Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

Company No: 18417-M

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(Incorporated in Malaysia)

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

Contents

CIMB Investment 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 Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2018.

Principal activities

The principal activities of the Bank during the financial year are investment banking and the provision of related financial services. The principal activities of the subsidiaries during the financial year are as set out in Note 13 to the Financial Statements, consist of futures broking and the provision of nominee services. There was no significant change in the nature of these activities during the financial year, other than the discontinuing operations as disclosed in Note 40 to the financial statements.

Financial results

	The Group RM'000	The Bank RM'000
Net profit from continuing operations	14,890	13,415
Net profit from discontinuing operation	6,911	2,575
Net profit after taxation	21,801	15,990

Dividends

The Directors have proposed an interim single tier dividend comprising 15.99 sen per ordinary share, amounting to RM15,990,000 in respect of financial year ended 31 December 2018, which was approved by the Board of Directors in a resolution dated 28 January 2019.

A single tier interim dividend of 92 sen per ordinary share, amounting to RM92,000,000 in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 26 January 2018, was paid on 22 March 2018.

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.

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

Issuance of shares

There were no changes to authorised, issued and paid up capital of the Bank during the financial year.

Bad and doubtful debts, and financing

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

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

Current assets

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

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

Valuation methods

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

Contingent and other liabilities

At the date of this Report, there does not exist:

(a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liability of any other person; or

Contingent and other liabilities (Continued)

At the date of this Report, there does not exist: (Continued)

(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 50 to the Financial Statements; and

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

Directors

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

Dato' Robert Cheim Dau Meng
Puan Nadzirah binti Abd Rashid
Encik Didi Syafruddin Yahya
Mr. Manu Bhaskaran
Dato' Kong Sooi Lin (retired on 28 February 2019)
Jefferi Mahmud Hashim (appointed on 1 March 2019)

In accordance with Articles 84 of the Bank's Constitution, Dato' Robert Cheim Dau Meng and Encik Didi Syafruddin Yahya will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report
for the financial year ended 31 December 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 the Directors who held office at the end of the financial year, in the shares and share options of the ultimate holding company or its related companies 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				
Dato' Robert Cheim Dau Meng*	321,647	40,176 [(a)]	(16,278) [(b)]	345,545
Dato' Kong Sooi Lin	2,349,800	459,514 [(a)]	(386,785) [(b)]	2,422,529
Encik Didi Syafruddin Yahya **	3,146	136 [(a)]	- [(b)]	3,282

* Include shareholding of spouse and children, details of which are as follows:

	As at 1 January	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December**
Cheim Tat Seng	142,517	32,334 (a)	(16,278) (b)	158,573

** Include shareholding of spouse and children, details of which are as follows:

	As at 1 January	**Acquired/ granted**	**Disposed/ vested**	**As at 31 December**
Sarina Mahmood	3,146	136 (a)	-	3,282

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

	No. of debentures held			
	As at 1 January	**Acquired/ Granted**	**Disposed/ Redeemded**	**As at 31 December**
CIMB Group Holdings Berhad				
-Subordinated Fixed Rate Notes				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	-	RM 1,000,000
-Perpetual subordinated capital securities				
Dato' Robert Cheim Dau Meng	RM 2,000,000	-	-	RM 2,000,000
CIMB Thai Bank				
-Subordinated Notes 2024				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	-	RM 1,000,000

Directors' interests in shares and share options (Continued)

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

	No. of shares held			
CIMB Niaga Tbk	**As at 1 January**	**Acquired/ Granted**	**Disposed/ vested**	**As at 31 December**
Dato' Robert Cheim Dau Meng	26,248	-	-	26,248
Dato' Kong Sooi Lin	385,001	-	(385,001)	-

Other than as disclosed in the previous page, according to the Register of Directors' Shareholdings, the Directors in the office at the end of the financial year did not hold any interest in shares, and option over shares and debentures of the Bank, the holding company, the ultimate holding company or its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 38 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the Equity Ownership Plan of the ultimate holding company (see Note 45 of the Financial Statements) as disclosed in this Report.

Subsidiaries

Details of subsidiaries are as set out in Note 13 to the Financial Statements.

Auditors' Remuneration

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

2018 Business Plan and Strategy

CIMB Investment Bank ("the Bank") registered a pre-tax profit of RM26.3 million for the financial year ended 31 December 2018, a decline of RM88.4 million or 77% lower as compared to RM114.6 million in 2017. The decline in profit over 2018 was in a large part due to a subdued capital market impacted by the Malaysian 14th general elections, uncertainties from the global trade war and the rising interest rates in the United States. As a consequence, the Bank recorded lower fees and commission income of RM41.3 million or 63.1% lower as compared to RM112.0 million to the preceding year. Income from asset management and securities services decreased from RM11.4 million to RM7.7million or a drop of 32.5% year on year. These were mitigated by 15% reduction in overheads from RM101.6 million to RM86.3 million.

In spite of the quieter markets, CIMB completed 11 deals with RM4.1 billion of funds raised. Our key equity deals include the RM610.0 million block trade by RHB Bank Bhd, RM364.0 million block trade by Khazanah Nasional Bhd and RM99.5 million block trade by Top Glove Berhad.

CIMB maintained leading position in the debt capital market space, ranked no #1 in the Malaysian Bonds League Table with 22.56% market share (Source: Bloomberg). Notable deals completed include TNB Global Ventures Capital Berhad's USD750.0 million Sukuk Wakala, Genting Malaysia Bhd's RM3.0 billion Medium Term Notes (MTN), Affin Bank Bhd's RM3.0 billion Tier-1 Capital Securities and Khazanah Nasional Bhd's USD320.8 million Exchangeable Trust Certificates..

CIMB continued to be active in the M&A space and had completed several cross border deals. Notable M&A deals completed by CIMB includes acquisition of the entire equity interest of IGB Corporation shares by Goldis Bhd, acquisition of 17.24% stake in MCT Bhd by Regent Wise Investment Ltd, disposal of 26% of equity interest in Yinson Production (West Africa) Pte Ltd by Yinson Trilium Ltd, voluntary takeover of Old Town Bhd by Jacobs Douwe Egberts Holdings Asia NL BV, and Amcorp Properties Bhd's RM744.7 million Renounceable Rights issue.

2018 Business Plan and Strategy (Continued)

During the year, CIMB was recognised by distinguished publications for various marquee and deal awards. The Bank won the Most Innovative Investment Bank From Asia Pacific Award and the Most Innovative Investment Bank for Islamic Finance from The Banker, The Best Islamic Investment Bank in Asia Pacific, Best Investment Bank in Malaysia, Sukuk Adviser of the Year for Asia Pacific, Best Equity Adviser, and Best Domestic Corporate and Institutional Adviser from The Assets Triple A, The Best Investment Bank and Sukuk Arranger from Islamic Banking and Finance, The Best Corporate and Investment Bank Award from Asiamoney, and Best Equity House award from Alpha South East Asia. Fourteen deal Awards were won in 2018 of which four were awarded from The Assets Triple A, namely Perbadanan PR1MA Malaysia's RM2.1 billion for the Social Infrastructure Deal of the Year, Digi Telecommunications' RM900.0 million Murabahah Sukuk for the Telecom Deal of the Year, Danainfra Nasional's RM10.2 billion Government–guaranteed Sukuk for Transport Deal of the Year and Beijing Enterprise Water Group's RM400.0 million Wakala Sukuk for Utility Deal of the Year. Twelve other deal awards won in the year include Best M&A deal for CVC Capital Partners Asia Fund IV acquisition of 100% shares of Munchy Food Industries.

Our Group Equities operations also faced a volatile market since the start of this year with market capitalisation having fallen 13.3% from RM1.96 trillion to RM1.7 trillion as at end Dec 2018. Trading value and volume rose 1.8% and 0.3% YoY in 2018, largely driven by January and May's high velocity, the highest in the last 10 years. CIMB was ranked 2nd for the year 2018 with a market share of 9.77% in Bursa Malaysia, after having top the ranking in September on high effort placed on block crossings. CIMB institutional desk completed a multiple of block crossings for clients in September, resulting in RM2.7 billion worth of trades for the company. In addition, for the year 2018, the sales trading desk did a record U$2.0 billion worth of block crossings, matching its full year target of U$2.0 billion, while also besting the target of RM2.0 billion worth of facilitation with full year 2018 effort coming in at RM2.5 billion. Market volatility amid local change in political landscape, rising global interest rates, trade tensions, geopolitical concerns among others have put a dent to investors sentiment, resulting in lower participation by institutional funds.

In 2018, CIMB won the Best Institutional Broker by Alpha Southeast Asia and the Best Brokerage House by The Asset Triple A Country Awards. During the Bursa Malaysia Annual Broker Awards 2017, CIMB won seven (7) awards including 1st place for Best Institutional Equities and Best Online Retail Equities. Other accolades and awards won recently (2018) include being ranked 1st by Asiamoney Polls for Best Strategist and 2nd place for Best Local Brokerage, Best for Overall Country Research and Best Overall Sales Service.

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

Outlook for 2019

The 2019 outlook for the Investment Banking business is expected to be in line with the cautious investor sentiment within the backdrop of external headwinds, trade tensions and decelerating global economic growth. Mergers & Acquisitions (M&A) and Equity Capital Market (ECM) activities are contingent on market conditions and investors sentiment whilst the Debt Capital Market (DCM) is expected to remain relatively active.

Ratings by External Rating Agencies

Details of the ratings of the Bank and its debt securities as at the date of this report are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
RAM Rating Services Berhad	December 2018	Long-term Financial Institution Rating Short-term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service	January 2018	Long-term Issuer Rating Short-term Issuer Rating	A3 P-2	Stable
Standard & Poor's Ratings Services	December 2018	Long-term Foreign rating Short-term Foreign rating Long-term local currency rating Short-term local curency rating	A- A-2 A- A-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 Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under CIMB Islamic Bank Berhad, the core Islamic banking and finance operating entity of the group.

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank. 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 on 13 June 2018)

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 operations of the Bank's Islamic banking and finance 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.

Significant event during the financial year

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

Subsequent events after the financial year end

There are no significant events subsequent to the financial year ended 31 December 2018.

Statement of Director's Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2018 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

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

Statement of Director's Responsibility (Continued)

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 12 of the Directors' Report.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad, as the Bank's ultimate holding company.

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 28 January 2019.

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

Dato' Robert Cheim Dau Meng
Chairman

Jefferi Mahmud Hashim
Director
11 March 2019

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

We, Dato' Robert Cheim Dau Meng and Jefferi Mahmud Hashim, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 20 to 242 are drawn up so as to give 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, 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' Robert Cheim Dau Meng
Chairman

Jefferi Mahmud Hashim
Director
11 March 2019

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

I, Lim Siew Ngoh, being the Officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 20 to 242 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.

Lim Siew Ngoh

Subscribed and solemnly declared by the abovenamed Lim Siew Ngoh at Kuala Lumpur before me, on 11 March 2019

Commissioner for Oaths

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report

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

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

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's Islamic banking and finance businesses 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 Islamic banking and finance operations of the Bank has been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank's businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board's affirmation of the same in the Director's Report 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 Islamic banking and finance businesses.

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 Statement of Financial Positions 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 by Management and the communication of Shariah policies and guidelines of business conduct to all staff.

Board Shariah Committee's Report (Continued)

Effective Shariah governance is supported by a 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 Islamic banking and finance operations on a scheduled and periodic basis.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the Islamic banking and finance 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.

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; and

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

Board Shariah Committee's Report (Continued)

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Bank. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2018 were conducted in conformity with Shariah.

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD.
(Incorporated in Malaysia)
(Company No. 18417-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Investment 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 20 to 242.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 18417-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 18417-M)

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 INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 18417-M)

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.

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

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2018

		The Group		The Bank	
	Note	**31 December 2018 RM'000**	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Assets					
Cash and short term funds	2	**889,098**	1,226,387	**888,128**	1,177,737
Deposits and placements with banks and other financial institutions	3	**10**	29	**-**	-
Financial assets at fair value through profit or loss	4	**6,437**	-	**6,437**	-
Equity instruments at fair value through other comprehensive income	5	**1,117**	-	**-**	-
Financial assets held for trading	6	**-**	2,524	**-**	2,524
Derivative financial instruments	7	**5,240**	9,071	**5,240**	9,071
Financial investments available-for-sale	8	**-**	821	**-**	-
Loans, advances and financing	9	**-**	169,646	**-**	169,646
Other assets	10	**615,536**	2,030,591	**614,726**	2,027,910
Tax recoverable	21 (b)	**14,126**	1	**14,125**	-
Deferred Taxation	11	**19,074**	21,344	**19,074**	21,217
Amounts due from related companies	43	**2,745**	4,477	**2,760**	4,788
Statutory deposits with Bank Negara Malaysia	12	**91**	91	**91**	91
Investment in subsidiaries	13	**-**	-	**50**	9,050
Investment in associates	14	**8,195**	7,753	**-**	-
Property, plant and equipment	15	**31,753**	48,359	**31,753**	49,229
Investment properties	16	**17,334**	17,849	**17,334**	17,849
Goodwill	17	**-**	964	**-**	-
		1,610,756	3,539,907	**1,599,718**	3,489,112
Non-current assets held for sale	53	**74,288**	-	**28,656**	-
Total assets		**1,685,044**	3,539,907	**1,628,374**	3,489,112
Liabilities					
Deposits from customers	18	**127,749**	38,637	**127,749**	38,637
Deposits and placements of banks and other financial institutions	19	**261,087**	700,996	**261,087**	700,996
Derivative financial instruments	7	**3,249**	5,169	**3,249**	5,169
Other liabilities	20	**586,193**	2,078,390	**586,169**	2,076,286
Provision for taxation	21 (a)	**-**	6,298	**-**	6,242
Amounts due to related companies	43	**14,568**	17,090	**14,568**	17,090
Subordinated loan	22	**-**	10,000	**-**	-
		992,846	2,856,580	**992,822**	2,844,420
Non-current liabilities held for sale	53	**76,866**	-	**64,962**	-
Total liabilities		**1,069,712**	2,856,580	**1,057,784**	2,844,420
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital	23	**100,000**	100,000	**100,000**	100,000
Redeemable preference shares	24	**10**	10	**10**	10
Reserves	25	**515,322**	583,317	**470,580**	544,682
Total equity		**615,332**	683,327	**570,590**	644,692
Total equity and liabilities		**1,685,044**	3,539,907	**1,628,374**	3,489,112
Commitments and contingencies	48	**914,926**	698,112	**914,926**	698,112
Net assets per ordinary share (RM)		**6.15**	6.83	**5.71**	6.45

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Income
for the financial year ended 31 December 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Interest income	26 (a)	23,357	28,368	23,329	28,341
Interest income for financial assets at fair value through profit or loss	26 (b)	105	-	105	-
Interest expense	27	(22,397)	(30,668)	(22,397)	(30,668)
Net interest income/(expense)		1,065	(2,300)	1,037	(2,327)
Income derived from investment of shareholders' funds	56	32,930	56,567	32,930	56,567
Income attributable to the depositors	56	(1)	(20)	(1)	(20)
Income from Islamic Banking operations		32,929	56,547	32,929	56,547
(Expected credit losses made)/write back of impairment losses on loan, advances and financing	28	(22)	184	(22)	184
(Other expected credit losses made)/write back of allowance made on other impairment losses	29	211	-	211	-
		34,183	54,431	34,155	54,404
Fee and commission income	30	41,336	112,039	41,336	112,039
Dividend income	31	6	2	6	2
Net gain arising from financial assets at fair value through profit or loss	32	2,625	-	2,625	-
Net loss arising from derivative financial instruments	33	(1,255)	(16,003)	(1,255)	(16,003)
Net gain arising from financial assets held for trading	34	-	7,555	-	7,555
Net loss arising from sale of financial investments available-for-sale	35	-	(37)	-	(37)
Income from asset management and securities services		7,683	11,377	7,683	11,377
Brokerage income		11,607	17,847	11,607	17,846
Other non-interest income	36	15,953	28,456	15,953	28,457
Non-interest income		77,955	161,236	77,955	161,236
Net income		112,138	215,667	112,110	215,640
Overheads	37	(86,327)	(101,603)	(87,517)	(101,585)
		25,811	114,064	24,593	114,055
Share of profit of associates	14	442	551	-	-
Profit from continuing operations before taxation		26,253	114,615	24,593	114,055
Taxation	39	(11,363)	(33,901)	(11,178)	(33,760)
Profit from continuing operations		14,890	80,714	13,415	80,295
Profit from discontinuing operation	40	6,911	16,052	2,575	11,750
Profit for the financial year		21,801	96,766	15,990	92,045
Profit for the financial period attributable to :					
Owners of the Group/Bank		21,801	96,766	15,990	92,045
Basic earnings per share for profit from continuing operations attributable to ordinary equity holders (sen)	41	14.89	80.71	13.42	80.30
Basic earnings per share for profit from discontinuing operations attributable to ordinary equity holders (sen)	41	6.91	16.05	2.58	11.75
Basic earnings per share for profit attributable to ordinary equity holders (sen)	41	21.80	96.76	16.00	92.05

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

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	**21,801**	96,766	**15,990**	92,045
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Equity instruments at fair value through other comprehensive income/ financial investments available-for-sale				
-Net gain from change in fair value	**296**	129	**-**	-
Other comprehensive income for the financial year, net of tax	**296**	129	**-**	-
Total comprehensive income for the financial year arises from :				
Continuing operations	**15,186**	80,843	**13,415**	80,295
Discontinuing operations	**6,911**	16,052	**2,575**	11,750
	22,097	96,895	**15,990**	92,045

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

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

		Attributable to owners of Parent							
	Note	Ordinary Share capital RM'000	Redeemable preference shares RM'000	Reserve-equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Group									
At 1 January 2018		100,000	10	-	317	4,119	1,952	576,929	683,327
-effect of adopting MFRS 9		-	-	(6,014)	(317)	-	5,419	1,838	926
Adjusted at 1 January 2018		100,000	10	(6,014)	-	4,119	7,371	578,767	684,253
Net profit for the financial year		-	-	-	-	-	-	21,801	21,801
Other comprehensive income (net of tax)									
-Equity instruments at fair value through other comprehensive income		-	-	296	-	-	-	-	296
Total comprehensive income for the financial year		-	-	296	-	-	-	21,801	22,097
Share-based payment expense		-	-	-	-	5,857	-	-	5,857
Shares released under Equity Ownership Plan	45	-	-	-	-	(4,875)	-	-	(4,875)
Transfer from regulatory reserve	25 (iv)	-	-	-	-	-	(7,371)	7,371	-
Interim dividend paid in respect of the financial year ended 31 December 2017	42	-	-	-	-	-	-	(92,000)	(92,000)
At 31 December 2018		100,000	10	(5,718)	-	5,101	-	515,939	615,332

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

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

		Attributable to owners of Parent							
	Note	Ordinary Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Group									
At 1 January 2017		100,000	10	155,805	188	3,188	2,104	381,206	642,501
Net profit for the financial year		-	-	-	-	-	-	96,766	96,766
Other comprehensive expense (net of tax)									
- financial investments available-for-sale		-	-	-	129	-	-	-	129
Total comprehensive income for the financial year		-	-	-	129	-	-	96,766	96,895
Share-based payment expense		-	-	-	-	4,013	-	-	4,013
Shares released under Equity Ownership Plan	45	-	-	-	-	(3,082)	-	-	(3,082)
Transfer from statutory reserve	25 (i)	-	-	(155,805)	-	-	-	155,805	
Transfer from regulatory reserve		-	-	-	-	-	(152)	152	-
Interim dividend paid in respect of the financial year ended 31 December 2016		-	-	-	-	-	-	(57,000)	(57,000)
At 31 December 2017		100,000	10	-	317	4,119	1,952	576,929	683,327

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CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	Note	Non-distributable							Distributable	
		Ordinary Share capital	Redeemable preference shares	Merger reserve	Share-based payment reserve	Reserve equity instruments at fair value through other comprehensive income	Capital reserve	Regulatory reserve	Retained profits	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank										
At 1 January 2018		100,000	10	(272,007)	4,119	-	271,377	1,952	539,241	644,692
-effect of adopting MFRS 9		-	-	-	-	(6,331)	-	5,419	1,838	926
Adjusted at 1 January 2018		100,000	10	(272,007)	4,119	(6,331)	271,377	7,371	541,079	645,618
Net profit for the financial year		-	-	-	-	-	-	-	15,990	15,990
Total comprehensive income for the financial year		-	-	-	-	-	-	-	15,990	15,990
Share-based payment expense		-	-	-	5,857	-	-	-	-	5,857
Shares released under Equity Ownership Plan	45	-	-	-	(4,875)	-	-	-	-	(4,875)
Transfer from regulatory reserve	25	-	-	-	-	-	-	(7,371)	7,371	-
Interim dividend paid in respect of the financial year ended 31 December 2017	42	-	-	-	-	-	-	-	(92,000)	(92,000)
At 31 December 2018		100,000	10	(272,007)	5,101	(6,331)	271,377	-	472,440	570,590

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

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

	Note	Ordinary Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
		← Non-distributable						→	← Distributable →	
The Bank										
At 1 January 2017		100,000	10	155,805	(272,007)	3,188	271,377	2,104	348,239	608,716
Net profit for the financial year		-	-	-	-	-	-	-	92,045	92,045
Total comprehensive income for the financial year		-	-	-	-	-	-	-	92,045	92,045
Share-based payment expense		-	-	-	-	4,013	-	-	-	4,013
Shares released under Equity Ownership Plan	45	-	-	-	-	(3,082)	-	-	-	(3,082)
Transfer from statutory reserve	25 (i)	-	-	(155,805)	-	-	-	-	155,805	-
Transfer from regulatory reserve		-	-	-	-	-	-	(152)	152	-
Interim dividend paid in respect of the financial year ended 31 December 2016		-	-	-	-	-	-	-	(57,000)	(57,000)
At 31 December 2017		100,000	10	-	(272,007)	4,119	271,377	1,952	539,241	644,692

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Operating activities					
Profit before taxation from :					
Continuing operations		26,253	114,615	24,593	114,055
Discontinuing operations		11,179	22,705	5,473	17,048
Profit before taxation including discontinuing operations		37,432	137,320	30,066	131,103
Add/(less) adjustments:					
Expected credit losses made on loans, advances and financing	28	22	-	22	-
Write back of impairment losses on loans, advances and financing	28	-	(184)	-	(184)
Depreciation of investment properties	16	515	515	515	515
Depreciation of property, plant and equipment	15	13,974	20,218	15,113	20,038
Expected credit losses written back/ (allowance made) on other receivables (net)	29	(1,309)	355	(1,309)	384
Accretion of discount less amortisation of premium	26 (a) & (b)	(2)	(5)	(2)	(5)
Unrealised gain arising from financial assets at fair value through profit or loss	32	(586)	-	(586)	-
Unrealised gain arising from financial assets held for trading	34	-	(37)	-	(37)
Unrealised loss on derivative financial instruments		1,911	2,133	1,911	2,133
Gain on disposal of property, plant and equipment		(2,182)	(1,631)	(2,164)	(1,597)
Loss arising from sale of financial investments available-for-sale	35	-	37	-	37
Gross dividends from financial assets at fair value through profit or loss	31	(6)	-	(6)	-
Gross dividends from financial assets held for trading	31	-	(2)	-	(2)
Unrealised foreign exchange gain		(3,120)	(15,481)	(3,100)	(15,501)
Share of results of associates	14	(442)	(551)	-	-
Share-based payment expense		5,857	4,013	5,857	4,013
Property, plant and equipment written off		-	12	-	12
Cash flow from operating profit before changes in operating assets and liabilities		52,064	146,712	46,317	140,909
Decrease/(increase) in operating assets					
Deposits and placements with banks and other financial institutions		19	2,004	-	2,004
Financial assets at fair value through profit or loss		(3,603)	-	(3,603)	-
Financial assets held for trading		-	(2,215)	-	(2,215)
Loans, advances and financing		169,624	14,004	169,624	14,004
Other assets		1,352,061	(1,027,549)	1,403,268	(1,027,506)
Statutory deposits with Bank Negara Malaysia		-	55	-	55
Amounts due from related companies		1,735	13,633	1,734	13,631
Amounts due from ultimate holding company		(3)	(35)	(3)	(35)
Amounts due from subsidiaries		-	-	297	(266)
		1,519,833	(1,000,103)	1,571,317	(1,000,328)

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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
(Decrease)/increase in operating liabilities					
Deposits from customers		**89,112**	(37,436)	**89,112**	(37,436)
Deposits and placements of banks and other financial institutions		**(439,909)**	(279,161)	**(439,909)**	(279,161)
Other liabilities		**(1,425,864)**	1,056,912	**(1,425,688)**	1,057,119
Amounts due to related companies		**(2,522)**	13,560	**(2,522)**	13,560
Cash used in operating activities		**(207,286)**	(99,516)	**(161,373)**	(105,337)
Taxation paid		**(34,290)**	(32,875)	**(32,523)**	(31,328)
Net cash used in operating activities		**(241,576)**	(132,391)	**(193,896)**	(136,665)
Investing activities					
Dividends received from financial assets at fair value through profit or loss		**6**	-	**6**	-
Dividends received from financial assets held for trading		**-**	2	**-**	2
Net proceeds of financial investments available-for-sale		**-**	574	**-**	574
Purchase of property, plant and equipment	15	**(6,503)**	(4,443)	**(6,503)**	(4,201)
Proceeds from disposal of property, plant and equipment		**2,251**	2,578	**2,251**	2,546
Net cash used in investing activities		**(4,246)**	(1,289)	**(4,246)**	(1,079)
Financing activities					
Dividends paid		**(92,000)**	(57,000)	**(92,000)**	(57,000)
Net cash used in financing activities		**(92,000)**	(57,000)	**(92,000)**	(57,000)
Net decrease in cash and cash equivalents during the financial year		**(337,822)**	(190,680)	**(290,142)**	(194,744)
Cash and cash equivalents at beginning of the financial year		**1,200,526**	1,391,206	**1,151,876**	1,346,620
Cash and cash equivalents at end of the financial year		**862,704**	1,200,526	**861,734**	1,151,876
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	**889,098**	1,226,387	**888,128**	1,177,737
Adjustment for monies held in trust:					
Remisiers' balances		**(26,394)**	(25,861)	**(26,394)**	(25,861)
Cash and cash equivalents		**862,704**	1,200,526	**861,734**	1,151,876

There was no changes in liabilities arising from financing activities for the financial year ended 31 December 2018.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Group 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.

A Basis of preparation

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

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation financial assets at fair value though profit or loss, equity instruments at fair value through other comprehensive income, derivatives financial instruments, investment properties and non-current assets/disposal groups held for sale.

The Financial Statements incorporate those activities relating to Islamic banking ("SPI") which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities in compliance with Shariah Principles.

The preparation of Financial Statements in conformity with the 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 52.

(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 "Share-based Payment - Classification and Measurement of Share-based Payment Transactions"

Summary of Significant Group 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)

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 (continued):

- Amendments to MFRS 140 "Investment Property-Transfers of Investment Property"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
  - Amendments to MFRS 128 "Investment in associates and Joint Venture"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Group and the Bank have 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 and impairment of financial assets 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 balance of 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.

A Basis of preparation (Continued)

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

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 (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 has 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 applies 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.

A Basis of preparation (Continued)

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

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 (continued):

(iii) Presentation of interest for financial instruments measured at fair value through profit or loss

MFRS 9 introduced a consequential amendment to paragraph 82 (a) of MFRS 101 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest income calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement. The effective interest method does not apply to financial assets at fair value through profit or loss.

Accordingly, the Group and the Bank have presented interest income for financial assets at fair value through profit or loss separately in the Statements of Income.

(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.

Summary of Significant Group 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)

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

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

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

  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.

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)

  With regard to the options and simplifications under MFRS 16, the Group and the Bank 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.

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

Summary of Significant Group 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 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 Interest Income but minimal impact to Profit before Taxation and Zakat as interest expense arising from the discounting of lease liability will be reported under 'net interest income' whilst depreciation will be reported under 'overheads' instead of rental expense as currently reported under 'overheads' in the Statements of Income. In the Statements 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 interest 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.

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 borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model. The amendments will be applied retrospectively.

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

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle

  - Amendments to MFRS 3 "Business Combinations" clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 "Joint Arrangements" clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

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)

- Annual Improvements to MFRSs 2015 – 2017 Cycle (Continued)
    - Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
    - Amendments to MFRS 123 "Borrowing Costs" clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

The adoption of the above 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.

B Economic entities in the Group

(a) Subsidiaries

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

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

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

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

Under the acquisition method of accounting, the consideration transferred for 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 years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the ultimate holding company of the Group at the date of transfer 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

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) 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.

B Economic entities in the Group (Continued)

(c) Associates

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

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

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

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

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

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

B Economic entities in the Group (Continued)

(c) Associates (Continued)

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

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

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

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

(d) Interests in subsidiaries and associates

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

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

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

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

Interest and financing income and expense for all interest-bearing financial instruments are recognised within "interest income", "interest expense" and "income from Islamic banking operations" respectively in the statement of income using the effective interest / profit method.

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

Interest/profit income is calculated by applying effective interest/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 interest/profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

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

D Recognition of fees and other income

Fees and commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees and income from asset management and securities services which are material are recognised as income based on a time apportionment method. From 1 January 2018, the services are recognised as income based on performance obligations satisfied.

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.

D Recognition of fees and other income (Continued)

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.

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, 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 other comprehensive income. For investment in equity 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.

(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 interest 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 interest on the principal outstanding.

E Financial assets (Continued)

(a) Classification (Continued)

(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.

(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 interest.

(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 interest, 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. Interest income from these financial assets is included in finance income using the effective interest rate method.

E Financial assets (Continued)

(c) Subsequent measurement (Continued)

Debt instruments (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 interest, are measured at FVOCI. Movements in the carrying amount are taken through Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest revenue 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. Interest income from these financial assets is included in finance income using the effective interest 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. Interest income from these financial assets is included in the finance income.

Equity instruments

The Group and the Bank 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 Bank'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.

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 O.

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, sundry creditors, subordinated loans and amount due to related companies.

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.

H Offsetting financial instruments

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

I Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit losses ("ECL") associated with its 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,

The Group and the Bank use three categories for financial assets accounted for at amortised cost and FVOCI which reflect their credit risk and how the 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 interest income is calculated on the gross carrying amount of the financial assets.

I Impairment of financial assets (Continued)

(i) Financial assets accounted for at amortised cost (Continued)

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

(b) Stage 2: Lifetime ECL – not credit impaired
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 interest income is calculated on the gross carrying amount of the financial assets.

(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 interest income is calculated on the net carrying amount of the financial assets.

On the term 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 Sale and repurchase agreements

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

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

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

K 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 year in which they are incurred.

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

Leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Building on leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture & fittings	
- office equipment	3 to 10 years
- furniture and fixtures	5 to 10 years
Renovations to rented premises	5-10 years or over the period of the tenancy, whichever is shorter
Computer equipment and software	3 - 15 years
Motor vehicles	5 years

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

K Property, plant and equipment (Continued)

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

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

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

L Investment properties

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

Investment properties of the Group and the Bank are stated at cost less accumulated depreciation and accumulated impairment loss. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line bases over their estimated useful lives of 50 years.

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

M 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.

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

M Goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

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

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

N Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

Others

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

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

O Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. 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.

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

P Currency translations

(a) Functional and presentation currency

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

(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.

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

P Currency translations (Continued)

(b) Foreign currency transactions and balances (Continued)

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

Q Income and deferred taxes

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

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

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

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

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries and associates 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 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 the deferred gain or loss.

Q Income and deferred taxes (Continued)

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

R Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

S Employee benefits

(a) Short term employee benefits

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

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

S Employee benefits (Continued)

(b) Post employment benefits

The Group and the Bank have a defined contribution plan for its employees.

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

The Group's and the Bank's contributions to defined contribution plans are charged to the statement of income. 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) 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 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.

(d) Bonus plans

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

S Employee benefits (Continued)

(e) 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.

T Impairment of non-financial assets

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

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

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

U Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

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

Y Non-current assets/disposal groups held for sale and discontinued operations

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

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business. Classification as a discontinued operation occur upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of income and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Z Trust activities

The Group acts as trustees and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

AA 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, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of its financial instruments at initial recognition.

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments available-for-sale

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

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

AA Accounting policies applied in 2017 (continued)

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

AA Accounting policies applied in 2017 (continued)

(d) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

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

(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.

AA Accounting policies applied in 2017 (continued)

(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.

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

The Group and the 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.

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

AA Accounting policies applied in 2017 (continued)

(f) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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

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

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

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

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

AA Accounting policies applied in 2017 (continued)

(f) Impairment of financial assets (Continued)

(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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

1 General information

The principal activities of the Bank are investment banking and the provision of related financial services. The principal activities of its subsidiaries, as set out in Note 13 to the Financial Statements, consist of futures broking and the provision of nominees services. There was no significant change in the nature of these activities during the financial year, other than the discontinuing operations as disclosed in Note 40.

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

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

The address of the registered office and the principal place of business of the Bank is Level 17, 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	31 December 2017	**31 December 2018**	31 December 2017
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**87,285**	76,410	**87,226**	75,817
Money at call and deposit placements maturing within one month	**801,813**	1,149,977	**800,902**	1,101,920
	889,098	1,226,387	**888,128**	1,177,737

Included in cash and short term funds of the Group and the Bank are accounts maintained in trust for remisiers amounting to RM26,394,000 (31 December 2017: 25,861,000) for the Group and the Bank respectively.

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Licensed banks	10	29	-	-

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
Quoted securities:		
In Malaysia		
Shares	4	-
Outside Malaysia		
Shares	2,103	-
Unquoted securities:		
In Malaysia		
Bonds	4,330	-
	6,437	-

5 Equity instruments at fair value through other comprehensive income

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
At fair value				
Unquoted securities :				
Outside Malaysia				
Shares	1,117	-	-	-
Total equity instruments at fair value through other comprehensive income	1,117	-	-	-

Equity instruments at fair value through other comprehensive income comprise the following individual investment:

	The Group 2018 RM'000	The Bank 2018 RM'000
Unquoted securities		
PT Commerce Kapital	1,117	-

6 Financial assets held for trading

	The Group and the Bank 31 December 2017 RM'000
At fair value	
Quoted securities:	
In Malaysia	
Shares	686
Outside Malaysia	
Shares	71
Unquoted securities:	
In Malaysia	
Bonds	1,767
	2,524

7 Derivative financial instruments

The following tables summarise the contractual underlying principal amounts of trading derivatives. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding as at statement of financial position date, and do not represent amounts at risk.

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

		Fair values	
The Group and the Bank	**Principal amount**	**Assets**	**Liabilities**
At 31 December 2018	**RM'000**	**RM'000**	**RM'000**
Trading derivatives			
Islamic profit rate derivatives			
Profit rate swaps	131,300	2,379	-
Equity derivatives			
Equity options	271,026	-	-
Credit related derivatives			
Total return swap	262,600	2,861	(3,249)
Total derivative assets/(liabilities)	**664,926**	**5,240**	**(3,249)**
At 31 December 2017			
Trading derivatives			
Islamic profit rate derivatives			
Profit rate swaps	138,550	4,519	-
Equity derivatives			
Equity options	281,108	-	-
Credit related derivatives			
Total return swap	277,100	4,552	(5,169)
Total derivative assets/(liabilities)	696,758	9,071	(5,169)

8 Financial investments available-for-sale

	The Group 31 December 2017 RM'000	The Bank 31 December 2017 RM'000
At fair value		
Unquoted securities:		
Outside Malaysia		
Shares	7,152	6,331
	7,152	6,331
Allowance for impairment losses:		
Unquoted shares outside Malaysia	(6,331)	(6,331)
	821	-

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

	The Group 2017 RM'000	The Bank 2017 RM'000
At 1 January	6,465	6,465
Disposal of securities	(134)	(134)
At 31 December	6,331	6,331

9 Loans, advances and financing

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
(i) By type		
Staff loans *	-	169,731
Other loans	-	1,905
Gross loans, advances and financing	-	171,636
Less: expected credit losses/allowance for impairment losses		
- Individual impairment allowance	-	(1,905)
- Portfolio impairment allowance	-	(85)
Total net loans, advances and financing	-	169,646

All loans, advances and financing are measured at amortised cost using the effective interest method. All loans (include loan commitment and financial guarantee contract) have been vested to CIMB Bank Berhad on 2 October 2018.

* There were no loans to directors included in staff loans of the Group and the Bank as at 31 December 2018 and 31 December 2017.

9 Loans, advances and financing (Continued)

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
(ii) By type of customers		
Individuals	-	171,636
(iii) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loan	-	16,838
Variable rate		
- Other variable rates	-	154,798
	-	171,636
(iv) By economic purpose:		
Personal use	-	2,162
Purchase of residential property (housing)	-	166,404
Purchase of transport vehicles	-	3,070
	-	171,636
(v) By geographical distribution		
Malaysia	-	171,636
(vi) By economic sector		
Household	-	171,636
(vii) By residual contractual maturity		
Within one year	-	270
One year to less than three years	-	1,914
Three years to less than five years	-	2,058
Five years and above	-	167,394
	-	171,636
(viii) Credit impaired/Impaired loans, advances and financing by economic purpose		
Purchase of residential property (housing)	-	1,401
Purchase of transport vehicles	-	504
Gross impaired loans, advances and financing	-	1,905
(ix) Credit impaired/Impaired loans, advances and financing by geographical distribution		
Malaysia	-	1,905
(x) Credit impaired/Impaired loans, advances and financing by economic sector		
Household	-	1,905

9 Loans, advances and financing (Continued)

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

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
Loans, advances and financing to customers at amortised cost						
As at 1 January 2018	-	-	-	1,905	85	1,990
Effect of adopting MFRS 9	132	18	621	(1,905)	(85)	(1,219)
Adjusted 1 Jan 2018	132	18	621	-	-	771
Changes in expected credit losses due to transferred within stages:	34	(92)	58	-	-	-
Transferred to Stage 1	44	(36)	(8)	-	-	-
Transferred to Stage 2	(10)	43	(33)	-	-	-
Transferred to Stage 3	-	(99)	99	-	-	-
Total charge to Income Statement:	(118)	125	113	-	-	120
Change in credit risk	*(118)*	*125*	*113*	-	-	*120*
Transfer to related companies	(48)	(51)	(792)	-	-	(891)
At 31 December 2018	-	-	-	-	-	-

9 Loans, advances and financing (Continued)

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

	The Group and the Bank 2017 RM'000
Movements in the allowance on loans, advances and financing :	
Individual impairment allowance	
At 1 January	2,075
Allowance made during the financial year	2,034
Amounts written back during the financial year	(2,204)
At 31 December	1,905
Portfolio impairment allowance	
At 1 January	99
Net amount written back	(14)
At 31 December	85
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	1.2%

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

	The Group and the Bank		
	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Impaired loans under MFRS 139 RM'000	Total RM'000
As at 1 January 2018	-	1,905	1,905
Effect of adopting MFRS 9	1,905	(1,905)	-
Adjusted 1 January 2018	1,905	-	1,905
Changes in credit risk	831	-	831
Amount recovered	(4)	-	(4)
Other changes in loans, advances and financing	56	-	56
Transfer to related companies	(2,788)	-	(2,788)
At 31 December 2018	-	-	-

9 Loans, advances and financing (Continued)

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

Impact of movements in gross carrying amount on lifetime expected credit losses

Stage 1 expected credit losses ("ECL") decreased by RM118,000 during the financial year mainly due to partial settlement and lower ECL for gross carrying amount ("GCA") transferred from Stage 2 to Stage 1.

Stage 2 ECL increased by RM125,000 mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

Stage 3 ECL increased by RM113,000 mainly due to higher ECL for GCA transferred from Stage 1 and 2 to Stage 3.

	The Group and the Bank **31 December 2017** **RM'000**
Impaired loans under MFRS 139:	
At 1 January 2017	2,075
Classified as impaired during the financial year	2,034
Amount written back in respect of recoveries	(2,204)
At 31 December 2017	1,905
Ratio of gross impaired loans to total loans, advances and financing	1.1%

10 Other assets

		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 from brokers and clients, net of lifetime expected credit losses / allowance for impairment loss of RM7,503,000 (2017 : RM6,331,000)	(a)	**449,568**	1,194,813	**449,568**	1,193,066
Collateral pledged for derivative transactions		**132,103**	139,353	**132,103**	139,353
Other debtors, net of expected credit losses / allowance for doubtful debts of RM7,327,000 (2017: RM11,877,000), deposits and prepayments	(b)	**33,865**	696,425	**33,055**	695,491
		615,536	2,030,591	**614,726**	2,027,910

(a) Movement of lifetime expected credit losses using simplified approach/allowances for impairment losses on amount due from brokers and clients:-

	The Group		The Bank	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
At 1 January	**6,331**	6,658	**6,331**	6,658
Net lifetime expected credit losses made/ (write back) during the financial year	**1,172**	(327)	**1,172**	(327)
At 31 December	**7,503**	6,331	**7,503**	6,331

Expected lifetime credit losses using simplified approach/allowance for impairment losses on amount due from brokers and clients are all of portfolio impairment allowances.

10 Other assets (Continued)

(b) Movement of lifetime expected credit losses using simplified approach / allowances for impairment losses on other receivable are as follows:

	The Group and the Bank Total
	RM'000
At 1 January 2018	**11,877**
Net lifetime expected credit loss written back during the financial year	**(1,980)**
Transfer to Non-current assets held for sale	**(2,570)**
At 31 December 2018	**7,327**

	The Group and the Bank		
	Individual impairment allowance	Portfolio impairment allowance	Total
	RM'000	RM'000	RM'000
At 1 January 2017	11,343	(202)	11,141
Net amount allowance made during the financial year	487	249	736
At 31 December 2017	11,830	47	11,877

11 Deferred taxation

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

	The Group		**The Bank**	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax asset (net)	**19,074**	21,344	**19,074**	21,217

11 Deferred taxation (Continued)

The gross movement on the deferred taxation account 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
Deferred tax assets (before offsetting)				
Expected credit losses/portfolio impairment allowance	**4,175**	-	**4,175**	-
Provision for expenses	**12,273**	18,858	**12,273**	18,842
Post employment benefit obligations	**1,225**	984	**1,225**	984
Other temporary differences	**1,220**	1,852	**1,220**	1,729
Property, plant and equipment	**181**	-	**181**	-
	19,074	21,694	**19,074**	21,555
Property, plant and equipment	**-**	(350)	**-**	(338)
Deferred tax assets (after offsetting)	**19,074**	21,344	**19,074**	21,217
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**-**	(350)	**-**	(338)
Offsetting	**-**	350	**-**	338
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

CIMB Investment Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

11 Deferred taxation (Continued)

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

The Group	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2018		-	(350)	1,852	18,858	984	21,344
Credited/(charged) to statements of income	39	4,175	531	(509)	(6,570)	241	(2,132)
(Under)/over provision in prior year		-	(11)	-	-	-	(11)
Transfer to Non-current assets held for sale		-	11	(123)	(15)	-	(127)
At 31 December 2018		4,175	181	1,220	12,273	1,225	19,074

The Group	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2017		-	(1,122)	1,748	14,504	761	15,891
Credited/(charged) to statements of income	39	-	810	101	4,199	223	5,333
(Under)/over provision in prior year		-	(38)	3	155	-	120
At 31 December 2017		-	(350)	1,852	18,858	984	21,344

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

11 Deferred taxation (Continued)

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

The Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2018		-	(338)	1,729	18,842	984	21,217
Credited/(charged) to statements of income	39	4,175	531	(509)	(6,570)	241	(2,132)
(Under)/over provision in prior year		-	(12)	-	1	-	(11)
At 31 December 2018		4,175	181	1,220	12,273	1,225	19,074

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2017		-	(1,110)	1,631	14,489	761	15,771
Credited/(charged) to statements of income	39	-	810	101	4,199	223	5,333
(Under)/over provision in prior year		-	(38)	(3)	154	-	113
At 31 December 2017		-	(338)	1,729	18,842	984	21,217

12 Statutory deposits with Bank Negara Malaysia

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

13 Investment in subsidiaries

	The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Unquoted shares, at cost	**50**	9,050

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Percentage of equity held directly by the Bank	
		31 December 2018 %	31 December 2017 %
CIMB Holdings Sdn. Bhd.	Investment holding	**100**	100
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
CIMB EOP Management Sdn. Bhd.	Nominee services	**100**	100
CIMB Futures Sdn. Bhd. #	Futures broking	**100**	100
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100

As at 31 December 2018, the investment in CIMB Futures Sdn Bhd has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd ("CIMBG") as they have entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited ("CGI") to sell 100% of the issued and paid-up share capital of CIMB Futures Sdn Bhd to Jupiter Securities Sdn Bhd ("Jupiter Securities"). Refer to Note 53.

14 Investment in associates

	The Group	
	2018	2017
	RM'000	RM'000
At 1 January	7,753	7,202
Share of profit for the financial year	442	551
At 31 December	8,195	7,753

	The Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
Unquoted shares	-	-

(a) Information about associates :

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

The associates held through CIMB Holdings Sdn. Bhd. are:

		Percentage of equity held through the Bank's subsidiary company	
Name of associates	Principal activities	31 December 2018	31 December 2017
		%	%
CIMB Islamic Trustee Berhad	Trustee services	20	20
CIMB Commerce Trustee Berhad	Trustee services	20	20

14 Investment in associates (Continued)

(b) The summarised financial information below represents amounts shown in the associate's Financial Statements prepared in accordance with MFRS (adjusted by the Group for equity accounting purposes).

	CIMB Islamic Trustee Berhad As at 31 December	
	2018	2017
	RM'000	RM'000
Total assets	**8,726**	8,542
Total liabilities	**(935)**	(1,482)
Net assets	**7,791**	7,060

	Year ended 31 December	
	2018	2017
	RM'000	RM'000
Income	**4,214**	4,048
Expenses	**(3,150)**	(2,678)
Profit before taxation	**1,064**	1,370
Taxation	**(333)**	(500)
Profit for the financial year	**731**	870

	CIMB Commerce Trustee Berhad As at 31 December	
	2018	2017
	RM'000	RM'000
Total assets	**21,728**	21,269
Current liabilities	**(2,559)**	(3,577)
Net assets	**19,169**	17,692

	Year ended 31 December	
	2018	2017
	RM'000	RM'000
Income	**9,809**	9,376
Expenses	**(7,612)**	(6,771)
Profit before taxation	**2,197**	2,605
Taxation	**(720)**	(720)
Profit for the financial year	**1,477**	1,885

14 Investment in associates (Continued)

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements :

	CIMB Islamic Trustee Berhad		CIMB Commerce Trustee Berhad		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Net assets						
As at 1 January	**7,060**	6,190	**17,692**	15,807	**24,752**	21,997
Profit for the financial year	**731**	870	**1,477**	1,885	**2,208**	2,755
As at 31 December	**7,791**	7,060	**19,169**	17,692	**26,960**	24,752
Interest in associates (%)	**20**	20	**20**	20	**20**	20
Interest in associates (RM '000)	**1,558**	1,412	**3,834**	3,538	**5,392**	4,950
Goodwill (RM '000)	**2,803**	2,803	**-**	-	**2,803**	2,803
Carrying value (RM '000)	**4,361**	4,215	**3,834**	3,538	**8,195**	7,753

15 Property, plant and equipment

The Group 2018	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost					
At 1 January 2018	20,789	59,941	10,506	49,895	141,131
Additions	79	244	647	5,533	6,503
Disposals/written off	(248)	(590)	(7,637)	(437)	(8,912)
Trasnfer to Non-current assets held for sale	(8,638)	(16,992)	(1,115)	(16,076)	(42,821)
Reclassification	-	1,787	-	(1,787)	-
At 31 December 2018	11,982	44,390	2,401	37,128	95,901
Accumulated depreciation					
At 1 January 2018	14,174	46,622	7,413	24,563	92,772
Charge for the financial year	2,068	4,232	3,319	4,355	13,974
Disposals/written off	(241)	(1,051)	(7,259)	(254)	(8,805)
Trasnfer to Non-current assets held for sale	(7,759)	(15,373)	(1,098)	(9,563)	(33,793)
At 31 December 2018	8,242	34,430	2,375	19,101	64,148
Net book value as at 31 December 2018	3,740	9,960	26	18,027	31,753

The Group 2017	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost					
At 1 January 2017	24,730	70,773	15,512	52,053	163,068
Additions	141	3,283	458	561	4,443
Disposals/written off	(4,082)	(14,115)	(5,464)	(2,719)	(26,380)
At 31 December 2017	20,789	59,941	10,506	49,895	141,131
Accumulated depreciation					
At 1 January 2017	16,025	51,492	8,589	21,869	97,975
Charge for the financial year	2,107	9,731	4,018	4,362	20,218
Disposals/written off	(3,958)	(14,601)	(5,194)	(1,668)	(25,421)
At 31 December 2017	14,174	46,622	7,413	24,563	92,772
Net book value as at 31 December 2017	6,615	13,319	3,093	25,332	48,359

*Computer software is mostly integral to the systems of the Group and the Bank and accordingly has not been reclassified as intangibles under MFRS 138 "Intangible Assets".

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

15 Property, plant and equipment (Continued)

	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank					
2018					
Cost					
At 1 January 2018	20,489	59,594	10,351	49,465	139,899
Additions	79	244	647	5,533	6,503
Disposals/written off	(247)	(590)	(7,482)	(438)	(8,757)
Trasnfer to Non-current assets held for sale	(8,339)	(16,645)	(1,115)	(15,645)	(41,744)
Reclassification	-	1,787	-	(1,787)	-
At 31 December 2018	11,982	44,390	2,401	37,128	95,901
Accumulated depreciation					
At 1 January 2018	13,913	46,309	6,057	24,391	90,670
Charge for the financial year	2,058	4,203	4,540	4,312	15,113
Disposals/written off	(239)	(1,051)	(7,124)	(254)	(8,668)
Trasnfer to Non-current assets held for sale	(7,490)	(15,031)	(1,098)	(9,348)	(32,967)
At 31 December 2018	8,242	34,430	2,375	19,101	64,148
Net book value as at 31 December 2018	3,740	9,960	26	18,027	31,753

	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank					
2017					
Cost					
At 1 January 2017	24,490	70,426	15,204	51,806	161,926
Additions	82	3,283	458	378	4,201
Disposals/written off	(4,083)	(14,115)	(5,311)	(2,719)	(26,228)
At 31 December 2017	20,489	59,594	10,351	49,465	139,899
Accumulated depreciation					
At 1 January 2017	15,794	51,222	7,185	21,698	95,899
Charge for the financial year	2,077	9,688	3,912	4,361	20,038
Disposals/written off	(3,958)	(14,601)	(5,040)	(1,668)	(25,267)
At 31 December 2017	13,913	46,309	6,057	24,391	90,670
Net book value as at 31 December 2017	6,576	13,285	4,294	25,074	49,229

*Computer software is mostly integral to the systems of the Group and the Bank and accordingly has not been reclassified as intangibles under MFRS 138 "Intangible Assets".

16 Investment properties

	Leasehold land - 50 years or more RM'000	Building on leasehold land- 50 years or more RM'000	Total RM'000
The Group and the Bank			
Cost			
At 1 January/31 December 2018	18,609	7,135	25,744
Accumulated depreciation			
At 1 January 2018	5,706	2,189	7,895
Charge for the financial year	372	143	515
At 31 December 2018	6,078	2,332	8,410
Net book value as at 31 December 2018	12,531	4,803	17,334
The Group and the Bank			
Cost			
At 1 January/31 December 2017	18,609	7,135	25,744
Accumulated depreciation			
At 1 January 2017	5,334	2,046	7,380
Charge for the financial year	372	143	515
At 31 December 2017	5,706	2,189	7,895
Net book value as at 31 December 2017	12,903	4,946	17,849

The investment property is valued annually at fair value based on market value determined by independent qualified valuer. The fair value is within Level 2 of the fair value hierarchy. The fair value has been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

16 Investment properties (Continued)

The fair value as at 31 December 2018 is RM41,000,000 (31 December 2017: RM44,000,000).

The following amounts have been reflected in the statements of income :

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Rental income	**3,930**	3,641
Operating expenses arising from investment properties that generated the rental income	**1,435**	1,379

17 Goodwill

	The Group	
	2018	2017
	RM'000	RM'000
At 1 January/31 December	**-**	964

As at 31 December 2018, goodwill pertaining to the stock-broking/equities business has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd ("CIMBG") as they have entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited ("CGI") to sell 100% of equities business to Jupiter Securities. Sdn. Bhd. ("Jupiter Securities"). Refer to Note 53.

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating-unit ("CGU"). This CGU does not carry any intangible asset with indefinite useful life.

	The Group	
	31 December 2018	31 December 2017
CGU	**RM'000**	RM'000
Stock-broking / equities business	**-**	964

17 Goodwill (Continued)

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 terminal growth rate of 2.0% (31 December 2017: 2.0%). 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 the CGU is 7.00% (31 December 2017: 8.19%). 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 is no impairment charge for the financial year ended 31 December 2018 (31 December 2017: RM Nil).

18 Deposits from customers

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
(i) By type of deposits		
- Short term money market deposits	**127,749**	38,637
	127,749	38,637
(ii) By type of customers		
- Local government and statutory bodies	**30,026**	-
- Business enterprises	**97,723**	38,637
	127,749	38,637

19 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 banks	**120,637**	250,705
Other financial institutions	**140,450**	450,291
	261,087	700,996

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Due within six months	**261,087**	700,996

20 Other liabilities

	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 to brokers and clients	**401,347**	1,136,062	**401,347**	1,136,062
Structured deposits	**131,300**	138,550	**131,300**	138,550
Others	**53,546**	803,778	**53,522**	801,674
	586,193	2,078,390	**586,169**	2,076,286

21(a) Provision for taxation

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Taxation	**-**	6,298	**-**	6,242

21(b) Tax recoverable

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Tax recoverable	**14,126**	1	**14,125**	-

22 Subordinated loan

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Subordinated loan	**-**	10,000	**-**	-

On 6 May 2013 and 30 August 2016, CIMB Futures Sdn. Bhd. had issued RM5,000,000 each in principal amounts of unsecured subordinated loan to the Bank's immediate holding company, CIMB Group Sdn. Bhd. The debt bears interest at the rate of 5% per annum. The subordinated loan will mature on 14 November 2019 and 16 May 2020 respectively. As at 31 December 2018, the subordinated loan has been presented as held for sale. Refer Note 53.

23 Ordinary share capital

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Issued and fully paid shares		
At 1 January/31 December	**100,000**	100,000

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.

24 Redeemable preference shares

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Issued and fully paid redeemable preference shares		
At 1 January/31 December	**10**	10

On 30 January 2008, the Bank had allotted and issued 1,000,000 Redeemable Preference Shares ("RPS") of RM0.01 each to its ultimate holding company, CIMB Group Holdings Berhad.

The main features of the RPS are as follows:

(i) The RPS do not carry any fixed dividends;

(ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;

(iii) The RPS rank pari passu in all aspects among themselves;

(iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;

(v) The RPS are not convertible to ordinary shares of the Bank; and

(vi) The RPS may only be redeemed subject to BNM's approval at the option of the Bank (but not the holder) at anytime from the issue date.

25 Reserves

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

(ii) Revaluation reserve–equity instruments at fair value through other comprehensive income /financial investments available-for-sale

Movement of the revaluation reserve of equity instruments at fair value through other comprehensive income / financial investments available-for-sale is shown in the statements of comprehensive income.

25 Reserves (Continued)

(iii) Share-based payment reserve

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

(iv) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018 (prior to 2018: MFRS139 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.

(v) Capital reserve, which is non-distributable, relates to the retained earnings of CIMB Discount House Berhad and CIMBS Sdn. Bhd. from 1 January 2006 to 30 June 2006 and 1 January 2006 to 31 December 2006 respectively, which were transferred to the Bank, arising from the business combinations under common control using the predecessor method of accounting in financial year 2006.

(vi) Merger reserve, which is non-distributable, relates to the difference between the cost of the merger between the Bank and the business of CIMB Discount House Berhad and CIMBS Sdn. Bhd. in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

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

26(a) Interest income

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**4,034**	5,447	**4,034**	5,447
Money at call and deposits placements with banks and other financial institutions	**19,321**	22,854	**19,293**	22,827
Financial assets held for trading	**-**	59	**-**	59
Others	**2**	3	**2**	3
	23,357	28,363	**23,329**	28,336
Accretion of discounts less amortisation of premuim	**-**	5	**-**	5
	23,357	28,368	**23,329**	28,341

26(b) Interest income for financial assets at fair value through profit or loss

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Financial assets at fair value through profit or loss	**103**	-	**103**	-
Net accretion of discounts less amortisation of premium	**2**	-	**2**	-
	105	-	**105**	-

27 Interest expense

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**18,395**	27,692	**18,395**	27,692
Deposits from customers	**4,002**	2,976	**4,002**	2,976
	22,397	30,668	**22,397**	30,668

28 (Expected credit losses made)/write back of impairment losses on loans, advances and financing

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
(Expected credit losses made)/write back of impairment losses on loans, advances and financing at amortised cost:		
- Expected credit losses made using simplified approach/(write back) of impairment losses on loans, advances and financing at amortised cost:	**(22)**	-
- Individual impairment allowance	-	(2,034)
- Portfolio impairment allowance	-	14
Credit impaired loans and financing		
- Recovered	-	2,204
	(22)	184

29 (Other expected credit losses made)/write back of allowance made on other impairment losses

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Expected credit losses for:		
- Other receivables	**(281)**	-
- Due from brokers and clients	**(8)**	-
Credit Impaired:		
- Recovered	**500**	-
	211	-

30 Fee and commission income

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Commission	**13,650**	14,280	**13,650**	14,280
Advisory and arrangement fees	**21,089**	76,249	**21,089**	76,249
Underwriting commissions	**10**	5,030	**10**	5,030
Placement fees	**2,710**	8,716	**2,710**	8,716
Other fee income	**3,877**	7,764	**3,877**	7,764
	41,336	112,039	**41,336**	112,039

31 Dividend income

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Financial assets at fair value through profit or loss	6	-	6	-
Financial assets held for trading	-	2	-	2
	6	2	6	2

32 Net gain arising from financial assets at fair value through profit or loss

	The Group and the Bank 2018 RM'000	The Group and the Bank 2017 RM'000
Net gain arising from financial assets at fair value through profit or loss		
- realised gain	2,039	-
- unrealised gain	586	-
	2,625	-

33 Net loss arising from derivative financial instruments

	The Group and the Bank 2018 RM'000	The Group and the Bank 2017 RM'000
Net (loss)/gain arising from derivative financial instruments		
- realised loss	(1,255)	(16,093)
- unrealised gain	-	90
	(1,255)	(16,003)

34 Net gain arising from financial assets held for trading

	The Group and the Bank 2018 RM'000	The Group and the Bank 2017 RM'000
Net gain arising from financial assets held for trading		
- realised gain	-	7,518
- unrealised gain	-	37
	-	7,555

35 Net loss arising from sale of financial investments available-for-sale

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Net loss from sale of financial investments available-for-sale	-	(37)

36 Other non-interest income

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain	9,488	22,759	9,488	22,759
Gain on disposal of property, plant and equipment	2,163	1,439	2,163	1,440
Other non-operating income	4,302	4,258	4,302	4,258
	15,953	28,456	15,953	28,457

37 Overheads

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	95,445	110,183	95,445	110,183
- Pension cost (defined contribution plan)	10,857	10,167	10,857	10,167
- Training fees	675	1,709	675	1,695
- Overtime, meal and transport claims	343	245	343	245
- Others	2,822	3,709	2,822	3,723
	110,142	126,013	110,142	126,013

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

37 Overheads (Continued)

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
- Depreciation of property, plant and equipment	11,740	17,073	12,969	17,073
- Depreciation of investment property	515	515	515	515
- Rental	7,235	6,833	7,235	6,833
- Others	1,118	2,706	1,118	2,707
	20,608	27,127	21,837	27,128
Marketing expenses				
- Advertisement	-	1,095	-	1,094
- Entertainment expenses	2,424	3,145	2,338	3,020
- Others	788	1,132	874	1,257
	3,212	5,372	3,212	5,371
Administration and general expenses				
- Legal and professional fees	994	3,430	991	3,428
- Communication	517	384	517	384
- Printing and stationery	347	288	347	288
- Administrative vehicle, travelling and insurance expenses	1,430	2,701	1,430	2,702
- Others	9,480	5,648	9,444	5,631
	12,768	12,451	12,729	12,433
Shared services cost #				
-Personnel cost	(59,136)	(63,387)	(59,136)	(63,387)
-Establishment cost	(2,552)	(8,663)	(2,552)	(8,663)
-Marketing expenses	(534)	(873)	(534)	(873)
-Administration and general expenses	1,819	3,563	1,819	3,563
	(60,403)	(69,360)	(60,403)	(69,360)
Total overhead expenses	86,327	101,603	87,517	101,585

The allocation basis of support unit cost and shared services cost was reviewed and refined on regular basis.

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

37 Overheads (Continued)

The expenditure includes the following statutory disclosures :

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 38)	7,252 *	7,654 *	7,252 *	7,654 *
Rental of premises	4,560	9,995	4,560	9,744
Hire of equipment	2,675	16,580	2,675	14,956
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	552	323	513	278
- Half year review	58	52	58	52
- Non-audit services	88	58	53	33
Property, plant and equipment written off	-	12	-	12

* include fees and allowances paid and borne by CIMB Bank Berhad and CIMB Islamic Bank Berhad of RM150,000 and RM25,000 respectively (31 December 2017: RM115,000 and RM21,000 respectively).

Included in the overhead expenses are support costs amounting to RM33 million (31 December 2017: RM43 million), which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

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

38 Directors' remuneration

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

Non-Executive Directors
Dato' Robert Cheim Dau Meng
Puan Nadzirah binti Abd Rashid
Encik Didi Syafruddin Yahya
Mr. Manu Bhaskaran

Executive Director
Dato' Kong Sooi Lin (retired on 28 February 2019)
Jefferi Mahmud Hashim (appointed on 1 March 2019)

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

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Executive Director and Group CEO				
- Salary and other remuneration	**5,767**	6,311	**5,767**	6,311
- Benefits-in-kind	**9**	14	**9**	14
Non-executive Directors				
- Fees and other remuneration	**1,476**	1,329	**1,476**	1,329
	7,252	7,654	**7,252**	7,654

The Directors' cash 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.

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

38 Directors' remuneration (Continued)

	2018 Fees RM'000	2018 Salary and/or other remuneration RM'000	2018 Benefits-in-kind RM'000	2018 Total RM'000		2017 Fees RM'000	2017 Salary and/or other remuneration RM'000	2017 Benefits-in-kind RM'000	2017 Total RM'000	
Executive Directors										
Dato' Kong Sooi Lin	-	5,767	9	5,776		-	6,311	14	6,325	
	-	5,767	9	5,776		-	6,311	14	6,325	
Non-Executive Directors										
Dato' Robert Cheim Dau Meng	163	303	10	476		118	294	31	443	
Puan Nadzirah binti Abd Rashid	140	375	-	515	*	121	322	-	443	*
Mr. Manu Bhaskaran	140	100	-	240		109	115	-	224	
Encik Didi Syafruddin Yahya	140	105	-	245		104	114	-	218	
Dato' David Chua Ming Huat			-	-		1	-	-	1	
	583	883	10	1,476		453	845	31	1,329	
	583	6,650	19	7,252		453	7,156	45	7,654	

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 RM6,320 (31 December 2017: RM7,813).

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

39 Taxation

(i) Tax expense for the financial year

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
- Malaysian income tax	**11,446**	44,825	**10,069**	43,464
- Foreign tax	**69**	1,038	**69**	1,038
Deferred tax (Note 11)	**2,132**	(5,333)	**2,132**	(5,333)
Under/(over) provision in prior years	**1,984**	24	**1,806**	(111)
	15,631	40,554	**14,076**	39,058
Income tax expense is attributable to:				
Profit from continuing operations	**11,363**	33,901	**11,178**	33,760
Profit from discontinuing operations	**4,268**	6,653	**2,898**	5,298
	15,631	40,554	**14,076**	39,058

(ii) Numerical reconciliation of income tax expense

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Profit from continuing operations before taxation	**26,253**	114,615	**24,593**	114,055
Profit from discontinuing operation before taxation	**11,179**	22,705	**5,473**	17,048
Less : Share of results of associates	**(442)**	(551)	**-**	-
	36,990	136,769	**30,066**	131,103
Tax calculated at a tax rate of 24%	**8,878**	32,825	**7,216**	31,465
Income not subject to tax	**(398)**	(297)	**(398)**	(297)
Expenses not deductible for tax purposes	**5,098**	6,964	**5,383**	6,963
Under/(over) provision in prior years	**1,984**	24	**1,806**	(111)
Foreign witholding tax	**69**	1,038	**69**	1,038
Tax expense	**15,631**	40,554	**14,076**	39,058

40 Discontinuing operation

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn. Bhd. ("Jupiter Securities:") in connection with the Proposed Partnership with China Galaxy International Financials Holdings Limited ("CGI"). The segment was not a discontinuing operation or classified as Non-current assets held for sale as at 31 December 2017. The comparative consolidated statement of income has disclosed the discontinuing operation separately from continuing operations.

Profit attributable to the discontinuing operation are as follows:

	The Group		The Bank	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**12,611**	10,763	**4,726**	4,604
Interest expense	**(508)**	(515)	**-**	-
Net interest income	**12,103**	10,248	**4,726**	4,604
Income derived from investment of shareholders' funds	**2,726**	5,586	**2,726**	5,586
Income from Islamic Banking operations	**2,726**	5,586	**2,726**	5,586
Other expected credit losses written back on/ (allowance for) other impairment losses	**1,110**	(355)	**1,098**	(384)
	15,939	15,479	**8,550**	9,806
Fee and commission income	**3,061**	4,521	**3,061**	4,521
Net loss arising from financial assets at fair value through profit or loss	**(94)**	-	**(94)**	-
Net loss arising from financial assets held for trading	**-**	(282)	**-**	(282)
Brokerage income	**112,220**	127,389	**107,158**	121,618
Other non-interest income	**1,180**	1,816	**1,136**	1,721
Non-interest income	**116,367**	133,444	**111,261**	127,578
Net income	**132,306**	148,923	**119,811**	137,384
Overheads	**(121,127)**	(126,218)	**(114,338)**	(120,336)
Profit before taxation of discontinuing operation	**11,179**	22,705	**5,473**	17,048
Taxation	**(4,268)**	(6,653)	**(2,898)**	(5,298)
Profit after taxation / total comprehensive income for the financial year of discontinuing operation	**6,911**	16,052	**2,575**	11,750
Net cash inflow/(outflow) from operating activities	**14,224**	(12,801)	**9,568**	(16,487)
Net cash outflow from investing activities	**(3,947)**	(830)	**(3,947)**	(830)
Net increase/(decrease) in cash generated by the business operation	**10,277**	(13,631)	**5,621**	(17,317)

41 Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Bank	
	2018	2017	**2018**	2017
Net profit from continuing operations (RM' 000)	**14,890**	80,714	**13,415**	80,295
Net profit from discontinuing operation (RM' 000)	**6,911**	16,052	**2,575**	11,750
	21,801	96,766	**15,990**	92,045
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000	**100,000**	100,000
Basic earnings per share from continuing operations (expressed in sen per share)	**14.89**	80.71	**13.42**	80.30
Basic earnings per share from discontinuing operation (expressed in sen per share)	**6.91**	16.05	**2.58**	11.75
Total basic earnings per share attributable to equity shareholders	**21.80**	96.76	**16.00**	92.05

(b) Diluted earnings per share

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

42 Dividends

The Directors have proposed an interim single tier dividend comprising 15.99 sen per ordinary share, amounting to RM15,990,000 in respect of financial year ended 31 December 2018, which was approved by the Board of Directors in a resolution dated 28 January 2019.

A single tier interim dividend of 92 sen per ordinary share, amounting to RM92,000,000 in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 26 January 2018, was paid on 22 March 2018.

43 Amounts due from/(to) related companies

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

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	**31 December 2018 RM'000**	31 December 2017 RM'000
Amounts due from:				
- subsidiaries	**-**	-	**15**	312
- related companies	**2,466**	4,201	**2,466**	4,200
- ultimate holding company	**279**	276	**279**	276
	2,745	4,477	**2,760**	4,788
Amounts due to:				
- related companies	**(14,568)**	(17,090)	**(14,568)**	(17,090)
	(14,568)	(17,090)	**(14,568)**	(17,090)

44 Significant related party transactions and balances

(a) Related parties and relationship

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

Related parties	Relationship
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn. Bhd. ("CIMBG")	Immediate holding company
CIMB Berhad ("CIMBB")	Subsidiary of ultimate holding company
Subsidiaries of CIMB Group and CIMBG as disclosed in their Financial Statements	Subsidiaries of ultimate holding and immediate holding companies
Subsidiaries of the Bank as disclosed in Note 13	Subsidiaries
Touch 'N Go Sdn. Bhd.	Subsidiary of ultimate holding company
Key management personnel	Refer to below

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

44 Significant related party transactions and balances (Continued)

(b) Related party transactions

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

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions.

The Group and the Bank	Other related companies RM'000	Key management personnel RM'000
2018		
Income:		
Fee income	2,900	-
Interest income	3,051	2
Brokerage income	3,036	28
Rental income	3,930	-
Income from asset management and securities services	210	-
Income from Islamic Banking operations	9,524	-
	22,651	30
Expenditure:		
Interest expense	4,223	-
Brokerage expense	8,053	-
Rental expense	5,790	-
Establishment - others	843	-
Administration and general expenses - others	1,752	-
Shared service cost	(33,178)	-
Dividend paid	92,000	-
	79,483	-

44 Significant related party transactions and balances (Continued)

(b) Related party transactions (continued)

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. (continued)

The Group and the Bank 2017	Other related companies RM'000	Key management personnel RM'000
Income:		
Fee income	29,466	-
Interest income	1,763	-
Brokerage income	10,554	28
Rental income	3,641	-
Income from asset management and securities services	1,993	-
Income from Islamic Banking operations	10,455	-
	57,872	28
Expenditure:		
Interest expense	13,774	-
Brokerage expense	1,315	-
Rental expense	6,091	-
Establishment - others	50	-
Administration and general expenses - others	4,948	-
Shared service cost	(43,484)	-
Dividend paid	57,000	-
	39,694	-

As at 31 December 2018, the breakdown of expenditure by geographical is as follows:

The Group and the Bank	Interest expense RM'000	Brokerage expense RM'000	Rental expense RM'000	Establishment - others RM'000	Administration and general expenses - others RM'000	Shared service cost RM'000	Dividend paid RM'000
Malaysia	4,222	-	5,790	768	1,752	(33,178)	92,000
Singapore	1	8,053	-	75	-	-	-
	4,223	8,053	5,790	843	1,752	(33,178)	92,000

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

44 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries and other employee benefits #	105,864	106,500	46,971	42,710
	Unit	Unit	Unit	Unit
Shares of ultimate holding company	3,675,568	4,125,374	892,250	1,133,654

 # includes compensation paid by other related companies

(d) Related party balances

Other related party balances, other than those carried out in the ordinary course of banking transactions, represent advances to and from related parties as well as expenses paid on behalf for and by related parties. These balances are unsecured, carry no interest rate and are repayable on demand.

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party balances.

The Group and the Bank	Other related companies RM'000	Key management personnel RM'000
31 December 2018		
Amount due from:		
Cash and balances with banks and other financial institutions	62,573	-
Money at call and deposit placements maturing within one month	53,835	-
Financial assets at fair value through profit or loss	4,266	-
Other assets	138,658	-
Amounts due from brokers	43,619	-
	302,951	-

44 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party balances. (Continued)

The Group and the Bank 31 December 2018	Other related companies RM'000	Key management personnel RM'000
Amount due to:		
Deposits and placements of banks and other financial institutions	120,637	-
Amounts due to brokers	59,733	-
Other liabilities	452	-
	180,822	-
Principal		
Equity related contracts:		
Equity options	135,513	-

The Group and the Bank 31 December 2017	Other related companies RM'000	Key management personnel RM'000
Amount due from:		
Cash and balances with banks and other financial institutions	53,359	-
Money at call and deposit placements maturing within one month	10,803	-
Financial assets held for trading	1,767	-
Other assets	776,934	-
Amounts due from brokers	28,101	-
	870,964	-

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

44 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party balances. (Continued)

The Group and the Bank 31 December 2017	Other related companies RM'000	Key management personnel RM'000
Amount due to:		
Deposits and placements of banks and other financial institutions	100,549	-
Amounts due to brokers	41,513	-
Other liabilities	631,474	-
	773,536	-
Principal		
Equity related contracts:		
Equity options	140,554	-
	140,554	-

44 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	
	31 December 2018 RM'000	31 December 2017 RM'000
Outstanding credit exposures with connected parties	**20,642**	23,554
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.3%**	1.1%
Percentage of outstanding credit exposures with connected parties which is impaired 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 is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 44 (b) to the Financial Statements, the Group and the Bank have collectively, but not individually entered into, significant transactions with other government-related entities which include but not limited to the following:
- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit taking from government-related entities

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

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

45 Employee benefits

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 in the Group. Under the EOP, earmarked portions of variable remuneration of selected employees of the Group will be utilised to purchase ordinary shares of CIMB Group from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer 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 RM5,857,000 (31 December 2017: RM 4,013,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM7.07 per ordinary share (31 December 2017: RM5.48 per ordinary share), based on observable market price.

Movements in the number of the ultimate holding company's ordinary shares awarded are as follows:

	The Group and the Bank	
	2018	2017
	Unit	Unit
	'000	'000
Shares		
At 1 January	1,806	1,333
Awarded	900	1,209
Released	(1,096)	(736)
At 31 December	1,610	1,806

46 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
Authorised and contracted for	**8,331**	251
Authorised but not contracted for	**5,556**	15,252
	13,887	15,503
The capital commitments are attributed to:		
- property, plant and equipment	**13,887**	15,503
	13,887	15,503

47 Lease commitments

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Not later than one year	**6,307**	9,849
Later than one year and not later than five years	**8,767**	4,248
	15,074	14,097

48 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.

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

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

	The Group and the Bank	
	31 December 2018 Principal RM'000	31 December 2017 Principal RM'000
Credit-related		
Obligations under underwriting agreement	250,000	-
Irrevocable commitments to extend credit:		
- Maturity exceeding one year	-	1,354
	250,000	1,354
Treasury-related		
Interest rate related contracts:		
- Five years and above	131,300	138,550
Equity related contracts:		
- Less than one year	271,026	-
- One year to less than five years	-	281,108
Credit related contracts:		
- Five years and above	262,600	277,100
	664,926	696,758
	914,926	698,112

49 Segment reporting

Business 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.

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

Definition of segments

For management purposes, the Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt, derivative and financing related, Equity related, Investments and securities services and Support and others. The business lines are the basis on which the Group reports its segment information.

Financial advisory, underwriting and other fees mainly comprise fees derived from structured financial solutions, origination of capital market products, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory and Islamic capital market products. In addition, this segment also includes underwriting of primary equities and debt products.

Debt, derivative and financing related mainly comprises proprietary trading and market making, debt and equity related derivatives and structured products. It also invests in proprietary capital.

Equity related mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market. This segment had been classified as discontinuing operation.

Investments and securities services mainly comprise annuity income derived from fund management, unit trust, agency and securities services.

Support and others mainly comprise all middle and back-office processes and other related services which are non-core operations.

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

49 Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments:

	Continuing operations					Discontinuing operation	
The Group	**Financial advisory, underwriting and other fees RM'000**	**Debt, derivative and financing related RM'000**	**Investments and securities services RM'000**	**Support and others RM'000**	**Total RM'000**	**Equity related RM'000**	**Total RM'000**
2018							
External net interest income/(expense)	-	(2,924)	-	3,989	1,065	12,103	13,168
Non interest income	18,082	11,322	40,949	7,602	77,955	116,367	194,322
Income from Islamic Banking operations	833	27,251	4,845	-	32,929	2,726	35,655
	18,915	35,649	45,794	11,591	111,949	131,196	243,145
Overheads	(35,287)	(28,812)	(16,096)	(6,132)	(86,327)	(121,127)	(207,454)
of which :							
Depreciation of property, plant and equipment	*(2,286)*	*(241)*	*(6,400)*	*(2,813)*	*(11,740)*	*(2,234)*	(13,974)
Depreciation of investment property	-	-	*(515)*	-	*(515)*	-	(515)
Profit/(loss) before allowances	(16,372)	6,837	29,698	5,459	25,622	10,069	35,691
Expected credit losses written back/(made) on loans, advances and financing	-	-	98	(120)	(22)	-	(22)
Expected credit losses written back/(made) on other receivables	487	(765)	487	2	211	1,110	1,321
Segment results	(15,885)	6,072	30,283	5,341	25,811	11,179	36,990
Share of results of associates					442	-	442
					26,253	11,179	37,432
Taxation					(11,363)	(4,268)	(15,631)
Profit after taxation					14,890	6,911	21,801
Segment assets	7,458	970,778	16,626	580,040	1,574,902	74,288	1,649,190
Unallocated assets							35,854
Total assets							1,685,044
Segment liabilities	4,185	523,379	33,486	417,202	978,252	76,866	1,055,118
Unallocated liabilities							14,594
Total liabilities							1,069,712
Other segment items							
Incurred capital expenditure:							
- addition of property, plant and equipment	37	-	1,855	664	2,556	3,947	6,503
Amortisation of premium less accretion of discount	-	2	-	-	2	-	2

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

49 Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments: (Continued)

The Group	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2017						
External net interest income	-	(3,048)	5,645	-	5,351	7,948
Non interest income	70,021	36,071	140,727	42,872	4,990	294,681
Income from Islamic Banking operations	9,808	41,458	5,807	5,060	-	62,133
	79,829	74,481	152,179	47,932	10,341	364,762
Overheads	(37,643)	(19,256)	(132,499)	(36,761)	(1,663)	(227,822)
of which :						
Depreciation of property, plant and equipment	*(2,964)*	*(263)*	*(7,050)*	*(9,925)*	*(16)*	*(20,218)*
Depreciation of investment property	-	-	-	*(515)*	-	*(515)*
Profit/(loss) before allowances	42,186	55,225	19,680	11,171	8,678	136,940
Writeback of impairment losses on loans, advances and financing	-	-	-	-	184	184
(Allowance made on)/ writeback of impairment losses on other receivables	-	-	(355)	-	-	(355)
Segment results	42,186	55,225	19,325	11,171	8,862	136,769
Share of results of associates						551
Profit before taxation						137,320
Taxation						(40,554)
Net profit for the financial year						96,766
Segment assets	37,667	1,884,751	1,363,978	35,414	190,499	3,512,309
Unallocated assets						27,598
Total assets						3,539,907
Segment liabilities	4,953	1,514,390	1,232,768	70,510	10,569	2,833,190
Unallocated liabilities						23,390
Total liabilities						2,856,580
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	3,413	-	830	40	160	4,443
Amortisation of premium less accretion of discount	-	5	-	-	-	5

The Group's activities are predominantly carried out in Malaysia, with the Malaysian market contributing approximately 100% of the gross operating income and the total segment assets in Malaysia approximately 100% of total assets of the Group. Accordingly, no information on the Group's operations by geographical segments has been provided.

50 Significant events during the financial year

Disposal of equity business of the Bank and equity interest in CIMB Futures Sdn Bhd

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

On 2 April 2018 The Securities Commission approved the Proposed Acquisition and the proposed sale of CIMBG Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn Bhd ("Jupiter Securities"). On 10 August 2018, the CIMB Group announced that approval from BNM has been received.

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV Entity") have signed a Share Subscription Agreement for the subscription of new shares in the Malaysia JV Entity ("Proposed MY Share Subscription"), which shall be the holding company for the Malaysia stockbroking business of the Malaysia JV. At completion, CIMBG and CGI will be 50:50 shareholders in the Malaysia JV Entity. The parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of the Bank into Jupiter Securities Sdn Bhd ("Jupiter Securities") ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of the Malaysia JV Entity and will be the operating company for the stockbroking business of the Malaysia JV in Malaysia. Upon completion of the Proposed MY Share Subscription and the Proposed Business Transfer, it will be renamed as CGS-CIMB Securities Sdn Bhd. The consideration in connection with the Proposed Business Transfer, which was determined based on the future prospects and net asset value of the in-scope business as at 31 December 2015 will be satisfied in cash. The consideration is subject to closing audit adjustments, if any.

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, 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.

51 Capital adequacy (Continued)

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 capital adequacy ratios are computed as follows:

The capital adequacy framework applicable is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") ("Capital Components") and Capital Adequacy Framework for Islamic Banks ("CAFIB") ("Capital Components") of which the latest revisions were issued on 2 February 2018. The revised guidelines took effect on 1 January 2018. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets) of which the latest revisions were issued on 2 February 2018.

The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Before deducting proposed dividend				
Common Equity Tier 1 ratio	**31.110%**	35.950%	**32.466%**	39.596%
Tier 1 ratio	**31.110%**	35.950%	**32.466%**	39.596%
Total capital ratio	**31.110%**	35.950%	**32.466%**	39.596%
After deducting proposed dividend				
Common Equity Tier 1 ratio	**30.254%**	30.867%	**31.502%**	33.651%
Tier 1 ratio	**30.254%**	30.867%	**31.502%**	33.651%
Total capital ratio	**30.254%**	30.867%	**31.502%**	33.651%

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

51 Capital adequacy (Continued)

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

	The Group		The Bank	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**898,080**	1,110,035	**709,148**	869,393
Market risk	**397,868**	56,342	**397,443**	55,924
Operational risk	**573,431**	643,358	**551,313**	622,356
Total risk-weighted assets	**1,869,379**	1,809,735	**1,657,904**	1,547,673

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

	The Group		The Bank		
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017	
	RM'000	RM'000	**RM'000**	RM'000	
Common Equity Tier 1 capital					
Ordinary shares	**100,000**	100,000	**100,000**	100,000	
Other reserves	**515,322**	583,317	**470,580**	544,682	
Less : Proposed dividends	**(15,990)**	(92,000)	**(15,990)**	(92,000)	
Common Equity Tier 1 capital before regulatory adjustments	**599,332**	591,317	**554,590**	552,682	
Less : Regulatory adjustments					
Goodwill	**(964)**	(964)	**-**	-	
Deferred tax assets	**(19,239)**	(21,344)	**(19,074)**	(21,217)	
Deduction in excess of Tier 2 Capital	**(4,251)**	(1,417)	**(4,251)**	(1,503)	N1
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	**(9,311)**	(6,859)	**(9,000)**	(7,200)	
Regulatory reserve	**-**	(1,952)	**-**	(1,952)	
Others	**-**	(174)	**-**	-	
Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital	**565,567**	558,607	**522,265**	520,810	
Tier II Capital					
Redeemable Preference Shares	**4**	5	**4**	5	
General provisions	**-**	2,037	**-**	2,037	
Tier II capital before regulatory adjustments	**4**	2,042	**4**	2,042	
Less : Regulatory adjustments					
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	**(4,255)**	(3,459)	**(4,255)**	(3,545)	
Total Tier II capital	**-**	-	**-**	-	
Total capital base	**565,567**	558,607	**522,265**	520,810	

N1 The excess of Tier II capital was deducted under Common Equity Tier I capital

52 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 or market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

(b) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M of the Summary of Significant Group Accounting Policies.

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

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

(b) Goodwill impairment (Continued)

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

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

(c) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 55.4.

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

53 Non-current assets held for sale

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

On 2 April 2018, The Securities Commission has approved the Proposed Acquisition and the proposed sale of CIMBG's Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities. On 10 August 2018, CIMB Group announced that approval from BNM has been received. On 28 September 2018, the Proposed Acquisition has been completed.

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV Entity") have signed a Share Subscription Agreement for the subscription of new shares in the Malaysia JV Entity ("Proposed MY Share Subscription"), which shall be the holding company for the Malaysia stockbroking business of the CGS-CIMB joint venture. At completion, CIMBG and CGI will be 50:50 shareholders in the Malaysia JV Entity. The parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of the Bank into Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of the Malaysia JV Entity and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration in connection with the Proposed Business Transfer, which was determined based on the future prospects and net asset value of the in-scope business as at 31 December 2015 will be satisfied in cash. The consideration is subject to closing audit adjustments, if any.

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

53 Non-current assets held for sale (Continued)

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

31 December 2018	The Group RM'000	The Bank RM'000
Assets		
Cash and short term funds	51,337	-
Financial assets at fair value through profit or loss	278	278
Other assets	12,359	10,601
Tax recoverable	157	-
Deferred tax assets	165	-
Investment in subsidiary	-	9,000
Property, plant and equipment	9,028	8,777
Goodwill	964	-
Total assets	74,288	28,656
Liabilities		
Other liabilities	66,866	64,962
Subordinated loan	10,000	-
Total liabilities	76,866	64,962

	The Group RM'000	The Bank RM'000
Property, plant and equipment held for sale comprise the following :		
Cost	42,821	41,744
Accumulated depreciation	(33,793)	(32,967)
	9,028	8,777

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 and I of the Summary 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 RM'000	New measurement category under MFRS 9 RM'000	Original measurement category under MFRS 139 RM'000	New measurement category under MFRS 9 RM'000
Financial assets						
Cash and short-term funds	Loans and receivables	Amortised cost	1,226,387	1,226,387	1,177,737	1,177,737
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	29	29	-	-
Financial assets held for trading	FVTPL	FVTPL	2,524	-	2,524	-
Financial investments available-for-sale	Available-for-sale	FVOCI	821	-	-	
Derivative financial instruments	FVTPL	FVTPL	9,071	9,071	9,071	9,071
Equity instruments at fair value through other comprehensive income	Available-for-sale	FVOCI	-	821	-	-
Financial assets at fair value through profit or loss	FVTPL	FVTPL	-	2,524	-	2,524
Loans, advances and financing	Loans and receivables	Amortised cost	169,646	170,865	169,646	170,865
Other assets	Loans and receivables	Amortised cost	2,030,591	2,030,591	2,027,910	2,027,910
Amounts due from holding company and ultimate holding company	Loans and receivables	Amortised cost	276	276	276	276
Amount due from subsidiaries	Loans and receivables	Amortised cost	-	-	312	312
Amount due from related companies	Loans and receivables	Amortised cost	4,201	4,201	4,200	4,200

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

54 Change in accounting policies (Continued)

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 and I of the Summary 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)

	Original measurement category under MFRS 139	New measurement category under MFRS 9	The Group As at 1 January 2018 Original measurement category under MFRS 139 RM'000	The Group As at 1 January 2018 New measurement category under MFRS 9 RM'000	The Bank As at 1 January 2018 Original measurement category under MFRS 139 RM'000	The Bank As at 1 January 2018 New measurement category under MFRS 9 RM'000
Financial liabilities						
Deposits from customers	Amortised cost	Amortised cost	38,637	38,637	38,637	38,637
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	700,996	700,996	700,996	700,996
Derivative financial instruments	FVTPL	FVTPL	5,169	5,169	5,169	5,169
Other liabilities	Amortised cost	Amortised cost	2,078,390	2,078,391	2,076,286	2,076,287
Subordinated loan	Amortised cost	Amortised cost	10,000	10,000	-	-
Amount due to related companies	Amortised cost	Amortised cost	17,090	17,090	17,090	17,090

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 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	1,226,387	-	-	-	1,226,387
Deposits and placements with banks and other financial institutions	29	-	-	-	29
Financial assets at fair value through profit or loss	-	-	2,524	2,524	2,524
Equity instruments at fair value through other comprehensive income	-	-	821	821	821
Financial assets held for trading	2,524	-	(2,524)	(2,524)	-
Financial investments available-for-sale	821	-	(821)	(821)	-
Derivative financial instruments	9,071	-	-	-	9,071
Loans, advances and financing	169,646	1,219	-	1,219	170,865
Other assets	2,030,591	-	-	-	2,030,591
Tax recoverable	1	-	-	-	1
Deferred taxation	21,344	-	-	-	21,344
Statutory deposits with central banks	91	-	-	-	91
Amounts due from holding company and ultimate holding company	276	-	-	-	276
Amount due from related companies	4,201	-	-	-	4,201
Investment in associates and joint ventures	7,753	-	-	-	7,753
Goodwill	964	-	-	-	964
Property, plant and equipment	48,359	-	-	-	48,359
Investment properties	17,849	-	-	-	17,849
TOTAL ASSETS	3,539,907	1,219	-	1,219	3,541,126
Liabilities					
Deposits from customers	38,637	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,996	-	-	-	700,996
Derivative financial instruments	5,169	-	-	-	5,169
Amount due to related companies	17,090	-	-	-	17,090
Other liabilities	2,078,390	1	-	1	2,078,391
Provision for taxation	6,298	292	-	292	6,590
Subordinated loan	10,000	-	-	-	10,000
TOTAL LIABILITIES	2,856,580	293	-	293	2,856,873
Equity					
Ordinary share capital	100,000	-	-	-	100,000
Reserves	583,317	926	-	926	584,243
	683,317	926	-	926	684,243
Redeemable preference shares	10	-	-	-	10
TOTAL EQUITY	683,327	926	-	926	684,253
TOTAL EQUITY AND LIABILITIES	3,539,907	1,219	-	1,219	3,541,126

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
	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	1,177,737	-	-	-	1,177,737
Financial assets at fair value through profit or loss	-	-	2,524	2,524	2,524
Financial assets held for trading	2,524	-	(2,524)	(2,524)	-
Derivative financial instruments	9,071	-	-	-	9,071
Loans, advances and financing	169,646	1,219	-	1,219	170,865
Other assets	2,027,910	-	-	-	2,027,910
Deferred taxation	21,217	-	-	-	21,217
Statutory deposits with central banks	91	-	-	-	91
Amounts due from holding company and ultimate holding company	276	-	-	-	276
Amount due from subsidiaries	312	-	-	-	312
Amount due from related companies	4,200	-	-	-	4,200
Investment in subsidiaries	9,050	-	-	-	9,050
Property, plant and equipment	49,229	-	-	-	49,229
Investment properties	17,849	-	-	-	17,849
TOTAL ASSETS	3,489,112	1,219	-	1,219	3,490,331
Liabilities					
Deposits from customers	38,637	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,996	-	-	-	700,996
Derivative financial instruments	5,169	-	-	-	5,169
Amount due to related companies	17,090	-	-	-	17,090
Other liabilities	2,076,286	1	-	1	2,076,287
Provision for taxation	6,242	292	-	292	6,534
TOTAL LIABILITIES	2,844,420	293	-	293	2,844,713
Equity					
Ordinary share capital	100,000	-	-	-	100,000
Reserves	544,682	926	-	926	545,608
	644,682	926	-	926	645,608
Redeemable preference shares	10	-	-	-	10
TOTAL EQUITY	644,692	926	-	926	645,618
TOTAL EQUITY AND LIABILITIES	3,489,112	1,219	-	1,219	3,490,331

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 earnings	576,929	1,838	-	1,838	578,767
Revaluation reserve - financial investment available-for-sale	317	-	(317)	(317)	-
Reserve-equity instruments at fair value through other comprehensive income	-	(6,331)	317	(6,014)	(6,014)
Regulatory reserve	1,952	5,419	-	5,419	7,371
Others	4,119	-	-	-	4,119
	583,317	926	-	926	584,243

	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 earnings	539,241	1,838	-	1,838	541,079
Reserve-equity instruments at fair value through other comprehensive income	-	(6,331)	-	(6,331)	(6,331)
Regulatory reserve	1,952	5,419	-	5,419	7,371
Others	3,489	-	-	-	3,489
	544,682	926	-	926	545,608

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 adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Bank RM'000**
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	2,524	2,524
Opening balance under MFRS 9 as at 1 January 2018	2,524	2,524
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	821	-
Opening balance under MFRS 9 as at 1 January 2018	821	-
Financial assets held for trading		
Closing balance under MFRS 139 as at 31 December 2017	2,524	2,524
- reclassification to financial assets at fair value through profit or loss	(2,524)	(2,524)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	821	-
- reclassification to equity instruments at fair value through other comprehensive income	(821)	-
Opening balance under MFRS 9 as at 1 January 2018	-	-
Loans, advances and financing		
Closing balance under MFRS 139 as at 31 December 2017	169,646	169,646
- recognition of expected credit losses under MFRS 9	1,219	1,219
Opening balance under MFRS 9 as at 1 January 2018	170,865	170,865

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 adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Bank RM'000**
Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017	2,078,390	2,076,286
- recognition of expected credit losses under MFRS 9	1	1
Opening balance under MFRS 9 as at 1 January 2018	2,078,391	2,076,287
Provision for taxation		
Closing balance under MFRS 139 as at 31 December 2017	6,298	6,242
- Tax effect arising from MFRS 9	292	292
Opening balance under MFRS 9 as at 1 January 2018	6,590	6,534
Retained earnings		
Closing balance under MFRS 139 as at 31 December 2017	576,929	539,241
- Transfer to regulatory reserve *	(5,419)	(5,419)
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	6,331	6,331
- Recognition of expected credit losses under MFRS 9	1,218	1,218
- Tax effect arising from MFRS 9	(292)	(292)
Opening balance under MFRS 9 as at 1 January 2018	578,767	541,079
Revaluation reserve - financial investment available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	317	-
- Transfer to fair value reserve - equity instruments at fair value through other comprehensive income	(317)	-
Opening balance under MFRS 9 as at 1 January 2018	-	-
Fair value reserves - Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from revaluation reserve - financial investment available-for-sale	317	-
- Unrealised loss on equity instruments at fair value through other comprehensive income	(6,331)	(6,331)
Opening balance under MFRS 9 as at 1 January 2018	(6,014)	(6,331)
Regulatory reserve		
Closing balance under MFRS 139 as at 31 December 2017	1,952	1,952
- Transfer from retained profits *	5,419	5,419
Opening balance under MFRS 9 as at 1 January 2018	7,371	7,371

* In accordance with BNM guideline issued on 2 February 2018.

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 balance as at 31 December 2017	Reclassification	Remeasurement	MFRS 9 balance as at 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Impairment allowance on:				
Loans, advances and financing				
- at amortised cost	1,990	-	(1,219)	771
Total	1,990	-	(1,219)	771

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

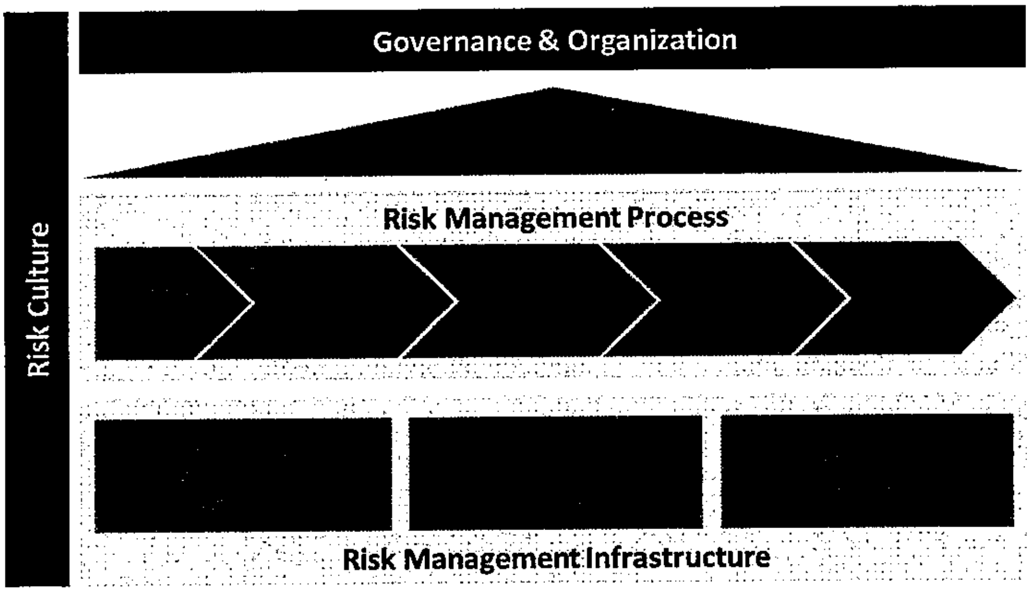
Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder's value through sound risk management framework.

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

The 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 tools 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 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 framework include:

i) **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 Defence approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

ii) **Governance & Organisation**:

A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic directions, which is supported by the risk appetite and 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.

iii) **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.

55 Financial Risk Management (Continued)

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

iv) **Risk Management Process**:

- Business Planning: Risk management is central to the business planning process, including setting framework for risk appetite, risk posture and new product/new business activities
- Risk Identification & assessment: Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standard's 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.
- Risk Management and Control: Risk management limits and controls 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.

v) **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.

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

55 Financial Risk Management (Continued)

(c) Risk Governance

At the apex of the governance structure are the respective Boards, which decides on the entity's risk appetite corresponding to its business strategies. Both 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 Group's risk strategies and policies, keeping them aligned with the principles within the risk appetite. The 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 BRCC 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.

55 Financial Risk Management (Continued)

c) Risk Governance (Continued)

The responsibility of the supervising risk management functions is delegated to the GRCC comprised of senior management of the Group and reports directly to the BRCC. The GRCC 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 ("GALMC") and Group Asset Quality Committee ("GAQC"), each addressing one or more of the following:

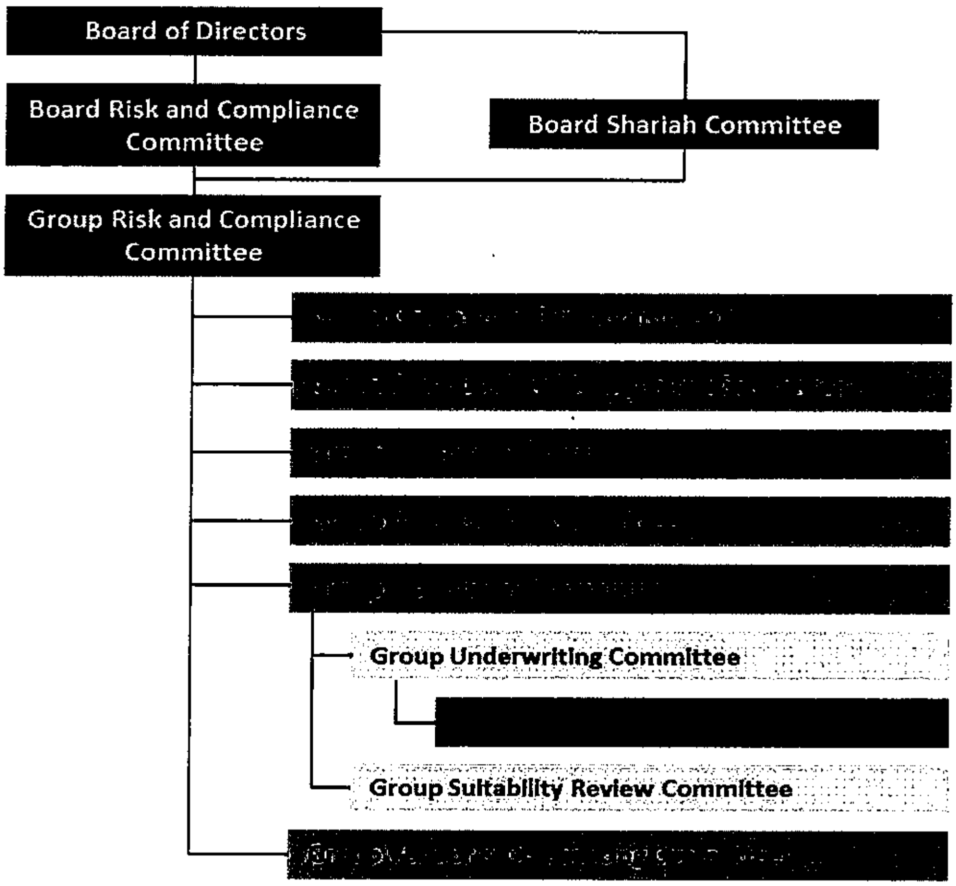
(i) Market risk, arising from fluctuations in the value of the trading or investment exposure resulting from movements in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
(ii) Credit risk, arising from the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
(v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates/rate of return;
(vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction of the Group, thereby resulting in a potential capital charge; and
(vii) Shariah Non-Compliance ("SNC") risk, arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Committee ("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.

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

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant 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.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three-Lines of Defence

The Group's risk management culture is embodied through the adoption of the Three-Lines of Defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management (including all key business units 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 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 who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management process.

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

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

GRD is headed by the Group CRO, appointed by our 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; and
b) Maintains an oversight on risk management functions across all entities within the Group. In each key country of operation, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE"):

(i) CRO

- 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.
- 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.
- 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.

(ii) Risk Centres of Excellence

- 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.
- The Risk CoEs consist of Risk Analytics & Infrastructure, Market Risk, Operational Risk (including Shariah Risk Management), Asset Liability Management and Credit Risk CoEs.

(1) Risk Analytics & Infrastructure CoE

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

(2) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE") (Continued):

(ii) Risk Centres of Excellence (Continued)

(3) 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, the 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.

(4) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

(5) 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 guide; credit risk models; underwriting; and portfolio analytics.

55 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

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

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations.

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

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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

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

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

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

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlines 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 authority holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units.

The GRCC with the support of GCC, GAQC, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list and policy. It is also responsible for articulating key credit risks and mitigating controls.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

Credit Risk Management (Continued)

Adherence to and compliance with single customer, 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.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures.

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

Credit reviews and rating are conducted on the credit exposures on 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 GRCC 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 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 is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

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

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

iii) Netting

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

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

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

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 in credit risk 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 its 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 do 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.

Retail

A retail loan, advances and financing 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 margin financing only).

Non-retail

The stage allocation will be performed at borrower level. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower 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;

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 at 1 January 2018 and for 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

Loans, advances and financing
The Group classified a loan, advances and financing as impaired when it meets one or more of the following criteria:

- The principal or interest or both of the loan is past due for 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 loan 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 loan 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 loan is forced impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Group Asset Quality Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Loans, advances and financing (Continued)

- When an obligor/counterparty has multiple 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 loan level instead of consolidated obligor/counterparty level.
- The loan is classified as rescheduled and restructured in CCRIS.

(iii) Definition of default

Loans, advances and financing

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 receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loan,advances,and 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 loans, advances and financing.

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.

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 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. 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 interest 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 borrower.

Probability of Default
The PD represents the likelihood of a borrower 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 applicaton of survival probabilities up to maturity of the loan facility.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

Exposure at Default
EAD is the total amount that the Group is exposed to at the time the borrower 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 loans, this is based on the contractual repayments owed by the borrower over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown 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 borrowers. 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)

(v) 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 loans, advances and financing 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)

(v) Forward-looking information incorporated into the ECL models (Continued)

The key economic variables used for the ECL sensitivity assessment

Key variables:	Changes (+/- bps)
GDP growth	50
Net FDI	20
Government expenses	30
Housing Price Index (HPI)	20
Overnight policy rate (OPR)	50
Unemployment rate	20
KLCI	10

(vi) 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 Modeling team.

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

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 loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such 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.

Modification of loans

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans 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 borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower 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 loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the loan.

The risk of default of such loans 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 loans. 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.

55 Financial Risk Management (Continued)

55.1 Credit risk (Continued)

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

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

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

ii) Treatment of Rating Downgrade
In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2018 and 31 December 2017 respectively, 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)

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 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.

31 December 2018	The Group RM'000	The Bank RM'000
Credit related commitments and contingencies	250,000	250,000

31 December 2017	The Group RM'000	The Bank RM'000
Credit related commitments and contingencies	1,354	1,354

There is no financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank as all loans had been transferred to related company (31 December 2017: 100%). The financial effects of collateral held for the remaining on balance sheet financial assets in 2017 are insignificant.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.2 Offsetting financial assets and financial liabilities

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

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
31 December 2018	Gross amounts of recognised financial assets in the Statements of Financial Position RM'000	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position RM'000	Net amounts of financial assets presented in the Statements of Financial Position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets						
Derivative financial instruments	5,240	-	5,240	(3,249)	(1,267)	724
Total	5,240	-	5,240	(3,249)	(1,267)	724
31 December 2017						
Financial assets						
Derivative financial instruments	9,071	-	9,071	(5,169)	(4,552)	(650)
Total	9,071	-	9,071	(5,169)	(4,552)	(650)

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.2 Offsetting financial assets and financial liabilities (Continued)

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

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial liabilities in the Statements of Financial Position	Gross amounts of recognised financial assets set off in the Statements of Financial Position	Net amounts of financial liabilities presented in the Statements of Financial Position	Financial instruments	Financial collateral	Net amount
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities						
Derivative financial instruments	3,249	-	3,249	(2,320)	-	929
Total	3,249	-	3,249	(2,320)	-	929
31 December 2017						
Financial liabilities						
Derivative financial instruments	5,169	-	5,169	(4,297)	-	872
Total	5,169	-	5,169	(4,297)	-	872

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

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 for the Group as at 31 December 2018 and 31 December 2017 are as follows:

	The Group					
31 December 2018	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	Total RM'000
Cash and short term funds	871,348	-	-	9,943	7,787	889,078
Deposits and placements with banks and other financial institutions	10	-	-	-	-	10
Financial assets designated at fair value through profit or loss	4,330	-	-	-	-	4,330
Derivative financial instruments	5,240	-	-	-	-	5,240
Other assets	508,871	2,488	-	26,898	67,636	605,893
Amounts due from related companies	1,200	88	-	1,388	69	2,745
Credit related commitments and contingencies	250,000	-	-	-	-	250,000
Total credit exposures	1,640,999	2,576	-	38,229	75,492	1,757,296

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 for the Group as at 31 December 2018 and 31 December 2017 are as follows: (Continued)

	The Group					
31 December 2017	**Malaysia RM'000**	**Indonesia RM'000**	**Thailand RM'000**	**Singapore RM'000**	**Other countries RM'000**	**Total RM'000**
Cash and short term funds	1,208,529	-	-	9,622	8,215	1,226,366
Deposits and placements with banks and other financial institutions	29	-	-	-	-	29
Financial assets held for trading	1,767	-	-	-	-	1,767
Derivative financial instruments	9,071	-	-	-	-	9,071
-Trading derivatives						-
Loans, advances and financing	169,646	-	-	-	-	169,646
Other assets	1,852,740	127	1,620	53,669	113,549	2,021,705
Amounts due from related companies	1,883	897	30	325	1,342	4,477
Credit related commitments and contingencies	1,354	-	-	-	-	1,354
Total credit exposures	3,245,019	1,024	1,650	63,616	123,106	3,434,415

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 for the Bank as at 31 December 2018 and 31 December 2017 are as follows:

	The Bank					
31 December 2018	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	870,378	-	-	9,943	7,787	888,108
Financial assets designated at fair value through profit or loss	4,330	-	-	-	-	4,330
Derivative financial instruments	5,240	-	-	-	-	5,240
Other assets	508,061	2,488	-	26,898	67,636	605,083
Amounts due from related companies	1,215	88	-	1,388	69	2,760
Credit related commitments and contingencies	250,000	-	-	-	-	250,000
Total credit exposures	1,639,224	2,576	-	38,229	75,492	1,755,521

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 for the Bank as at 31 December 2018 and 31 December 2017 are as follows: (Continued)

	The Bank					
31 December 2017	**Malaysia RM'000**	**Indonesia RM'000**	**Thailand RM'000**	**Singapore RM'000**	**Other countries RM'000**	**Total RM'000**
Cash and short term funds	1,160,095	-	-	9,407	8,214	1,177,716
Financial assets held for trading	1,767	-	-	-	-	1,767
Derivatives financial instruments	9,071	-	-	-	-	9,071
Loans, advances and financing	169,646	-	-	-	-	169,646
Other assets	1,850,571	127	1,620	53,237	113,549	2,019,104
Amounts due from related companies	2,194	897	30	325	1,342	4,788
Credit related commitments and contingencies	1,354	-	-	-	-	1,354
Total credit exposures	3,194,698	1,024	1,650	62,969	123,105	3,383,446

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

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

The Group

	Cash and short term funds	Deposits and placements with banks and other financial institutions	Financial assets designated at fair value through profit or loss	Derivative financial instruments	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
			Unquoted securities	Trading derivatives			
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	-	383	-	383
Manufacturing	-	-	-	-	416	-	416
Electricity, gas and water	-	-	-	-	1,696	250,000	251,696
Construction	-	-	-	-	648	-	648
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	9,075	-	9,075
Transport, storage and communications	-	-	-	-	635	-	635
Finance, insurance and business services	889,078	10	4,330	-	348,472	-	1,241,890
Education, health & others	-	-	-	-	166	-	166
Household	-	-	-	5,240	126,674	-	131,914
Others	-	-	-	-	120,473	-	120,473
	889,078	10	4,330	5,240	608,638	250,000	1,757,296

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

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

The Group

	Cash and short term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading Unquoted securities	Derivative financial instruments Trading derivatives	Loans, advances and financing	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	339	-	339
Electricity, gas and water	-	-	-	-	-	4,110	-	4,110
Construction	-	-	-	-	-	325	-	325
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	672	-	672
Transport, storage and communications	-	-	-	-	-	867	-	867
Finance, insurance and business services	159,631	29	1,767	-	-	1,358,986	-	1,520,413
Household	-	-	-	9,071	169,646	628,789	1,354	808,860
Others	1,066,735	-	-	-	-	31,980	-	1,098,715
	1,226,366	29	1,767	9,071	169,646	2,026,182	1,354	3,434,415

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

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

The Bank

	Cash and short term funds	Financial assets designated at fair value through profit or loss	Derivative financial instruments	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
		Unquoted securities	Trading derivatives			
31 December 2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	-	-	-	383	-	383
Manufacturing	-	-	-	416	-	416
Electricity, gas and water	-	-	-	1,696	250,000	251,696
Construction	-	-	-	648	-	648
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	9,075	-	9,075
Transport, storage and communications	-	-	-	635	-	635
Finance, insurance and business services	888,108	4,330	-	347,676	-	1,240,114
Education, health & others	-	-	-	166	-	166
Household	-	-	5,240	126,674	-	131,914
Others	-	-	-	120,474	-	120,474
	888,108	4,330	5,240	607,843	250,000	1,755,521

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

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

The Bank

	Cash and short term funds	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
		Unquoted securities	Trading derivatives				
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	339	-	339
Electricity, gas and water	-	-	-	-	4,110	-	4,110
Construction	-	-	-	-	325	-	325
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	672	-	672
Transport, storage and communications	-	-	-	-	867	-	867
Finance, insurance and business services	112,367	1,767	-	-	1,357,526	-	1,471,660
Household	-	-	9,071	169,646	628,789	1,354	808,860
Others	1,065,349	-	-	-	31,150	-	1,096,499
	1,177,716	1,767	9,071	169,646	2,023,892	1,354	3,383,446

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

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 in 2018, as summarised below:

Loans, advances and financing and loans 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 fund, deposits and placement with banks and other financial institutions, reverse repurchase agreements at amortised cost, structured financing and collateral pledged for derivatives transaction.

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 interest.
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 assets that is being 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 (Continued)

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

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

The Group 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	Purchase or Originated credit-impaired RM'000	Total RM'000
Cash and short-term funds					
No rating	889,088	-	-	-	889,088
Gross carrying amount	889,088	-	-	-	889,088
Total ECL	-	-	-	-	-
Net carrying amount	889,088	-	-	-	889,088
Other assets ^					
No rating	132,103	-	-	-	132,103
Gross carrying amount	132,103	-	-	-	132,103
Total ECL	-	-	-	-	-
Net carrying amount	132,103	-	-	-	132,103
Amounts due from related companies					
No rating	2,745	-	-	-	2,745
Gross carrying amount	2,745	-	-	-	2,745
Less: ECL	-	-	-	-	-
Net carrying amount	2,745	-	-	-	2,745

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 tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

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	Purchase or Originated credit-impaired RM'000	Total RM'000
Cash and short-term funds					
No rating	888,108	-	-	-	888,108
Gross carrying amount	888,108	-	-	-	888,108
Total ECL	-	-	-	-	-
Net carrying amount	888,108	-	-	-	888,108
Other assets ^					
No rating	132,103	-	-	-	132,103
Gross carrying amount	132,103	-	-	-	132,103
Total ECL	-	-	-	-	-
Net carrying amount	132,103	-	-	-	132,103
Amounts due from related companies					
No rating	2,760	-	-	-	2,760
Gross carrying amount	2,760	-	-	-	2,760
Less: ECL	-	-	-	-	-
Net carrying amount	2,760	-	-	-	2,760

^ The other assets consist of collateral pledged for derivatives transactions.

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

(i) Analysis of other assets by credit rating

The credit quality of other assets that are neither past due nor impaired are assessed by reference to internal rating system adopted by the Group 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

Quality classification	Internal rating	External credit rating
Investment Grade (IG)	1 to 6	AAA to BBB-
Non Investment Grade	7 to 14	BB+ amd 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.

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 (Continued)

(i) Analysis of other assets by credit rating (Continued)

The following tables are analysis of the credit risk exposure of other assets that are neither past due nor impaired:

The Group

2018	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
Other assets using simplified approach	-	8,731	-	479,888	488,619	(14,829)	473,790
Total	-	8,731	-	479,888	488,619	(14,829)	473,790

The Bank

2018	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
Other assets using simplified approach	-	8,731	-	479,077	487,808	(14,829)	472,979
Total	-	8,731	-	479,077	487,808	(14,829)	472,979

55.1.5 Credit quality of financial assets - comparative information under MFRS139

(a) Loans, advances and financing

Loans, advances and financing of the Group and the Bank are summarised as follows:

	The Group and the Bank 31 December 2017		
	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total RM'000
Staff loans	169,731	-	169,731
Other loans	-	1,905	1,905
Total	169,731	1,905	171,636
Less: Impairment allowances			(1,990) *
Total net amount			169,646

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

There were no loans, advances and financing that are "past due but not impaired" as at 31 December 2017.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(a) Loans, advances and financing (Continued)

(i) Loans, advances and financing that are "neither past due nor impaired"

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

	The Group and the Bank 31 December 2017 No rating RM'000
Staff loans	169,731
Total	169,731

Credit quality descriptions can be summarised as follows:

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

(ii) Impaired loans, advances and financing

Refer to Note 9 for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(b) Financial assets held for trading

Financial assets held for trading of the Group and the Bank are summarised as follows:

	The Group and the Bank Neither past due nor impaired 31 December 2017 RM'000
Financial assets held for trading	1,767
Total	1,767

There were no financial assets held for trading that are "past due but not impaired" as at 31 December 2017.

(i) Financial assets held for trading that are "neither past due nor impaired"

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

	The Group and the Bank 31 December 2017 Investment grade (AAA to BBB-) RM'000
Financial assets held for trading	1,767
Total	1,767

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(c) Other financial assets

Other financial assets of the Group as at 31 December 2017 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	1,226,366	-	-	1,226,366
Deposits and placements with banks and other financial institutions	29	-	-	29
Derivative financial instruments	9,071	-	-	9,071
Other financial assets	2,018,723	4,377	21,290	2,044,390
Total	3,254,189	4,377	21,290	3,279,856
Less: Impairment allowances *				(18,208)
Total net amount				3,261,648

** Impairment allowance represents allowance made against financial assets that have been impaired and those subject to portfolio impairment.*

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(c) Other financial assets (Continued)

Other financial assets of the Bank as at 31 December 2017 are summarised as follows:

	The Bank			
31 December 2017	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	1,177,716	-	-	1,177,716
Derivative financial instruments	9,071	-	-	9,071
Other financial assets	2,016,433	4,377	21,290	2,042,100
Total	3,203,220	4,377	21,290	3,228,887
Less: Impairment allowances *				(18,208)
Total net amount				3,210,679

* Impairment allowance represents allowance made against financial assets that have been impaired and those subject to portfolio impairment.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(c) Other financial assets (Continued)

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2017:

The Group	31 December 2017 Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
Cash and short term funds	1,066,732	159,634	-	1,226,366
Deposits and placements with banks and other financial institutions	-	29	-	29
Derivative financial instruments	-	-	9,071	9,071
Other financial assets	-	10,011	2,008,712	2,018,723
Total	1,066,732	169,674	2,017,783	3,254,189

There were no collateral repossessed by the Group as at 31 December 2017 and 31 December 2018.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(c) Other financial assets (Continued)

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2017: (Continued)

The Bank	31 December 2017 Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
Cash and short term funds	1,065,349	112,367	-	1,177,716
Derivative financial instruments	-	-	9,071	9,071
Other financial assets	-	10,007	2,006,426	2,016,433
Total	1,065,349	122,374	2,015,497	3,203,220

There were no collateral repossessed by the Bank as at 31 December 2017 and 31 December 2018.

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

55 Financial Risk Management (Continued)

55.1 Credit Risk (Continued)

55.1.5 Credit quality of financial assets - comparative information under MFRS139 (Continued)

(c) Other financial assets (Continued)

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

	The Group and the Bank 31 December 2017 Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	2,194	2,183	4,377

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 position arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market Risk Management ("MRM")

The Group adopts various measures as part of 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.

55 Financial Risk Management (Continued)

55.2 Market Risk (Continued)

Market Risk Management ("MRM") (Continued)

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.

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 Capital Adequacy Framework ("CAF") (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks ("CAFIB") (Risk Weighted Assets).

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

55 Financial Risk Management (Continued)

55.2 Market Risk (Continued)

55.2.1 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 as at 31 December 2018 and 31 December 2017 are as follows:

	The Group	
	31 December 2018	31 December 2017
	RM'000	RM'000
VaR		
Foreign exchange risk	230	428
Interest rate risk	6	3
Equity risk	80	21
Total	316	452
Total shareholders fund (RM '000)	615,332	683,327
Percentage of shareholders funds	0.05%	0.07%

	The Bank	
	31 December 2018	31 December 2017
VaR	RM'000	RM'000
Foreign exchange risk		
Interest rate risk	228	423
Equity risk	6	3
Total	80	21
	314	447
Total shareholders fund (RM '000)	570,590	644,692
Percentage of shareholders funds	0.06%	0.07%

55 Financial Risk Management (Continued)

55.2 Market Risk (Continued)

55.2.2 Interest rate risk

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

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates

The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	The Group								
	Non-trading book								
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**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	801,784	-	-	-	-	-	87,314	-	889,098
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	-	10
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	6,437	6,437
Derivative financial instruments	-	-	-	-	-	-	-	5,240	5,240
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	1,117	-	1,117
Other assets	-	-	-	-	-	-	605,893	-	605,893
Amounts due from related companies	-	-	-	-	-	-	2,745	-	2,745
Total financial assets	801,784	10	-	-	-	-	697,069	11,677	1,510,540

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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

	The Group								
	Non-trading book								
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	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	127,611	-	-	-	-	-	138	-	127,749
Deposits and placements of banks and other financial institutions	240,603	20,000	-	-	-	-	484	-	261,087
Derivative financial instruments	-	-	-	-	-	-	-	3,249	3,249
Other liabilities	-	-	-	-	-	131,300	452,183	-	583,483
Amounts due to related companies	-	-	-	-	-	-	14,568	-	14,568
Total financial liabilities	368,214	20,000	-	-	-	131,300	467,373	3,249	990,136
Net interest rate sensitivity gap	433,570	(19,990)	-	-	-	(131,300)		8,428	
Credit related commitments and contingencies	250,000	-	-	-	-	-	-		

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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

The Group	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-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,150,027	-	-	-	-	-	76,360	-	1,226,387
Deposits and placements with banks and other financial institutions	-	29	-	-	-	-	-	-	29
Financial assets held for trading	-	-	-	-	-	-	-	2,524	2,524
Derivative financial instruments	-	-	-	-	-	-	-	9,071	9,071
Financial investments available-for-sale	-	-	-	-	-	-	821	-	821
Loans, advances and financing	8	4	18	143	3,542	165,931	-	-	169,646
Other assets	-	-	-	-	-	-	2,021,705	-	2,021,705
Amounts due from related companies	-	-	-	-	-	-	4,477	-	4,477
Total financial assets	1,150,035	33	18	143	3,542	165,931	2,103,363	11,595	3,434,660

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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

	The Group								
	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-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	38,620	-	-	-	-	-	17	-	38,637
Deposits and placements of banks and other financial institutions	560,525	138,284	-	-	-	-	2,187	-	700,996
Derivative financial instruments	-	-	-	-	-	-	-	5,169	5,169
Other liabilities	-	-	-	-	-	138,550	1,905,913	-	2,044,463
Amounts due to related companies	-	-	-	-	-	-	17,090	-	17,090
Subordinated loan	-	-	-	-	10,000	-	-	-	10,000
Total financial liabilities	599,145	138,284	-	-	10,000	138,550	1,925,207	5,169	2,816,355
Net interest rate sensitivity gap	550,890	(138,251)	18	143	(6,458)	27,381		6,426	
Credit related commitments and contingencies	-	-	-	-	-	-	1,354		

55 Financial Risk Management (Continued)

55.2 Market Risk (Continued)

55.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	The Bank								
	Non-trading book								
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	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	800,830	-	-	-	-	-	87,298	-	888,128
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	6,437	6,437
Derivative financial instruments	-	-	-	-	-	-	-	5,240	5,240
Other assets	-	-	-	-	-	-	605,083	-	605,083
Amounts due from related companies	-	-	-	-	-	-	2,760	-	2,760
Total financial assets	800,830	-	-	-	-	-	695,141	11,677	1,507,648

CIMB Investment Bank Berhad
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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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

	The Bank								
	Non-trading book								
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	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	127,611	-	-	-	-	-	138	-	127,749
Deposits and placements of banks and other financial institutions	240,603	20,000	-	-	-	-	484	-	261,087
Derivative financial instruments	-	-	-	-	-	-	-	3,249	3,249
Other liabilities	-	-	-	-	-	131,300	452,159	-	583,459
Amounts due to related companies	-	-	-	-	-	-	14,568	-	14,568
Total financial liabilities	368,214	20,000	-	-	-	131,300	467,349	3,249	990,112
Net interest rate sensitivity gap	432,616	(20,000)	-	-	-	(131,300)		8,428	
Credit related commitments and contingencies	250,000	-	-	-	-	-	-		

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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

	The Bank								
	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-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,101,927	-	-	-	-	-	75,810	-	1,177,737
Financial assets held for trading	-	-	-	-	-	-	-	2,524	2,524
Derivative financial instruments	-	-	-	-	-	-	-	9,071	9,071
Loans, advances and financing	8	4	18	143	3,542	165,931	-	-	169,646
Other assets	-	-	-	-	-	-	2,019,104	-	2,019,104
Amounts due from related companies	-	-	-	-	-	-	4,788	-	4,788
Total financial assets	1,101,935	4	18	143	3,542	165,931	2,099,702	11,595	3,382,870

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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 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

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

	The Bank								
	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-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	38,620	-	-	-	-	-	17	-	38,637
Deposits and placements of banks and other financial institutions	560,525	138,284	-	-	-	-	2,187	-	700,996
Derivative financial instruments	-	-	-	-	-	-	-	5,169	5,169
Other liabilities	-	-	-	-	-	138,550	1,903,809	-	2,042,359
Amounts due to related companies	-	-	-	-	-	-	17,090	-	17,090
Total financial liabilities	599,145	138,284	-	-	-	138,550	1,923,103	5,169	2,804,251
Net interest rate sensitivity gap	502,790	(138,280)	18	143	3,542	27,381		6,426	
Credit related commitments and contingencies	-	-	-	-	-	-	1,354		

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 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit/loss to movement in interest rates:

	The Group			
	31 December 2018		31 December 2017	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	2,260	(2,260)	2,909	(2,909)

	The Bank			
	31 December 2018		31 December 2017	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	2,168	(2,168)	2,574	(2,574)

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

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

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

55.2.3 Foreign exchange risk

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

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

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, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank.

	The Group								
31 December 2018	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	852,429	-	358	12,736	13,539	-	10,036	36,669	889,098
Deposits and placements with banks and other financial institutions	10	-	-	-	-	-	-	-	10
Financial assets designated at fair value through profit or loss	4,334	-	6	6	-	-	2,091	2,103	6,437
Derivative financial instruments	5,240	-	-	-	-	-	-	-	5,240
Equity instruments at fair value through other comprehensive income	-	1,117	-	-	-	-	-	1,117	1,117
Other assets	580,724	8,530	78	1,308	10,710	513	4,030	25,169	605,893
Amounts due from related companies	785	88	-	1,388	327	-	157	1,960	2,745
	1,443,522	9,735	442	15,438	24,576	513	16,314	67,018	1,510,540
Financial liabilities									
Deposits from customers	127,749	-	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	260,484	-	-	-	-	-	603	603	261,087
Derivatives financial instruments	3,249	-	-	-	-	-	-	-	3,249
Other liabilities	563,674	8,505	75	1,285	6,189	487	3,268	19,809	583,483
Amounts due to related companies	9,334	-	-	5,234	-	-	-	5,234	14,568
	964,490	8,505	75	6,519	6,189	487	3,871	25,646	990,136
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-	250,000
	250,000	-	-	-	-	-	-	-	250,000

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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, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

	The Group								
31 December 2017	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	1,180,489	-	507	17,615	12,207	2,283	13,286	45,898	1,226,387
Deposits and placements with banks and other financial institutions	29	-	-	-	-	-	-	-	29
Financial assets held for trading	2,453	12	8	6	-	45	-	71	2,524
Derivative financial instruments	9,071	-	-	-	-	-	-	-	9,071
Financial investments available-for-sale	-	821	-	-	-	-	-	821	821
Loans, advances and financing	169,646	-	-	-	-	-	-	-	169,646
Other assets	1,972,054	992	3,785	18,792	9,805	2,094	14,183	49,651	2,021,705
Amounts due from related companies	1,883	897	30	325	1,156	-	186	2,594	4,477
	3,335,625	2,722	4,330	36,738	23,168	4,422	27,655	99,035	3,434,660
Financial liabilities									
Deposits from customers	38,637	-	-	-	-	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,471	-	-	-	-	-	525	525	700,996
Derivatives financial instruments	5,169	-	-	-	-	-	-	-	5,169
Subordinated loan	10,000	-	-	-	-	-	-	-	10,000
Other liabilities	1,999,518	988	3,775	17,897	8,823	1,973	11,489	44,945	2,044,463
Amounts due to related companies	16,780	-	-	135	-	-	175	310	17,090
	2,770,575	988	3,775	18,032	8,823	1,973	12,189	45,780	2,816,355
Credit related commitments and contingencies	1,354	-	-	-	-	-	-	-	1,354
	1,354	-	-	-	-	-	-	-	1,354

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, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

	The Bank								
31 December 2018	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	851,459	-	358	12,736	13,539	-	10,036	36,669	888,128
Financial assets designated at fair value through profit or loss	4,334	-	6	6	-	-	2,091	2,103	6,437
Derivative financial instruments	5,240	-	-	-	-	-	-	-	5,240
Other assets	579,914	8,530	78	1,308	10,710	513	4,030	25,169	605,083
Amounts due from related companies	800	88	-	1,388	327	-	157	1,960	2,760
	1,441,747	8,618	442	15,438	24,576	513	16,314	65,901	1,507,648
Financial liabilities									
Deposits from customers	127,749	-	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	260,484	-	-	-	-	-	603	603	261,087
Derivatives financial instruments	3,249	-	-	-	-	-	-	-	3,249
Other liabilities	563,650	8,505	75	1,285	6,189	487	3,268	19,809	583,459
Amounts due to related companies	9,334	-	-	5,234	-	-	-	5,234	14,568
	964,466	8,505	75	6,519	6,189	487	3,871	25,646	990,112
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-	250,000
	250,000	-	-	-	-	-	-	-	250,000

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, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

	The Bank								
31 December 2017	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	1,132,256	-	507	17,612	11,801	2,283	13,278	45,481	1,177,737
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held for trading	2,453	12	8	6	-	45	-	71	2,524
Derivative financial instruments	9,071	-	-	-	-	-	-	-	9,071
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Loans, advances and financing	169,646	-	-	-	-	-	-	-	169,646
Other assets	1,969,992	992	3,785	18,785	9,378	2,094	14,078	49,112	2,019,104
Amounts due from related companies	2,194	897	30	325	1,156	-	186	2,594	4,788
	3,285,612	1,901	4,330	36,728	22,335	4,422	27,542	97,258	3,382,870
Financial liabilities									
Deposits from customers	38,637	-	-	-	-	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,471	-	-	-	-	-	525	525	700,996
Derivatives financial instruments	5,169	-	-	-	-	-	-	-	5,169
Other liabilities	1,997,414	988	3,775	17,897	8,823	1,973	11,489	44,945	2,042,359
Amounts due to related companies	16,780	-	-	135	-	-	175	310	17,090
	2,758,471	988	3,775	18,032	8,823	1,973	12,189	45,780	2,804,251
Credit related commitments and contingencies	1,354	-	-	-	-	-	-	-	1,354
	1,354	-	-	-	-	-	-	-	1,354

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 Increase/(decrease)		31 December 2017 Increase/(decrease)	
	+1% appreciation in foreign currency RM'000	-1% depreciation in foreign currency RM'000	+1% appreciation in foreign currency RM'000	-1% depreciation in foreign currency RM'000
Impact to profit (after tax)	205	(205)	303	(303)

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.

55.3 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 fixed deposits. This provides the Group a large stable funding base.

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

55 Financial Risk Management (Continued)

55.3 Liquidity Risk (Continued)

The day-to-day responsibility for liquidity risk management and control is delegated to the 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. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Business units have 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 BAU and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk limit and appetite. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the 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 compiled with internal risk limits and regulatory requirements for liquidity risk.

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

55 Financial Risk Management (Continued)

55.3 Liquidity Risk (Continued)

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

The LCR and stress test results are submitted to GALCOs, 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.

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

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements:

	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**
Assets								
Cash and short term funds	889,098	-	-	-	-	-	-	889,098
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	10
Financial assets designated at fair value through profit or loss	-	-	-	-	4,078	252	2,107	6,437
Derivative financial instruments	-	-	-	-	-	5,240	-	5,240
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	1,117	1,117
Other assets	615,536	-	-	-	-	-	-	615,536
Deferred tax assets	-	-	-	-	-	-	19,074	19,074
Tax recoverable	14,126	-	-	-	-	-	-	14,126
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	91	91
Investment in associates	-	-	-	-	-	-	8,195	8,195
Property, plant and equipment	-	-	-	-	-	-	31,753	31,753
Amounts due from related companies	2,745	-	-	-	-	-	-	2,745
Investment properties	-	-	-	-	-	-	17,334	17,334
Non-current assets held for sale	-	-	-	-	-	-	74,288	74,288
Total assets	1,521,505	10	-	-	4,078	5,492	153,959	1,685,044

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)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements : (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	127,749	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	241,056	20,031	-	-	-	-	-	261,087
Derivative financial instruments	-	-	-	-	-	3,249	-	3,249
Other liabilities	454,893	-	-	-	-	131,300	-	586,193
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
Non-current liabilities held for sale	-	-	-	-	-	-	76,866	76,866
Total liabilities	838,266	20,031	-	-	-	134,549	76,866	1,069,712
Net liquidity gap	683,239	(20,021)	-	-	4,078	(129,057)	77,093	

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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)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements: (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**
Assets								
Cash and short term funds	1,226,387	-	-	-	-	-	-	1,226,387
Deposits and placements with banks and other financial institutions	-	29	-	-	-	-	-	29
Financial assets held for trading	-	-	-	-	286	1,481	757	2,524
Derivative financial instruments	-	-	-	-	-	9,071	-	9,071
Financial investments available-for-sale	-	-	-	-	-	-	821	821
Loans, advances and financing	8	4	18	143	3,542	165,931	-	169,646
Other assets	2,030,591	-	-	-	-	-	-	2,030,591
Deferred tax assets	-	-	-	-	-	-	21,344	21,344
Tax recoverable	1	-	-	-	-	-	-	1
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	91	91
Investment in associates	-	-	-	-	-	-	7,753	7,753
Property, plant and equipment	-	-	-	-	-	-	48,359	48,359
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	4,477	-	-	-	-	-	-	4,477
Investment properties	-	-	-	-	-	-	17,849	17,849
Total assets	3,261,464	33	18	143	3,828	176,483	97,938	3,539,907

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)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements: (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	38,637	-	-	-	-	-	-	38,637
Deposits and placements of banks and other financial institutions	561,228	139,768	-	-	-	-	-	700,996
Derivative financial instruments	-	-	-	-	-	5,169	-	5,169
Other liabilities	1,939,840	-	-	-	-	138,550	-	2,078,390
Provision for taxation	6,298	-	-	-	-	-	-	6,298
Subordinated loans	-	-	-	-	10,000	-	-	10,000
Amounts due to related companies	17,090	-	-	-	-	-	-	17,090
Total liabilities	2,563,093	139,768	-	-	10,000	143,719	-	2,856,580
Net liquidity gap	698,371	(139,735)	18	143	(6,172)	32,764	97,938	

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)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements:

	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	888,128	-	-	-	-	-	-	888,128
Financial assets designated at fair value through profit or loss	-	-	-	-	4,078	252	2,107	6,437
Derivative financial instruments	-	-	-	-	-	5,240	-	5,240
Other assets	614,726	-	-	-	-	-	-	614,726
Deferred tax assets	-	-	-	-	-	-	19,074	19,074
Tax recoverable	14,125	-	-	-	-	-	-	14,125
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	91	91
Investment in subsidiaries	-	-	-	-	-	-	50	50
Property, plant and equipment	-	-	-	-	-	-	31,753	31,753
Amounts due from related companies	2,760	-	-	-	-	-	-	2,760
Investment properties	-	-	-	-	-	-	17,334	17,334
Non-current assets held for sale	-	-	-	-	-	-	28,656	28,656
Total assets	1,519,739	-	-	-	4,078	5,492	99,065	1,628,374

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)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements: (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	127,749	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	241,056	20,031	-	-	-	-	-	261,087
Derivative financial instruments	-	-	-	-	-	3,249	-	3,249
Other liabilities	454,869	-	-	-	-	131,300	-	586,169
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
Non-current liabilities held for sale	-	-	-	-	-	-	64,962	64,962
Total liabilities	838,242	20,031	-	-	-	134,549	64,962	1,057,784
Net liquidity gap	685,827	(20,031)	-	-	-	(129,309)	34,102	

55 Financial Risk Management (Continued)

55.3 Liquidity risk (Continued)

55.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements: (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**
Assets								
Cash and short term funds	1,177,737	-	-	-	-	-	-	1,177,737
Financial assets held for trading	-	-	-	-	286	1,481	757	2,524
Derivative financial instruments	-	-	-	-	-	9,071	-	9,071
Loans, advances and financing	8	4	18	143	3,542	165,931	-	169,646
Other assets	2,027,910	-	-	-	-	-	-	2,027,910
Deferred tax asset	-	-	-	-	-	-	21,217	21,217
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	91	91
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amounts due from related companies	4,788	-	-	-	-	-	-	4,788
Amounts due from holding company								-
Intangible assets	-	-	-	-	-	-	-	-
Prepaid lease payments	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	49,229	49,229
Investment properties	-	-	-	-	-	-	17,849	17,849
Total assets	3,210,443	4	18	143	3,828	176,483	98,193	3,489,112

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)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with BNM guidelines requirements: (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	38,637	-	-	-	-	-	-	38,637
Deposits and placements of banks and other financial institutions	561,228	139,768	-	-	-	-	-	700,996
Derivative financial instruments	-	-	-	-	-	5,169	-	5,169
Other liabilities	1,937,736	-	-	-	-	138,550	-	2,076,286
Provision for taxation and Zakat	6,242	-	-	-	-	-	-	6,242
Amounts due to related companies	17,090	-	-	-	-	-	-	17,090
Total liabilities	2,560,933	139,768	-	-	-	143,719	-	2,844,420
Net liquidity gap	649,510	(139,764)	18	143	3,828	32,764	98,193	

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

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

The tables below present the cash flows payable by the Group 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	128,004	-	-	-	-	-	-	128,004
Deposits and placements of banks and other financial institutions	241,203	20,153	-	-	-	-	-	261,356
Other liabilities	452,183	-	-	-	-	131,300	-	583,483
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
	835,958	20,153	-	-	-	131,300	-	987,411
Commitments and contingencies								
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	250,000
	250,000	-	-	-	-	-	-	250,000

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 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	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
31 December 2017								
Non-derivative financial liabilities								
Deposits from customers	38,667	-	-	-	-	-	-	38,667
Deposits and placements of banks and other financial institutions	561,720	140,820	-	-	-	-	-	702,540
Other liabilities	1,906,224	-	-	-	-	138,550	-	2,044,774
Amounts due to related companies	17,090	-	-	-	-	-	-	17,090
Subordinated loans	-	-	-	500	11,065	-	-	11,565
	2,523,701	140,820	-	500	11,065	138,550	-	2,814,636
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	-	1,354	-	1,354
	-	-	-	-	-	1,354	-	1,354

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)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by 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 Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	128,004	-	-	-	-	-	-	128,004
Deposits and placements of banks and other financial institutions	241,203	20,153	-	-	-	-	-	261,356
Other liabilities	452,159	-	-	-	-	131,300	-	583,459
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
	835,934	20,153	-	-	-	131,300	-	987,387
Commitments and contingencies								
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	250,000
	250,000	-	-	-	-	-	-	250,000

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)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by 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							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	38,667	-	-	-	-	-	-	38,667
Deposits and placements of banks and other financial institutions	561,720	140,820	-	-	-	-	-	702,540
Other liabilities	1,903,809	-	-	-	-	138,550	-	2,042,359
Amounts due to related companies	17,090	-	-	-	-	-	-	17,090
	2,521,286	140,820	-	-	-	138,550	-	2,800,656
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	-	1,354	-	1,354
	-	-	-	-	-	1,354	-	1,354

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

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

All net settled trading derivatives 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.

	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								
- Credit related derivatives	(3,249)	-	-	-	-	-	-	(3,249)
	(3,249)	-	-	-	-	-	-	(3,249)

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)

All net settled trading derivatives 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. (Continued)

	The Group and the Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Credit related derivatives	(5,169)	-	-	-	-	-	-	(5,169)
	(5,169)	-	-	-	-	-	-	(5,169)

55 Financial Risk Management (Continued)

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.

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.

55 Financial Risk Management (Continued)

55.4 Fair value estimation (Continued)

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

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 GMRC for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

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

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

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

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

Notes to the Financial Statements 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 :

	The Group					The Bank				
	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018										
Recurring fair value measurement										
Financial assets										
Financial assets designated at fair value through profit or loss										
- Quoted securities	2,107	2,107	-	-	2,107	2,107	2,107	-	-	2,107
- Unquoted securities	4,330	-	4,330	-	4,330	4,330	-	4,330	-	4,330
Equity instruments at fair value through other comprehensive income										
- Unquoted securities	1,117	-	-	1,117	1,117	-	-	-	-	-
Derivative financial instruments										
- Trading derivatives	5,240	-	5,240	-	5,240	5,240	-	5,240	-	5,240
Total	12,794	2,107	9,570	1,117	12,794	11,677	2,107	9,570	-	11,677
Recurring fair value measurement										
Financial liabilities										
Derivative financial instruments										
- Trading derivatives	3,249	-	3,249	-	3,249	3,249	-	3,249	-	3,249
Total	3,249	-	3,249	-	3,249	3,249	-	3,249	-	3,249

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					The Bank				
	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2017										
Recurring fair value measurement										
Financial assets										
Financial assets held for trading										
- Quoted securities	757	757	-	-	757	757	757	-	-	757
- Unquoted securities	1,767	-	1,767	-	1,767	1,767	-	1,767	-	1,767
Financial investments available-for-sale										
- Unquoted securities	821	-	-	821	821	-	-	-	-	-
Derivative financial instruments										
- Trading derivatives	9,071	-	9,071	-	9,071	9,071	-	9,071	-	9,071
Total	12,416	757	10,838	821	12,416	11,595	757	10,838	-	11,595
Recurring fair value measurement										
Financial liabilities										
Derivative financial instruments										
- Trading derivatives	5,169	-	5,169	-	5,169	5,169	-	5,169	-	5,169
Total	5,169	-	5,169	-	5,169	5,169	-	5,169	-	5,169

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 represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank.

	The Group Financial Assets. Equity instruments at fair value through other comprehensive income RM'000	**Total RM'000**
2018		
At 1 January	-	-
Effect of adopting MFRS 9 on 1 January 2018	821	821
Total gain recognised in other comprehensive income	296	296
At 31 December	1,117	1,117

	The Group Financial Assets Financial investments available-for-sale RM'000	Total RM'000
2017		
At 1 January	1,303	1,303
Total loss recognised in statement of income	(37)	(37)
Total gain recognised in other comprehensive income	129	129
Redemption	(574)	(574)
At 31 December	821	821
Total loss recognised in statement of income relating to assets held on 31 December 2017	(37)	(37)

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 represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank. (Continued)

	The Bank Financial Assets Equity instruments at fair value through other comprehensive income RM'000	**Total RM'000**
2018		
At 1 January	-	-
Effect of adopting MFRS 9 on 1 January 2018	-	-
Total losses recognised in statement of income	-	-
Redemption	-	-
At 31 December	-	-

	The Bank Financial Assets Financial investments available-for-sale RM'000	Total RM'000
2017		
At 1 January	611	611
Total losses recognised in statement of income	(37)	(37)
Redemption	(574)	(574)
At 31 December	-	-

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, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual impairment allowance, being the expected recoverable amount.

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: (Continued)

Amounts due (to)/from subsidiaries and related companies

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

Amounts due (to)/from holding company and ultimate holding company

The estimated fair value of the amounts due (to)/from holding company approximates the carrying value as the balances are recallable on demand.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions

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

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: (Continued)

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

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.

55.4.2 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

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)

55.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Credit derivatives inputs deemed to trigger Level 3 classification:

- Credit correlation between the underlying debt instruments
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation (reserve on a Level 3 input) -
  1. Long correlation positions will be shocked with lower correlation
  2. Short correlation positions will be shocked with higher correlation

- Credit and FX correlation (reserve on a Level 3 input) -
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility (reserve on a valuation model) -
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e., volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

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)

55.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Group
31 December 2018

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	1,117	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2017

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale	821	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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)

55.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Bank
31 December 2018

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2017

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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)

55.4.3 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		
		Quoted market prices	Observable inputs	
	Carrying value	(Level 1)	(Level 2)	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000
Financial assets				
Cash and short-term funds	889,098	889,098	-	889,098
Deposits and placement with banks and other financial institutions.	10	-	10	10
Other assets	615,536	-	615,536	615,536
Amounts due from related companies	2,745	-	2,745	2,745
Investment properties	17,334	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
Total	1,524,814	889,189	659,291	1,548,480
Financial liabilities				
Deposits from customers	127,749	-	127,749	127,749
Deposits and placements of banks and other financial institutions	261,087	-	261,087	261,087
Other liabilities	586,193	-	585,920	585,920
Amounts due to related companies	14,568	-	14,568	14,568
Total	989,597	-	989,324	989,324

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)

55.4.3 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	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
31 December 2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Cash and short-term funds	1,226,387	1,226,387	-	1,226,387
Deposits and placement with banks and other financial institutions	29	-	29	29
Loans, advances and financing	169,646	-	166,298	166,298
Other assets	2,030,591	-	2,030,591	2,030,591
Amounts due from related companies	4,477	-	4,477	4,477
Investment properties	17,849	-	44,000	44,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
Total	3,449,070	1,226,478	2,245,395	3,471,873
Financial liabilities				
Deposits from customers	38,637	-	38,637	38,637
Deposits and placements of banks and other financial institutions	700,996	-	700,996	700,996
Other liabilities	2,078,390	-	2,078,045	2,078,045
Amounts due to related companies	17,090	-	17,090	17,090
Subordinated loan	10,000	-	10,000	10,000
Total	2,845,113	-	2,844,768	2,844,768

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)

55.4.3 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.

		The Bank		
		Fair Value		
31 December 2018	Carrying value RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Total RM'000
Financial assets				
Cash and short-term funds	888,128	888,128	-	888,128
Other assets	614,726	-	614,726	614,726
Amounts due from related companies	2,760	-	2,760	2,760
Investment properties	17,334	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
Total	1,523,039	888,219	658,486	1,546,705
Financial liabilities				
Deposits from customers	127,749	-	127,749	127,749
Deposits and placements of banks and other financial institutions	261,087	-	261,087	261,087
Other liabilities	586,169	-	585,893	585,893
Amounts due to related companies	14,568	-	14,568	14,568
Total	989,573	-	989,297	989,297

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)

55.4.3 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		
31 December 2017	**Carrying value RM'000**	**Quoted market prices (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Total RM'000**
Financial assets				
Cash and short-term funds	1,177,737	1,177,737	-	1,177,737
Deposits and placement with banks and other financial institutions	-	-	-	-
Loans, advances and financing	169,646	-	166,298	166,298
Other assets	2,027,910	-	2,027,910	2,027,910
Amounts due from related companies	4,788	-	4,788	4,788
Investment properties	17,849	-	44,000	44,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
Total	3,398,021	1,177,828	2,242,996	3,420,824
Financial liabilities				
Deposits from customers	38,637	-	38,637	38,637
Deposits and placements of banks and other financial institutions	700,996	-	700,996	700,996
Other liabilities	2,076,286	-	2,075,940	2,075,940
Amounts due to related companies	17,090	-	17,090	17,090
Total	2,833,009	-	2,832,663	2,832,663

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

56 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2018

		The Group and the Bank	
		31 December 2018	31 December 2017
	Note	RM'000	RM'000
Assets			
Cash and short term funds	(a)	308,950	418,545
Islamic derivative financial instruments	(b)	5,240	9,071
Other assets	(c)	141,191	142,543
Tax recoverable		8,907	420
Deferred taxation	(d)	159	123
Property, plant and equipment	(e)	53	132
Amounts due from related companies	(f)	238	292
Total assets		464,738	571,126
Liabilities and Islamic Banking capital funds			
Islamic derivative financial instruments	(b)	3,249	5,169
Other liabilities	(g)	132,769	157,903
Amounts due to related companies	(f)	412	413
		136,430	163,485
Non-current liabilities held for sale	(o)	143	-
Total liabilities		136,573	163,485
Islamic Banking capital funds		55,696	55,696
Reserves		272,469	351,945
Total Islamic Banking capital funds		328,165	407,641
Total liabilities and Islamic Banking capital funds		464,738	571,126

56 The operations of Islamic Banking (Continued)

Statements of Income for the financial year ended 31 December 2018

		The Group and the Bank	
		2018	2017
	Note	RM'000	RM'000
Income derived from investment of shareholders' funds	(h)	32,930	56,567
Expected credit losses on other receivables / allowance for other receivables		(25)	(28)
Total attributable income		32,905	56,539
Income attributable to the depositors and others	(i)	(1)	(20)
Total net income		32,904	56,519
Personnel expenses	(j)	(691)	(1,067)
Other overheads and expenditures	(k)	(14,848)	(9,285)
Profit before taxation from continuing operations		17,365	46,167
Taxation	(l)	(4,508)	(11,323)
Profit from continuing operations		12,857	34,844
(Loss)/profit from discontinuing operation	(n)	(333)	2,208
Profit after taxation/total comprehensive income for the financial year		12,524	37,052

Total net income	32,904	56,519
Add : Expected credit losses on other receivables	25	28
Income from Islamic Banking operations	32,929	56,547

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

56 The operations of Islamic Banking (Continued)

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

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
The Group and the Bank				
At 1 January 2018	**55,696**	**1,336**	**350,609**	**407,641**
Net profit for the financial year	-	-	12,524	12,524
Total comprehensive income for the financial year	-	-	**12,524**	**12,524**
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	**(92,000)**	**(92,000)**
At 31 December 2018	**55,696**	**1,336**	**271,133**	**328,165**
At 1 January 2017	55,696	1,336	370,557	427,589
Net profit for the financial year	-	-	37,052	37,052
Total comprehensive income for the financial year	-	-	37,052	37,052
Interim dividend paid in respect of the financial year ended 31 December 2016	-	-	(57,000)	(57,000)
At 31 December 2017	55,696	1,336	350,609	407,641

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

56 The operations of Islamic Banking (Continued)

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

	Note	The Group and the Bank 2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before taxation from :			
Continuing operations		**17,365**	46,167
Discontinuing operations		**(333)**	2,934
Profit before taxation including discontinuing operations		**17,032**	49,101
Add/(less) adjustments:			
Unrealised foreign exchange gain		**(20)**	(29)
Expected credit losses made /allowance made for impairment losses on other receivables		**25**	28
Unrealised loss on revaluation of Islamic derivative financial instruments		**1,911**	2,223
Depreciation of property, plant and equipment		**84**	99
Cash flow from operating profit before changes in operating assets and liabilities		**19,032**	51,422
(Decrease) in operating assets			
Other assets		**261**	38,999
Amounts due from related companies		**54**	140
Increase/(decrease) in operating liabilities			
Other liabilities		**(24,991)**	(32,601)
Amounts due to related companies		**(1)**	11
Cash flow used in operating activities		**(5,645)**	57,971
Taxation paid		**(11,948)**	(11,394)
Net cash (used in)/generated from operating activities		**(17,593)**	46,577
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2)**	(2)
Net cash used in investing activities		**(2)**	(2)
Cash flows from financing activities			
Dividends paid		**(92,000)**	(57,000)
Net cash used in financing activities		**(92,000)**	(57,000)
Net decrease in cash and cash equivalents during the financial year		**(109,595)**	(10,425)
Cash and cash equivalents at beginning of the financial year		**418,545**	428,970
Cash and cash equivalents at end of the financial year	(a)	**308,950**	418,545

56 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
(a) Cash and short term funds		
Cash and balances with banks and other financial institutions	993	3,103
Money at call and deposit placements maturing within one month	307,957	415,442
	308,950	418,545

(b) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of Islamic derivative financial instruments held at fair value through profit or loss. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, and do not represent amounts at risk.

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

	The Group and the Bank		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
At 31 December 2018			
Trading derivatives			
Islamic profit rate derivatives			
Islamic profit rate swaps	131,300	2,379	-
Equity derivatives			
Equity options	271,026	-	-
Credit related derivatives			
Total return swap	262,600	2,861	(3,249)
Total derivative assets/(liabilities)	664,926	5,240	(3,249)

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

56 The operations of Islamic Banking (Continued)

(b) Islamic derivative financial instruments (Continued)

	The Group and the Bank		
	Principal amount	Fair values Assets	Fair values Liabilities
	RM'000	RM'000	RM'000
At 31 December 2017			
Trading derivatives			
Islamic profit rate derivatives			
Islamic profit rate swaps	138,550	4,519	-
Equity derivatives			
Equity options	281,108	-	-
Credit related derivatives			
Total return swap	277,100	4,552	(5,169)
Total derivative assets/(liabilities)	696,758	9,071	(5,169)

	The Group and the Bank	
	31 December 2018	31 December 2017
	RM'000	RM'000
(c) Other assets		
Due from brokers and clients	**1,382**	8,512
Other debtors, deposits and prepayments	**139,809**	134,031
	141,191	142,543

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

56 The operations of Islamic Banking (Continued)

(d) Deferred taxation

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Deferred taxation asset (net)	159	123

The gross movement on the deferred taxation account are as follows:

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Deferred tax assets		
Other temporary differences	119	119
Property, plant and equipment	40	4
	159	123

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

56 The operations of Islamic Banking (Continued)

(d) Deferred taxation (Continued)

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

The Group and the Bank	**Accelerated tax depreciation RM'000**	**Other temporary differences RM'000**	**Total RM'000**
Deferred tax assets/(liabilities)			
At 1 January 2018	4	119	123
Credited to statements of income	36	-	36
At 31 December 2018	40	119	159

The Group and the Bank	**Accelerated tax depreciation RM'000**	**Other temporary differences RM'000**	**Total RM'000**
Deferred tax assets/(liabilities)			
At 1 January 2017	-	25	25
Credited/(charged) to statements of income	4	95	99
Under provision in prior year	-	(1)	(1)
At 31 December 2017	4	119	123

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

56 The operations of Islamic Banking (Continued)

(e) Property, plant and equipment

The Group and the Bank	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
31 December 2018					
Cost					
At 1 January 2018	231	124	119	216	690
Additions	-	5	-	-	5
At 31 December 2018	231	129	119	216	695
Accumulated depreciation					
At 1 January 2018	178	114	119	147	558
Charge for the financial year	36	6	-	42	84
At 31 December 2018	214	120	119	189	642
Net book value as at 31 December 2018	17	9	-	27	53
31 December 2017					
Cost					
At 1 January 2017	285	170	119	216	790
Additions	-	2	-	-	2
Disposal	(54)	(48)	-	-	(102)
At 31 December 2017	231	124	119	216	690
Accumulated depreciation					
At 1 January 2017	195	143	119	104	561
Charge for the financial year	37	19	-	43	99
Disposal	(54)	(48)	-	-	(102)
At 31 December 2017	178	114	119	147	558
Net book value as at 31 December 2017	53	10	-	69	132

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

56 The operations of Islamic Banking (Continued)

	The Group and the Bank 31 December 2018 RM'000	31 December 2017 RM'000
(f) Amounts due from/(to) related companies		
(i) Amounts due from:		
- Related companies	**238**	292
(ii) Amounts due to:		
- Related companies	**(412)**	(413)

	31 December 2018 RM'000	31 December 2017 RM'000
(g) Other liabilities		
Due to brokers and clients	**1,074**	16,298
Structured deposits	**131,300**	138,550
Other liabilities	**395**	3,055
	132,769	157,903

	The Group and the Bank 2018 RM'000	2017 RM'000
(h) Income derived from investment of shareholders' funds		
Finance income and hibah:		
Money at call and deposit and placements with financial institutions	**10,781**	11,896
Other trading income:		
Unrealised loss on revaluation of derivatives	**(1,911)**	(2,223)
Net realised gain on derivatives	**2,292**	2,629
	381	406
Fee and commission income:		
Advisory fees	**711**	8,700
Placement fees	**568**	5,111
Brokerage fees	**755**	2,770
Underwriting commission	**27**	2,452
Others	**19,524**	23,428
	21,585	42,461
Other income:		
Foreign exchange gain	**45**	24
Others	**138**	1,780
	183	1,804
	32,930	56,567

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

56 The operations of Islamic Banking (Continued)

		The Group and the Bank 2018 RM'000	2017 RM'000
(i)	**Income attributable to depositors and others**		
	Deposits and placements of banks and other financial institutions		
	- Mudharabah Fund	-	19
	Others		
	- Structured deposits	1	1
		1	20
(j)	**Personnel expenses**		
	- Salaries, allowances and bonuses	654	993
	- EPF	37	40
	- Others	-	34
		691	1,067
(k)	**Other overheads and expenditure**		
	Establishment expenses		
	- Depreciation of property, plant and equipment	84	99
	- Rental	228	238
	- Others	40	47
		352	384
	Marketing expenses		
	- Others	60	68
		60	68
	Administration and general expenses		
	- Legal and professional fees	-	4
	- Others	290	154
		290	158
	Shared services cost		
	-Personnel cost	9,237	5,627
	-Establishment cost	1,670	1,418
	-Marketing expenses	584	144
	-Administration and general expenses	2,655	1,486
		14,146	8,675
		14,848	9,285

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

56 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2018	2017
		RM'000	RM'000
(l)	**Taxation**		
	(i) Tax expense for the financial year		
	Current year tax		
	- Malaysian income tax	4,544	11,421
	Deferred tax Note (d)	(36)	(99)
	Under provision in prior years	-	1
		4,508	11,323
	Income tax expense is attributable to :		
	Profit from continuing operations	4,508	11,323
	Profit from discontinuing operation	-	726
		4,508	12,049

(ii) Numerical reconciliation of income tax expense

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

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Profit from continuing operations before taxation	17,365	46,167
(Loss)/profit from discontinuing operation before taxation	(333)	2,934
	17,032	49,101
Tax calculated at tax rate of 24%	4,088	11,784
Expenses not deductable for tax purposes	420	264
Under provision in prior years	-	1
Tax expense	4,508	12,049

(m) Sources and uses of charity funds

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Sources of charity funds		
Undistributed charity funds as at 1 January	1	-
Gharamah/penalty charges	1	1
	2	1
Undistributed charity funds as at 31 December	2	1

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

56 The operations of Islamic Banking (Continued)

(n) Discontinuing operation

On 2 April 2018, The Securities Commission has approved the Proposed Acquisition and the proposed sale of CIMBG Malaysia cash equities to Jupiter Securities Sdn. Bhd. ("Jupiter Securities") in connection with the Proposed Partnership with China Galaxy International Financials Holdings Limited ("CGI"). The segment was not a discontinuing operation or classified as held for sale as at 31 December 2017. The comparative consolidated statement of income has disclosed show the discontinuing operation separately from continuing operations.

Profit attributable to the discontinuing operation were are follows:

	The Group and the Bank	
	2018	2017
	RM'000	RM'000
Income derived from investment of shareholders' funds	**2,726**	5,586
Total attributable income	**2,726**	5,586
Total net income	**2,726**	5,586
Personnel expenses	**(1,784)**	(1,492)
Other overheads and expenditures	**(1,275)**	(1,160)
(Loss)/profit before taxation of discontinuing operation	**(333)**	2,934
Taxation	**-**	(726)
(Loss)/profit after taxation/total comprehensive income for the financial year of discontinuing operation	**(333)**	2,208
Net cash inflow/(outflow) from operating activities	**18**	(24)
Net increase/(decrease) in cash generated by the business operation	**18**	(24)

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

56 The operations of Islamic Banking (Continued)

(o) Non-current assets held for sale

The carrying amounts of the assets are measured in accordance with applicable accounting policies before initial classification of assets as held for sale. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost of sell. Refer to Note 53.

The assets and liabilities of the disposal business operation are as follows:

	The Group and the Bank 31 December 2018 RM'000
Liabilities and Islamic Banking capital funds	
Other liabilities	143
Total liabilities	143

56 The operations of Islamic Banking (Continued)

(p) Related party transactions and balances

(i) Related parties and relationships

The related parties of, and their relationship with the Bank, is disclosed in Note 44 (a).

(ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	31 December 2018 Other related companies RM'000	31 December 2017 Other related companies RM'000
The Group and the Bank		
Income:		
Net realised loss on derivatives	(496)	(264)
Dividend income	10,020	10,738
	9,524	10,474
Expenses:		
Dividend expense	-	19
Dividend paid	92,000	57,000
	92,000	57,019
The Group and the Bank		
Amounts due from:		
Cash and short term funds	930	340
Other assets	132,103	139,353
	133,033	139,693
Principal		
Equity related contracts:		
Equity options	135,513	140,554

56 The operations of Islamic Banking (Continued)

(q) Capital adequacy ratio

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

	The Group and the Bank	
	31 December 2018	31 December 2017
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	**126.108%**	143.155%
Tier 1 ratio	**126.108%**	143.155%
Total capital ratio	**126.108%**	143.155%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	**119.960%**	110.836%
Tier 1 ratio	**119.960%**	110.836%
Total capital ratio	**119.960%**	110.836%

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Credit risk	**151,485**	163,477
Market risk	**7,197**	9,113
Operational risk	**101,417**	112,080
Total risk-weighted assets	**260,099**	284,670

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

	The Group and the Bank	
	31 December 2018 RM'000	31 December 2017 RM'000
Common Equity Tier I capital		
Ordinary shares	**55,696**	55,696
Other reserves	**272,469**	351,945
Less : Proposed dividends	**(15,990)**	(92,000)
Common Equity Tier I capital / total Tier I Capital	**312,175**	315,641
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	**(159)**	(123)
Common equity tier I capital after regulatory adjustments / total Tier I capital	**312,016**	315,518
Total capital base	**312,016**	315,518

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

57 Client trust accounts

As at 31 December 2018, cash held in trust for clients by the Group and the Bank amounted to RM1,091,145,000 and RM 767,297,000 respectively (31 December 2017: RM1,204,931,000 and RM779,906,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

58 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 11 March 2019.