Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2018

Company No: 671380-H

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2018

Contents

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018

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 2018.

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 17 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	**830,309**	**830,466**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2017.

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.

Directors' Report for the financial year ended 31 December 2018 (Continued)

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 52 to the Financial Statements; and

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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (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
Ahmed Baqar Rehman
Ho Yuet Mee
Jalalullail Othman (appointed on 26 January 2018)

In accordance with Article 87 of the Bank's Constitution, Rosnah binti Dato' Kamarul Zaman and Mohamed Rafe bin Mohamed Haneef shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (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	348,722	235,842 (a)	(92,503) (b)	492,061

(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

Directors' Report
for the financial year ended 31 December 2018 (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 44 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 47 to the Financial Statements).

Subsidiaries

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 17 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 17 to the Financial Statements.

Auditors' Remuneration

Details of auditors' remuneration are as set out in Note 43 to the Financial Statements.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (Continued)

2018 Business Plan and Strategy

CIMB Islamic Bank Berhad continues to outperform despite another year underpinned by challenges brought about by a slower economy, weakening currency, increased competition, margin erosion, technological disruptions, tighter enforcement and scrutiny of financial institutions by regulators for non-compliance. For the year, the Bank's core focus areas were on augmenting digital and big data analytical capabilities; attracting deposits; driving high growth segments; scaling up the Islamic banking business through product simplification and closing product gaps; and creating a differentiating customer experience.

The Bank continues to share best practices; harmonise & align frameworks & processes; optimise the cost base through identification of cost saving opportunities, encourage transaction offloads to alternate channels & maintain expense discipline; intensify digital delivery via digital sales enablement; & expand key partnerships with strategic partners to avail new value added products for customers. Our performance for the year was driven by our success in tracking the T18 Islamic Finance 2.0 initiatives.

Outlook for 2019

The Bank remains cautious for 2019 in view of the sustained external headwinds, trade tensions and decelerating global economic growth. CIMB Islamic's performance should track the economy and commodity prices. Growth will continue to be driven by the successful 'Islamic-first' strategy, with focus on developing sustainable financial products and solutions. CIMB Islamic aims to capitalise on the opportunities arising from the fast-growing global halal economy.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (Continued)

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 2018	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 bil senior Sukuk Wakalah Programme 4. RM2.0 bil Tier 2 Junior Sukuk Programme 5. RM5.0 bil Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA MARC-1 AAA $_{IS}$ A A+ $_{IS}$ AA+ $_{IS}$	Stable
RAM Rating Services Berhad ("RAM")	December 2018	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 bil senior Sukuk Wakalah Programme	AAA P1 AAA	Stable
Moody's Investors Service ("Moody's")	December 2018	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 Associate Professor Dr. Shafaai bin Musa
4. Sheikh Professor Dr. Yousef Abdullah Al Shubaily
5. Associate Professor Dr. Aishath Muneeza (appointed on 13 April 2018)
6. Sheikh Yang Amat Arif Professor Adjung Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar (contract of appointment expired 13 June 2018)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (Continued)

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 52 to the Financial Statements.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018 (Continued)

Statement of Directors' Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 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 2018 and financial performance of the Group and the Bank for the financial year ended 31 December 2018.

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 14 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 2018 (Continued)

Statement of Directors' Responsibility (Continued)

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 11 March 2019.

Signed on behalf of the Board of Directors

Dato' Mohamed Ross bin Mohd Din
Director

Mohamed Rafe bin Mohamed Haneef
Director

Kuala Lumpur
11 March 2019

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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 23 to 286 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 2018 and financial performance of the Group and of the Bank for the financial year ended 31 December 2018, 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
11 March 2019

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

I, Wong Siew Fern, 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 23 to 286 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.

Wong Siew Fern

Subscribed and solemnly declared by the above named Wong Siew Fern at Kuala Lumpur before me, on 11 March 2019.

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
1 JAN 2019 - 31 DIS 2021
MALAYSIA

Commissioner for Oaths

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.

Board Shariah Committee's Report (Continued)

In this regard sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; 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.

In addition to the necessary policies and procedures the Bank has a well-defined division of responsibility and guidelines of business conduct to all staff.

Effective Shariah governance is supported by professional staff of Shariah researchers as well as the advisory and consultancy function that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management.. CIMB Group Shariah Review Policy and Procedures were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Bank's level of compliance to the Shariah requirements, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences. In addition, the Shariah Review Procedures sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah non-compliance events, in line with BNM's requirements.

In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators As 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 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 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)

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2018 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.

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 2018 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
11 March 2019

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 2018, 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 2018 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 23 to 286.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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

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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 17 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
11 March 2019

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Assets					
Cash and short-term funds	2	**10,441,142**	14,282,896	**10,441,096**	14,282,850
Deposits and placements with banks and other financial institutions	3	**483,685**	530,017	**483,685**	530,017
Financial assets at fair value through profit or loss	4	**2,925,344**	-	**2,925,344**	-
Debt instruments at fair value through other comprehensive income	5	**2,756,547**	-	**2,756,547**	-
Equity instruments at fair value through other comprehensive income	6	**575**	-	**575**	-
Debt instruments at amortised cost	7	**6,544,723**	-	**6,544,723**	-
Financial assets held for trading	8	**-**	3,225,138	**-**	3,225,138
Financial investments available-for-sale	9	**-**	1,923,597	**-**	1,923,597
Financial investments held-to-maturity	10	**-**	4,732,389	**-**	4,732,389
Islamic derivative financial instruments	26(a)	**564,384**	634,306	**564,384**	634,306
Financing, advances and other financing/loans	11	**70,618,727**	57,551,408	**70,618,727**	57,551,408
Other assets	12	**723,563**	604,089	**723,563**	604,089
Deferred taxation	13	**77,248**	17,795	**77,248**	17,795
Amount due from holding company	14	**90,731**	-	**90,731**	-
Amount due from related companies	15	**620**	414	**620**	414
Statutory deposits with Bank Negara Malaysia	16	**2,076,422**	1,554,286	**2,076,422**	1,554,286
Investment in subsidiaries	17	**-**	-	**11**	11
Property, plant and equipment	18	**2,756**	6,031	**2,756**	6,031
Intangible assets	19	**71,536**	79,092	**71,536**	79,092
Goodwill	20	**136,000**	136,000	**136,000**	136,000
Total assets		**97,514,003**	85,277,458	**97,513,968**	85,277,423
Liabilities					
Deposits from customers	21	**75,931,556**	64,728,979	**76,216,744**	64,910,083
Investment accounts of customers	22	**1,769,270**	907,763	**1,769,270**	907,763
Deposits and placements of banks and other financial institutions	23	**2,083,580**	2,160,415	**2,083,580**	2,160,415
Investment accounts due to designated financial institutions	24	**8,216,809**	8,145,684	**8,216,809**	8,145,684
Financial liabilities designated at fair value through profit or loss	25	**21,918**	2,233	**21,918**	2,233
Islamic derivative financial instruments	26(a)	**598,975**	692,759	**598,975**	692,759
Amount due to holding company	14	**-**	20,588	**-**	20,588
Amount due to related companies	15	**50**	813	**50**	813
Other liabilities	27	**393,125**	616,505	**465,301**	896,914
Provision for tax		**95,443**	56,150	**95,443**	56,150
Recourse obligation on loans and financing sold to Cagamas	28	**1,915,503**	2,072,300	**1,915,503**	2,072,300
Sukuk	29	**358,265**	463,257	**-**	1,000
Subordinated Sukuk	30	**615,033**	615,006	**615,033**	615,006
Total liabilities		**91,999,527**	80,482,452	**91,998,626**	80,481,708

CIMB Islamic Bank Berhad

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Statements of Financial Position as at 31 December 2018 (Continued)

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	31	**220,000**	220,000	**220,000**	220,000
Ordinary share capital	32	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	33	**4,294,476**	3,575,006	**4,295,342**	3,575,715
Total equity		**5,514,476**	4,795,006	**5,515,342**	4,795,715
Total equity and liabilities		**97,514,003**	85,277,458	**97,513,968**	85,277,423
Restricted Agency Investment Account (*)	34	**6,230,998**	-	**6,230,998**	-
Total Islamic Banking asset		**103,745,001**	85,277,458	**103,744,966**	85,277,423
Commitments and contingencies	26(b)	**59,218,325**	55,212,053	**59,218,325**	55,212,053
Net assets per ordinary share attributable to owners of the Parent (RM)		**5.29**	4.58	**5.30**	4.58

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 2 February 2018

CIMB Islamic Bank Berhad
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Statements of Income
for the financial year ended 31 December 2018

		The Group		The Bank	
		2018	2017	**2018**	2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	35	**3,488,997**	2,935,552	**3,488,997**	2,935,552
Income derived from investment of investment account	36	**555,563**	252,058	**555,563**	252,058
Income derived from investment of shareholder's funds	37	**414,535**	311,753	**416,940**	314,576
Expected credit losses/allowance made for impairment losses on financing, advances and other financing/loans	38	**(107,458)**	(85,762)	**(107,458)**	(85,762)
Expected credit losses written back for commitments and contingencies	27	**1,837**	-	**1,837**	-
Other expected credit losses/allowance made for other impairment losses	39	**(474)**	(1)	**(474)**	(1)
Total distributable income		**4,353,000**	3,413,600	**4,355,405**	3,416,423
Income attributable to depositors and others	40	**(2,275,874)**	(1,870,381)	**(2,278,329)**	(1,872,742)
Profit distributed to investment account holder	41	**(438,686)**	(188,508)	**(438,686)**	(188,508)
Total net income		**1,638,440**	1,354,711	**1,638,390**	1,355,173
Personnel costs	42	**(27,751)**	(30,820)	**(27,751)**	(30,820)
Other overheads and expenditures	43	**(577,466)**	(511,526)	**(577,259)**	(511,244)
Profit before taxation and zakat		**1,033,223**	812,365	**1,033,380**	813,109
Taxation and zakat	45	**(202,914)**	(172,544)	**(202,914)**	(172,544)
Profit after taxation and zakat		**830,309**	639,821	**830,466**	640,565
Earnings per share (sen)					
- basic	46	**83.03**	63.98	**83.05**	64.06

Statements of Comprehensive Income
for the financial year ended 31 December 2018

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**830,309**	639,821	**830,466**	640,565
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	4,824	-	4,824
- Net gain from change in fair value	-	9,128	-	9,128
- Realised gain transferred to statement of income on disposal	-	(2,781)	-	(2,781)
- Income tax effects	-	(1,523)	-	(1,523)
Debt instruments at fair value through other comprehensive income	**6,684**	-	**6,684**	-
- Net gain from change in fair value	**15,531**	-	**15,531**	-
- Realised gain transferred to statement of income on disposal	**(7,456)**	-	**(7,456)**	-
- Changes in expected credit losses	**547**	-	**547**	-
- Income tax effects	**(1,938)**	-	**(1,938)**	-
Total comprehensive income for the financial year	**836,993**	644,645	**837,150**	645,389

CIMB Islamic Bank Berhad

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Statements of Changes in Equity
for the financial year ended 31 December 2018

The Group

	Attributable to owners of the Parent											
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Fair value reserve- equity instruments at fair value through other comprehensive income 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 2018	**1,000,000**	**-**	**-**	**(20,873)**	**(2,457)**	**458**	**291,600**	**766**	**3,305,512**	**4,575,006**	**220,000**	**4,795,006**
Effect of adopting MFRS 9 (Note 54)	**-**	**(11,935)**	**-**	**20,873**	**-**	**-**	**(45,635)**	**-**	**(81,022)**	**(117,719)**	**-**	**(117,719)**
1 January 2018, as restated	**1,000,000**	**(11,935)**	**-**	**-**	**(2,457)**	**458**	**245,965**	**766**	**3,224,490**	**4,457,287**	**220,000**	**4,677,287**
Profit for the financial year	-	-	-	-	-	-	-	-	**830,309**	**830,309**	-	**830,309**
Other comprehensive income (net of tax)	-	**6,684**	-	-	-	-	-	-	-	**6,684**	-	**6,684**
- debt instruments at fair value through other comprehensive income	-	6,684	-	-	-	-	-	-	-	6,684	-	6,684
Total comprehensive income for the financial year	-	**6,684**	-	-	-	-	-	-	**830,309**	**836,993**	-	**836,993**
Share-based payment expense	-	-	-	-	-	-	-	**1,018**	-	**1,018**	-	**1,018**
Transfer to regulatory reserve	-	-	-	-	-	-	**158,413**	-	**(158,413)**	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	**(822)**	-	**(822)**	-	**(822)**
As at 31 December 2018	**1,000,000**	**(5,251)**	**-**	**-**	**(2,457)**	**458**	**404,378**	**962**	**3,896,386**	**5,294,476**	**220,000**	**5,514,476**

CIMB Islamic Bank Berhad

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Statements of Changes in Equity for the financial year ended 31 December 2018 (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 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 33)	-	(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

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2018 (Continued)

The Bank

	Non-distributable								Distributable			
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Fair value reserve- equity instruments at fair value through other comprehensive income 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 2018	1,000,000	-	-	(20,873)	(2,457)	458	291,600	766	3,306,221	4,575,715	220,000	4,795,715
Effect of adopting MFRS 9 (Note 54)	-	(11,935)	-	20,873	-	-	(45,635)	-	(81,022)	(117,719)	-	(117,719)
1 January 2018, as restated	1,000,000	(11,935)	-	-	(2,457)	458	245,965	766	3,225,199	4,457,996	220,000	4,677,996
Profit for the financial year	-	-	-	-	-	-	-	-	830,466	830,466	-	830,466
Other comprehensive income (net of tax)	-	6,684	-	-	-	-	-	-	-	6,684	-	6,684
- debt instruments at fair value through other comprehensive income	-	6,684	-	-	-	-	-	-	-	6,684	-	6,684
Total comprehensive income for the financial year	-	6,684	-	-	-	-	-	-	830,466	837,150	-	837,150
Share-based payment expense	-	-	-	-	-	-	-	1,018	-	1,018	-	1,018
Transfer to regulatory reserve	-	-	-	-	-	-	158,413	-	(158,413)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	(822)	-	(822)	-	(822)
As at 31 December 2018	1,000,000	(5,251)	-	-	(2,457)	458	404,378	962	3,897,252	5,295,342	220,000	5,515,342

Company No: 671380-H

CIMB Islamic Bank Berhad

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Statements of Changes in Equity
for the financial year ended 31 December 2018 (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 33)	-	(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 Cash Flows
for the financial year ended 31 December 2018

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**1,033,223**	812,365	**1,033,380**	813,109
Adjustments for:				
Depreciation of property, plant and equipment	**3,784**	5,850	**3,784**	5,850
Amortisation of intangible assets	**9,757**	8,068	**9,757**	8,068
Profit income from debt instruments at fair value through other comprehensive income	**(109,424)**	-	**(109,424)**	-
Profit income from debt instruments at amortised cost	**(239,851)**	-	**(239,851)**	-
Profit income from financial investments available-for-sale	**-**	(76,888)	**-**	(76,888)
Profit income from financial investments held-to-maturity	**-**	(171,746)	**-**	(171,746)
Profit expense on Sukuk	**46,103**	45,749	**32,131**	27,359
Profit expense on recourse obligation on loans and financing sold to Cagamas	**84,259**	59,912	**84,259**	59,912
Gain from disposal of debt instruments at fair value through other comprehensive income	**(7,456)**	-	**(7,456)**	-
Gain from disposal of financial investments available-for-sale	**-**	(2,781)	**-**	(2,781)
Loss on disposal of property, plant and equipment	**-**	217	**-**	217
Net loss from hedging derivatives	**2,248**	1,447	**2,248**	1,447
Unrealised loss/(gain) on foreign exchange	**5,624**	(90,353)	**5,624**	(90,353)
Unrealised gain from revaluation of financial assets designated at fair value through profit or loss (FVTPL)	**(540)**	-	**(540)**	-
Unrealised gain from revaluation of financial assets held for trading	**-**	(1,928)	**-**	(1,928)
Unrealised (gain)/loss arising from financial liabilities designated at fair value through profit and loss	**(1,225)**	52	**(1,225)**	52
Unrealised loss/(gain) from revaluation of Islamic derivative financial instruments	**12,908**	(8,913)	**12,908**	(8,913)
Accretion of discount less amortisation of premium	**(84,150)**	(98,684)	**(84,150)**	(98,684)
Expected credit losses/allowance made for impairment losses on financing, advances and other financing/loans	**157,564**	134,422	**157,564**	134,422
Allowances for impairment losses on other receivables	**474**	1	**474**	1
Expected credit losses written back for commitments and contingencies	**(1,837)**	-	**(1,837)**	-
Share-based payment expense	**1,018**	745	**1,018**	745
	912,479	617,535	**898,664**	599,889
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(13,360,777)**	(10,554,067)	**(13,360,777)**	(10,554,064)
Other assets	**(120,234)**	278,729	**(120,234)**	278,729
Statutory deposits with Bank Negara Malaysia	**(522,136)**	(169,427)	**(522,136)**	(169,427)
Deposits and placements with banks and other financial institutions	**46,152**	(439,619)	**46,152**	(439,619)
Financial assets at fair value through profit or loss	**386,368**	-	**386,368**	-
Financial assets held for trading	**-**	(391,806)	**-**	(391,806)
Amount due from holding company	**(90,731)**	-	**(90,731)**	-
Amount due from related company	**(206)**	492	**(206)**	492
Increase/(Decrease) in operating liabilities				
Deposits from customers	**11,202,577**	12,046,101	**11,306,661**	12,155,687
Investment accounts of customers	**861,507**	653,355	**861,507**	653,355
Deposits and placements from banks and other financial institutions	**(76,835)**	927,614	**(76,835)**	927,615
Investment accounts due to designated financial institutions	**71,125**	4,233,673	**71,125**	4,233,674
Financial liabilities designated at fair value through profit and loss	**20,910**	-	**20,910**	-
Islamic derivative financial instruments	**(1,879)**	(482)	**(1,879)**	(482)
Amount due to holding company	**(20,588)**	(474,499)	**(20,588)**	(474,499)
Amount due to related companies	**(763)**	(276)	**(763)**	(276)
Other liabilities	**(294,100)**	374,437	**(502,333)**	139,871
	(987,131)	7,101,760	**(1,105,095)**	6,959,139
Taxation and zakat paid	**(187,658)**	(167,668)	**(187,658)**	(167,668)
Net cash flows generated from operating activities	**(1,174,789)**	6,934,092	**(1,292,753)**	6,791,471

CIMB Islamic Bank Berhad
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Statements of Cash Flows for the financial year ended 31 December 2018 (Continued)

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Cash flows from investing activities					
Net purchase of debt instruments at amortised cost		**(1,795,705)**	-	**(1,795,705)**	-
Net purchase of financial investments held-to-maturity		**-**	(1,378,729)	**-**	(1,378,729)
Net purchase from purchase of debt instruments at fair value through other comprehensive income		**(800,331)**	-	**(800,331)**	-
Net purchase from purchase of financial investments available-for-sale		**-**	(286,102)	**-**	(286,102)
Profit income received from purchase of debt instruments at fair value through other comprehensive income		**101,950**	-	**101,950**	-
Profit income received from financial investments available-for-sale		**-**	72,555	**-**	72,555
Profit income received from debt instruments at amortised cost		**221,955**	-	**221,955**	-
Profit income received from financial investments held-to-maturity		**-**	147,483	**-**	147,483
Purchase of property, plant and equipment		**(509)**	(2,517)	**(509)**	(2,517)
Purchase of intangible assets		**(2,201)**	(6,119)	**(2,201)**	(6,119)
Net cash flows used in from investing activities		**(2,274,841)**	(1,453,429)	**(2,274,841)**	(1,453,429)
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(32,104)**	(30,586)	**(32,104)**	(30,586)
Proceeds from issuance of subordinated Sukuk		**-**	300,000	**-**	300,000
Redemption of subordinated Sukuk		**-**	(300,000)	**-**	(300,000)
Profit expense paid on Sukuk		**(13,964)**	(18,621)	**-**	-
Redemption of Sukuk		**(105,000)**	(124,000)	**(1,000)**	-
Proceeds from issuance of senior sukuk		**-**	1,000	**-**	1,000
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		**(84,062)**	(52,502)	**(84,062)**	(52,502)
Proceeds from recourse obligation on loans and financing sold to Cagamas		**-**	1,157,000	**-**	1,157,000
Redemption of recourse obligation on loans and financing sold to Cagamas		**(156,994)**	(445,500)	**(156,994)**	(445,500)
Net cash flows generated from financing activities		**(392,124)**	486,791	**(274,160)**	629,412
Net increase in cash and cash equivalents		**(3,841,754)**	5,967,454	**(3,841,754)**	5,967,454
Cash and cash equivalents at beginning of the financial year		**14,282,896**	8,315,442	**14,282,850**	8,315,396
Cash and cash equivalents at end of the financial year	2	**10,441,142**	14,282,896	**10,441,096**	14,282,850

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Statements of Cash Flows for the financial year ended 31 December 2018 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2018 and 31 December 2017 are 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 2018	**463,257**	**615,006**	**2,072,300**	**3,150,563**
Proceeds from issuance	**-**	**-**	**-**	**-**
Payment and redemption	**(105,000)**	**-**	**(156,994)**	**(261,994)**
Profit paid	**(13,964)**	**(32,104)**	**(84,062)**	**(130,130)**
Other non cash movement	**13,972**	**32,131**	**84,259**	**130,362**
At 31 December 2018	**358,265**	**615,033**	**1,915,503**	**2,888,801**

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	(18,621)	(30,586)	(52,502)	(101,709)
Other non cash movement	18,390	28,029	59,912	106,331
At 31 December 2017	463,257	615,006	2,072,300	3,150,563

CIMB Islamic Bank Berhad

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Statements of Cash Flows
for the financial year ended 31 December 2018 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2018 and 31 December 2017 are as follows (Continued):

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 2018	**1,000**	**615,006**	**2,072,300**	**2,688,306**
Proceeds from issuance	**-**	**-**	**-**	**-**
Payment and redemption	**(1,000)**	**-**	**(156,994)**	**(157,994)**
Profit paid	**-**	**(32,104)**	**(84,062)**	**(116,166)**
Other non cash movement	**-**	**32,131**	**84,259**	**116,390**
At 31 December 2018	**-**	**615,033**	**1,915,503**	**2,530,536**

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2018

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements, except as disclosed in 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 assets at fair value though profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit of 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 53.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies. Other than that, the adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(i) Adoption of MFRS 9 "Financial Instruments"

The adoption of MFRS 9 has resulted changes in the accounting policies for classification and measurement of financial instruments, impairment of financial assets and hedge accounting of the Group and the Bank. MFRS 9 also significantly amends other standard dealing with financial instruments such as MFRS 7 "Financial Instruments: Disclosures".

As permitted by the transition provisions of MFRS 9, the Group and the Bank elected not to restate the comparatives figures, which continued to be reported under the previous accounting policies governed under MFRS 139. Any adjustments to the carrying amount of financial assets and liabilities at the end of transition were recognised in the opening retained earnings and other reserves of the current reporting period.

The consequential amendments to MFRS 7 disclosures have also been applied to current reporting period. The comparative notes disclosures repeat those disclosures made in the prior year.

The impact of adoption of MFRS 9 of the Group and the Bank are summarised in Note 54.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

A Basis of preparation (Continued)

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

(ii) Adoption of MFRS 15 “Revenue from Contracts with Customers”

MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction Contracts’ and their 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.

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Bank apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application.

Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 as the financial impact is not material to the Group and the Bank. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 2019

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 2019 (Continued)

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations (Continued)

  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 Group and the Bank will not apply the new lease standard retrospectively in full, but will make use of the corresponding exemption provisions for lessees, which is the modified retrospective method. On transition to the new regulation, payment obligations from existing operating leases will be discounted using the relevant incremental borrowing rate. The resulting present value will be recognised as a lease liability. The right-of-use assets will be measured in the amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments.

  With regard to the options and simplifications under MFRS 16, the Group undertakes the following approach:

  - Eliminate the classification of leases as either finance leases (on balance sheet) or operating leases (off balance sheet).
  - Right-of-use assets and lease liabilities will be reported separately in the statement of financial position to recognise the underlying asset and future lease payment for most leases respectively.
  - The recognition, measurement and disclosure requirements of MFRS 16 will also be applied in full to current leases and leases of low-value.
  - Lease exemption of low value asset is set at the threshold of RM20,000 and will be reviewed annually.
  - The optional expedient available under MFRS 16 will not be applied.
  - The Group and the Bank, as a lessor will continue to classify all leases as either operating leases or finance leases and account for them accordingly, as MFRS 16 has retained most of the requirements of a lessor found in MFRS 117.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 2019 (Continued)

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations (Continued)

  The new standard requires more extensive disclosures in both qualitative and quantitative form. The Group and the Company expect changes in the extent of disclosures in the financial statements for 31 December 2019.

  The Group and the Bank identify that the lease payments largely relate to leases of premise rental, IT infrastructure and vehicles related to business operations and is still in the midst of finalising the financial impact in relation to the adoption of MFRS 16. Based on preliminary assessments undertake to-date, the Group and the Bank expect an increase in the total assets due to the capitalisation of right-of-use assets and an increase in total liabilities due to the recognition of lease liabilities. The Group and the Bank also expect a lower Net Profit Income but minimal impact to Profit before Taxation and Zakat as profit expense arising from the discounting of lease liability will be reported under 'net profit income' whilst depreciation will be reported under 'overheads' instead of rental expense as currently reported under 'overheads' in the Statements of Income. In the Statement of Cash Flows, the repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. Only profit payments and depreciation charge will remain in net cash from operating activities, the total of which will rise.

  The Group and the Bank are in finalisation stages of the MFRS 16 implementation with a view to ensure full compliance by 31 December 2019.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 2019 (Continued)

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

  The amendments allow entities to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the customer 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.

- Annual Improvements to MFRSs 2015 – 2017 Cycle

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

  - Amendments to MFRS 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 2018 (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 2019 (Continued)

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

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Bank.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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 and adjusted to confirm with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, the accounting policies of subsidiaries have been 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 2018 (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 income is calculated by applying effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

C Recognition of profit income and profit expense (Continued)

(a) Financing

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs

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.

Ujrah

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

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' 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

C Recognition of profit income and profit expense (Continued)

(a) Financing (Continued)

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.

Qard

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

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

C Recognition of profit income and profit expense (Continued)

(b) Deposits from customers

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic's deposit product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by customer from Commodity Trader 1, on cash and spot basis. Secondly, the customer will sell the commodity using Murabahah contract, to CIMB Islamic on deferred basis. Subsequently, the Bank will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, Bank will get a cash to finance the Bank’s activities and generate income.

Qard

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

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.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

C Recognition of profit income and profit expense (Continued)

(c) Placements from investment accounts

<u>Mudharabah</u>

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 2018 (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 after fulfilling each of the performance obligations.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Accounting policies applied from 1 January 2018

From 1 January 2018 onwards, dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measure at fair value through other comprehensive income.

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.

CIMB Islamic Bank Berhad
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Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

E Financial assets

(a) Classification

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Bank classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income ('OCI"), or through profit or loss), and
- Amortised cost.

The classification depends on the Group's and the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the Bank.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

E Financial assets (Continued)

(a) Classification (Continued)

(i) Financial assets at fair value through OCI comprise of:

- equity securities which are not held for trading, and for which the Group and the Bank have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- debt securities where the contractual cash flows are solely principal and profit and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

(iii)The Group and the Bank classify the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

E Financial assets (Continued)

(b) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Group and the Bank become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank commit to purchase and sell the assets.

At initial recognition, the Group and the Bank measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

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(c) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group and the Bank classify their debt instruments.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in finance income using the effective profit rate method.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

E Financial assets (Continued)

(c) Subsequent measurement (Continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains or losses. Profit income from these financial assets is included in finance income using the effective profit rate method.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost, FVOCI or financial assets held for trading are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of income within other gains or losses in the period in which it arises. Profit income from these financial assets is included in the finance income.

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<u>Equity instruments</u>

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain or losses in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

E Financial Assets (Continued)

(d) Reclassification of financial assets

The Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes.

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

F Financial liabilities (Continued)

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

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

- 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.

- 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.

Upon adoption of MFRS 9, the component of fair value changes relating to the Group's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

F Financial liabilities (Continued)

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

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark profit rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Group's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark profit rate are not deemed to be significant.

(b) Financial liabilities at amortised cost

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

Deposit from customers consists of Tawarruq vis-à-vis Commodity Murabahah, Wadiah, Mudharabah 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

G Derecognition of financial assets and financial liabilities (Continued)

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

The Group and the Bank assess on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(i) Financial assets accounted for at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts.

The Group and the Bank use three categories for financial assets accounted for at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts which reflect their credit risk and how ECL is determined for each of those categories.

A summary of the assumptions underpinning the Group's and the Bank's expected credit loss model is as follows:

(a) <u>Stage 1: 12-months ECL</u>
Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets.

(b) <u>Stage 2: Lifetime ECL – not credit impaired</u>
Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

I Impairment of financial assets (Continued)

(i) Financial assets accounted for at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts (Continued).

(c) Stage 3: Lifetime ECL – credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and profit income is calculated on the net carrying amount of the financial assets.

The Group and the Bank account for their credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group and the Bank consider historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

(ii) Other assets

The Group and the Bank apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

J Property, plant and equipment

Property, plant and equipment are initially stated at cost, less accumulated depreciation and accumulated impairment losses.

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.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

J Property, plant and equipment (Continued)

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

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

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

K Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

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.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

K Intangible assets(Continued)

(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 2018 (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 2018 (Continued)

N Derivative financial instruments and hedge accounting (Continued)

The Group and the Bank designate certain derivatives to manage its exposure to foreign currency and profit rate risks. The instruments used included Islamic profit rate swap, cross currency swap and currency swap.

The Group documents at the inception of the hedging transaction the risk management objective & strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

N Derivative financial instruments and hedge accounting (Continued)

(b) Cash flow hedge

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

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

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. 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. The change in the forward element of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

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.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments at fair value through other comprehensive income and 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments 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 fair value through other comprehensive income/financial investments available-for-sale are included in the revaluation reserve of equity instruments at fair value through other comprehensive income/financial investments available-for-sale in equity.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

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

Deferred income tax related to fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted 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 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

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

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

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

R Employee benefits (Continued)

(b) Post employment benefits (Continued)

Defined contribution plans(Continued)

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.

(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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

R Employee benefits (Continued)

(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.

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

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.

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".

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

U Financial guarantee contracts (Continued)

From 1 January 2018, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate. 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.

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.

X Contingent assets and contingent liabilities (Continued)

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.

Z Accounting policies applied in 2017

(a) Classification

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

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

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

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

(ii) Financings and receivables

Financings 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

Z Accounting policies applied in 2017 (Continued)

(ii) Financings and receivables (Continued)

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 or the Bank sells other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group and the 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

Z Accounting policies applied in 2017 (Continued)

(c) Subsequent measurement

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

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective profit method. Gains or losses arising from the de-recognition 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.

Financings 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.

(d) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than financings and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of financings 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.

Z Accounting policies applied in 2017 (Continued)

(d) Reclassification of financial assets (Continued)

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 prospectively.

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

(i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective 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.

(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.

(e) Derecognition of financial assets

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).

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 derecognition are therefore not met.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

Z Accounting policies applied in 2017 (Continued)

(f) Impairment of financial assets

(i) Assets carried at amortised cost

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

The criteria that the Group and the 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 profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group 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 investment 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 financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)

Z Accounting policies applied in 2017 (Continued)

(f) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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 financing 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

(ii) Assets classified as available-for-sale

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2018

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 17 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 at 13th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The Bank's principal place of business is at 17th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

2 Cash and short-term funds

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	**146,961**	1,424,407	**146,915**	1,424,361
Money at call and deposit placements maturing within one month	**10,294,201**	12,858,489	**10,294,201**	12,858,489
	10,441,162	14,282,896	**10,441,116**	14,282,850
Expected credit losses	**(20)**	-	**(20)**	-
	10,441,142	14,282,896	**10,441,096**	14,282,850

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Licensed banks	**483,850**	530,017
	483,850	530,017
Expected credit losses	**(165)**	-
	483,685	530,017

As at 31 December 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM20,000 and RM165,000 respectively. The 12-month expected credit losses made in the income statement during the financial period is amounting to RM165,000.

4 Financial assets at fair value through profit or loss

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Islamic negotiable instruments of deposits	**2,780,790**	-
Government Investment Issues	**91,571**	-
Islamic Commercial Paper	**9,603**	-
	2,881,964	-
Unquoted securities:		
In Malaysia		
Corporate sukuk	**43,380**	-
	2,925,344	-

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

5 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**762,319**	-
Islamic Cagamas bonds	**66,607**	-
Malaysian Government Sukuk	**5,062**	-
Islamic Commercial Papers	**24,271**	-
	858,259	-
Unquoted securities:		
In Malaysia		
Corporate sukuk	**1,821,983**	-
Outside Malaysia		
Corporate sukuk	**76,305**	-
	2,756,547	-

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

5 Debt instruments at fair value through other comprehensive income (Continued)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
Adjusted 1 January 2018	570	-	-	570
Changes in expected credit losses due to transferred within stages:	7,445	(7,445)	-	-
Transferred to Stage 1	7,446	(7,446)	-	-
Transferred to Stage 2	(1)	1	-	-
Total charge to Income Statement:	(6,898)	7,445	-	547
New financial assets purchased	4,817	-	-	4,817
Financial assets that have been derecognised	(587)	-	-	(587)
Change in credit risk	(11,128)	7,445	-	(3,683)
At 31 December 2018	1,117	-	-	1,117

Impact of movements in gross carrying amount on expected credit losses

Net expected credit losses (“ECL”) increased by RM547,000 for the Group and the Bank mainly due to recognition of gross carrying amounts (“GCA”) from new financial assets purchased, offset by lower ECL for GCA transferred from stage 2 to stage 1 during the financial year, and derecognition of GCA for debt instruments at fair value through other comprehensive income from disposal and write-back of ECL from lower GCA from partial disposal.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

6 Equity instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Unquoted securities:		
In Malaysia		
Islamic Banking and Finance Institute Malaysia (IBFIM)	**575**	-

7 Debt instruments at amortised cost

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**2,159,881**	-
Islamic Cagamas bonds	**40,326**	-
Malaysian Government Sukuk	**101,341**	-
	2,301,548	-
Unquoted securities:		
In Malaysia		
Corporate sukuk	**4,238,405**	-
Amortisation of premium net of accretion of discount	**4,977**	-
Less : Expected credit losses	**(207)**	-
	6,544,723	-

7 Debt instruments at amortised cost (Continued)

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	383	-	-	383
Adjusted 1 January 2018	383	-	-	383
Changes in expected credit losses due to transferred within stages:	(46)	46	-	-
Transferred to Stage 2	(46)	46	-	-
Total charge to Income Statement:	(130)	(46)	-	(176)
New financial assets purchased	935	-	-	935
Financial assets that have been derecognised	(23)	(155)	-	(178)
(Writeback) in respect of full recoveries	-	-	-	-
Change in credit risk	(1,042)	109	-	(933)
At 31 December 2018	207	-	-	207

Impact of movements in gross carrying amount on expected credit losses

The net ECL decreased by RM176,000 for the Group and the Bank is mainly due to derecognition of gross carrying amounts ("GCA") for debt instruments at amortised cost from disposal and write-back of ECL from lower GCA from partial disposal and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from new financial assets purchased.

8 Financial assets held for trading

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	-	1,357
Islamic negotiable instruments of deposits	-	2,764,951
Government Investment Issues	-	347,099
Islamic Cagamas bonds	-	50,759
	-	3,164,166
Unquoted securities:		
In Malaysia		
Corporate sukuk	-	60,972
	-	3,225,138

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

9 Financial investments available-for-sale

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	-	355,065
Islamic Cagamas bonds	-	5,524
Malaysian Government Sukuk	-	22,107
	-	382,696
Unquoted securities:		
In Malaysia		
Corporate sukuk	-	1,473,916
Placement with Islamic Banking and Finance Institute Malaysia	-	575
	-	1,474,491
Outside Malaysia		
Corporate sukuk	-	66,410
	-	1,923,597

10 Financial investments held-to-maturity

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	-	1,556,967
Khazanah bonds	-	12,662
	-	1,569,629
Unquoted securities:		
In Malaysia		
Corporate sukuk	-	3,157,519
Amortisation of premium net of accretion of discount	-	5,241
	-	4,732,389

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

10 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 Sukuk 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.

As at 31 December 2017, the fair value and carrying amount of the financial investments that have been reclassified are RM748,341,000 and RM738,373,000 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 for the Group.

The remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM17,532,000.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

11 Financing, advances and other financing/loans

31 December 2018
At amortised cost:

	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^	-	5,704	-	-	891,257	-	-	1,455	-	898,416
Term financing										
House Financing	-	5,786,483	-	-	11,099,048	1,357,811	-	-	-	18,243,342
Syndicated Financing	-	-	162,279	-	1,858,778	7,450	-	-	-	2,028,507
Hire purchase receivables	-	-	-	-	-	-	7,423,573	-	-	7,423,573
Other term financing	-	1,484,968	6,982,666	-	25,329,083	52,570	-	-	-	33,849,287
Bills receivable	5,075	-	-	21,062	-	-	-	-	-	26,137
Islamic trust receipts	105,196	-	-	-	-	-	-	-	-	105,196
Claims on customers under acceptance credits	1,031,893	-	-	80,964	-	-	-	-	-	1,112,857
Staff financing	-	-	-	-	114,300	-	-	-	-	114,300
Credit card receivables	-	-	-	-	-	-	-	-	137,325	137,325
Revolving credits	-	-	-	-	6,601,468	-	-	-	-	6,601,468
Share purchase financing	207	-	-	-	-	-	-	-	-	207
Gross financing, advances and other financing/loans, at amortised cost	1,142,371	7,277,155	7,144,945	102,026	45,893,934	1,417,831	7,423,573	1,455	137,325	70,540,615
Fair value changes arising from fair value hedge										32,732
										70,573,347
Less: Expected credit losses										(446,186)
Net financing, advances and other financing/loans, at amortised cost										70,127,161

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

31 December 2018
At fair value through profit or loss:

	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
Term financing										
Syndicated Financing	-	-	-	-	491,566	-	-	-	-	491,566
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	491,566	-	-	-	-	491,566
Total net financing, advances and other financing/loans										**70,618,727**

^ Includes current account in excess
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

31 December 2017
At amortised cost:

	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 hedges										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
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

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

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Total Gross financing, advances and other financing/loans		
- At amortised cost	**70,540,615**	57,775,560
- At fair value through profit or loss	**491,566**	-
	71,032,181	57,775,560

(i) By type and Shariah contracts:

(a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM3,384,006,000 (2017: RM3,695,054,000) 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 2018, the gross exposure and 12-months expected credit losses relating to RPSIA financing are RM6,907,549,000 (2017: RM6,123,712,000) and RM25,658,000 (2017: portfolio impairment allowance of RM10,248,000) respectively.

There was no individual impairment allowance provided for the RPSIA financing in 2017.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

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

(c) Movement of Qard financing

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
As at 1 January	**2,356**	4,283
New disbursement	**332**	1,064
Repayment	**(1,233)**	(2,991)
As at 31 December	**1,455**	2,356
Sources of Qard fund:		
Depositors' fund	**1,371**	2,220
Shareholders' fund	**84**	136
	1,455	2,356
Uses of Qard fund:		
Personal use	**172**	162
Business purpose	**1,283**	2,194
	1,455	2,356

(ii) By type of customer:

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Domestic non-bank financial institutions	**2,559,537**	2,659,598
Domestic business enterprises		
- Small medium enterprises	**10,539,046**	7,900,555
- Others	**10,068,019**	6,921,114
Government and statutory bodies	**5,316,905**	7,060,073
Individuals	**41,918,011**	33,002,550
Other domestic entities	**84,965**	84,783
Foreign entities	**545,698**	146,887
	71,032,181	57,775,560

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

(iii) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Fixed rate		
- house financing	**96,355**	87,009
- hire purchase receivables	**5,924,614**	4,219,343
- others	**7,235,659**	9,590,743
Variable rate		
- house financing	**18,146,987**	14,451,320
- others	**39,628,566**	29,427,145
	71,032,181	57,775,560

(iv) By economic purpose:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Personal use	**2,321,190**	2,370,568
Credit card	**137,325**	128,947
Construction	**3,420,799**	1,822,160
Residential property	**18,751,334**	14,924,968
Non-residential property	**5,685,175**	4,185,822
Purchase of fixed assets other than land and building	**179,287**	139,852
Purchase of securities	**12,148,632**	9,029,785
Purchase of transport vehicles	**8,040,821**	6,388,828
Working capital	**17,201,425**	13,855,749
Merger and acquisition	**1,128**	2,737
Other purpose	**3,145,065**	4,926,144
	71,032,181	57,775,560

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

(v) By geographical distribution:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Malaysia	**71,032,181**	57,775,560

(vi) By economic sector:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Primary agriculture	**2,178,023**	1,958,357
Mining and quarrying	**1,574,073**	1,607,448
Manufacturing	**2,480,562**	1,723,594
Electricity, gas and water supply	**95,820**	103,420
Construction	**2,604,476**	1,379,863
Transport, storage and communications	**3,729,773**	2,245,968
Education, health and others	**5,935,866**	7,581,993
Wholesale and retail trade, and restaurants and hotels	**2,200,005**	1,247,832
Finance, insurance/takaful, real estate and business activities	**8,011,493**	6,623,863
Household	**42,147,609**	33,246,949
Others	**74,481**	56,273
Gross financing, advances and other financing/loans	**71,032,181**	57,775,560

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

(vii) By residual contractual maturity:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Within one year	**12,811,731**	9,640,779
One year to less than three years	**4,615,270**	5,845,443
Three years to less than five years	**2,829,012**	2,948,667
Five years and more	**50,776,168**	39,340,671
	71,032,181	57,775,560

(viii) Impaired financing by economic purpose:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Personal use	**17,717**	17,573
Credit cards	**1,879**	2,066
Construction	**29,020**	31,093
Residential property	**157,524**	122,710
Non-residential property	**61,027**	64,736
Purchase of fixed assets other than land and building	**75**	-
Purchase of securities	**1,485**	1,370
Purchase of transport vehicles	**61,866**	84,613
Working capital	**57,334**	26,410
Other purpose	**49,785**	31,299
	437,712	381,870

(ix) Impaired financings by geographical distribution:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Malaysia	**437,712**	381,870

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

(x) Impaired financing, advances and other financing/loans by economic sector:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Primary agriculture	**6,658**	2,589
Mining and quarrying	**2,779**	2,528
Manufacturing	**28,146**	21,636
Construction	**25,435**	7,306
Transport, storage and communications	**56,614**	60,185
Education, health and others	**10,613**	11,967
Wholesale and retail trade, and restaurants and hotels	**9,706**	1,672
Finance, insurance/takaful, real estate and business activities	**44,369**	23,887
Household	**253,390**	248,060
Others	**2**	2,040
	437,712	381,870

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

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

(xi) Movements in the expected credit losses/allowance for financing, advances and other financing/loans are as follows:

Financing, advances and other financing/loans at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	-	-	49,352	244,673	294,025
Effect of adopting MFRS 9	114,725	116,363	161,712	(49,352)	(244,673)	98,775
Adjusted 1 January 2018	114,725	116,363	161,712	-	-	392,800
Changes in expected credit losses due to transferred within stages:	219,579	(185,163)	(34,416)	-	-	-
Transferred to Stage 1	273,384	(230,727)	(42,657)	-	-	-
Transferred to Stage 2	(53,576)	110,989	(57,413)	-	-	-
Transferred to Stage 3	(229)	(65,425)	65,654	-	-	-
Total charge to Income Statement:	(163,062)	137,309	183,317	-	-	157,564
New financial assets originated	161,688	56	462	-	-	162,206
Financial assets that have been derecognised	(107,361)	(1,295)	-	-	-	(108,656)
Writeback in respect of full recoveries	-	-	(3,911)	-	-	(3,911)
Change in credit risk	(217,389)	138,548	186,766	-	-	107,925
Write-offs	-	-	(118,734)	-	-	(118,734)
Other movements	854	6,533	7,169	-	-	14,556
	172,096	75,042	199,048	-	-	446,186

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

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

	The Group and the Bank	
	Individual impairment allowance RM'000	**Portfolio impairment allowance RM'000**
As at 1 January 2017	48,062	242,862
Net allowance made during the period/year	9,762	124,660
Transfer from intercompany	-	(73)
Amount written off	(8,472)	(122,681)
Exchange fluctuation	-	(95)
As at 31 December 2017	49,352	244,673

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%

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

(xii) Movements in credit impaired/impaired financing, advances and other financing/loans (Continued):

Gross carrying amount movement of financing, advances and other financing/loans at amortised cost classified as credit impaired:

	The Group and the Bank		
	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Impaired financing, advances and other financing/loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	381,870	381,870
Effect of adopting MFRS 9	381,870	(381,870)	-
Adjusted 1 January 2018	381,870	-	381,870
Transfer within stages	245,139	-	245,139
Transferred to Stage 1	(150,558)	-	(150,558)
Transferred to Stage 2	(193,202)	-	(193,202)
Transferred to Stage 3	588,899	-	588,899
New financial assets originated	1,178	-	1,178
Write-offs	(118,733)	-	(118,733)
Amount fully recovered	(44,299)	-	(44,299)
Other changes in financing, advances and other financing/loans	(27,443)	-	(27,443)
At 31 December 2018	437,712	-	437,712

	The Group and the Bank 31 December 2018
Ratio of credit impaired financing to total financing, advances and other financing/loans	0.62%

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

(xii) Movements in credit impaired/impaired financing, advances and other financing/loans (Continued):

Impact of movements in gross carrying amount on expected credit losses

Stage 1 expected credit losses (“ECL”) decreased by RM163 million for the Group and the Bank during the financial year mainly due to derecognition of gross carrying amounts (“GCA”) for financing, advances and other financing/loans from full settlement, write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from newly originated financing, advances and other financing/loans.

Stage 2 ECL increased by RM137 million for the Group and the Bank mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

Stage 3 ECL increased by RM183 million for the Group and the Bank mainly due to higher ECL for GCA transferred from stage 1 and 2 to stage 3.

The write-off financings with a total GCA of RM119 million for the Group and the Bank resulted in the reduction of the stage 3 ECL by the same amount.

Impaired financing under MFRS 139:

	The Group and the Bank
	RM'000
At 1 January 2017	466,365
Classified as impaired during the financial period/year	450,146
Reclassified as not impaired during the financial period/year	(295,807)
Amount written back in respect of recoveries	(107,682)
Amount written off	(131,152)
At 31 December 2017	381,870
Ratio of gross impaired financing to total financing, advances and other financing/loans	0.66%

12 Other assets

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Deposits and prepayments	**6,020**	4,725
Sundry debtors*	**109,581**	252,968
Collateral pledged for derivative transactions	**239,940**	47,751
Clearing accounts	**368,022**	298,645
	723,563	604,089

* Sundry debtors net of lifetime expected credit losses/allowance for doubtful debts of RM301,000 (2017: RM363,000)

(a) Movements of lifetime expected credit losses on sundry debtors using simplified approach are as follows:

	The Group and the Bank 31 December 2018 RM'000
At 1 January	**363**
Effect of adopting MFRS 9	-
Adjusted 1 January 2018	**363**
Expected credit losses writtten back during the financial year	**(62)**
At 31 December 2018	**301**

12 Other assets (Continued)

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

	The Group and the Bank 31 December 2017 RM'000
At 1 January	362
Net allowance made during the financial year	1
At 31 December	363

13 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 2018 RM'000	31 December 2017 RM'000
Deferred tax assets	**77,778**	19,000
Deferred tax liabilities	**(530)**	(1,205)
	77,248	17,795

Further breakdown are as follows:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Expected credit losses	**65,516**	-
Excess of capital allowance over depreciation	**(530)**	(1,205)
Fair value reserve - debt instruments at fair value through other comprehensive income	**2,010**	-
Revaluation reserve - Financial investments available-for-sale	-	6,591
Provision for expenses	**10,252**	12,409
Deferred tax assets (after offsetting)	**77,248**	17,795

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

13 Deferred taxation (Continued)

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

	The Group and the Bank					
Deferred tax assets/(liabilities)	**Expected credit losses RM'000**	**Accelerated tax depreciation RM'000**	**Revaluation reserve - financial investments available-for-sale RM'000**	**Fair value reserve - debt instruments at fair value through other comprehensive income RM'000**	**Provision for expenses RM'000**	**Total RM'000**
At 1 January 2018	**-**	**(1,205)**	**6,591**	**-**	**12,409**	**17,795**
Effect of adopting MFRS 9	**-**	**-**	**(6,591)**	**3,948**	**-**	**(2,643)**
1 January 2018, as restated	**-**	**(1,205)**	**-**	**3,948**	**12,409**	**15,152**
Credited/(debited) to statement of income (Note 45)	**65,516**	**742**	**-**	**-**	**(2,157)**	**64,101**
Underprovision in prior years	**-**	**(67)**	**-**	**-**	**-**	**(67)**
Transferred to equity	**-**	**-**	**-**	**(1,938)**	**-**	**(1,938)**
At 31 December 2018	**65,516**	**(530)**	**-**	**2,010**	**10,252**	**77,248**

13 Deferred taxation (Continued)

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

	The Group and the Bank				
	Individual impairment allowance/Portfolio impairment allowance	Accelerated tax 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 45)	-	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

14 Amount due from/(to) holding company

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Amounts due from :		
- holding company	**90,731**	-
Amounts due to :		
- holding company	**-**	(20,588)

The amount due from/(to) holding company is unsecured and repayable on demand.

15 Amount due from/(to) related companies

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

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Amounts due from :		
- related companies	**620**	414
Amounts due to :		
- related companies	**(50)**	(813)

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

16 Statutory deposits with Bank Negara Malaysia

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Statutory deposits with Bank Negara Malaysia	**2,076,422**	1,554,286

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.

17 Investment in subsidiaries

	The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Unquoted shares, at cost	**20**	20
Less: Allowance for impairment losses	**(9)**	(9)
	11	11

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

	The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
At 1 January/31 December	**9**	9

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

		Percentage of equity held directly by the Bank	
		31 December 2018	31 December 2017
Name	**Principal activities**	**%**	%
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.

17 Investment in subsidiaries (Continued)

(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.

18 Property, plant and equipment

		The Group and the Bank			
2018	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
Cost					
At 1 January		**2,246**	**387**	**20,971**	**23,604**
Additions		**3**	**-**	**506**	**509**
Disposals		**-**	**-**	**-**	**-**
Written off		**-**	**-**	**-**	**-**
Reclassified from intangible assets	19	**-**	**-**	**-**	**-**
At 31 December		**2,249**	**387**	**21,477**	**24,113**
Accumulated depreciation					
At 1 January		**2,193**	**45**	**15,335**	**17,573**
Charge for the financial year		**35**	**78**	**3,671**	**3,784**
Disposals		**-**	**-**	**-**	**-**
Written off		**-**	**-**	**-**	**-**
Reclassified from intangible assets	19	**-**	**-**	**-**	**-**
At 31 December		**2,228**	**123**	**19,006**	**21,357**
Net book value at 31 December		**21**	**264**	**2,471**	**2,756**

		The Group and the Bank			
2017		Renovations, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
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	19	-	-	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	19	-	-	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

The above property, plant and equipment include computer equipment and hardware under construction at cost of the Group and the Bank of RM14,173 (2017: RM14,173).

19 Intangible assets

		The Group and the Bank	
	Note	**31 December 2018 RM'000**	31 December 2017 RM'000
Computer software			
Cost			
At 1 January		**133,973**	132,518
Additions		**2,201**	6,119
Written off		-	(3,332)
Reclassified to property, plant and equipment	18	-	(1,332)
At 31 December		**136,174**	133,973
Accumulated amortisation			
At 1 January		**54,881**	51,477
Amortisation for the financial year		**9,757**	8,068
Written off		-	(3,332)
Reclassified to property, plant and equipment	18	-	(1,332)
At 31 December		**64,638**	54,881
Net book value at 31 December		**71,536**	79,092

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 RM659,650 (2017: RM4,405,484).

20 Goodwill

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 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"). This CGUs do not carry any intangible assets with indefinite useful life.

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 2019 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.27% (2017: 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 7.47% (2017: 6.92%). 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 2018 and 31 December 2017.

21 Deposits from customers

(i) By type of deposits:

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
a) Savings deposit	**3,158,586**	3,066,677	**3,158,586**	3,066,677
Wadiah	**-**	3,055,616	**-**	3,055,616
Qard	**-**	610	**-**	610
Commodity Murabahah (via Tawarruq arrangement)*	**3,158,586**	10,451	**3,158,586**	10,451
b) Demand deposit	**11,693,594**	11,239,585	**11,693,594**	11,239,585
Wadiah	**-**	11,029,199	**-**	11,029,199
Qard	**10,051,750**	210,386	**10,051,750**	210,386
Commodity Murabahah (via Tawarruq arrangement)*	**1,641,844**	-	**1,641,844**	-
c) Term deposit	**60,954,429**	49,892,009	**61,239,617**	50,073,113
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**38,381,725**	31,815,393	**38,666,913**	31,996,497
Fixed Return Income Account-i (via Tawarruq arrangement)*	**22,572,704**	18,076,616	**22,572,704**	18,076,616
d) General investment account	**-**	2,169	**-**	2,169
Mudharabah	**-**	2,169	**-**	2,169
e) Specific investment account	**104,791**	113,014	**104,791**	113,014
Mudharabah	**104,791**	113,014	**104,791**	113,014
f) Islamic negotiable instruments	**-**	398,199	**-**	398,199
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**-**	398,199	**-**	398,199
g) Others	**20,156**	17,326	**20,156**	17,326
Qard	**20,156**	17,326	**20,156**	17,326
	75,931,556	64,728,979	**76,216,744**	64,910,083

*included Qard contract of RM630,892,000 (31 December 2017:RM329,074,000)

21 Deposits from customers (Continued)

(i) By type of deposits: (Continued)

The maturity structure of term deposits, investment accounts and Islamic negotiable instruments are as follows:

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Due within six months	**52,734,450**	45,140,439	**53,019,638**	45,321,543
Six months to less than one year	**8,173,706**	5,128,466	**8,173,706**	5,128,466
One year to less than three years	**45,645**	21,358	**45,645**	21,358
Three years to less than five years	**80,363**	2,114	**80,363**	2,114
Five years and more	**25,056**	113,014	**25,056**	113,014
	61,059,220	50,405,391	**61,344,408**	50,586,495

(ii) By type of customers:

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Government and statutory bodies	**3,826,910**	3,745,305	**3,826,910**	3,745,305
Business enterprises	**30,513,897**	26,155,945	**30,513,897**	26,155,945
Individuals	**20,823,202**	15,169,480	**20,823,202**	15,169,480
Others	**20,767,547**	19,658,249	**21,052,735**	19,839,353
	75,931,556	64,728,979	**76,216,744**	64,910,083

22 Investment accounts of customers

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
<u>Mudharabah</u>		
Unrestricted investment accounts		
-without maturity		
Special Mudharabah Investment Account	**465,733**	289,203
-with maturity		
Term Investment Account-i	**1,303,537**	618,560
	1,769,270	907,763

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

22 Investment accounts of customers (Continued)

i) Movement in the investment accounts of customers

Mudharabah	**The Group and the Bank**	
	31 December 2018 RM'000	31 December 2017 RM'000
Unrestricted Investment Account		
1 January	**907,763**	254,408
Funding inflows/outflows		
New placement during the year	**7,559,711**	744,068
Redemption during the year	**(6,786,033)**	(94,717)
Income from investment	**121,229**	14,966
Company's share of profit		
Profit distributed to mudarib	**(33,400)**	(10,962)
31 December	**1,769,270**	907,763
Investment asset:		
House financing	**1,057,671**	710,520
Hire purchase receivables	**624,727**	-
Other term financing	**86,872**	197,243
Total investment	**1,769,270**	907,763

22 Investment accounts of customers (Continued)

ii) Profit Sharing Ratio and Rate of Return:

	2018		2017	
	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**	**0.22**	5.00	0.21
- less than 1 year	**70.83**	**4.37**	88.11	4.22

iii) By type of customers:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Business enterprises	**205,280**	52,512
Individuals	**1,563,749**	855,178
Others	**241**	73
	1,769,270	907,763

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23 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Licensed investment banks	**29,433**	340
Licensed banks	**1,037,022**	1,684,313
Other financial institutions	**1,017,125**	475,762
	2,083,580	2,160,415

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Due within six months	**1,887,840**	2,158,364
Six months to one year	**195,740**	2,051
	2,083,580	2,160,415

24 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Restricted investment accounts		
Mudharabah	**8,216,809**	8,145,684

By type of counterparty		
Licensed banks	**8,216,809**	8,145,684

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 2018 RM'000**	31 December 2017 RM'000
1 January	**8,145,684**	3,912,011
Funding inflows/outflows		
New placement during the year	**9,828,394**	9,638,037
Redemption during the year	**(10,108,126)**	(5,588,865)
Income from investment	**434,290**	236,867
Bank's share of profit		
Profit distributed to mudarib	**(4,343)**	(2,369)
Incentive fee	**(79,090)**	(49,997)
31 December	**8,216,809**	8,145,684

Investment asset:		
Other term financing	**6,809,449**	6,061,977
Marketable securities	**1,211,980**	1,768,887
Miscellaneous other assets	**195,380**	314,820
Total investment	**8,216,809**	8,145,684

24 Investment accounts due to designated financial institutions (Continued)

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

	2018 Investment account holder			2017 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**	**3.75**	**0.84**	99.00	3.54	0.98

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM8,216,809,000 (2017: RM8,145,684,000) for tenures within 6 months at indicative profit rates from 2.79% to 4.12% per annum (2017: 2.02% to 3.83% tenures within 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.

25 Financial liabilities designated at fair value through profit and loss

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Deposits from customers - structured investments	**21,918**	2,233

The Group and the Bank have issued structured investments and have designated them at fair value in accordance with MFRS 9. 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 2018 were RM1,235,000 (2017: RM10,000) 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.

26(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 2018			31 December 2017		
	Principal amount RM'000	**Fair values Assets RM'000**	**Liabilities RM'000**	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**10,195,921**	**236,801**	**(214,115)**	7,050,740	144,544	(219,927)
Currency swaps	**8,351,649**	**32,360**	**(47,941)**	10,027,094	186,300	(94,534)
Currency spot	**30,222**	**24**	**(18)**	10,755	18	(9)
Currency option	**18,104**	**99**	**(99)**	-	-	-
Cross currency profit rate swaps	**2,786,260**	**144,059**	**(140,220)**	3,211,014	182,867	(178,130)
	21,382,156	**413,343**	**(402,393)**	20,299,603	513,729	(492,600)
Profit rate derivatives						
Islamic profit rate swaps	**16,399,716**	**146,815**	**(140,328)**	17,493,007	116,998	(107,951)
Equity related derivatives						
Equity options	**258,402**	**2,109**	**(2,109)**	338,076	2,953	(2,953)
Credit related contracts						
Total return swaps	**41,500**	**527**	**(527)**	50,000	626	(626)
Hedging derivatives						
Islamic profit rate swaps	**3,384,006**	**1,590**	**(53,618)**	3,593,712	-	(88,629)
Total derivative assets/(liabilities)	**41,465,780**	**564,384**	**(598,975)**	41,774,398	634,306	(692,759)

26(a) Islamic derivative financial instruments (Continued)

Fair value hedge

The Group and the Bank use Islamic profit rate swaps to hedge its exposure to changes in the fair value of fixed rate financing.

The Group's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of profit with changes in the fair value of the Islamic profit rate swaps.

The Group and the Bank establish the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above profit rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Group uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the Islamic profit rate swaps which is not reflected in the fair value of the hedged item attributable to the change in profit rate; and

- Differences in maturities and reset dates of the Islamic profit rate swaps and the fixed rate financing.

26(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

The Group and the Bank uses the following items as hedging instruments in fair value hedges:

			Maturity		
31 December 2018	**Less than 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**More than 5 years**
Profit rate risk					
Islamic profit rate swaps (MYR)					
Nominal amount (RM'000)	-	-	1,375,000	1,900,000	-
Average fixed profit rate	-	-	4.7300%	4.4875%	-
Islamic profit rate swaps (USD)					
Nominal amount (RM'000)	-	-	-	-	109,006
Average fixed profit rate	-	-	-	-	3.0320%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

		Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**
	Nominal amount	**Assets**	**Liabilities**		
Profit rate risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Islamic profit rate swaps (MYR)	3,275,000	-	(53,618)	33,631	(2,104)
Islamic profit rate swaps (USD)	109,006	1,590	-	1,261	(144)

*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.
**All hedge ineffectiveness are recognised in the 'Income derived from investment of shareholder's funds' in the statement of income.

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26(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

The amounts relating to items designated as hedged items were as follows:

Hedged items	Carrying amount Assets RM'000	Carrying amount Liabilities RM'000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets RM'000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities RM'000	Line item in the SOFP in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness RM'000	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
MYR fixed rate financing	3,339,947	-	35,718	(1,446)	Financing, advances and other financing/loans	(35,735)	5,002
USD fixed rate financing	107,762	-	-	(1,539)	Financing, advances and other financing/loans	(1,405)	-

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

26(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.

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 2018	31 December 2017
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**247,949**	229,687
Transaction-related contingent items	**755,977**	712,390
Short-term self-liquidating trade-related contingencies	**53,944**	23,014
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**9,526,685**	6,901,712
- maturity exceeding one year	**7,127,240**	5,507,311
Miscellaneous commitments and contingencies	**40,750**	63,541
Total credit-related commitments and contingencies	**17,752,545**	13,437,655

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26(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2018	31 December 2017
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**16,310,574**	15,076,977
- one year to five years	**3,938,548**	3,998,263
- more than five years	**1,133,034**	1,224,363
	21,382,156	20,299,603
Profit rate related contracts:		
- less than one year	**5,087,833**	3,264,168
- one year to five years	**13,343,833**	16,848,542
- more than five years	**1,352,056**	974,009
	19,783,722	21,086,719
Equity related contracts:		
- less than one year	**23,786**	-
- one year to five years	**184,640**	61,926
- more than five years	**49,976**	276,150
	258,402	338,076
Credit related contracts:		
- more than five years	**41,500**	50,000
Total treasury-related commitments and contingencies	**41,465,780**	41,774,398
	59,218,325	55,212,053

27 Other liabilities

	The Group		TheBank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Accruals and other payables	**87,107**	368,389	**87,107**	368,389
Clearing accounts	**179,993**	187,700	**179,993**	187,700
Expected credit losses for commitments and contigencies	**65,271**	-	**65,271**	-
Collateral received for derivative transactions	**1,980**	1,985	**1,980**	1,985
Structured deposits	**34,178**	40,782	**34,178**	40,782
Others	**24,596**	17,649	**96,772**	298,058
	393,125	616,505	**465,301**	896,914

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.

27 Other liabilities (Continued)

(a) Expected credit losses movement of financing commitments and contingencies are as follows:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses -not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	62,473	3,035	1,423	66,931
Adjusted 1 January 2018	62,473	3,035	1,423	66,931
Changes in expected credit losses due to transferred within stages:	5,002	(5,413)	411	-
Transferred to Stage 1	6,367	(6,279)	(88)	-
Transferred to Stage 2	(1,353)	1,538	(185)	-
Transferred to Stage 3	(12)	(672)	684	-
Total charge to Income Statement:	(7,383)	5,830	(284)	(1,837)
New exposures	73,895	-	-	73,895
Exposures derecognised or matured	(41,187)	(349)	(5)	(41,541)
Change in credit risk	(40,091)	6,179	(279)	(34,191)
Other movements	(95)	272	-	177
At 31 December 2018	59,997	3,724	1,550	65,271

As at 31 December 2018, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM4,126,000.

28 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.

29 Sukuk

		The Group		The Bank	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Ziya Capital Berhad	(a)	**358,265**	462,257	**-**	-
RM1 million Sukuk: Wakalah (2017/2018)	(b)	**-**	1,000	**-**	1,000
		358,265	463,257	**-**	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. RM104 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 which bears periodic distribution rate of 4%. It had matured and was fully redeemed on 31 December 2018.

30 Subordinated Sukuk

		The Group and the Bank	
		31 December 2018	31 December 2017
	Note	**RM'000**	RM'000
Subordinated Sukuk RM850 million:			
(1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021 redeemed in 2016 ; 3rd tranche due in 2022 redeemed in 2017)	(a)	**304,752**	304,725
Subordinated Sukuk 2016/2026 RM10 million	(b)	**10,126**	10,126
Subordinated Sukuk 2017/2027 RM300 million	(c)	**300,155**	300,155
		615,033	615,006

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.

30 Subordinated Sukuk (Continued)

a) Subordinated Sukuk RM850 million (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.

31 Perpetual preference shares

	The Group and the Bank	
	2018	2017
	RM'000	RM'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.

32 Ordinary share capital

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	**1,000,000**	1,000,000

32 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.

33 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 reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018 (prior to 2018: MFRS 139 beginning 1 January 2010).

On 2 February 2018, BNM issued the revised policy on Financial Reporting and Financial Reporting for Islamic Banking Institutions which requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

(f) Fair value reserve – debt/equity instruments at fair value through other comprehensive income
Movement of the fair value reserve of debt/equity instruments at fair value through other comprehensive income is shown in the statements of comprehensive income.

33 Reserves (Continued)

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

34 Restricted Agency Investment Account

(i) The details of the Restricted Agency Investment Account ("RAIA") financing are as below. The exposures and corresponding risk weighted amount are reported in investors' financial statements.

	The Group and the Bank 31 December 2018 RM'000
RAIA arrangement	
Financing and advances	**5,530,998**
Commitments and contingencies	**700,000**
	6,230,998

	The Group and the Bank 31 December 2018 RM'000
Total RWA for Credit Risk	**316,179**
	316,179

RAIA arrangement is with the Bank's holding company, CIMB Bank, and the contract is based on the Wakalah principle where CIMB Bank provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group and the Bank for the financial year ended 31 December 2018.

34 Restricted Agency Investment Account (Continued)

ii) Movement in the Investment Account

Wakalah	**The Group and the Bank**
Restricted Agency Investment Account -RAIA	**31 December 2018 RM'000**
1 January	-
Funding inflows/outflows	
New placement during the year	**5,500,000**
Redemption during the year	-
Income from investment	**31,020**
Bank's share of profit	
Wakalah fee	**(22)**
31 December	**5,530,998**
Investment asset:	
Revolving credit	**1,501,107**
Other term financing	**4,029,891**
Total investment	**5,530,998**

iii) Rate of Return

	2018 Investment account holder
	Average rate of return (%)
Restricted investment accounts:	
less than 1 year	**4.04%**
more than 5 year	**4.84%**

35 Income derived from investment of depositors' funds and others

		The Group and the Bank	
		31 December 2018	31 December 2017
	Note	**RM'000**	RM'000
Income derived from investment of:			
- General investment deposits	(i)	**2,351,366**	2,068,375
- Specific investment deposits	(ii)	**3,223**	3,142
- Other deposits	(iii)	**1,134,408**	864,035
		3,488,997	2,935,552

(i) Income derived from investment of general investment deposits

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Financing, advances and other financing/loans:		
- Profit income	**1,832,607**	1,529,436
- Unwinding income*	**9,482**	8,214
Debt instruments at fair value through other comprehensive income	**70,420**	-
Debt instruments at amortised cost	**154,421**	-
Financial assets held for trading	**-**	29,056
Financial investments available-for-sale	**-**	50,944
Financial investments held-to-maturity	**-**	113,853
Money at call and deposit with financial institutions	**194,807**	202,016
	2,261,737	1,933,519
Accretion of discount less amortisation of premium	**(1,234)**	65,374
Other profit income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**29,463**	-
- Net accretion of discount less amortisation of premium	**54,876**	-
Total finance income and hibah	**2,344,842**	1,998,893
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	**4,616**	-
- unrealised	**405**	-
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**4,729**	-
Net gain from financial assets held for trading:		
- realised	**-**	1,456
- unrealised	**-**	1,279
Net gain from sale of financial investments available-for-sale	**-**	1,845
Net (loss)/gain from foreign exchange transactions	**(9,694)**	59,894
	56	64,474
Fee and commission income	**6,468**	5,008
	2,351,366	2,068,375

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

35 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 2018 RM'000	31 December 2017 RM'000
Money at call and deposit with financial institutions	**3,223**	3,142

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Financing, advances and other financing/loans:		
- Profit income	**874,434**	638,981
- Unwinding income*	**4,580**	3,435
Debt instruments at fair value through other comprehensive income	**32,826**	-
Debt instruments at amortised cost	**71,885**	-
Financial assets held for trading	**-**	12,125
Financial investments available-for-sale	**-**	21,279
Financial investments held-to-maturity	**-**	47,505
Money at call and deposit with financial institutions	**97,189**	84,385
	1,080,914	807,710
Accretion of discount less amortisation of premium	**(543)**	27,312
Other profit income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**15,342**	-
- Net accretion of discount less amortisation of premium	**26,341**	-
Total finance income and hibah	**1,122,054**	835,022
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	**1,935**	-
- unrealised	**103**	-
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**2,313**	-
Net gain from financial assets held for trading:		
- realised	**-**	617
- unrealised	**-**	538
Net gain from sale of financial investments available-for-sale	**-**	767
Net gain from foreign exchange transactions	**4,925**	25,006
	9,276	26,928
Fees and commission income	**3,078**	2,085
	1,134,408	864,035

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

36 Income derived from investment of investment account

	The Group and the Bank	
	31 December	31 December
	2018	2017
	RM'000	RM'000
Financing, advances and other financing/loans:		
- Profit income	**495,972**	222,423
- Unwinding income*	**8**	67
Money at call and deposit with financial institutions	**59,583**	29,568
	555,563	252,058

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

37 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Financing, advances and other financing/loans:				
- Profit income	**161,089**	140,104	**161,089**	140,104
- Unwinding income*	**835**	754	**835**	754
Debt instruments at fair value through other comprehensive income	**6,178**	-	**6,178**	-
Debt instruments at amortised cost	**13,545**	-	**13,545**	-
Financial assets held for trading	**-**	2,651	**-**	2,651
Financial investments available-for-sale	**-**	4,665	**-**	4,665
Financial investments held-to-maturity	**-**	10,387	**-**	10,387
Money at call and deposits with financial institutions	**17,212**	18,489	**17,212**	18,489
	198,859	177,050	**198,859**	177,050
Accretion of discount less amortisation of premium	**(107)**	5,997	**(107)**	5,997
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	**2,609**	-	**2,609**	-
- Net accretion of discount less amortisation of premium	**4,817**	-	**4,817**	-
Total finance income and hibah	**206,178**	183,047	**206,178**	183,047
Other operating income				
Net gain from financial assets at fair value through profit or loss:				
- realised	**406**	-	**406**	-
- unrealised	**32**	-	**32**	-
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**414**	-	**414**	-
Net gain from financial assets held for trading:				
- realised	**-**	138	**-**	138
- unrealised	**-**	111	**-**	111
Net gain from sale of financial investments available-for-sale	**-**	169	**-**	169
Net (loss)/ gain from foreign exchange transactions	**(855)**	5,453	**(855)**	5,453
Net loss from hedging activities	**(2,248)**	(1,447)	**(2,248)**	(1,447)
Net gain/(loss) from derivative financial instruments:				
- realised	**76,484**	(24,549)	**76,484**	(24,549)
- unrealised	**(12,908)**	8,913	**(12,908)**	8,913
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss				
- realised	**3**	40	**3**	40
- unrealised	**1,225**	(52)	**1,225**	(52)
	62,553	(11,224)	**62,553**	(11,224)
Fees and commission income	**148,800**	146,932	**151,205**	149,755
Less : Fee and commission expense	**(5,539)**	(10,703)	**(5,539)**	(10,703)
Net fees and commision income	**143,261**	136,229	**145,666**	139,052
Other income:				
- Sundry income	**2,543**	3,701	**2,543**	3,701
	414,535	311,753	**416,940**	314,576

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

38 Expected credit losses/allowance made for impairment losses on financings, advances and other financing/loans

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Expected credit losses/allowances for bad and doubtful debts on financing, advances and other financing/loans at amortised cost:		
- Expected credit losses on financing, advance and other financing/loans	**157,564**	-
- Individual impairment allowance	**-**	9,762
- Portfolio impairment allowance	**-**	124,660
Impaired financing, advances and other financing/loans:		
- recovered	**(53,328)**	(53,105)
- written off	**3,222**	4,445
	107,458	85,762

39 Other expected credit losses/allowances made/(written back) for other impairment losses

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Expected credit losses made/(written back) on:		
- Debt instruments at fair value through other comprehensive income	**547**	-
- Debt instruments at amortised cost	**(176)**	-
- Money at call and deposits and placements with banks and other financial institutions	**165**	-
- Other receivables	**(62)**	1
	474	1

40 Income attributable to depositors and others

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Deposits from customers:				
- Mudharabah	**3,917**	4,258	**3,916**	4,258
- Non-Mudharabah	**2,090,667**	1,716,281	**2,090,667**	1,716,281
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**50,311**	43,250	**50,311**	43,250
Others				
- Financial liabilities designated at fair value	**67**	79	**67**	79
- Subordinated Sukuk	**32,131**	27,359	**32,131**	27,359
- Recourse obligation on loans and financing sold to Cagamas	**84,259**	59,912	**84,259**	59,912
- Sukuk	**13,972**	18,390	**-**	-
- Structured deposits	**550**	852	**550**	852
- Others	**-**	-	**16,428**	20,751
	2,275,874	1,870,381	**2,278,329**	1,872,742

41 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
- Restricted	**350,857**	184,501
- Unrestricted	**87,829**	4,007
	438,686	188,508

42 Personnel costs

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Salaries, allowances and bonuses	**24,122**	24,798
Pension costs (defined contribution plan)	**2,359**	2,782
Staff incentives and other staff payments	**438**	1,119
Medical expenses	**158**	742
Others	**674**	1,379
	27,751	30,820

43 Other overheads and expenditures

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Establishment costs				
Depreciation of property, plant equipment	**3,784**	5,850	**3,784**	5,850
Amortisation of intangible assets	**9,757**	8,068	**9,757**	8,068
Rental	**2,353**	3,010	**2,353**	3,010
Security expenses	**13**	37	**13**	37
Utility expenses	**81**	97	**81**	97
Others	**1,406**	472	**1,406**	472
Marketing expenses				
Advertisement and publicity	**2,475**	4,813	**2,475**	4,813
Others	**1,187**	1,017	**1,187**	1,017
Administration and general expenses				
Consultancy and professional fees	**1,094**	1,637	**1,094**	1,637
Legal expenses	**1,000**	321	**1,000**	321
Stationery	**394**	607	**394**	607
Postages	**2,407**	3,450	**2,407**	3,450
Donation	**4,867**	2,559	**4,867**	2,559
Incidental expenses on banking operations	**4,579**	3,692	**4,579**	3,692
Takaful	**9,522**	8,319	**9,522**	8,319
Others	**12,710**	9,657	**12,503**	9,375
	57,629	53,606	**57,422**	53,324
Shared services costs	**519,837**	457,920	**519,837**	457,920
	577,466	511,526	**577,259**	511,244

43 Other overheads and expenditures (Continued)

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

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Directors remuneration (Note 44)	**6,683**	6,198	**6,683**	6,198
Auditors' remuneration :				
PwC Malaysia (audit):				
- statutory audit	**299**	253	**293**	247
- limited review	**69**	60	**69**	60
- other audit related	**636**	233	**636**	233
PwC Malaysia (non-audit):				
- PwC Malaysia (non-audit)	**38**	28	**38**	28

44 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
Ahmed Baqar Rehman
Jalalullail Othman (appointed on 26 January 2018)

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 2018 RM'000	31 December 2017 RM'000
Executive Director		
- Salary and other remuneration	**2,715**	2,565
- Bonus	**2,323**	2,201
- Benefits-in-kind	**8**	269
Non-Executive Directors		
- Fees	**691**	425
- Other remuneration	**915**	699
- Benefits-in-kind	**31**	39
Shariah Committee members		
- Fees	**708**	808
- Other remuneration	**147**	149
	7,538	7,155

The Director's bonus for the financial year 2018 will be paid in tranches, spread over financial year 2019, while for financial year 2017, it was similarly paid in tranches, spread over financial year 2018. A similar condition is also imposed on the bonus for certain key personnel.

44 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
2018				
Executive Directors				
Mohamed Rafe bin Mohamed Haneef	-	5,038	8	5,046
	-	5,038	8	5,046
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	140	305	31	476
Rosnah binti Dato' Kamarul Zaman	140	195	-	335
Ho Yuet Mee	140	70	-	210
Ahmed Baqar Rehman	140	225	-	365
Jalalullail Othman	131	120	-	251
	691	915	31	1,637
Shariah Committee members				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	-	1	-	1
Sheikh Professor Dr. Mohammad Hashim Kamali	96	5	-	101
Sheikh Dr. Nedham Yaqoobi	202	60	-	262
Sheikh Yang Amat Arif Professor Adjung Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	43	2	-	45
Sheikh Associate Professor Dr. Shafaai bin Musa	96	5	-	101
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	202	70	-	272
Prof Dr Aishath Muneeza	69	4	-	73
	708	147	-	855
	1,399	6,100	39	7,538

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 RM145,059 (2017: RM161,995) respectively.

44 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
	808	149	-	957
	1,233	5,614	308	7,155

45 Taxation and zakat

	The Group	
	31 December 2018	31 December 2017
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**268,741**	202,950
Deferred taxation (Note 13)	**(64,101)**	(4,379)
Overprovision in prior year	**(3,826)**	(27,277)
	200,814	171,294
Zakat	**2,100**	1,250
	202,914	172,544
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,033,223**	812,365
Tax calculated at a rate of 24% (2017: 24%)	**247,974**	194,968
Tax effects:		
- income not subject to tax	**(48,138)**	(92)
- expenses not deductible for tax purposes	**4,804**	3,695
Overprovision in prior year	**(3,826)**	(27,277)
Tax expense	**200,814**	171,294

	The Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**268,741**	202,950
Deferred taxation (Note 13)	**(64,101)**	(4,379)
Overprovision in prior year	**(3,826)**	(27,277)
	200,814	171,294
Zakat	**2,100**	1,250
	202,914	172,544
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,033,380**	813,109
Tax calculated at a rate of 24% (2017: 24%)	**248,011**	195,146
Tax effects:		
- income not subject to tax	**(48,138)**	(92)
- expenses not deductible for tax purposes	**4,767**	3,517
Overprovision in prior year	**(3,826)**	(27,277)
Tax expense	**200,814**	171,294

46 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 RM830,309,000 (2017: RM639,821,000) and RM830,466,000 (2017: RM640,565,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2017: 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.

47 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
Associates and joint venture of CIMB Group Holdings Berhad as disclosed in its financial statements	Associates and joint venture of ultimate holding company
Associates and joint venture of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Associates and joint venture of penultimate holding company
Associates and joint venture of CIMB Bank Berhad as disclosed in its financial statements	Associates and joint venture of immediate holding company
Key management personnel	See below

47 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
2018			
Income			
Fee income	-	2,738	-
Profit income on deposits and placement with banks and other financial institutions	16,731	-	-
Profit income on financing, advances and other financing/loans	-	-	115
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	22,107	10,020	430
Profit expense on deposits from customers	-	1,364	-
Profit expense on Investment accounts due to designated financial institutions	350,857	-	-
Profit expense on subordinated sukuk	14,728	7,994	-
Profit expense on sukuk	-	46,005	-
Shared services costs	506,517	13,321	-
Establishment-Security expenses	-	13	-

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

47 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
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	-

47 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
2018			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	**786,428**	**15,047**	**-**
Financing, advances and other financing/loans	**-**	**-**	**1,958**
Derivatives	**192,630**	**-**	**-**
Others	**216,801**	**-**	**-**
Amounts due to			
Deposit from customers	**-**	**350,700**	**672**
Deposits and placements of banks and other financial institutions	**987,017**	**930**	**-**
Investment accounts due to designated financial institutions	**8,216,809**	**-**	**-**
Subordinated sukuk	**316,136**	**131,300**	**-**
Senior Sukuk	**-**	**-**	**-**
Derivatives	**372,624**	**-**	**-**
Others	**9,980**	**358,265**	**-**
Commitment and contingencies			
Foreign exchange related contracts	**10,779,791**	**-**	**-**
Equity related contracts	**129,201**	**-**	**-**
Profit rate related contracts	**10,746,502**	**-**	**-**
Credit related contract	**20,750**	**-**	**-**

47 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
2017			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	1,034,964	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	-	462,257	-
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	-	-

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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

47 Significant related party transactions and balances (Continued)

(c) Related party expenses transaction by geographical

	31 December 2018 The Group and the Bank		
	Profit Expense	Shared service cost	Others
	RM'000	RM'000	RM'000
Malaysia	453,075	519,838	13

(d) Key management personnel

<u>Key management compensation</u>

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Salaries and other employee benefits	**31,602**	28,219

	The Group and the Bank	
	31 December 2018	31 December 2017
	Unit	Unit
Shares of the ultimate holding company	**695,948**	619,307

Financing to Directors of the Bank amounting to RM1,958,011 (2017: RM Nil). 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 ECL/allowances were required in 2018 and 2017 for financing, advances and other financing/loans made to the key management personnel.

47 Significant related party transactions and balances (Continued)

(e) Credit transactions and exposures with connected parties

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Outstanding credit exposures with connected parties	**2,470,906**	2,210,171
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.4%**	2.5%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 26.8% of the issued capital of the ultimate holding company (2017: 27.3%). 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.

The Group and the Bank have collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- 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.

47 Significant related party transactions and balances (Continued)

(g) 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 RM1,017,981 (2017: RM745,380).

The weighted average fair value of shares awarded under EOP was RM7.07 per ordinary share (2017: RM5.30), 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	
	31 December 2018 Unit '000	31 December 2017 Unit '000
Shares :		
At 1 January	**691**	592
Awarded	**443**	432
Released	**(407)**	(333)
At 31 December	**727**	691

48 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 2018 RM'000	31 December 2017 RM'000
Capital expenditure:		
- authorised and contracted for	**1,593**	1,647
- authorised but not contracted for	**4,085**	3,062
	5,678	4,709

Analysed as follows:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Property, plant and equipment	**3,786**	3,327
Computer software	**1,892**	1,382
	5,678	4,709

49 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 2018 RM'000	31 December 2017 RM'000
Within one year	**804**	1,404
One year to five years	**1,607**	226

50 Segment reporting

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

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

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

(i) Business segment reporting

<u>Definition of segments</u>

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

Commercial Banking

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

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

Consumer Banking

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

50 Segment reporting (Continued)

(i) 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.

50 Segment reporting (Continued)

(i) 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.

50 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2018 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	254,970	1,446,921	(343,009)	158,417	-	1,517,299
- inter-segment	(58,150)	(605,627)	663,643	134	-	-
	196,820	841,294	320,634	158,551	-	1,517,299
Other income	24,512	144,378	53,221	5,125	-	227,236
Operating income	221,332	985,672	373,855	163,676	-	1,744,535
Overhead expenses	(50,077)	(412,296)	(108,097)	(2,303)	(32,444)	(605,217)
Consist of :						
Depreciation of property, plant and equipment	-	(3,677)	(107)	-	-	(3,784)
Amortisation of intangible assets	-	(7,631)	(2,126)	-	-	(9,757)
Profit/(loss) before allowances	171,255	573,376	265,758	161,373	(32,444)	1,139,318
Expected credit losses (made) on financing advances and other financing/loans	19,188	(112,721)	(13,925)	-	-	(107,458)
Expected credit losses (made)/written-back for commitments and contingencies	7,687	(12,304)	6,454	-	-	1,837
Other expected credit losses (made)/written-back	-	-	85	(621)	62	(474)
Segment results	198,130	448,351	258,372	160,752	(32,382)	1,033,223
Taxation and zakat						(202,914)
Net profit for the financial year						830,309
Segment assets	6,972,334	44,317,033	41,039,221	4,218,961	-	96,547,549
Unallocated assets						966,454
Total assets						97,514,003
Segment liabilities	4,706,385	28,782,397	57,027,228	994,899	-	91,510,909
Unallocated liabilities						488,618
Total liabilities						91,999,527
Other segment items						
Capital expenditure	-	2,216	494	-	-	2,710

50 Segment reporting (Continued)

(i) 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						(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

50 Segment reporting (Continued)

(i) Business segment reporting (Continued)

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.

(ii) Geographic segment reporting

	31 December 2018				
	Profit Income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
Malaysia	**1,517,299**	**2,756**	**97,514,003**	**91,999,527**	**2,710**

	31 December 2017				
	Profit Income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
Malaysia	1,213,275	6,031	85,277,458	80,482,452	8,636

51 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 Executive 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") Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 2 February 2018. The revised guideline took effect on 1 January 2018 and 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), of which the latest revision was issued on 2 February 2018.

51 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 2018. 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 2018	31 December 2017	**31 December 2018**	31 December 2017
Common equity tier 1 ratio	**13.502%**	13.283%	**13.505%**	13.286%
Tier 1 ratio	**14.024%**	13.890%	**14.026%**	13.892%
Total capital ratio	**16.191%**	16.289%	**16.194%**	16.291%

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

	The Group		**The Bank**	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Credit risk	**30,912,773**	27,492,145	**30,912,888**	27,492,260
Market risk	**452,745**	629,312	**452,745**	629,312
Operational risk	**2,742,472**	2,371,656	**2,742,729**	2,371,944
Total risk-weighted assets	**34,107,990**	30,493,113	**34,108,362**	30,493,516

51 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 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Common Equity Tier I capital				
Ordinary shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**4,294,476**	3,575,006	**4,295,342**	3,575,715
Common Equity Tier I capital before regulatory adjustments	**5,294,476**	4,575,006	**5,295,342**	4,575,715
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(71,330)**	(78,777)	**(71,330)**	(78,777)
Deferred tax assets	**(77,454)**	(18,110)	**(77,454)**	(18,110)
Regulatory reserve	**(404,378)**	(291,601)	**(404,378)**	(291,600)
Common Equity Tier I capital after regulatory adjustments	**4,605,314**	4,050,518	**4,606,180**	4,051,228
Additional Tier I capital				
Perpetual preference shares	**178,000**	185,000	**178,000**	185,000
Additional Tier I capital before regulatory adjustments	**178,000**	185,000	**178,000**	185,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier I capital after regulatory adjustments	**178,000**	185,000	**178,000**	185,000
Total Tier I capital	**4,783,314**	4,235,518	**4,784,180**	4,236,228
Tier II capital				
Subordinated notes	**610,000**	610,000	**610,000**	610,000
Surplus eligible provisions over expected loss	**67,113**	40,693	**67,111**	40,691
General provisions ^	**62,110**	80,753	**62,111**	80,754
Total Tier II capital	**739,223**	731,446	**739,222**	731,445
Total capital	**5,522,537**	4,966,964	**5,523,402**	4,967,673

51 Capital adequacy (Continued)

^ Total capital of the Group and the Bank as at 31 December 2018 have excluded general provision/portfolio impairment allowance on impaired financings restricted from Tier II capital of RM13.6 million (2017: RM14.4 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 2018, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM6,907,549,000 (2017: RM6,123,712,000).

52 Significant event during the financial year

On 31 December 2018, the Bank has redeemed its RM1.0 million Sukuk Wakalah as disclosed in Note 29 (b).

53 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) Expected credit loss allowance on financial assets at amortised cost and FVOCI

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

Refer to Section 55.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

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

(b) 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 20 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.

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

(c) 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 55.4.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies

Set out below are disclosures relating the impact of the adoption of MFRS 9 of the Group and the Bank. Further details of the specific MFRS 9 accounting policies applied in current financial year are described in more detail in section E,F,G, I,N and U of the Summary of Significant Accounting Policies.

(i) The measurement category and carrying amount of the Group's and the Bank's financial assets and financial liabilities on 1 January 2018 is as follows:

			The Group As at 1 January 2018		The Bank As at 1 January 2018	
	Original measurement category under MFRS 139	**New measurement category under MFRS 9**	**Original measurement category under MFRS 139**	**New classification and measurement category under MFRS 9**	**Original measurement category under MFRS 139**	**New classification and measurement category under MFRS 9**
Financial assets			**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	**Financing and receivables**	**Amortised cost**	**14,282,896**	**14,282,896**	**14,282,850**	**14,282,850**
Deposits and placements with banks and other financial institutions	**Financing and receivables**	**Amortised cost**	**530,017**	**530,002**	**530,017**	**530,002**
Financial assets held for trading	**FVTPL**	**FVTPL**	**3,225,138**	**3,225,138**	**3,225,138**	**3,225,138**
Islamic derivative financial instruments	**FVTPL**	**FVTPL**	**634,306**	**634,306**	**634,306**	**634,306**
Investment securities - debt instruments	**Available-for-sale**	**FVOCI**	**1,623,082**	**1,623,082**	**1,623,082**	**1,623,082**
Investment securities - equity instruments	**Available-for-sale**	**FVOCI**	**575**	**575**	**575**	**575**
Investment securities - debt instruments	**Available-for-sale**	**Amortised cost**	**299,940**	**308,123**	**299,940**	**308,123**
Investment securities - debt instruments	**Held to maturity**	**Amortised cost**	**4,425,054**	**4,424,671**	**4,425,054**	**4,424,671**
Investment securities - debt instruments	**Held to maturity**	**FVOCI**	**307,335**	**310,163**	**307,335**	**310,163**
Financing, advances and other financing/loans	**Financing and receivables**	**Amortised cost**	**57,061,010**	**56,962,235**	**57,061,010**	**56,962,235**
Financing, advances and other financing/loans	**Financing and receivables**	**FVTPL**	**490,398**	**490,398**	**490,398**	**490,398**
Other assets	**Financing and receivables**	**Amortised cost**	**604,089**	**604,089**	**604,089**	**604,089**
Amount due from related companies	**Financing and receivables**	**Amortised cost**	**414**	**414**	**414**	**414**

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(i) The measurement category and carrying amount of the Group's and the Bank's financial assets and financial liabilities on 1 January 2018 is as follows (Continued):

			The Group As at 1 January 2018		The Bank As at 1 January 2018	
	Original measurement category under MFRS 139	**New measurement category under MFRS 9**	**Original measurement category under MFRS 139**	**New classification and measurement category under MFRS 9**	**Original measurement category under MFRS 139**	**New classification and measurement category under MFRS 9**
Financial liabilities			**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deposits from customers	**Amortised cost**	**Amortised cost**	**64,728,979**	**64,728,979**	**64,910,083**	**64,910,083**
Investment accounts of customers	**Amortised cost**	**Amortised cost**	**907,763**	**907,763**	**907,763**	**907,763**
Deposits and placements of banks and other financial institutions	**Amortised cost**	**Amortised cost**	**2,160,415**	**2,160,415**	**2,160,415**	**2,160,415**
Investment accounts due to designated financial institutions	**Amortised cost**	**Amortised cost**	**8,145,684**	**8,145,684**	**8,145,684**	**8,145,684**
Financial liabilities designated at fair value through profit or loss	**FVTPL (designated)**	**FVTPL (designated)**	**2,233**	**2,233**	**2,233**	**2,233**
Islamic derivative financial instruments	**FVTPL**	**FVTPL**	**692,759**	**692,759**	**692,759**	**692,759**
Other liabilities	**Amortised cost**	**Amortised cost**	**616,505**	**683,438**	**896,914**	**963,847**
Recourse obligation on loans and financing sold to Cagamas	**Amortised cost**	**Amortised cost**	**2,072,300**	**2,072,300**	**2,072,300**	**2,072,300**
Sukuk	**Amortised cost**	**Amortised cost**	**463,257**	**463,257**	**1,000**	**1,000**
Subordinated Sukuk	**Amortised cost**	**Amortised cost**	**615,006**	**615,006**	**615,006**	**615,006**
Amount due to holding company	**Amortised cost**	**Amortised cost**	**20,588**	**20,588**	**20,588**	**20,588**
Amount due to related companies	**Amortised cost**	**Amortised cost**	**813**	**813**	**813**	**813**

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018:

		The Group				
		Audited as at	Effects of adopting MFRS 9			Adjusted
	Note	31 December 2017	Remeasurement	Reclassification	Total	1 January 2018
		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	(a)	530,017	(15)	-	(15)	530,002
Financial assets at fair value through profit or loss	(b)	-		3,225,138	3,225,138	3,225,138
Debt instruments at fair value through other comprehensive income	(c)	-	2,828	1,930,417	1,933,245	1,933,245
Equity instruments at fair value through other comprehensive income	(d)	-	-	575	575	575
Debt instruments at amortised cost	(e)	-	7,800	4,724,994	4,732,794	4,732,794
Financial assets held for trading	(f)	3,225,138	-	(3,225,138)	(3,225,138)	-
Islamic derivative financial instruments		634,306	-	-	-	634,306
Financial investments available-for-sale	(g)	1,923,597	-	(1,923,597)	(1,923,597)	-
Financial investments held-to-maturity	(h)	4,732,389	-	(4,732,389)	(4,732,389)	-
Financing, advances and other financing/loans	(i)	57,551,408	(98,775)	-	(98,775)	57,452,633
Other assets		604,089	-	-	-	604,089
Deferred taxation	(j)	17,795	(2,643)	-	(2,643)	15,152
Amount due from related companies		414	-	-	-	414
Statutory deposits with Bank Negara Malaysia		1,554,286	-	-	-	1,554,286
Investment in subsidiaries		-	-	-	-	-
Property, plant and equipment		6,031	-	-	-	6,031
Goodwill		136,000	-	-	-	136,000
Intangible assets		79,092	-	-	-	79,092
		85,277,458	(90,805)	-	(90,805)	85,186,653
TOTAL ASSETS		85,277,458	(90,805)	-	(90,805)	85,186,653

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018 (Continued):

		The Group				
	Note	Audited as at 31 December 2017	Effects of adopting MFRS 9 Remeasurement	Reclassification	Total	Adjusted 1 January 2018
		RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities						
Deposits from customers		64,728,979	-	-	-	64,728,979
Investment accounts of customers		907,763	-	-	-	907,763
Deposits and placements of banks and other financial institutions		2,160,415	-	-	-	2,160,415
Investment accounts due to designated financial institutions		8,145,684	-	-	-	8,145,684
Financial liabilities designated at fair value through profit and loss		2,233	-	-	-	2,233
Islamic derivative financial instruments		692,759	-	-	-	692,759
Amount due to holding company		20,588	-	-	-	20,588
Amount due to related companies		813	-	-	-	813
Other liabilities	(k)	616,505	66,931	-	66,931	683,436
Recourse obligation on loans and financing sold to Cagamas		2,072,300	-	-	-	2,072,300
Provision for taxation	(l)	56,150	(40,017)	-	(40,017)	16,133
Sukuk		463,257	-	-	-	463,257
Subordinated sukuk		615,006	-	-	-	615,006
		80,482,452	26,914	-	26,914	80,509,366
Total liabilities		80,482,452	26,914	-	26,914	80,509,366
Equity						
Ordinary share capital		1,000,000	-	-	-	1,000,000
Reserves	(m)-(p)	3,575,006	(117,719)	-	(117,719)	3,457,287
		4,575,006	(117,719)	-	(117,719)	4,457,287
Perpetual preference shares		220,000	-	-	-	220,000
TOTAL EQUITY		4,795,006	(117,719)	-	(117,719)	4,677,287
TOTAL EQUITY AND LIABILITIES		85,277,458	(90,805)	-	(90,805)	85,186,653

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018 (Continued):

		The Bank				
	Note	Audited as at 31 December 2017 RM'000	Effects of adopting MFRS 9 Remeasurement RM'000	Reclassification RM'000	Total RM'000	Adjusted 1 January 2018 RM'000
Assets						
Cash and short-term funds		14,282,850	-	-	-	14,282,850
Deposits and placements with banks and other financial institutions	(a)	530,017	(15)	-	(15)	530,002
Financial assets at fair value through profit or loss	(b)	-	-	3,225,138	3,225,138	3,225,138
Debt instruments at fair value through other comprehensive income	(c)	-	2,828	1,930,417	1,933,245	1,933,245
Equity instruments at fair value through other comprehensive income	(d)	-	-	575	575	575
Debt instruments at amortised cost	(e)	-	7,800	4,724,994	4,732,794	4,732,794
Financial assets held for trading	(f)	3,225,138	-	(3,225,138)	(3,225,138)	-
Islamic derivative financial instruments		634,306	-	-	-	634,306
Financial investments available-for-sale	(g)	1,923,597	-	(1,923,597)	(1,923,597)	-
Financial investments held-to-maturity	(h)	4,732,389	-	(4,732,389)	(4,732,389)	-
Financing, advances and other financing/loans	(i)	57,551,408	(98,775)	-	(98,775)	57,452,633
Other assets		604,089	-	-	-	604,089
Deferred taxation	(j)	17,795	(2,643)	-	(2,643)	15,152
Amount due from related companies		414	-	-	-	414
Statutory deposits with Bank Negara Malaysia		1,554,286	-	-	-	1,554,286
Investment in subsidiaries		11	-	-	-	11
Property, plant and equipment		6,031	-	-	-	6,031
Goodwill		136,000	-	-	-	136,000
Intangible assets		79,092	-	-	-	79,092
		85,277,423	(90,805)	-	(90,805)	85,186,618
TOTAL ASSETS		85,277,423	(90,805)	-	(90,805)	85,186,618

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018 (Continued):

		The Bank				
		Audited as at	Effects of adopting MFRS 9			Adjusted
	Note	31 December 2017	Remeasurement	Reclassification	Total	1 January 2018
		RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities						
Deposits from customers		64,910,083	-	-	-	64,910,083
Investment accounts of customers		907,763	-	-	-	907,763
Deposits and placements of banks and other financial institutions		2,160,415	-	-	-	2,160,415
Investment accounts due to designated financial institutions		8,145,684	-	-	-	8,145,684
Financial liabilities designated at fair value through profit and loss		2,233	-	-	-	2,233
Islamic derivative financial instruments		692,759	-	-	-	692,759
Amount due to holding company		20,588	-	-	-	20,588
Amount due to related companies		813	-	-	-	813
Other liabilities	(k)	896,914	66,931	-	66,931	963,845
Recourse obligation on loans and financing sold to Cagamas		2,072,300	-	-	-	2,072,300
Provision for taxation	(l)	56,150	(40,017)	-	(40,017)	16,133
Sukuk		1,000	-	-	-	1,000
Subordinated sukuk		615,006	-	-	-	615,006
		80,481,708	26,914	-	26,914	80,508,622
Total liabilities		80,481,708	26,914	-	26,914	80,508,622
Equity						
Ordinary share capital		1,000,000	-	-	-	1,000,000
Reserves	(m)-(p)	3,575,715	(117,719)	-	(117,719)	3,457,996
		4,575,715	(117,719)	-	(117,719)	4,457,996
Perpetual preference shares		220,000	-	-	-	220,000
TOTAL EQUITY		4,795,715	(117,719)	-	(117,719)	4,677,996
TOTAL EQUITY AND LIABILITIES		85,277,423	(90,805)	-	(90,805)	85,186,618

54 Change in accounting policies (Continued)

(iii) Impact on the Group's and the Bank's Statement of Changes in Equity as at 31 December 2017 and 1 January 2018:

	The Group				
	Audited as at	Effects of adopting MFRS 9			Adjusted
	31 December 2017	Remeasurement	Reclassification	Total	1 January 2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Retained profits	3,305,512	(81,022)	-	(81,022)	3,224,490
Fair value reserve -					
Debt instruments at fair value					
through other comprehensive income	-	2,719	(14,654)	(11,935)	(11,935)
Revaluation reserve -					
financial investment available-for-sale	(20,873)	6,219	14,654	20,873	-
Regulatory reserve	291,600	(45,635)	-	(45,635)	245,965
	3,576,239	(117,719)	-	(117,719)	3,458,520

	The Bank				
	Audited as at	Effects of adopting MFRS 9			Adjusted
	31 December 2017	Remeasurement	Reclassification	Total	1 January 2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Retained profits	3,306,221	(81,022)	-	(81,022)	3,225,199
Fair value reserve -					
Debt instruments at fair value					
through other comprehensive income	-	2,719	(14,654)	(11,935)	(11,935)
Revaluation reserve -					
financial investment available-for-sale	(20,873)	6,219	14,654	20,873	-
Regulatory reserve	291,600	(45,635)	-	(45,635)	245,965
	3,576,948	(117,719)	-	(117,719)	3,459,229

54 Change in accounting policies (Continued)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018:

	Impact of adoption of MFRS 9 as at 1 January 2018	
	The Group	The Bank
	RM'000	RM'000
(a) Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 31 December 2017	530,017	530,017
- recognition of expected credit losses under MFRS 9	(15)	(15)
Opening balance under MFRS 9 as at 1 January 2018	530,002	530,002
(b) Financial assets at fair value through profit or loss		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial assets held for trading	3,225,138	3,225,138
Opening balance under MFRS 9 as at 1 January 2018	3,225,138	3,225,138
(c) Debt instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	1,623,082	1,623,082
- reclassification from financial investments held-to-maturity	307,335	307,335
- unrealised gain on debt instruments at fair value through other comprehensive income	2,828	2,828
Opening balance under MFRS 9 as at 1 January 2018	1,933,245	1,933,245
(d) Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	575	575
Opening balance under MFRS 9 as at 1 January 2018	575	575
(e) Debt instruments at amortised cost		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments held-to-maturity	4,425,054	4,425,054
- reclassification from financial investments available-for-sale	299,940	299,940
- remeasurement of debt instruments at amortised cost	8,183	8,183
- recognition of expected credit losses under MFRS 9	(383)	(383)
Opening balance under MFRS 9 as at 1 January 2018	4,732,794	4,732,794

54 Change in accounting policies (Continued)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018 (Continued):

	Impact of adoption of MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Bank RM'000**
(f) Financial assets held for trading		
Closing balance under MFRS 139 as at 31 December 2017	3,225,138	3,225,138
- reclassification to financial assets at fair value through profit or loss	(3,225,138)	(3,225,138)
Opening balance under MFRS 9 as at 1 January 2018	-	-
(g) Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	1,923,597	1,923,597
- reclassification to debt instruments at fair value through other comprehensive income	(1,623,082)	(1,623,082)
- reclassification to debt instruments at amortised cost	(299,940)	(299,940)
- reclassification to equity instruments at fair value through other comprehensive income	(575)	(575)
Opening balance under MFRS 9 as at 1 January 2018	-	-
(h) Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 December 2017	4,732,389	4,732,389
- reclassification to debt instruments at amortised cost	(4,425,054)	(4,425,054)
- reclassification to debt instruments at fair value through other comprehensive income	(307,335)	(307,335)
Opening balance under MFRS 9 as at 1 January 2018	-	-
(i) Financing, advances and other financing/loans		
Closing balance under MFRS 139 as at 31 December 2017 - At amortised cost	57,551,408	57,551,408
- reclassification to loans, advances and financing at fair value through profit or loss	(490,398)	(490,398)
- recognition of expected credit losses under MFRS 9	(98,775)	(98,775)
Opening balance under MFRS 9 as at 1 January 2018	56,962,235	56,962,235
Closing balance under MFRS 139 as at 31 December 2017 - At fair value through profit or loss	-	-
- reclassification from loans, advances and financing at amortised cost	490,398	490,398
Opening balance under MFRS 9 as at 1 January 2018	490,398	490,398
Total financing, advances and other financing/loans under MFRS 9 as at 1 January 2018	57,452,633	57,452,633
(j) Deferred tax assets		
Closing balance under MFRS 139 as at 31 December 2017	17,795	17,795
- Tax effect arising from MFRS 9	(2,643)	(2,643)
Opening balance under MFRS 9 as at 1 January 2018	15,152	15,152
(k) Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017	616,505	896,914
- recognition of expected credit losses under MFRS 9	66,931	66,931
Opening balance under MFRS 9 as at 1 January 2018	683,436	963,845

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

54 Change in accounting policies (Continued)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018 (Continued):

		Impact of adoption of MFRS 9 as at 1 January 2018	
		The Group	The Bank
		RM'000	RM'000
(l)	**Provision for taxation**		
	Closing balance under MFRS 139 as at 31 December 2017	56,150	56,150
	- Tax effect arising from MFRS 9	(40,017)	(40,017)
	Opening balance under MFRS9 as at 1 January 2018	16,133	16,133
(m)	**Retained profits**		
	Closing balance under MFRS 139 as at 31 December 2017	3,305,512	3,306,221
	- Transfer from regulatory reserve	45,635	45,635
	- Recognition of expected credit losses under MFRS 9	(166,674)	(166,674)
	- Tax effect arising from MFRS 9	40,017	40,017
		3,224,490	3,225,199
(n)	**Revaluation reserve - financial investment available-for-sale**		
	Closing balance under MFRS 139 as at 31 December 2017	(20,873)	(20,873)
	- Revaluation loss transferred to fair value reserve - debt instruments at fair value through other comprehensive income	19,282	19,282
	- remeasurement of debt instruments at amortised cost	8,183	8,183
	- Tax effect arising from MFRS 9	(6,592)	(6,592)
		-	-
(o)	**Fair value reserve - Debt instruments at fair value through other comprehensive income**		
	Closing balance under MFRS 139 as at 31 December 2017	-	-
	- Revaluation loss transferred from revaluation reserve - financial investment available-for-sale	(19,282)	(19,282)
	- Unrealised gain on debt instruments at fair value through other comprehensive income	2,828	2,828
	- Recognition of expected credit losses under MFRS 9	570	570
	- Tax effect arising from MFRS 9	3,949	3,949
		(11,935)	(11,935)
(p)	**Regulatory reserve**		
	Closing balance under MFRS 139 as at 31 December 2017	291,600	291,600
	- Transfer to retained profits	(45,635)	(45,635)
		245,965	245,965

54 Change in accounting policies (Continued)

(v) The following table reconciles the opening expected credit losses for the Group and the Bank in accordance with MFRS 9 as at 1 January 2018:

	The Group and the Bank			
	MFRS 139/ MFRS 137 balance as at 31 December 2017 RM'000	**Reclassification RM'000**	**Remeasurement RM'000**	**MFRS 9 balance as at 1 January 2018 RM'000**
Impairment allowance on:				
Financing, advances and other financing/loans - at amortised cost	**294,025**	**-**	**98,775**	**392,800**
Deposits and placement with bank and other financial institutions	**-**	**-**	**15**	**15**
Financial investments available-for-sale (MFRS139)/ debt instruments at fair value through other comprehensive income (MFRS 9)	**-**	**-**	**570**	**570**
Financial investments held-to-maturity (MFRS139)/ debt instruments at amortised cost (MFRS 9)	**-**	**-**	**383**	**383**
Financing commitments and financial guarantees	**-**	**-**	**66,931**	**66,931**
Total	**294,025**	**-**	**166,674**	**460,699**

55 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.

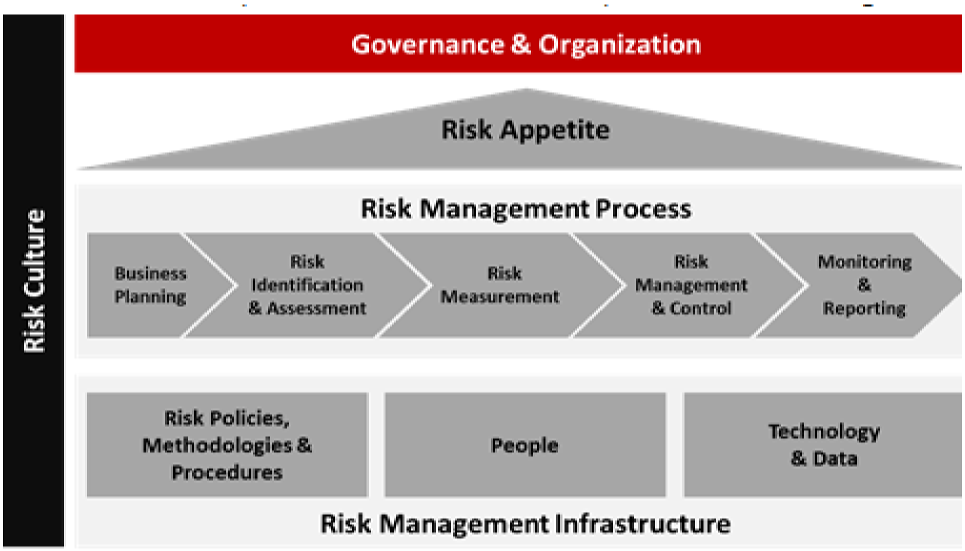
Generally, the objectives of the CIMB Group's risk management activities are to:

- 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 sound risk management framework.

(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:



55 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) **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.

b) **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.

c) **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.

d) **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 policies, methodologies/standards and procedures/process guides.

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

55 Financial Risk Management (Continued)

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

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

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

- Risk Monitoring and Reporting: 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.

e) **Risk Management Infrastructure**

- Risk Policies, Methodologies/Standards and Procedures/Process Guides: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies, Procedures/Process Guides provide more detailed guidance to assist with the implementation of policies.

- 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.

55 Financial Risk Management (Continued)

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's Risk Appetite corresponding to its business strategies. Each Board Risk and Compliance Committee ("BRCC") 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 BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRCC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee ("GRCC").

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 GRCC, comprised of senior management of the Group and reports directly to the BRCC. 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 GRCC 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:

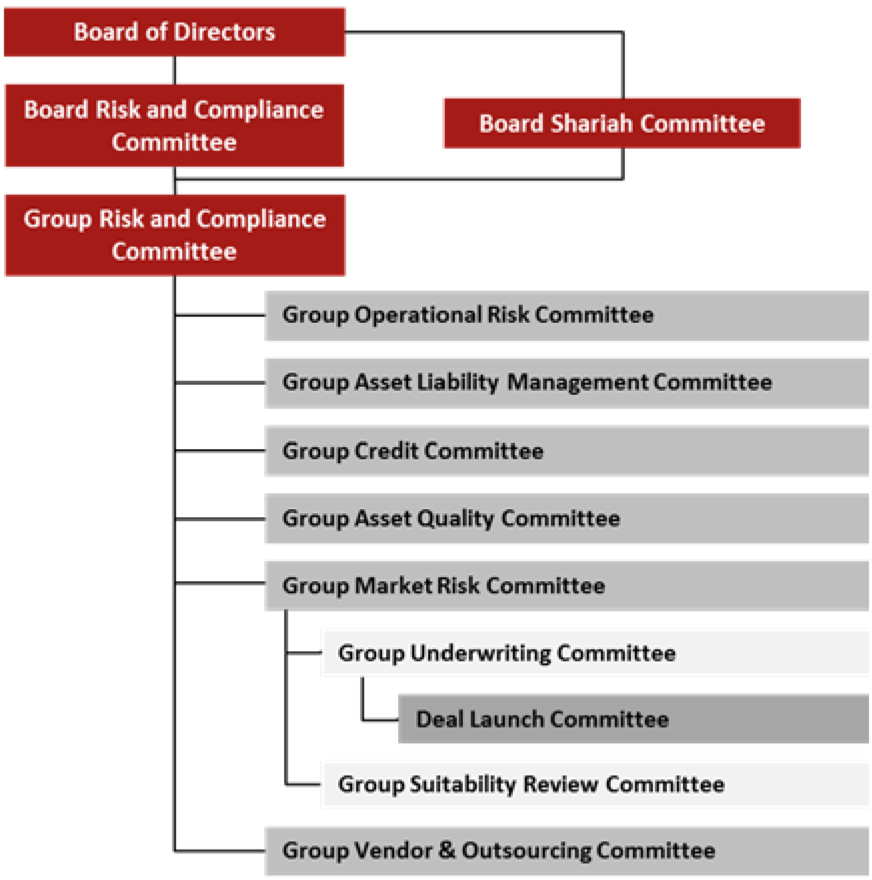
- Market risk, arising from fluctuations in the value of the trading; or investment exposure resulting from movements in market risk factors such as rates of returns, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- Credit risk, arising from the possibility of losses due to an obligor, market counterparty or an 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;

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

- 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 Securities Commission ("SC"), Board Shariah Committee ("BSC") of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

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



55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

Three-Lines of Defence

The Group's risk management culture is embodied through the adoption of the Three-Lines of Defence philosophy whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, line management (including key business pillars and enablers) 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 and performs independent monitoring of business activities and reporting to management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with 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 GRD, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

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.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

b) maintains an oversight on risk management functions across all entities within the Group. In each key country of 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 organisational structure of GRD is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE")

a) CRO

(i) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
(ii) The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

b) Risk Centres of Excellence

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
(ii) The Risk CoEs consist of Risk Analytics & Infrastructure, Market Risk, Operational Risk (including Shariah Risk Management), Asset Liability Management and Credit Risk CoEs.

- Risk Analytics & Infrastructure CoE

The Risk Analytics & Infrastructure CoE designs framework, validate credit risk models and tools and implements standardised infrastructure for risk management across the Group.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

- 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.

- 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 and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

In October 2018, Shariah Risk Management ("SRM") CoE has been integrated with the Operational Risk CoE. The SRM unit facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

- 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.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

- 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/standards and procedures/process guides, credit risk models, underwriting and portfolio analytics.

In addition to the above Risk CoE, there is also Group Data Governance CoE within the Group Risk that formulates the Data Governance and Data Management framework, policy and procedures. It ensures standardisation and consistency of data management structure, methodology and data governance model across the Group and for country adoption.

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 are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

55 Financial Risk Management (Continued)

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

55.1 Credit Risk

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

Credit risk 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 derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfill their obligation on transactions on or before settlement date.

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

55 Financial Risk Management (Continued)

55.1 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 and policy. It is also responsible for articulating key credit risks and its mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

55 Financial Risk Management (Continued)

55.1 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. 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 BRCC. Asset quality is closely monitored 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.

55 Financial Risk Management (Continued)

55.1 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 are 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.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

iii) Netting

In mitigating the credit risks in foreign exchange and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

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

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that does not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

<u>Retail</u>
A retail financing, advances and other financing/loans is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period;
- Margin call commenced (applicable to share purchase financing only).

<u>Non-retail</u>
The stage allocation will be performed at customer level. A customer is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;

<u>Treasury</u>
A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularalised within the stipulated period (applicable to option premium financing only).

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(i) Significant increase in credit risk ('SICR') (Continued)

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

<u>Financing, advances and other financing/loans</u>
The Group classified a financing, advances and other financing/loans as impaired when it meets one or more of the following criteria:

- The principal or profit or both of the financing, advances and other financing/loans is past due for more than 3 months. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 3 months. For the purpose of ascertaining the period in arrears:
  1. Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
  2. Where a moratorium on financing, advances and other financing/loans repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
  3. Where repayments are scheduled on interval of 3 months or longer, the financing, advances and other financing/loans is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading framework.
- Any financing that exhibits weaknesses in accordance with the Group's internal credit risk rating of 14 and above shall be classified as impaired upon approval by the relevant approving authority.
- The financing, advances and other financing/loans is forced impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor etc. In the event where a financing, advances and other financing/loans is not in default or past due but force impaired, the financing shall be classified as impaired upon approval by Group Asset Quality Committee.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

- Restructuring and rescheduling of a financing, advances and other financing/loans facility involves any modification made to the original repayment terms and conditions of the financing facility following an increase in the credit risk of a obligor/counterparty.
- When an obligor/counterparty has multiple financing, advances and other financing/loans with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual financing level instead of consolidated obligor/counterparty level.
- The financing, advances and other financing/loans is classified as rescheduled and restructured in CCRIS.

<u>Sukuk and other debt instruments measured at amortised cost or FVOCI</u>
The financial instruments are classified as impaired when it meets one or more of the followring criteria:

- Sukuk that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded / classified with the appropriate regulatory financing grading(s).
- Sukuk which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple financing, advances and other financing/loans/sukuk with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual financing, advances and other financing/loans/sukuk level instead of consolidated obligor/counterparty level.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default

Financing, advances and other financing/loans
The Group defines a financial instrument as in default when it meets one or more of the following criteria:
- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off / charged-off accounts;
- Repossessed accounts (applicable for Hire Purchase Financings only);
- Force disposed accounts (applicable for non-voluntary ASB financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for financing, advances and other financing/loans.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Sukuk and other debt instruments measured at amortised cost or FVOCI
The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:
- Failure to make principal and/or profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iv) Measuring ECL - inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the customer.

<u>Probability of Default</u>
The PD represents the likelihood of a customer will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the application of survival probabilities up to maturity of the financing facility.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(v) Measuring ECL - inputs, assumptions and estimation techniques (continued)

Exposure at Default
EAD is the total value that the Group is exposed to at the time the customer defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment financings, this is based on the contractual repayments owed by the customer over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current disbursed balance and adding a "credit conversion factor" which allows for the expected disbursement of the remaining limit by the time of default.

Loss Given Default
LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different customers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(vi) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The other possible scenarios and scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Bank have also identified the key economic variables and carried out sensitivity assessment of ECL for financing, advances and other financing/loans in relation to the changes in these key economic variables whilst keeping other variables unchanged. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Bank.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(vii) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modelling team.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a financing, advances and other financing/loans or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such financing, advances and other financing/loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group may write-off financing, advances and other financing/loans or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was RM111,949,000.

Modification of financing, advances and other financing/loans

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financings to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the financing.
- Significant extension of the financing term when the customer is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the financing.

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Modification of financing, advances and other financing/loans (Continued)

The risk of default of such financings after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original financings. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undisbursed 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.

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.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

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

55.1.1 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 2018	**31 December 2017**
	RM'000	**RM'000**
Financial guarantees	**241,618**	214,273
Credit related commitments and contingencies	**11,245,584**	12,510,992
	11,487,202	12,725,265

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 51.5% (2017: 48.7%) while the financial effect of collateral for derivatives for the Group and the Bank is 44.4% (2017: 79.1%). The financial effects of collateral held for the remaining financial assets are insignificant.

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 that are credit impaired as at 31 December 2018 for the Group and the Bank is 90.8%.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.2 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 2018						
Financial assets						
Derivative assets	**564,384**	**-**	**564,384**	**(248,353)**	**(1,980)**	**314,051**
Share purchase financing	**207**	**-**	**207**	**-**	**(45)**	**162**
Total	**564,591**	**-**	**564,591**	**(248,353)**	**(2,025)**	**314,213**
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

(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 2018						
Financial liabilities						
Derivative liabilities	**598,975**	**-**	**598,975**	**(247,119)**	**(179,995)**	**171,861**
Total	**598,975**	**-**	**598,975**	**(247,119)**	**(179,995)**	**171,861**
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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 are as follows:

	The Group 31 December 2018						
	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	10,216,040	2,072	21,604	30,619	5,799	164,360	10,440,494
Deposits and placements with banks and other financial institutions	483,685	-	-	-	-	-	483,685
Financial assets at fair value through profit or loss	2,925,344	-	-	-	-	-	2,925,344
Debt instruments at fair value through other comprehensive income	2,680,242	-	61,131	-	-	15,174	2,756,547
Debt instruments at amortised cost	6,544,723	-	-	-	-	-	6,544,723
Islamic derivative financial instruments	458,286	-	-	-	-	106,098	564,384
Financing, advances and other financing/loans	70,618,727	-	-	-	-	-	70,618,727
Other assets	345,309	177	2,111	-	-	1,751	349,348
Amount due from holding company	90,731	-	-	-	-	-	90,731
Amount due from related companies	620	-	-	-	-	-	620
Financial guarantees	241,618	-	-	-	-	-	241,618
Credit related commitments and contingencies	11,182,273	10,264	26,302	-	3,533	23,212	11,245,584
Total credit exposures	105,787,598	12,513	111,148	30,619	9,332	310,595	106,261,805

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 are as follows: (Continued)

	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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 are as follows: (Continued)

	The Bank 31 December 2018						
	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	10,215,994	2,072	21,604	30,619	5,799	164,360	10,440,448
Deposits and placements with banks and other financial institutions	483,685	-	-	-	-	-	483,685
Financial assets at fair value through profit or loss	2,925,344	-	-	-	-	-	2,925,344
Debt instruments at fair value through other comprehensive income	2,680,242	-	61,131	-	-	15,174	2,756,547
Debt instruments at amortised cost	6,544,723	-	-	-	-	-	6,544,723
Islamic derivative financial instruments	458,286	-	-	-	-	106,098	564,384
Financing, advances and other financing/loans	70,618,727	-	-	-	-	-	70,618,727
Other assets	345,309	177	2,111	-	-	1,751	349,348
Amount due from holding company	90,731	-	-	-	-	-	90,731
Amount due from related companies	620	-	-	-	-	-	620
Financial guarantees	241,618	-	-	-	-	-	241,618
Credit related commitments and contingencies	11,182,273	10,264	26,302	-	3,533	23,212	11,245,584
Total credit exposures	105,787,552	12,513	111,148	30,619	9,332	310,595	106,261,759

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 are as follows: (Continued)

	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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows:

The Group
31 December 2018

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost 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	-	-	-	66,143	-	1,146	-	2,172,721	2,240,010
Mining and quarrying	-	-	-	56,191	-	-	-	1,569,307	1,625,498
Manufacturing	-	-	-	-	-	1,657	-	2,465,878	2,467,535
Electricity, gas and water supply	-	-	-	149,890	195,652	40	-	95,722	441,304
Construction	-	-	5,047	263,306	85,419	2,415	-	2,587,067	2,943,254
Transport, storage and communications	-	-	10,091	330,833	616,621	3	-	3,675,987	4,633,535
Education, health and others	-	-	-	-	-	-	-	5,941,297	5,941,297
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	2,182,808	2,182,808
Finance, takaful, real estate and business activities	10,440,494	483,685	2,803,984	816,422	2,798,528	384,131	440,699	8,000,166	26,168,109
Others									
Household	-	-	-	-	-	-	-	41,864,107	41,864,107
Others	-	-	106,222	1,073,762	2,848,503	174,992	-	63,667	4,267,146
	10,440,494	483,685	2,925,344	2,756,547	6,544,723	564,384	440,699	70,618,727	94,774,603

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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows: (Continued)

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	-	-	-	-	-	-	-	7,645,344	7,645,344
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,240,340	1,240,340
Finance, takaful, real estate and business activities	14,282,896	530,017	2,861,385	553,661	1,579,035	512,077	301,114	6,602,826	27,223,011
Others									
Household	-	-	-	-	-	-	-	33,048,542	33,048,542
Others	-	-	363,753	471,456	2,123,226	119,036	-	55,612	3,133,083
	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.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2018

	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	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	-	-	-	66,143	-	1,146	-	2,172,721	2,240,010
Mining and quarrying	-	-	-	56,191	-	-	-	1,569,307	1,625,498
Manufacturing	-	-	-	-	-	1,657	-	2,465,878	2,467,535
Electricity, gas and water supply	-	-	-	149,890	195,652	40	-	95,722	441,304
Construction	-	-	5,047	263,306	85,419	2,415	-	2,587,067	2,943,254
Transport, storage and communications	-	-	10,091	330,833	616,621	3	-	3,675,987	4,633,535
Education, health and others	-	-	-	-	-	-	-	5,941,297	5,941,297
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	2,182,808	2,182,808
Finance, takaful, real estate and business activities	10,440,448	483,685	2,803,984	816,422	2,798,528	384,131	440,699	8,000,166	26,168,063
Others									
Household	-	-	-	-	-	-	-	41,864,107	41,864,107
Others	-	-	106,222	1,073,762	2,848,503	174,992	-	63,667	4,267,146
	10,440,448	483,685	2,925,344	2,756,547	6,544,723	564,384	440,699	70,618,727	94,774,557

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

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018 and 31 December 2017 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	-	-	-	-	-	-	-	7,645,344	7,645,344
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	1,240,340	1,240,340
Finance, takaful, real estate and business activities	14,282,850	530,017	2,861,385	553,661	1,579,035	512,077	301,114	6,602,826	27,222,965
Others									
Household	-	-	-	-	-	-	-	33,048,542	33,048,542
Others	-	-	363,753	471,456	2,123,226	119,036	-	55,612	3,133,083
	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.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.3 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 2018		**31 December 2017**	
	Financial guarantees RM'000	**Credit related commitments and contingencies RM'000**	**Financial guarantees RM'000**	**Credit related commitments and contingencies RM'000**
Primary agriculture	**6,104**	**347,786**	6,330	278,415
Mining and quarrying	**433**	**114,081**	293	265,660
Manufacturing	**57,955**	**322,425**	50,918	699,760
Electricity, gas and water supply	**80,587**	**3,800**	84,710	47,405
Construction	**23,796**	**1,234,216**	3,139	1,610,503
Transport, storage and communications	**2,755**	**77,217**	4,378	104,712
Education, health and others	**1,103**	**88,765**	1,073	392,362
Wholesale and retail trade, and restaurants and hotels	**60,412**	**499,408**	54,829	492,185
Finance, takaful, real estate and business activities	**8,183**	**1,658,900**	8,413	3,598,786
Others				
Household	**100**	**6,886,140**	100	4,415,652
Others	**190**	**12,846**	90	605,552
	241,618	**11,245,584**	214,273	12,510,992

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Group and the Bank in 2018, as summarised below:

Financing, advances and other financing/loans and financing commitment and financial guarantees

Rating classification	Internal rating
Good	1 to 10b
Satisfactory	11a-13e
Impaired	14

Other financial instruments

Rating classification	Internal rating
Investment Grade (IG)	1 to 6
Non Investment Grade	7 to 13e
Impaired	14

Other financial instruments includes cash and short-term funds, deposits and placements with banks and other financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost, amount due from intercompany balances and other assets.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

Credit quality description can be summarised as follows:

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

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

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

Impaired – Refers to the asset that is being impaired.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised.

The Group
2018

	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
Sovereign	9,895,622	-	-	9,895,622
Investment grade	1,020,996	-	-	1,020,996
Non-investment grade	2,281	-	-	2,281
No rating	5,465	-	-	5,465
Gross carrying amount	10,924,364	-	-	10,924,364
Total ECL	(185)	-	-	(185)
Net carrying amount	10,924,179	-	-	10,924,179

The Bank
2018

	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
Sovereign	9,895,622	-	-	9,895,622
Investment grade	1,020,950	-	-	1,020,950
Non-investment grade	2,281	-	-	2,281
No rating	5,465	-	-	5,465
Gross carrying amount	10,924,318	-	-	10,924,318
Total ECL	(185)	-	-	(185)
Net carrying amount	10,924,133	-	-	10,924,133

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55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank 2018	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at fair value through other comprehensive income				
Sovereign	1,424,087	-	-	1,424,087
Investment grade	709,163	-	-	709,163
Non-investment grade	623,297	-	-	623,297
Gross carrying amount	2,756,547	-	-	2,756,547
Total ECL ^^	(1,117)	-	-	(1,117)
Net carrying amount	2,755,430	-	-	2,755,430
Debt instruments at amortised cost				
Sovereign	5,738,581	-	-	5,738,581
Investment grade	731,740	-	-	731,740
Non-investment grade	74,609	-	-	74,609
Gross carrying amount	6,544,930	-	-	6,544,930
Total ECL	(207)	-	-	(207)
Net carrying amount	6,544,723	-	-	6,544,723
Financing, advances and other financing/loans at amortised cost				
Good	45,914,153	491,803	-	46,405,956
Satisfactory	16,135,290	2,282,341	-	18,417,631
Impaired	-	-	437,712	437,712
No rating	5,223,323	88,725	-	5,312,048
Gross carrying amount	67,272,766	2,862,869	437,712	70,573,347
Total ECL	(172,096)	(75,042)	(199,048)	(446,186)
Net carrying amount	67,100,670	2,787,827	238,664	70,127,161

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Other assets				
Investment grade	239,940	-	-	239,940
Gross carrying amount	239,940	-	-	239,940
Total ECL	-	-	-	-
Net carrying amount	239,940	-	-	239,940
Intercompany balances				
Investment grade	90,868	-	-	90,868
No rating	483	-	-	483
Gross carrying amount	91,351	-	-	91,351
Total ECL	-	-	-	-
Net carrying amount	91,351	-	-	91,351
Financing commitments and financial guarantee contracts				
Good	5,259,429	29,230	-	5,288,659
Satisfactory	1,642,874	17,210	-	1,660,084
Impaired	-	-	24,079	24,079
No rating	4,513,814	65,837	-	4,579,651
Gross carrying amount	11,416,117	112,277	24,079	11,552,473
Total ECL	(59,997)	(3,724)	(1,550)	(65,271)
Net carrying amount	11,356,120	108,553	22,529	11,487,202

^^ The ECL is recognised in other comprehensive income reserves as the carrying amount of debt instruments at fair value through other comprehensive income are equivalent to their fair value.

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55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of financing, advances and other financing/loans by product

The Group and the Bank
2018

	Financing, advances and other financing/loans at amortised cost									
	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Islamic trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Share purchase financing RM'000	Total gross amount RM'000
12-month ECL (Stage 1)	760,970	58,725,828	18,245	100,382	982,675	114,136	126,524	6,443,998	8	67,272,766
- Good	488,226	41,964,745	13,702	96,992	869,886	-	-	2,480,602	-	45,914,153
- Satisfactory	99,640	15,881,634	4,543	1,291	111,177	-	-	37,004	1	16,135,290
- No rating	173,104	879,449	-	2,099	1,612	114,136	126,524	3,926,392	7	5,223,323
Lifetime ECL not credit-impaired (Stage 2)	118,688	2,465,606	-	4,814	109,238	164	8,889	155,470	-	2,862,869
- Good	53,623	338,769	-	127	25,795	-	-	73,489	-	491,803
- Satisfactory	65,044	2,047,186	-	4,687	83,443	-	-	81,981	-	2,282,341
- No rating	21	79,651	-	-	-	164	8,889	-	-	88,725
Lifetime ECL credit-impaired (Stage 3)	18,758	386,007	7,892	-	20,944	-	1,912	2,000	199	437,712
- Impaired	18,758	386,007	7,892	-	20,944	-	1,912	2,000	199	437,712
Total	898,416	61,577,441	26,137	105,196	1,112,857	114,300	137,325	6,601,468	207	70,573,347

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating

The credit quality of other assets that are assessed by reference to internal rating system adopted by the Group and the Bank in 2018. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

The Group and the Bank Rating classification	Internal rating	External credit rating
Investment Grade (IG)	1 to 6	AAA to BBB-
Non Investment Grade	7 to 14	BB+ and below

Credit quality description can be summarised below:

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures where ratings are not available and portfolio average were applied.

The following tables are analysis of the credit risk exposure of other assets:

The Group and the Bank

2018	Sovereign	Investment grade (AAA to BBB-)	Non investment grade (BB+ and below)	No rating	Gross carrying amount	ECL	Net carrying amount
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Other assets	-	2,111	-	107,599	109,710	(301)	109,409
Total	**-**	**2,111**	**-**	**107,599**	**109,710**	**(301)**	**109,409**

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139

(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.

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	2,311	726	3,037
Term financing	2,823,076	239,983	3,063,059
Bills receivable	5,992	-	5,992
Islamic trust receipts	458	-	458
Claims on customers under acceptance credits	5,520	-	5,520
Credit card receivables	6,435	739	7,174
Total	2,843,792	241,448	3,085,240

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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
Total gross impaired financing, advances and other financing/loans	381,870
Less: Impairment allowances	(154,623)
Total net impaired financing, advances and other financing/loans	227,247

Refer to Note 11(viii) for analysis of impaired financing, advances and other financing/loans by economic purpose.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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
	Neither past due nor impaired
	RM'000
Financial assets held for trading	3,225,138
Financial investments available-for-sale	1,923,022
Financial investments held-to-maturity	4,732,389
Total	9,880,549

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 for the Group and the Bank.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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

Securities with no rating mainly consist of corporate Sukuk.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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 RM'000	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total 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	300,681	-	382	301,063
Amount due from related companies	414	-	-	414
Total	15,748,314	-	382	15,748,696
Less: Impairment allowances				(363)
Total net amount				15,748,333

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

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (Continued)

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

(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	300,681	-	382	301,063
Amount due from related companies	414	-	-	414
Total	15,748,268	-	382	15,748,650
Less: Impairment allowances				(363)
Total net amount				15,748,287

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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

55.1.4 Credit quality of financial assets – comparative information under MFRS139 (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:

	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 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

55.1.5 Repossessed collateral

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

55 Financial Risk Management (Continued)

55.2 Market risk

Market risk is defined as any fluctuation in the market value of a trading or investment exposure resulting from movements in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market Risk Management ("MRM")

The Group adopts various measures as part of the risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. 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. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2018 is shown in Note 55.2.1.

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

Market Risk Management ("MRM") (Continued)

Stress testing is conducted 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.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limit usage, assessing limit adequacy and verifying transaction prices.

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).

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.1 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 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
VaR				
Foreign exchange risk	**101**	697	**101**	697
Profit rate risk	**208**	677	**208**	677
Total	**309**	1,374	**309**	1,374
Total shareholder's funds	**5,514,476**	4,795,006	**5,515,342**	4,795,715
Percentage over shareholder's funds	**0.01%**	0.03%	**0.01%**	0.03%

55.2.2 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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55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018	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	10,428,599	-	-	-	-	-	12,543	-	10,441,142
Deposits and placements with banks and other financial institutions	-	482,555	-	-	-	-	1,130	-	483,685
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,925,344	2,925,344
Debt instruments at fair value through other comprehensive income	-	65,075	25,400	219,423	804,606	1,611,526	30,517	-	2,756,547
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	575	-	575
Debt instruments at amortised cost	10,001	-	44,942	105,074	2,610,342	3,702,087	72,277	-	6,544,723
Islamic derivative financial instruments	-	-	-	-	-	1,590	-	562,794	564,384
Financing, advances and other financing/loans	53,233,088	3,386,721	536,511	2,090,318	6,290,643	5,081,446	-	-	70,618,727
Other assets	389	-	-	-	-	42,163	306,796	-	349,348
Amount due from holding company	-	-	-	-	-	-	90,731	-	90,731
Amount due from related companies	-	-	-	-	-	-	620	-	620
Total financial assets	63,672,077	3,934,351	606,853	2,414,815	9,705,591	10,438,812	515,189	3,488,138	94,775,826

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018	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	36,035,104	16,814,399	14,355,152	8,140,218	83,631	25,057	477,995	-	75,931,556
Investment accounts of customers	700,807	881,008	169,474	1,031	-	-	16,950	-	1,769,270
Deposits and placements of banks and other financial institutions	704,549	931,987	245,163	194,860	-	-	7,021	-	2,083,580
Investment accounts due to designated financial institutions	5,968,330	2,135,615	100,000	-	-	-	12,864	-	8,216,809
Financial liabilities designated at fair value through profit or loss	-	-	-	-	23,123	-	30	(1,235)	21,918
Islamic derivative financial instruments	-	-	-	21,443	32,175	-	-	545,357	598,975
Amount due to related companies	-	-	-	-	-	-	50	-	50
Other liabilities	984	-	-	-	33,390	50,936	51,005	-	136,315
Recourse obligation on loans and financing sold to Cagamas	-	400,007	-	-	1,500,007	-	15,489	-	1,915,503
Sukuk	-	-	-	-	358,000	-	265	-	358,265
Subordinated sukuk	-	-	-	300,000	310,000	-	5,033	-	615,033
Total financial liabilities	43,409,774	21,163,016	14,869,789	8,657,552	2,340,326	75,993	586,702	544,122	91,647,274
Net profit sensitivity gap	20,262,303	(17,228,665)	(14,262,936)	(6,242,737)	7,365,265	10,362,819		2,944,016	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	241,618	-	241,618
Credit related commitments and contingencies	-	-	-	-	-	-	11,245,584	-	11,245,584
Treasury related commitments and contingencies (hedging)	-	-	-	1,375,000	1,900,000	109,006	-	-	3,384,006
Net profit sensitivity gap	-	-	-	1,375,000	1,900,000	109,006	11,487,202	-	14,871,208

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55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets									
Cash and short-term funds	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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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	←		Non-trading book			→			
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**	**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 through profit or loss	-	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	-	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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018**	←		**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	10,428,599	-	-	-	-	-	12,497	-	10,441,096
Deposits and placements with banks and other financial institutions	-	482,555	-	-	-	-	1,130	-	483,685
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,925,344	2,925,344
Debt instruments at fair value through other comprehensive income	-	65,075	25,400	219,423	804,606	1,611,526	30,517	-	2,756,547
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	575	-	575
Debt instruments at amortised cost	10,001	-	44,942	105,074	2,610,342	3,702,087	72,277	-	6,544,723
Islamic derivative financial instruments	-	-	-	-	-	1,590	-	562,794	564,384
Financing, advances and other financing/loans	53,233,088	3,386,721	536,511	2,090,318	6,290,643	5,081,446	-	-	70,618,727
Other assets	389	-	-	-	-	42,163	306,796	-	349,348
Amount due from holding company	-	-	-	-	-	-	90,731	-	90,731
Amount due from related companies	-	-	-	-	-	-	620	-	620
Total financial assets	63,672,077	3,934,351	606,853	2,414,815	9,705,591	10,438,812	515,143	3,488,138	94,775,780

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018**	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	36,319,998	16,814,399	14,355,152	8,140,218	83,631	25,057	478,289	-	76,216,744
Investment accounts of customers	700,807	881,008	169,474	1,031	-	-	16,950	-	1,769,270
Deposits and placements of banks and other financial institutions	704,549	931,987	245,163	194,860	-	-	7,021	-	2,083,580
Investment accounts due to designated financial institutions	5,968,330	2,135,615	100,000	-	-	-	12,864	-	8,216,809
Financial liabilities designated at fair value through profit or loss	-	-	-	-	23,123	-	30	(1,235)	21,918
Islamic derivative financial instruments	-	-	-	21,443	32,175	-	-	545,357	598,975
Amount due to related company	-	-	-	-	-	-	50	-	50
Other liabilities	72,895	-	-	-	33,390	50,936	51,270	-	208,491
Recourse obligation on loans and financing sold to Cagamas	-	400,007	-	-	1,500,007	-	15,489	-	1,915,503
Subordinated sukuk	-	-	-	300,000	310,000	-	5,033	-	615,033
Total financial liabilities	43,766,579	21,163,016	14,869,789	8,657,552	1,982,326	75,993	586,996	544,122	91,646,373
Net profit sensitivity gap	19,905,498	(17,228,665)	(14,262,936)	(6,242,737)	7,723,265	10,362,819		2,944,016	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	241,618	-	241,618
Credit related commitments and contingencies	-	-	-	-	-	-	11,245,584	-	11,245,584
Treasury related commitments and contingencies (hedging)	-	-	-	1,375,000	1,900,000	109,006	-	-	3,384,006
Net profit sensitivity gap	-	-	-	1,375,000	1,900,000	109,006	11,487,202	-	14,871,208

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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	←		Non-trading book			→			
31 December 2017	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short-term funds	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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 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	289,483	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 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	17,793,536	8,501,723	5,103,518	2,898,894	25,000	803,873	604,120	80,204,360
Net profit sensitivity gap	8,030,655	(15,271,129)	(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

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018		31 December 2017	
	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)	**(43,619)**	**43,619**	(22,998)	22,998

	The Bank			
	31 December 2018		31 December 2017	
	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)	**(46,376)**	**46,376**	(24,372)	24,372

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.

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.2 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 2018		31 December 2017	
	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 - debt instruments at fair value through other comprehensive income	**(1,487)**	**1,487**	-	-
Impact to revaluation reserve - financial investments available-for-sale	-		(1,106)	1,106

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 and debt instruments at fair value through other comprehensive income 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.

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 2018					
	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	10,000,857	328,989	21,636	89,660	440,285	10,441,142
Deposits and placements with banks and other financial institutions	-	483,685	-	-	483,685	483,685
Financial assets at fair value through profit or loss	2,917,232	8,112	-	-	8,112	2,925,344
Debt instruments at fair value through other comprehensive income	2,756,547	-	-	-	-	2,756,547
Equity instruments at fair value through other comprehensive income	575	-	-	-	-	575
Debt instruments at amortised cost	6,544,723	-	-	-	-	6,544,723
Islamic derivative financial instruments	(675,646)	(1,991,883)	3,675,628	(443,715)	1,240,030	564,384
Financing, advances and other financing/loans	69,483,580	1,135,147	-	-	1,135,147	70,618,727
Other assets	347,141	542	46	1,619	2,207	349,348
Amount due from holding company	122,852	(7,652)	-	(24,469)	(32,121)	90,731
Amount due from related companies	620	-	-	-	-	620
	91,498,481	(43,060)	3,697,310	(376,905)	3,277,345	94,775,826

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 2018					
	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	74,781,116	1,053,788	6,326	90,326	1,150,440	75,931,556
Investment accounts of customers	1,769,270	-	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	424,161	1,512,024	-	147,395	1,659,419	2,083,580
Investment accounts due to designated financial institutions	7,758,463	458,346	-	-	458,346	8,216,809
Financial liabilities designated at fair value through profit or loss	21,918	-	-	-	-	21,918
Islamic derivative financial instruments	590,822	(3,048,892)	3,684,536	(627,491)	8,153	598,975
Amount due to related companies	50	-	-	-	-	50
Other liabilities	136,171	320	(359)	183	144	136,315
Recourse obligation on loans and financing sold to Cagamas	1,915,503	-	-	-	-	1,915,503
Sukuk	358,265	-	-	-	-	358,265
Subordinated sukuk	615,033	-	-	-	-	615,033
	88,370,772	(24,414)	3,690,503	(389,587)	3,276,502	91,647,274
Financial guarantees	230,803	1,045	9,202	568	10,815	241,618
Credit related commitments and contingencies	11,156,886	88,698	-	-	88,698	11,245,584
	11,387,689	89,743	9,202	568	99,513	11,487,202

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 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

56 Financial Risk Management (Continued)

56.2 Market risk (Continued)

56.2.3 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 through profit or loss	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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 2018					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<u>Financial assets</u>						
Cash and short-term funds	10,000,811	328,989	21,636	89,660	440,285	10,441,096
Deposits and placements with banks and other financial institutions	-	483,685	-	-	483,685	483,685
Financial assets at fair value through profit or loss	2,917,232	8,112	-	-	8,112	2,925,344
Debt instruments at fair value through other comprehensive income	2,756,547	-	-	-	-	2,756,547
Equity instruments at fair value through other comprehensive income	575	-	-	-	-	575
Debt instruments at amortised cost	6,544,723	-	-	-	-	6,544,723
Islamic derivative financial instruments	(675,646)	(1,991,883)	3,675,628	(443,715)	1,240,030	564,384
Financing, advances and other financing/loans	69,483,580	1,135,147	-	-	1,135,147	70,618,727
Other assets	347,141	542	46	1,619	2,207	349,348
Amount due from holding company	122,852	(7,652)	-	(24,469)	(32,121)	90,731
Amount due from related companies	620	-	-	-	-	620
	91,498,435	(43,060)	3,697,310	(376,905)	3,277,345	94,775,780

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 2018					
	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	75,066,304	1,053,788	6,326	90,326	1,150,440	76,216,744
Investment accounts of customers	1,769,270	-	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	424,161	1,512,024	-	147,395	1,659,419	2,083,580
Investment accounts due to designated financial institutions	7,758,463	458,346	-	-	458,346	8,216,809
Financial liabilities designated at fair value through profit or loss	21,918	-	-	-	-	21,918
Islamic derivative financial instruments	590,822	(3,048,892)	3,684,536	(627,491)	8,153	598,975
Amount due to related companies	50	-	-	-	-	50
Other liabilities	208,347	320	(359)	183	144	208,491
Recourse obligation on loans and financing sold to Cagamas	1,915,503	-	-	-	-	1,915,503
Subordinated sukuk	615,033	-	-	-	-	615,033
	88,369,871	(24,414)	3,690,503	(389,587)	3,276,502	91,646,373
Financial guarantees	230,803	1,045	9,202	568	10,815	241,618
Credit related commitments and contingencies	11,156,886	88,698	-	-	88,698	11,245,584
	11,387,689	89,743	9,202	568	99,513	11,487,202

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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

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55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 through profit or loss	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

55 Financial Risk Management (Continued)

55.2 Market risk (Continued)

55.2.3 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 2018		31 December 2017	
	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)	**(69)**	**69**	503	(503)

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.

55 Financial Risk Management (Continued)

55.3 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 business as usual and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and limits are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity risk positions are monitored on a daily basis and complied with internal risk limits and regulatory requirements for liquidity risk.

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

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

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio ("LCR") which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. The Group also performs a consolidated stress test, including liquidity stress test, semi-annually to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions.

The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk and Compliance Committee, and the Board Risk and Compliance 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.

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 2018							
	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	10,441,142	-	-	-	-	-	-	10,441,142
Deposits and placements with banks and other financial institutions	-	483,685	-	-	-	-	-	483,685
Financial assets at fair value through profit or loss	399,537	1,598,591	807,111	20,668	75,950	23,487	-	2,925,344
Debt instruments at fair value through other comprehensive income	4,481	83,062	33,449	219,423	804,606	1,611,526	-	2,756,547
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	575	575
Debt instruments at amortised cost	26,390	36,874	63,955	105,074	2,610,342	3,702,088	-	6,544,723
Islamic derivative financial instruments	32,272	42,911	65,200	30,714	290,242	103,045	-	564,384
Financing , advances and other financing/loans	2,995,225	677,831	521,385	5,637,796	9,507,045	51,279,445	-	70,618,727
Other assets	681,400	-	-	-	-	42,163	-	723,563
Deferred taxation	-	-	-	-	-	-	77,248	77,248
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,076,422	2,076,422
Amount due from holding company	90,731	-	-	-	-	-	-	90,731
Amount due from related companies	620	-	-	-	-	-	-	620
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	71,536	71,536
Property, plant and equipment	-	-	-	-	-	-	2,756	2,756
Total assets	14,671,798	2,922,954	1,491,100	6,013,675	13,288,185	56,761,754	2,364,537	97,514,003

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 2018							
	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	36,145,953	16,971,146	14,510,548	8,195,158	83,694	25,057	-	75,931,556
Investment accounts of customers	717,757	881,008	169,474	1,031	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	706,712	935,101	246,028	195,739	-	-	-	2,083,580
Investment accounts due to designated financial institutions	5,975,218	2,141,148	100,443	-	-	-	-	8,216,809
Financial liabilities designated at fair value through profit or loss	-	30	-	-	21,888	-	-	21,918
Islamic derivative financial instruments	40,430	42,358	64,064	50,480	311,326	90,317	-	598,975
Amount due to related companies	50	-	-	-	-	-	-	50
Other liabilities	308,741	58	-	-	33,390	50,936	-	393,125
Provision for taxation	95,443	-	-	-	-	-	-	95,443
Recourse obligation on loans and financing sold to Cagamas	8,674	404,446	2,376	-	1,500,007	-	-	1,915,503
Sukuk	265	-	-	-	358,000	-	-	358,265
Subordinated sukuk	-	4,878	155	300,000	310,000	-	-	615,033
Total liabilities	43,999,243	21,380,173	15,093,088	8,742,408	2,618,305	166,310	-	91,999,527
Net liquidity gap	(29,327,445)	(18,457,219)	(13,601,988)	(2,728,733)	10,669,880	56,595,444	2,364,537	

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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	**> 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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 through profit or loss	-	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 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,441,096	-	-	-	-	-	-	10,441,096
Deposits and placements with banks and other financial institutions	-	483,685	-	-	-	-	-	483,685
Financial assets at fair value through profit or loss	399,537	1,598,591	807,111	20,668	75,950	23,487	-	2,925,344
Debt instruments at fair value through other comprehensive income	4,481	83,062	33,449	219,423	804,606	1,611,526	-	2,756,547
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	575	575
Debt instruments at amortised cost	26,390	36,874	63,955	105,074	2,610,342	3,702,088	-	6,544,723
Islamic derivative financial instruments	32,272	42,911	65,200	30,714	290,242	103,045	-	564,384
Financing , advances and other financing/loans	2,995,225	677,831	521,385	5,637,796	9,507,045	51,279,445	-	70,618,727
Other assets	681,400	-	-	-	-	42,163	-	723,563
Deferred taxation	-	-	-	-	-	-	77,248	77,248
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,076,422	2,076,422
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company	90,731	-	-	-	-	-	-	90,731
Amount due from related companies	620	-	-	-	-	-	-	620
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	71,536	71,536
Property, plant and equipment	-	-	-	-	-	-	2,756	2,756
Total assets	**14,671,752**	**2,922,954**	**1,491,100**	**6,013,675**	**13,288,185**	**56,761,754**	**2,364,548**	**97,513,968**

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 2018

	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	36,431,141	16,971,146	14,510,548	8,195,158	83,694	25,057	-	76,216,744
Investment accounts of customers	717,757	881,008	169,474	1,031	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	706,712	935,101	246,028	195,739	-	-	-	2,083,580
Investment accounts due to designated financial institutions	5,975,218	2,141,148	100,443	-	-	-	-	8,216,809
Financial liabilities designated at fair value through profit or loss	-	30	-	-	21,888	-	-	21,918
Islamic derivative financial instruments	40,430	42,358	64,064	50,480	311,326	90,317	-	598,975
Amount due to related companies	50	-	-	-	-	-	-	50
Other liabilities	380,917	58	-	-	33,390	50,936	-	465,301
Provision for taxation	95,443	-	-	-	-	-	-	95,443
Recourse obligation on loans and financing sold to Cagamas	8,674	404,446	2,376	-	1,500,007	-	-	1,915,503
Subordinated sukuk	-	4,878	155	300,000	310,000	-	-	615,033
Total liabilities	44,356,342	21,380,173	15,093,088	8,742,408	2,260,305	166,310	-	91,998,626
Net liquidity gap	(29,684,590)	(18,457,219)	(13,601,988)	(2,728,733)	11,027,880	56,595,444	2,364,548	

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 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 through profit or loss	-	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	

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 Contractual maturity of financial liabilities on an undiscounted basis

<u>**Non-derivative financial liabilities**</u>

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Group 31 December 2018							
	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	36,367,523	17,043,787	14,631,134	8,394,698	95,337	35,188	-	76,567,667
Investment accounts of customers	718,201	887,976	171,549	1,049	-	-	-	1,778,775
Deposits and placements of banks and other financial institutions	707,094	940,812	248,671	198,480	-	-	-	2,095,057
Investment accounts due to designated financial institutions	5,986,085	2,155,423	101,854	-	-	-	-	8,243,362
Financial liabilities designated at fair value through profit or loss	-	217	193	331	26,092	-	-	26,833
Amount due to related companies	50	-	-	-	-	-	-	50
Other liabilities	51,930	58	-	-	34,444	50,937	-	137,369
Recourse obligation on loans and financing sold to Cagamas	10,987	408,567	22,441	33,479	1,566,824	-	-	2,042,298
Sukuk	1,028	1,956	3,050	6,067	377,162	-	-	389,263
Subordinated sukuk	-	9,017	7,069	316,146	353,250	-	-	685,482
	43,842,898	21,447,813	15,185,961	8,950,250	2,453,109	86,125	-	91,966,156
Financial guarantees	241,618	-	-	-	-	-	-	241,618
Credit related commitments and contingencies	1,235,627	18,840	86,502	958,961	142,469	8,803,185	-	11,245,584
	1,477,245	18,840	86,502	958,961	142,469	8,803,185	-	11,487,202

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 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 through profit or loss	-	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
Sukuk	1,321	2,603	3,904	8,828	508,847	-	-	525,503
Subordinated sukuk	5,006	10,945	-	16,280	630,280	-	-	662,511
	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

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 2018							
	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	36,653,081	17,043,787	14,631,134	8,394,698	95,337	35,188	-	76,853,225
Investment accounts of customers	718,201	887,976	171,549	1,049	-	-	-	1,778,775
Deposits and placements of banks and other financial institutions	707,094	940,812	248,671	198,480	-	-	-	2,095,057
Investment accounts due to designated financial institutions	5,986,085	2,155,423	101,854	-	-	-	-	8,243,362
Financial liabilities designated at fair value through profit or loss	-	217	193	331	26,092	-	-	26,833
Amount due to related companies	50	-	-	-	-	-	-	50
Other liabilities	124,107	58	-	-	34,444	50,937	-	209,546
Recourse obligation on loans and financing sold to Cagamas	10,987	408,567	22,441	33,479	1,566,824	-	-	2,042,298
Subordinated sukuk	-	9,017	7,069	316,146	353,250	-	-	685,482
	44,199,605	21,445,857	15,182,911	8,944,183	2,075,947	86,125	-	91,934,628
Financial guarantees	241,618	-	-	-	-	-	-	241,618
Credit related commitments and contingencies	1,235,627	18,840	86,502	958,961	142,469	8,803,185	-	11,245,584
	1,477,245	18,840	86,502	958,961	142,469	8,803,185	-	11,487,202

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

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

<u>Non-derivative financial liabilities</u> (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 through profit or loss	-	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

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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.

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 2018							
	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	(140,328)	-	-	-	-	-	-	(140,328)
- Equity related derivatives	(2,109)	-	-	-	-	-	-	(2,109)
- Credit related contracts	(527)	-	-	-	-	-	-	(527)
Hedging derivatives:								
- Profit rate derivatives	(6,991)	18,664	(30,117)	(22,634)	(14,331)	-	-	(55,409)
	(149,955)	18,664	(30,117)	(22,634)	(14,331)	-	-	(198,373)

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 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)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 2018							
	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:	(402,393)	-	-	-	-	-	-	(402,393)
	(402,393)	**-**	**-**	**-**	**-**	**-**	**-**	**(402,393)**

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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.2 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 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)

55.4 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.

55.4.1 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 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.1 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 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.1 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 2018				
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
-Money market instruments	2,881,964	2,881,964	-	2,881,964
-Unquoted securities	43,380	43,380	-	43,380
Debt instruments at fair value through other comprehensive income				
-Money market instruments	858,259	858,259	-	858,259
-Unquoted securities	1,898,288	1,898,288	-	1,898,288
Equity instruments at fair value through other comprehensive income				
-Unquoted securities	575	-	575	575
Derivative financial instruments:				
-Trading derivatives	562,794	562,794	-	562,794
-Hedging derivatives	1,590	1,590	-	1,590
Financing, advances and other financing/loans at fair value through profit or loss	491,566	491,566	-	491,566
Total	6,738,416	6,737,841	575	6,738,416
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments:				
-Trading derivatives	545,357	545,357	-	545,357
-Hedging derivatives	53,618	53,618	-	53,618
Financial liabilities designated at fair value through profit or loss	21,918	21,918	-	21,918
Total	620,893	620,893	-	620,893

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.1 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 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
-Hedging derivatives	-	-	-	-
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 through profit or loss	2,233	2,233	-	2,233
Total	694,992	694,992	-	694,992

There are no movements in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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 2018 and 31 December 2017 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 2018				
Assets				
Cash and short-term funds	**10,441,142**	**10,441,142**	**-**	**10,441,142**
Deposits and placements with banks and other financial institutions	**483,685**	**-**	**483,685**	**483,685**
Debt instruments at amortised cost	**6,544,723**	**-**	**6,565,221**	**6,565,221**
Financing, advances and other financing/loans	**70,127,161**	**-**	**67,610,078**	**67,610,078**
Other assets	**723,563**	**-**	**723,563**	**723,563**
Amount due from holding company	**90,731**	**-**	**90,731**	**90,731**
Amount due from related companies	**620**	**-**	**620**	**620**
Statutory deposits with Bank Negara Malaysia	**2,076,422**	**2,076,422**	**-**	**2,076,422**
Total	**90,488,047**	**12,517,564**	**75,473,898**	**87,991,462**
Liabilities				
Deposits from customers	**75,931,556**	**-**	**75,935,048**	**75,935,048**
Investment accounts of customers	**1,769,270**	**-**	**1,752,732**	**1,752,732**
Deposits and placements of banks and other financial institutions	**2,083,580**	**-**	**2,081,538**	**2,081,538**
Investment accounts due to designated financial institutions	**8,216,809**	**-**	**8,216,809**	**8,216,809**
Amount due to related companies	**50**	**-**	**50**	**50**
Other liabilities	**393,125**	**-**	**393,125**	**393,125**
Recourse obligation on loans and financing sold to Cagamas	**1,915,503**	**-**	**1,908,475**	**1,908,475**
Sukuk	**358,265**	**-**	**356,307**	**356,307**
Subordinated Sukuk	**615,033**	**-**	**621,034**	**621,034**
Total	**91,283,191**	**-**	**91,265,118**	**91,265,118**

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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 2018 and 31 December 2017 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 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 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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 2018 and 31 December 2017 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 2018				
Assets				
Cash and short-term funds	**10,441,096**	**10,441,096**	**-**	**10,441,096**
Deposits and placements with banks and other financial institutions	**483,685**	**-**	**483,685**	**483,685**
Debt instruments at amortised cost	**6,544,723**	**-**	**6,565,221**	**6,565,221**
Financing, advances and other financing/loans	**70,127,161**	**-**	**67,610,078**	**67,610,078**
Other assets	**723,563**	**-**	**723,563**	**723,563**
Amount due from holding company	**90,731**		**90,731**	**90,731**
Amount due from related companies	**620**	**-**	**620**	**620**
Statutory deposits with Bank Negara Malaysia	**2,076,422**	**2,076,422**	**-**	**2,076,422**
Total	**90,488,001**	**12,517,518**	**75,473,898**	**87,991,416**
Liabilities				
Deposits from customers	**76,216,744**	**-**	**76,220,236**	**76,220,236**
Investment accounts of customers	**1,769,270**	**-**	**1,752,732**	**1,752,732**
Deposits and placements of banks and other financial institutions	**2,083,580**	**-**	**2,081,538**	**2,081,538**
Investment accounts due to designated financial institutions	**8,216,809**	**-**	**8,216,809**	**8,216,809**
Amount due to related companies	**50**	**-**	**50**	**50**
Other liabilities	**465,301**	**-**	**465,301**	**465,301**
Recourse obligation on loans and financing sold to Cagamas	**1,915,503**	**-**	**1,908,475**	**1,908,475**
Subordinated Sukuk	**615,033**	**-**	**621,034**	**621,034**
Total	**91,282,290**	**-**	**91,266,175**	**91,266,175**

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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 2018 and 31 December 2017 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

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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.

Debt instruments at amortised cost

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 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 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

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

Amount due (to)/from subsidiaries and related companies and amount due (to)/from holding company and ultimate holding company

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due (to)/from ultimate holding company approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

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 investment accounts due to designated financial institutions

The estimated fair values of investment accounts of customers and investment accounts due to designated financial institutions with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

55.4.2 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.

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Sukuk

The estimated fair values of Sukuk with maturities of less than six months approximate the carrying values. For with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for Sukuk with similar risk profile.

Subordinated 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.

Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

56 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 11 March 2019.