial institutions	**-**	**530,017**	**-**	**-**	**530,017**
Islamic derivative financial instruments	**-**	**595,727**	**1,375**	**37,204**	**634,306**
Other assets	**-**	**47,751**	**-**	**252,930**	**300,681**
Amount due from related companies	**-**	**-**	**-**	**414**	**414**
Total	**12,127,725**	**3,322,150**	**3,625**	**294,768**	**15,748,268**

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

50 Financial Risk Management (Continued)

50.1 Credit risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

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

(c) An age analysis of the Group and the Bank's other financial assets that are "past due but not impaired" as at 31 December 2017 and 31 December 2016 are set out as below:

	The Group and the Bank Past due but not impaired					
	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	-	-	-	-	121	121
Total	-	-	-	-	121	121

50.1.5 Repossessed collateral

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

50.2 Market risk

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

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

Market Risk Management ("MRM")

The Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. The GRC with the assistance of GMRC and GUC ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC 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.

The Market Risk Centre of Excellence evaluates the market exposures using the applicable market price and a 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.

50 Financial Risk Management (Continued)

50.2 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 CAFIB (Risk-Weighted Assets).

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.1 VaR

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

	The Group		The Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
VaR				
Foreign exchange risk	**697**	1,338	**697**	1,338
Profit rate risk	**677**	375	**677**	375
Total	**1,374**	1,713	**1,374**	1,713
Total shareholder's funds	**4,795,006**	4,150,175	**4,795,715**	4,150,140
Percentage over shareholder's funds	**0.03%**	0.04%	**0.03%**	0.04%

50.2.2 Profit rate risk

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

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Group
31 December 2017

	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	13,356,531	-	-	-	-	-	926,365	-	14,282,896
Deposits and placements with banks and other financial institutions	-	529,237	-	-	-	-	780	-	530,017
Financial assets held for trading	-	-	-	-	-	-	-	3,225,138	3,225,138
Financial investments available-for-sale	-	10,001	5,011	20,097	688,799	1,176,070	23,619	-	1,923,597
Financial investments held-to-maturity	-	20,009	90,080	62,948	1,994,391	2,510,580	54,381	-	4,732,389
Islamic derivative financial instruments	-	-	-	-	-	-	-	634,306	634,306
Financing, advances and other financing/loans	39,147,820	1,963,160	496,734	2,509,282	9,056,294	4,378,118	-	-	57,551,408
Other assets	-	-	-	-	-	-	300,700	-	300,700
Amount due from related companies	-	-	-	-	-	-	414	-	414
Total financial assets	52,504,351	2,522,407	591,825	2,592,327	11,739,484	8,064,768	1,306,259	3,859,444	83,180,865

CIMB Islamic Bank Berhad
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Notes to the Financial Statements
for the financial year ended 31 December 2017 (Continued)

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Group
31 December 2017

	Non-trading book								
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	36,055,703	14,800,175	8,377,757	5,099,317	4,775	-	391,252	-	64,728,979
Investment accounts of customers	289,483	522,310	92,529	-	-	-	3,441	-	907,763
Deposits and placements of banks and other financial institutions	2,064,935	60,442	31,437	2,036	-	-	1,565	-	2,160,415
Investment accounts due to designated financial institutions	5,882,627	2,251,374	-	-	-	-	11,683	-	8,145,684
Financial liabilities designated at fair value	-	2,235	-	-	-	-	8	(10)	2,233
Islamic derivative financial instruments	-	-	-	1,165	87,464	-	-	604,130	692,759
Amount due to holding company	-	-	-	-	-	-	20,588	-	20,588
Amount due to related companies	-	-	-	-	-	-	813	-	813
Other liabilities	-	-	-	-	16,238	25,000	354,069	-	395,307
Recourse obligation on loans and financing sold to Cagamas	-	157,000	-	-	1,900,008	-	15,292	-	2,072,300
Sukuk	-	-	-	1,000	462,000	-	257	-	463,257
Subordinated sukuk	-	-	-	-	610,000	-	5,006	-	615,006
Total financial liabilities	44,292,748	17,793,536	8,501,723	5,103,518	3,080,485	25,000	803,974	604,120	80,205,104
Net profit sensitivity gap	8,211,603	(15,271,129)	(7,909,898)	(2,511,191)	8,658,999	8,039,768		3,255,324	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	214,273	-	214,273
Credit related commitments and contingencies	-	-	-	-	-	-	12,510,992	-	12,510,992
Treasury related commitments and contingencies (hedging)	-	-	-	300,000	3,293,712	-	-	-	3,593,712
Net profit sensitivity gap	-	-	-	300,000	3,293,712	-	12,725,265	-	16,318,977

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Group
31 December 2016

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Group
31 December 2016

	Non-trading book								
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	27,783,953	15,603,301	6,230,795	2,820,874	11,132	-	232,823	-	52,682,878
Investment accounts of customers	254,408	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,109,892	115,537	3,387	2,236	-	-	1,749	-	1,232,801
Investment accounts due to designated financial institutions	3,382,121	521,465	-	-	-	-	8,425	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,236	-	7	(62)	2,181
Islamic derivative financial instruments	-	-	-	911	128,710	-	-	849,390	979,011
Amount due to holding company	-	-	-	-	-	-	495,087	-	495,087
Amount due to related companies	-	-	-	-	-	-	1,089	-	1,089
Other liabilities	1,470	36,440	-	13,425	800	27,150	89,793	-	169,078
Recourse obligation on loans and financing	-	445,503	-	-	900,004	-	7,883	-	1,353,390
Sukuk	-	-	-	-	586,000	-	488	-	586,488
Subordinated sukuk	-	-	-	300,000	310,000	-	7,563	-	617,563
Total financial liabilities	32,531,844	16,722,246	6,234,182	3,137,446	1,938,882	27,150	844,907	849,328	62,285,985
Net profit sensitivity gap	8,271,201	(16,447,238)	(6,076,529)	(2,688,552)	9,138,262	7,044,487		2,751,987	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	176,053	-	176,053
Credit related commitments and contingencies	-	-	-	-	-	-	9,866,714	-	9,866,714
Treasury related commitments and contingencies (hedging)	-	-	-	300,000	3,595,703	-	-	-	3,895,703
Net profit sensitivity gap	-	-	-	300,000	3,595,703	-	10,042,767	-	13,938,470

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Bank

31 December 2017

	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	13,356,531	-	-	-	-	-	926,319	-	14,282,850
Deposits and placements with banks and other financial institutions	-	529,237	-	-	-	-	780	-	530,017
Financial assets held for trading	-	-	-	-	-	-	-	3,225,138	3,225,138
Financial investments available-for-sale	-	10,001	5,011	20,097	688,799	1,176,070	23,619	-	1,923,597
Financial investments held-to-maturity	-	20,009	90,080	62,948	1,994,391	2,510,580	54,381	-	4,732,389
Islamic derivative financial instruments	-	-	-	-	-	-	-	634,306	634,306
Financing, advances and other financing/loans	39,147,820	1,963,160	496,734	2,509,282	9,056,294	4,378,118	-	-	57,551,408
Other assets	-	-	-	-	-	-	300,700	-	300,700
Amount due from related companies	-	-	-	-	-	-	414	-	414
Total financial assets	52,504,351	2,522,407	591,825	2,592,327	11,739,484	8,064,768	1,306,213	3,859,444	83,180,819

CIMB Islamic Bank Berhad

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Bank
31 December 2017

	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	36,236,651	14,800,175	8,377,757	5,099,317	4,775	-	391,408	-	64,910,083
Investment accounts of customers	289,484	522,309	92,529	-	-	-	3,441	-	907,763
Deposits and placements of banks and other financial institutions	2,064,935	60,442	31,437	2,036	-	-	1,565	-	2,160,415
Investment accounts due to designated financial institutions	5,882,626	2,251,374	-	-	-	-	11,684	-	8,145,684
Financial liabilities designated at fair value	-	2,235	-	-	-	-	8	(10)	2,233
Islamic derivative financial instruments	-	-	-	1,165	87,464	-	-	604,130	692,759
Amount due to holding company	-	-	-	-	-	-	20,588	-	20,588
Amount due to related company	-	-	-	-	-	-	813	-	813
Other liabilities	-	-	-	-	296,647	25,000	354,069	-	675,716
Recourse obligation on loans and financing sold to Cagamas	-	157,000	-	-	1,900,008	-	15,292	-	2,072,300
Sukuk	-	-	-	1,000	-	-	-	-	1,000
Subordinated sukuk	-	-	-	-	610,000	-	5,006	-	615,006
Total financial liabilities	44,473,696	17,793,535	8,501,723	5,103,518	2,898,894	25,000	803,874	604,120	80,204,360
Net profit sensitivity gap	8,030,655	(15,271,128)	(7,909,898)	(2,511,191)	8,840,590	8,039,768		3,255,324	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	214,273	-	214,273
Credit related commitments and contingencies	-	-	-	-	-	-	12,510,992	-	12,510,992
Treasury related commitments and contingencies (hedging)	-	-	-	300,000	3,293,712	-	-	-	3,593,712
Net profit sensitivity gap	-	-	-	300,000	3,293,712	-	12,725,265	-	16,318,977

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

The Bank
31 December 2016

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

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

	The Bank 31 December 2016								
	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	7,663,868	-	-	-	-	-	651,528	-	8,315,396
Deposits and placements with banks and other financial institutions	-	90,375	-	-	-	-	23	-	90,398
Financial assets held for trading	-	-	-	-	-	-	-	2,730,665	2,730,665
Financial investments available-for-sale	49,992	-	-	257,472	609,038	689,282	19,287	-	1,625,071
Financial investments held-to-maturity	-	-	55,068	30,193	1,241,710	1,973,511	30,118	-	3,330,600
Islamic derivative financial instruments	-	-	-	-	-	-	-	870,650	870,650
Financing, advances and other financing/loans	33,089,186	184,633	102,585	161,229	9,226,396	4,408,844	-	-	47,172,873
Other assets	-	-	-	-	-	-	658,000	-	658,000
Amount due from related companies	-	-	-	-	-	-	906	-	906
Total financial assets	40,803,046	275,008	157,653	448,894	11,077,144	7,071,637	1,359,862	3,601,315	64,794,559

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) Sensitivity of profit and reserves

(i) Sensitivity of profit

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

	The Group			
	31 December 2017		31 December 2016	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(22,998)**	**22,998**	(49,295)	49,295

	The Bank			
	31 December 2017		31 December 2016	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(24,372)**	**24,372**	(49,808)	49,808

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) Sensitivity of profit and reserves (Continued)

(ii) Sensitivity of reserves

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

	The Group and the Bank			
	31 December 2017		31 December 2016	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	RM'000	RM'000	RM'000	RM'000
Impact to revaluation reserve - financial investments available-for-sale	**(1,106)**	**1,106**	(71,667)	71,667

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk

The Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

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

The Group
31 December 2017

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	13,044,573	936,665	11,918	289,740	1,238,323	14,282,896
Deposits and placements with banks and other financial institutions	-	530,017	-	-	530,017	530,017
Financial assets held for trading	3,225,138	-	-	-	-	3,225,138
Financial investments available-for-sale	1,901,490	22,107	-	-	22,107	1,923,597
Financial investments held-to-maturity	4,732,389	-	-	-	-	4,732,389
Islamic derivative financial instruments	3,192,323	(7,550,863)	3,515,968	1,476,878	(2,558,017)	634,306
Financing, advances and other financing/loans	56,390,487	1,160,921	-	-	1,160,921	57,551,408
Other assets	297,041	52	1,188	2,419	3,659	300,700
Amount due from related companies	165	-	-	249	249	414
	82,783,606	(4,901,101)	3,529,074	1,769,286	397,259	83,180,865

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

	The Group 31 December 2017					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	63,919,821	603,185	5,244	200,729	809,158	64,728,979
Investment accounts of customers	907,763	-	-	-	-	907,763
Deposits and placements of banks and other financial institutions	340	1,939,986	-	220,089	2,160,075	2,160,415
Investment accounts due to designated financial institutions	7,585,064	560,620	-	-	560,620	8,145,684
Financial liabilities designated at fair value	2,233	-	-	-	-	2,233
Islamic derivative financial instruments	3,889,943	(8,041,300)	3,520,533	1,323,583	(3,197,184)	692,759
Amount due to holding company	9,616	(4,744)	-	15,716	10,972	20,588
Amount due to related companies	813	-	-	-	-	813
Other liabilities	395,067	4,516	(2,280)	(1,996)	240	395,307
Recourse obligation on loans and financing sold to Cagamas	2,072,300	-	-	-	-	2,072,300
Sukuk	463,257	-	-	-	-	463,257
Subordinated sukuk	615,006	-	-	-	-	615,006
	79,861,223	(4,937,737)	3,523,497	1,758,121	343,881	80,205,104
Financial guarantees	211,570	2,121	-	582	2,703	214,273
Credit related commitments and contingencies	12,411,926	67,263	134	31,669	99,066	12,510,992
	12,623,496	69,384	134	32,251	101,769	12,725,265

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

	The Group 31 December 2016					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,558,760	491,014	1,046	264,622	756,682	8,315,442
Deposits and placements with banks and other financial institutions	-	90,398	-	-	90,398	90,398
Financial assets held for trading	2,612,082	118,583	-	-	118,583	2,730,665
Financial investments available-for-sale	1,600,580	24,491	-	-	24,491	1,625,071
Financial investments held-to-maturity	3,330,600	-	-	-	-	3,330,600
Islamic derivative financial instruments	(4,323,767)	9,857,582	(3,506,849)	(1,156,316)	5,194,417	870,650
Financing, advances and other financing/loans	46,348,910	406,755	417,208	-	823,963	47,172,873
Other assets	658,000	-	-	-	-	658,000
Amount due from related companies	630	-	1	275	276	906
	57,785,795	10,988,823	(3,088,594)	(891,419)	7,008,810	64,794,605

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

The Group
31 December 2016

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	51,996,123	497,511	5,832	183,412	686,755	52,682,878
Investment accounts of customers	254,408	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	18,773	1,045,801	-	168,227	1,214,028	1,232,801
Investment accounts due to designated financial institutions	3,912,011	-	-	-	-	3,912,011
Financial liabilities designated at fair value	2,181	-	-	-	-	2,181
Islamic derivative financial instruments	(4,175,684)	9,512,299	(3,090,962)	(1,266,642)	5,154,695	979,011
Amount due to holding company	495,087	-	-	-	-	495,087
Amount due to related companies	1,081	-	8	-	8	1,089
Other liabilities	169,078	-	-	-	-	169,078
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	-	-	-	1,353,390
Sukuk	586,488	-	-	-	-	586,488
Subordinated sukuk	617,563	-	-	-	-	617,563
	55,230,499	11,055,611	(3,085,122)	(915,003)	7,055,486	62,285,985
Financial guarantees	174,618	1,435	-	-	1,435	176,053
Credit related commitments and contingencies	9,658,921	190,336	-	17,457	207,793	9,866,714
	9,833,539	191,771	-	17,457	209,228	10,042,767

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

The Bank
31 December 2017

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	13,044,527	936,665	11,918	289,740	1,238,323	14,282,850
Deposits and placements with banks and other financial institutions	-	530,017	-	-	530,017	530,017
Financial assets held for trading	3,225,138	-	-	-	-	3,225,138
Financial investments available-for-sale	1,901,490	22,107	-	-	22,107	1,923,597
Financial investments held-to-maturity	4,732,389	-	-	-	-	4,732,389
Islamic derivative financial instruments	3,192,323	(7,550,863)	3,515,968	1,476,878	(2,558,017)	634,306
Financing, advances and other financing/loans	56,390,487	1,160,921	-	-	1,160,921	57,551,408
Other assets	297,041	52	1,188	2,419	3,659	300,700
Amount due from related companies	165	-	-	249	249	414
	82,783,560	(4,901,101)	3,529,074	1,769,286	397,259	83,180,819

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

	The Bank 31 December 2017					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	64,100,925	603,185	5,244	200,729	809,158	64,910,083
Investment accounts of customers	907,763	-	-	-	-	907,763
Deposits and placements of banks and other financial institutions	340	1,939,986	-	220,089	2,160,075	2,160,415
Investment accounts due to designated financial institutions	7,585,064	560,620	-	-	560,620	8,145,684
Financial liabilities designated at fair value	2,233	-	-	-	-	2,233
Islamic derivative financial instruments	3,889,943	(8,041,300)	3,520,533	1,323,583	(3,197,184)	692,759
Amount due to holding company	9,616	(4,744)	-	15,716	10,972	20,588
Amount due to related companies	813	-	-	-	-	813
Other liabilities	675,476	4,516	(2,280)	(1,996)	240	675,716
Recourse obligation on loans and financing sold to Cagamas	2,072,300	-	-	-	-	2,072,300
Sukuk	1,000	-	-	-	-	1,000
Subordinated sukuk	615,006	-	-	-	-	615,006
	79,860,479	(4,937,737)	3,523,497	1,758,121	343,881	80,204,360
Financial guarantees	211,570	2,121	-	582	2,703	214,273
Credit related commitments and contingencies	12,411,926	67,263	134	31,669	99,066	12,510,992
	12,623,496	69,384	134	32,251	101,769	12,725,265

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

	The Bank 31 December 2016					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,558,714	491,014	1,046	264,622	756,682	8,315,396
Deposits and placements with banks and other financial institutions	-	90,398	-	-	90,398	90,398
Financial assets held for trading	2,612,082	118,583	-	-	118,583	2,730,665
Financial investments available-for-sale	1,600,580	24,491	-	-	24,491	1,625,071
Financial investments held-to-maturity	3,330,600	-	-	-	-	3,330,600
Islamic derivative financial instruments	(4,323,767)	9,857,582	(3,506,849)	(1,156,316)	5,194,417	870,650
Financing, advances and other financing/loans	46,348,910	406,755	417,208	-	823,963	47,172,873
Other assets	658,000	-	-	-	-	658,000
Amount due from related companies	630	-	1	275	276	906
	57,785,749	10,988,823	(3,088,594)	(891,419)	7,008,810	64,794,559

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

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

The Bank 31 December 2016	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	52,067,641	497,511	5,832	183,412	686,755	52,754,396
Investment accounts of customers	254,408	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	18,773	1,045,801	-	168,227	1,214,028	1,232,801
Investment accounts due to designated financial institutions	3,912,011	-	-	-	-	3,912,011
Financial liabilities designated at fair value	2,181	-	-	-	-	2,181
Islamic derivative financial instruments	(4,252,983)	9,589,648	(3,091,012)	(1,266,642)	5,231,994	979,011
Amount due to holding company	495,087	-	-	-	-	495,087
Amount due to related companies	1,081	-	8	-	8	1,089
Other liabilities	684,048	-	-	-	-	684,048
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	-	-	-	1,353,390
Subordinated sukuk	617,563	-	-	-	-	617,563
	55,153,200	11,132,960	(3,085,172)	(915,003)	7,132,785	62,285,985
Financial guarantees	174,618	1,435	-	-	1,435	176,053
Credit related commitments and contingencies	9,658,921	190,336	-	17,457	207,793	9,866,714
	9,833,539	191,771	-	17,457	209,228	10,042,767

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

50 Financial Risk Management (Continued)

50.2 Market risk (Continued)

50.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

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

	The Group and the Bank			
	31 December 2017		31 December 2016	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease)		Increase/(decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**503**	**(503)**	(578)	578

The impact on profit arises from transactional exposures from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

50 Financial Risk Management (Continued)

50.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits. This provides the Group a stable large funding base.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee ("Country ALCO") which subsequently report to Group ALCO ("GALCO"). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and thresholds. Limits and Management Action triggers ("MATs") have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio ("LCR") guidelines and limits. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. 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)

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities

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

	The Group 31 December 2017							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	14,282,896	-	-	-	-	-	-	14,282,896
Deposits and placements with banks and other financial institutions	-	530,017	-	-	-	-	-	530,017
Financial assets held for trading	988,142	1,194,092	584,073	235,087	134,103	89,641	-	3,225,138
Financial investments available-for-sale	-	10,118	5,037	20,198	696,546	1,191,123	575	1,923,597
Financial investments held-to-maturity	-	20,302	90,218	62,968	2,017,741	2,541,160	-	4,732,389
Islamic derivative financial instruments	51,867	79,130	46,640	76,210	260,242	120,217	-	634,306
Financing , advances and other financing/loans	2,974,131	707,107	366,036	3,685,768	9,639,502	40,178,864	-	57,551,408
Other assets	604,089	-	-	-	-	-	-	604,089
Deferred taxation	-	-	-	-	-	-	17,795	17,795
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,554,286	1,554,286
Amount due from related companies	414	-	-	-	-	-	-	414
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	79,092	79,092
Property, plant and equipment	-	-	-	-	-	-	6,031	6,031
Total assets	18,901,539	2,540,766	1,092,004	4,080,231	12,748,134	44,121,005	1,793,779	85,277,458

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Group 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	**36,078,813**	**14,898,435**	**8,488,064**	**5,145,803**	**4,846**	**113,018**	**-**	**64,728,979**
Investment accounts of customers	**289,489**	**524,983**	**93,291**	**-**	**-**	**-**	**-**	**907,763**
Deposits and placements of banks and other financial institutions	**2,066,088**	**60,742**	**31,534**	**2,051**	**-**	**-**	**-**	**2,160,415**
Investment accounts due to designated financial institutions	**5,889,944**	**2,255,740**	**-**	**-**	**-**	**-**	**-**	**8,145,684**
Financial liabilities designated at fair value	**-**	**2,233**	**-**	**-**	**-**	**-**	**-**	**2,233**
Islamic derivative financial instruments	**54,020**	**77,683**	**45,668**	**76,556**	**330,457**	**108,375**	**-**	**692,759**
Amount due to holding company	**20,588**	**-**	**-**	**-**	**-**	**-**	**-**	**20,588**
Amount due to related companies	**813**	**-**	**-**	**-**	**-**	**-**	**-**	**813**
Other liabilities	**574,948**	**-**	**-**	**-**	**16,557**	**25,000**	**-**	**616,505**
Provision for taxation	**56,150**	**-**	**-**	**-**	**-**	**-**	**-**	**56,150**
Recourse obligation on loans and financing sold to Cagamas	**15,292**	**157,000**	**-**	**-**	**1,900,008**	**-**	**-**	**2,072,300**
Sukuk	**257**	**-**	**-**	**1,000**	**462,000**	**-**	**-**	**463,257**
Subordinated sukuk	**5,006**	**-**	**-**	**-**	**610,000**	**-**	**-**	**615,006**
Total liabilities	**45,051,408**	**17,976,816**	**8,658,557**	**5,225,410**	**3,323,868**	**246,393**	**-**	**80,482,452**
Net liquidity gap	**(26,149,869)**	**(15,436,050)**	**(7,566,553)**	**(1,145,179)**	**9,424,266**	**43,874,612**	**1,793,779**	

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

The Group
31 December 2016

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

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

The Group
31 December 2016

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	27,759,003	15,680,321	6,276,797	2,840,604	11,171	114,982	-	52,682,878
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,111,641	115,537	3,387	2,236	-	-	-	1,232,801
Investment accounts due to designated financial institutions	3,390,546	521,465	-	-	-	-	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,181	-	-	2,181
Islamic derivative financial instruments	89,454	120,794	87,774	128,154	391,810	161,025	-	979,011
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	253,140	1,470	18,185	13,425	19,055	27,150	-	332,425
Provision for taxation	47,384	-	-	-	-	-	-	47,384
Recourse obligation on loans and financing sold to Cagamas	7,883	445,503	-	-	900,004	-	-	1,353,390
Sukuk	488	-	-	-	586,000	-	-	586,488
Subordinated sukuk	7,563	-	-	300,000	310,000	-	-	617,563
Total liabilities	33,417,686	16,885,090	6,386,143	3,284,419	2,220,221	303,157	-	62,496,716
Net liquidity gap	(20,378,206)	(14,046,316)	(5,228,701)	(2,333,902)	11,623,612	32,886,205	1,627,483	

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

The Bank 31 December 2017	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	14,282,850	-	-	-	-	-	-	14,282,850
Deposits and placements with banks and other financial institutions	-	530,017	-	-	-	-	-	530,017
Financial assets held for trading	988,142	1,194,092	584,073	235,087	134,103	89,641	-	3,225,138
Financial investments available-for-sale	-	10,118	5,037	20,198	696,546	1,191,123	575	1,923,597
Financial investments held-to-maturity	-	20,302	90,218	62,968	2,017,741	2,541,160	-	4,732,389
Islamic derivative financial instruments	51,867	79,130	46,640	76,210	260,242	120,217	-	634,306
Financing , advances and other financing/loans	2,974,131	707,107	366,036	3,685,768	9,639,502	40,178,864	-	57,551,408
Other assets	604,089	-	-	-	-	-	-	604,089
Deferred taxation	-	-	-	-	-	-	17,795	17,795
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,554,286	1,554,286
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from related companies	414	-	-	-	-	-	-	414
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	79,092	79,092
Property, plant and equipment	-	-	-	-	-	-	6,031	6,031
Total assets	18,901,493	2,540,766	1,092,004	4,080,231	12,748,134	44,121,005	1,793,790	85,277,423

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	36,259,917	14,898,435	8,488,064	5,145,803	4,846	113,018	-	64,910,083
Investment accounts of customers	289,489	524,983	93,291	-	-	-	-	907,763
Deposits and placements of banks and other financial institutions	2,066,088	60,742	31,534	2,051	-	-	-	2,160,415
Investment accounts due to designated financial institutions	5,889,944	2,255,740	-	-	-	-	-	8,145,684
Financial liabilities designated at fair value	-	2,233	-	-	-	-	-	2,233
Islamic derivative financial instruments	54,020	77,683	45,668	76,556	330,457	108,375	-	692,759
Amount due to holding company	20,588	-	-	-	-	-	-	20,588
Amount due to related companies	813	-	-	-	-	-	-	813
Other liabilities	393,100	-	-	-	478,814	25,000	-	896,914
Provision for taxation	56,150	-	-	-	-	-	-	56,150
Recourse obligation on loans and financing sold to Cagamas	15,292	157,000	-	-	1,900,008	-	-	2,072,300
Sukuk	-	-	-	1,000	-	-	-	1,000
Subordinated sukuk	5,006	-	-	-	610,000	-	-	615,006
Total liabilities	45,050,407	17,976,816	8,658,557	5,225,410	3,324,125	246,393	-	80,481,708
Net liquidity gap	(26,148,914)	(15,436,050)	(7,566,553)	(1,145,179)	9,424,009	43,874,612	1,793,790	

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50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

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

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

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

The Bank
31 December 2016

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	27,830,521	15,680,321	6,276,797	2,840,604	11,171	114,982	-	52,754,396
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,111,641	115,537	3,387	2,236	-	-	-	1,232,801
Investment accounts due to designated financial institutions	3,390,546	521,465	-	-	-	-	-	3,912,011
Financial liabilities designated at fair value	-	-	-	-	2,181	-	-	2,181
Islamic derivative financial instruments	89,454	120,794	87,774	128,154	391,810	161,025	-	979,011
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	253,416	1,470	18,185	13,425	533,749	27,150	-	847,395
Provision for taxation	47,384							47,384
Recourse obligation on loans and financing sold to Cagamas	7,883	445,503	-	-	900,004	-	-	1,353,390
Subordinated sukuk	7,563	-	-	300,000	310,000	-	-	617,563
Total liabilities	33,488,992	16,885,090	6,386,143	3,284,419	2,148,915	303,157	-	62,496,716
Net liquidity gap	(20,449,559)	(14,046,316)	(5,228,701)	(2,333,902)	11,694,918	32,886,206	1,627,494	

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Group 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	36,356,529	14,890,840	8,498,289	5,234,809	5,208	137,998	-	65,123,673
Investment accounts of customers	292,926	526,215	93,713	-	-	-	-	912,854
Deposits and placements of banks and other financial institutions	2,068,577	60,701	31,611	2,053	-	-	-	2,162,942
Investment accounts due to designated financial institutions	5,900,990	2,266,927	-	-	-	-	-	8,167,917
Financial liabilities designated at fair value	-	2,244	-	-	-	-	-	2,244
Amount due to holding company	20,588	-	-	-	-	-	-	20,588
Amount due to related companies	813	-	-	-	-	-	-	813
Other liabilities	665,923	-	-	-	17,411	25,002	-	708,336
Recourse obligation on loans and financing sold to Cagamas	19,391	169,215	9,248	43,402	2,028,104	-	-	2,269,360
Subordinated sukuk	5,006	10,945	-	16,280	630,280	-	-	662,511
Sukuk	1,321	2,603	3,904	8,828	508,847	-	-	525,503
	45,332,064	17,929,690	8,636,765	5,305,372	3,189,850	163,000	-	80,556,741
Financial guarantees	214,273	-	-	-	-	-	-	214,273
Credit related commitments and contingencies	7,580,790	22,125	3,904	30,047	71,243	4,802,883	-	12,510,992
	7,795,063	22,125	3,904	30,047	71,243	4,802,883	-	12,725,265

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Group 31 December 2016	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	27,777,622	15,777,192	6,370,797	2,914,869	11,923	143,340	-	52,995,743
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,112,450	115,788	3,401	2,248	-	-	-	1,233,887
Investment accounts due to designated financial institutions	3,393,421	524,753	-	-	-	-	-	3,918,174
Financial liabilities designated at fair value	-	9	9	5	2,240	-	-	2,263
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	89,793	1,477	18,446	13,425	21,735	27,152	-	172,028
Recourse obligation on loans and financing sold to Cagamas	7,883	461,791	21,929	11,644	1,004,081	-	-	1,507,328
Subordinated sukuk	7,563	7,339	101	315,003	346,920	-	-	676,926
Sukuk	9,903	-	-	9,903	665,227	-	-	685,033
	33,149,219	16,888,349	6,414,683	3,267,097	2,052,126	170,492	-	61,941,966
Financial guarantees	176,053	-	-	-	-	-	-	176,053
Credit related commitments and contingencies	6,240,212	3,454	171,680	598	50,951	3,399,819	-	9,866,714
	6,416,265	3,454	171,680	598	50,951	3,399,819	-	10,042,767

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Bank 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	36,537,865	14,890,840	8,498,289	5,234,809	5,208	137,998	-	65,305,009
Investment accounts of customers	292,926	526,215	93,713	-	-	-	-	912,854
Deposits and placements of banks and other financial institutions	2,068,577	60,701	31,611	2,053	-	-	-	2,162,942
Investment accounts due to designated financial institutions	5,900,990	2,266,927	-	-	-	-	-	8,167,917
Financial liabilities designated at fair value	-	2,244	-	-	-	-	-	2,244
Amount due to holding company	20,588	-	-	-	-	-	-	20,588
Amount due to related companies	813	-	-	-	-	-	-	813
Other liabilities	386,040	2,603	3,904	7,808	543,670	25,002	-	969,027
Recourse obligation on loans and financing sold to Cagamas	19,391	169,215	9,248	43,402	2,028,104	-	-	2,269,360
Sukuk	-	20	-	1,020				1,040
Subordinated sukuk	5,006	10,945	-	16,280	630,280	-	-	662,511
	45,232,196	17,929,710	8,636,765	5,305,372	3,207,262	163,000	-	80,474,305
Financial guarantees	214,273	-	-	-	-	-	-	214,273
Credit related commitments and contingencies	7,580,790	22,125	3,904	30,047	71,243	4,802,883	-	12,510,992
	7,795,063	22,125	3,904	30,047	71,243	4,802,883	-	12,725,265

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Bank 31 December 2016							
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	27,849,231	15,777,192	6,370,797	2,914,869	11,923	143,340	-	53,067,352
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	1,112,450	115,788	3,401	2,248	-	-	-	1,233,887
Investment accounts due to designated financial institutions	3,393,421	524,753	-	-	-	-	-	3,918,174
Financial liabilities designated at fair value	-	9	9	5	2,240	-	-	2,263
Amount due to holding company	495,087	-	-	-	-	-	-	495,087
Amount due to related companies	1,089	-	-	-	-	-	-	1,089
Other liabilities	99,483	1,477	18,446	23,328	686,962	27,152	-	856,848
Recourse obligation on loans and financing sold to Cagamas	7,883	461,791	21,929	11,644	1,004,081	-	-	1,507,328
Subordinated sukuk	7,563	7,339	101	315,003	346,920	-	-	676,926
	33,220,615	16,888,349	6,414,683	3,267,097	2,052,126	170,492	-	62,013,362
Financial guarantees	176,053	-	-	-	-	-	-	176,053
Credit related commitments and contingencies	6,240,212	3,454	171,680	598	50,951	3,399,819	-	9,866,714
	6,416,265	3,454	171,680	598	50,951	3,399,819	-	10,042,767

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Derivative financial liabilities

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

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

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

	The Group and the Bank 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Profit rate derivatives	(107,951)	-	-	-	-	-	-	(107,951)
- Equity related derivatives	(2,953)	-	-	-	-	-	-	(2,953)
- Credit related contracts	(626)	-	-	-	-	-	-	(626)
Hedging derivatives:								
- Profit rate derivatives	(7,350)	18,949	(34,866)	(20,026)	(49,415)	-	-	(92,708)
	(118,880)	18,949	(34,866)	(20,026)	(49,415)	-	-	(204,238)

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

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

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

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

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

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

	The Group and the Bank 31 December 2017							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:	(492,600)	-	-	-	-	-	-	(492,600)
	(492,600)	**-**	**-**	**-**	**-**	**-**	**-**	**(492,600)**

50 Financial Risk Management (Continued)

50.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

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

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

50.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include: • Quoted prices for similar assets and liabilities in active markets; or • Quoted prices for identical or similar assets and liabilities in non-active markets; or • Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/Liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/Liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

Assets/Liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

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 Group Market Risk Committee for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

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

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

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

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

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

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

	The Group and the Bank			
		Fair Value		
	Carrying amount RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2017				
Recurring fair value measurements				
Financial assets				
Financial assets held for trading:				
-Money market instruments	**3,164,166**	**3,164,166**	**-**	**3,164,166**
-Unquoted securities	**60,972**	**60,972**	**-**	**60,972**
Financial investments available-for-sale:				
-Money market instruments	**382,696**	**382,696**	**-**	**382,696**
-Unquoted securities	**1,540,901**	**1,540,326**	**575**	**1,540,901**
Derivative financial instruments:				
-Trading derivatives	**634,306**	**634,306**	**-**	**634,306**
Total	**5,783,041**	**5,782,466**	**575**	**5,783,041**
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments:				
-Trading derivatives	**604,130**	**604,130**	**-**	**604,130**
-Hedging derivatives	**88,629**	**88,629**	**-**	**88,629**
Financial liabilities designated at fair value	**2,233**	**2,233**	**-**	**2,233**
Total	**694,992**	**694,992**	**-**	**694,992**

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

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

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

There are no movements in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group and the Bank.

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed:

	The Group			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2017				
Assets				
Cash and short-term funds	14,282,896	14,282,896	-	14,282,896
Deposits and placements with banks and other financial institutions	530,017	-	530,017	530,017
Financial investments held-to-maturity	4,732,389	-	4,731,858	4,731,858
Financing, advances and other financing/loans	57,551,408	-	55,660,315	55,660,315
Other assets	604,089	-	604,089	604,089
Amount due from related companies	414	-	414	414
Statutory deposits with Bank Negara Malaysia	1,554,286	1,554,286	-	1,554,286
Total	79,255,499	15,837,182	61,526,693	77,363,875
Liabilities				
Deposits from customers	64,728,979	-	64,700,660	64,700,660
Investment accounts of customers	907,763	-	907,763	907,763
Deposits and placements of banks and other financial institutions	2,160,415	-	2,158,098	2,158,098
Investment accounts due to designated financial institutions	8,145,684	-	8,145,684	8,145,684
Amount due to holding company	20,588	-	20,588	20,588
Amount due to related companies	813	-	813	813
Other liabilities	616,505	-	616,505	616,505
Recourse obligation on loans and financing sold to Cagamas	2,072,300	-	2,102,811	2,102,811
Sukuk	463,257	-	458,934	458,934
Subordinated Sukuk	615,006	-	649,534	649,534
Total	79,731,310	-	79,761,390	79,761,390

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	The Group			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	8,315,442	8,315,442	-	8,315,442
Deposits and placements with banks and other financial institutions	90,398	-	90,398	90,398
Financial investments held-to-maturity	3,330,600	-	3,318,361	3,318,361
Financing, advances and other financing/loans	47,172,873	-	45,191,814	45,191,814
Other assets	883,378	-	883,378	883,378
Amount due from related companies	906	-	906	906
Statutory deposits with Bank Negara Malaysia	1,384,859	1,384,859	-	1,384,859
Total	61,178,456	9,700,301	49,484,857	59,185,158
Liabilities				
Deposits from customers	52,682,878	-	52,672,474	52,672,474
Investment accounts of customers	254,408	-	254,408	254,408
Deposits and placements of banks and other financial institutions	1,232,801	-	1,232,755	1,232,755
Investment accounts due to designated financial institutions	3,912,011	-	3,912,011	3,912,011
Amount due to holding company	495,087	-	495,087	495,087
Amount due to related companies	1,089	-	1,089	1,089
Other liabilities	332,425	-	323,711	323,711
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	1,372,702	1,372,702
Sukuk	586,488	-	579,198	579,198
Subordinated Sukuk	617,563	-	639,886	639,886
Total	61,468,140	-	61,483,321	61,483,321

CIMB Islamic Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2017 (Continued)

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

		The Bank		
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2017				
Assets				
Cash and short-term funds	14,282,850	14,282,850	-	14,282,850
Deposits and placements with banks and other financial institutions	530,017	-	530,017	530,017
Financial investments held-to-maturity	4,732,389	-	4,731,858	4,731,858
Financing, advances and other financing/loans	57,551,408	-	55,660,315	55,660,315
Other assets	604,089	-	604,089	604,089
Amount due from related companies	414	-	414	414
Statutory deposits with Bank Negara Malaysia	1,554,286	1,554,286	-	1,554,286
Total	79,255,453	15,837,136	61,526,693	77,363,829
Liabilities				
Deposits from customers	64,910,083	-	64,881,764	64,881,764
Investment accounts of customers	907,763	-	907,763	907,763
Deposits and placements of banks and other financial institutions	2,160,415	-	2,158,098	2,158,098
Investment accounts due to designated financial institutions	8,145,684	-	8,145,684	8,145,684
Amount due to holding company	20,588	-	20,588	20,588
Amount due to related companies	813	-	813	813
Other liabilities	896,914	-	896,914	896,914
Recourse obligation on loans and financing sold to Cagamas	2,072,300	-	2,102,811	2,102,811
Sukuk	1,000	-	1,000	1,000
Subordinated Sukuk	615,006	-	649,534	649,534
Total	79,730,566	-	79,764,969	79,764,969

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2017 and 31 December 2016 but for which fair value is disclosed: (Continued)

	The Bank			
		Fair Value		
	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	8,315,396	8,315,396	-	8,315,396
Deposits and placements with banks and other financial institutions	90,398	-	90,398	90,398
Financial investments held-to-maturity	3,330,600	-	3,318,361	3,318,361
Financing, advances and other financing/loans	47,172,873	-	37,656,260	37,656,260
Other assets	883,378	-	883,378	883,378
Amount due from related companies	906	-	906	906
Statutory deposits with Bank Negara Malaysia	1,384,859	1,384,859	-	1,384,859
Total	61,178,410	9,700,255	41,949,303	51,649,558
Liabilities				
Deposits from customers	52,754,396	-	52,743,991	52,743,991
Investment accounts of customers	254,408	-	254,408	254,408
Deposits and placements of banks and other financial	1,232,801	-	1,232,755	1,232,755
Investment accounts due to designated financial insti	3,912,011	-	3,912,011	3,912,011
Amount due to holding company	495,087	-	495,087	495,087
Amount due to subsidiaries	-	-	-	-
Amount due to related companies	1,089	-	1,089	1,089
Other liabilities	847,395	-	831,391	831,391
Recourse obligation on loans and financing sold to Cagamas	1,353,390	-	1,372,702	1,372,702
Subordinated Sukuk	617,563	-	639,886	639,886
Total	61,468,140	-	61,483,320	61,483,320

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

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

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

Amount due to holding company and ultimate holding company

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are payable on demand.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Investment accounts of customers and due to designated financial institutions

The estimated fair values of investment accounts of customers and due to designated financial institutions with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

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

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Subordinated Sukuk and Sukuk

The fair values for the subordinated Sukuk and Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

51 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 March 2018.