

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

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Directors' Report for the financial year ended 31 December 2016

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

Principal activities

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

Financial results

	The Group RM'000	The Bank RM'000
Profit after taxation attributable to:		
- Owners of the Parent	3,227,089	2,551,306
- Non-controlling interests	<u>(3,764)</u>	<u>-</u>
	<u>3,223,325</u>	<u>2,551,306</u>

Dividends

The dividends on redeemable preference shares paid or declared by the Bank since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Single tier second interim dividend of 32.5 sen per redeemable preference share, paid on 7 March 2016	<u>966,553</u>
In respect of the financial year ended 31 December 2016:	
Single tier first interim dividend of 27.40 sen per redeemable preference share, paid on 15 September 2016	<u>814,879</u>

The Directors have proposed a single tier second interim dividend of approximately 16.0 sen per share on 5,276,654,718 ordinary shares of RM1.00 each, amounting to RM844 million in respect of the financial year ended 31 December 2016. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 25 January 2017.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2016.

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

Reserves, provisions and allowances

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

Issuance of shares

CIMB Bank has on 15 December 2016, issued 129 million Rights Issue at RM 5.25 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM129 million and share premium of RM546 million.

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

Bad and doubtful debts, and financing

Before the Financial Statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad 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 made out, 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, their values as shown in the accounting records of the Group and of the Bank had been written down to an amount which they might be expected so to realise.

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability in the Group or the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

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

Change of circumstances

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Bank, that would render any amount stated in the Financial Statements misleading.

Items of an unusual nature

In the opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 50 (a) 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.

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

Directors

The Directors of the Bank in office since the date of the last Report and at the date of this Report are as follows:

Directors

Dato' Zainal Abidin bin Putih

Dato' Sri Mohamed Nazir bin Abdul Razak

Puan Rosnah Dato' Kamarul Zaman

Mr. Venkatachalam Krishnakumar

Datin Grace Yeoh Cheng Geok

Encik Ahmad Zulqarnain Che On

Dato' Sri Amrin bin Awaluddin

Datuk Mohd Nasir bin Ahmad

Dato' Lee Kok Kwan

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

Encik Afzal bin Abdul Rahim (appointed on 29 June 2016)

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (resigned on 30 June 2016)

In accordance with Article 97 of the Bank's Articles of Association, Puan Rosnah Dato' Kamarul Zaman, Encik Ahmad Zulqarnain Che On and Dato' Sri Amrin bin Awaluddin will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 102 of the Bank's Articles of Association, Encik Afzal bin Abdul Rahim will retire from the Board at the forthcoming AGM and being eligible, offer himself for re-election.

Pursuant to the Terms of Reference of the Board of Directors of CIMB Bank Berhad, a Director who has served the Bank for nine years or who has reached the age of 70 years may, subject to the Group Nomination and Remuneration Committee's recommendation and Shareholders' approval, continue to serve CIMB Bank in the capacity of Director. Dato' Zainal Abidin Putih, who is above 70 years of age will retire from the Board at the forthcoming AGM and offers himself for re-election to hold office until the conclusion of the next AGM of CIMB Bank, as recommended by the Group Nomination and Remuneration Committee.

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

Directors' interests in shares, share options and debentures

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

	Number of ordinary shares of RM1 each			
	As at 1 January/Date of appointment	Acquired/ Granted	Disposed/ Vested	As at 31 December
Ultimate holding company				
CIMB Group Holdings Berhad ("CIMB Group")				
Direct interest				
Dato' Sri Mohamed Nazir bin Abdul Razak [^]	52,778,437	887,746 (c)	(7,160,423)	46,505,760
Dato' Zainal Abidin bin Putih#	116,793	4,944 (b)	-	121,737
Dato' Lee Kok Kwan*	2,656,166	123,199 (b)	-	2,779,365
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	453,254	737,663 (a)	(150,585) (d)	1,040,332
Dato' Sri Amrin bin Awaluddin	42,654	1,978 (c)	-	44,632

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

	Number of ordinary shares of RM1 each			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
[^] Dato' Azlina binti Abdul Aziz	4,160,423	-	(4,160,423)	-
# Datin Jasmine binti Abdullah Heng	21,326	988 (b)	-	22,314
# Mohamad Ari Zulkarnain bin Zainal Abidin	10,157	-	-	10,157
*Datin Rosemary Yvonne Fong	77,361	3,587 (b)	-	80,948

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

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

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

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

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

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

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

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

(f) Shares granted under the exercise of Special Interim Dividend-In-Specie and registered under the name of Phillip Securities Pte Ltd – A/C Client

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**Directors' Report
for the financial year ended 31 December 2016 (Continued)****Directors' interests in shares, share options and debentures (Continued)**

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

	As at 1 January	Debentures held		As at 31 December
		Acquired	Disposed	
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad ("CIMB Group")				
- Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	-	RM2,000,000	(RM1,000,000)	RM1,000,000
<u>Related company - PT Bank CIMB Niaga Tbk</u>				
- Subordinated Notes				
Dato' Sri Mohamed Nazir bin Abdul Razak	IDR4,500,000,000	-	-	IDR4,500,000,000
Dato' Lee Kok Kwan	IDR5,000,000,000	-	-	IDR5,000,000,000

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 43 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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

2016 Business Plan and Strategy

2016 was a challenging year characterised by a slower economy, weakening currency, increased competition, margin erosion, tighter enforcement and scrutiny of financial institutions by regulators for non-compliance. For the year, the Bank continued to focus on attracting current accounts and saving accounts (“CASA”) and deposits; building digital banking capabilities with enhanced analytics for better targeting; focused on high growth segments; enhanced productivity through process re-engineering and automation; and emphasised on customer experience to be a key differentiator.

The Bank leveraged and expanded its regional operating model to share best practices; harmonised and aligned frameworks and processes; optimised its cost base through identification of cost saving opportunities, footprint rationalisation and maintaining cost discipline; intensified digital delivery via digital sales enablement; and expanded key partnerships with strategic partners to avail new value added products for customers.

The Group registered a profit before taxation and zakat of RM4,176 million for the financial year ended 31 December 2016, RM16 million or 0.4% higher as compared to the profit before taxation of RM4,160 million registered in the previous corresponding year.

During the financial year under review, the Group registered higher net interest income and income from Islamic banking operations by RM87 million and RM72 million respectively and lower overheads by RM230 million. This was offset by lower non-interest income and higher loans and other impairment allowances during the financial year.

The two main operating subsidiaries of the Bank are CIMB Islamic Bank Berhad and CIMB Thai Bank Public Company Limited. Their total assets contributed approximately 16.8% (2015: 14.5%) and 9.4% (2015: 9.6%) respectively to CIMB Bank consolidated total assets, and their profit/(loss) before taxation contributed approximately 17.3% (2015: 13.0%) and (2.3%) (2015: profit contribution of 2.1%) to CIMB Bank's consolidated profit before taxation.

Outlook for 2017

CIMB Bank is cautious on the business outlook for 2017 given the continued challenging and uncertain operating environment. CIMB Malaysia's loan growth is expected to track the industry with slower consumer spending amid the volatile currencies and oil prices. Prospects for CIMB Singapore remain challenged by the slower regional economic growth. CIMB Thai is expected to perform better in 2017 with lower loans loss provision and strengthened capital position.

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**Directors' Report
for the financial year ended 31 December 2016 (Continued)****Ratings by External Rating Agencies**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	November 2016	<ol style="list-style-type: none"> 1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM5.0 billion Subordinated Debt and Junior Sukuk Programmes 4. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme 5. RM1.0 billion Innovative Tier I Capital Securities 	AAA MARC-1 AA+/ AA+ _{IS} AA+ AA	Stable
RAM Rating Services Berhad ("RAM")	December 2016	<ol style="list-style-type: none"> 1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme <ol style="list-style-type: none"> a. Issuances prior to 1 January 2016 with non-viability events linked to CIMB Bank Berhad b. Issuances on or after 1 January 2016 with non-viability events linked to CIMB Bank Berhad as well as CIMB Group Holdings Berhad and its subsidiaries 4. RM10.0 billion Additional Tier I Capital Securities Programme 	AAA P1 AA ₁ AA ₂ A ₁	Stable

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**Directors' Report
for the financial year ended 31 December 2016 (Continued)****Ratings by External Rating Agencies (Continued)**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service ("Moody's")	October 2016	<ol style="list-style-type: none"> 1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating 5. USD1.0 billion Multi-Currency Euro Medium Term Notes Programme 6. USD350 million 5-year Senior Unsecured Notes 7. USD5.0 billion Euro Medium Term Note Programme (Senior Unsecured/ Subordinated) 	<p>A3</p> <p>P-2</p> <p>A3</p> <p>P-2</p> <p>(P)A3</p> <p>A3</p> <p>(P)A3/ (P)Ba1</p>	Stable
Standard & Poor's Ratings Services ("S&P")	December 2016	<ol style="list-style-type: none"> 1. Long-term Foreign Currency Rating 2. Short-term Foreign Currency Rating 3. Long-term Local Currency Rating 4. Short-term Local Currency Rating 5. Long-term ASEAN Regional Scale Rating 6. Short-term ASEAN Regional Scale Rating 7. USD350 million 5-year Senior Unsecured Notes 	<p>A-</p> <p>A-2</p> <p>A-</p> <p>A-2</p> <p>axAA</p> <p>axA-1</p> <p>A-</p>	Stable

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

Ratings by External Rating Agencies (Continued)

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Dagong Global Credit Rating Co. Ltd. ("Dagong")	January 2015	1. Long-term Foreign Currency Rating 2. Long-term Local Currency Rating	AA- AA	Stable

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

Board Shariah Committee

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

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

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

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

The members of the Board Shariah Committee are as follows:

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

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

Board Shariah Committee (Continued)

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

Zakat obligations

The obligation and responsibility for payment of zakat lies with the Muslim shareholders (if any) of the Bank and the Bank's Ultimate Holding Company. The obligation and responsibility for specific payment of zakat on deposits and investments received by the Bank from its customers lies with its Muslim customers only. It is the same with any of the Bank's banking and asset management subsidiaries. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the financial statement of the Bank is reflective of this.

Significant events during the financial year

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

Subsequent events after the financial year end

Subsequent events after the financial year are disclosed in Note 50 (b) to the Financial Statements.

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

Statement of Directors' Responsibility

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

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

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

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

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 16 of the Directors' Report.

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

Ultimate holding company

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

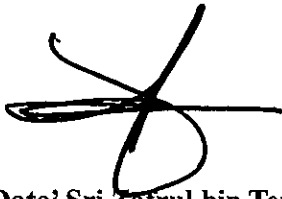
Auditors

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

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



Dato' Zainal Abidin bin Putih
Director



Tengku Dato' Sri Zairul bin Tengku Abdul Aziz
Director

Kuala Lumpur
6 March 2017

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

We, Dato' Zainal Abidin bin Putih and Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 26 to 360 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2016 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965, in Malaysia.

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



Dato' Zainal Abidin bin Putih
Director

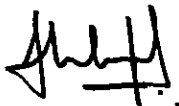


Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
6 March 2017

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

I, Shahnaz Farouque bin Jammal Ahmad, being the Officer primarily responsible for the financial management of CIMB Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 26 to 360 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



Shahnaz Farouque bin Jammal Ahmad

Subscribed and solemnly declared by the abovesigned Shahnaz Farouque bin Jammal Ahmad at Kuala Lumpur before me, on 6 March 2017.

Commissioner for Oaths



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

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Board Shariah Committee's Report

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

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

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

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

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

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

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

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Board Shariah Committee's Report (Continued)

Firstly, the system of internal control for effective Shariah governance is supported by a professional staff of Shariah researchers that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. Secondly, the Management has a Shariah review framework that operates on a front to back basis comprising of self-assessment/self-reporting mechanism and periodic independent review undertaken by Group Compliance Division. Thirdly, the system is also augmented by a Shariah risk management framework covering the first; second and; third line of defenses. Lastly, there is also a strong team of internal auditors who conduct periodic Shariah audits of all the Bank's Islamic banking and finance operations on a scheduled and periodic basis.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us with the exception of the following incidences of Shariah non-compliance within CIMB Bank Group as follows:

- (1) Within CIMB Islamic Trustee Berhad, due to the usage of Shariah non-compliant terminologies in Islamic mandate letters and improper treatment of gharamah (penalty) from late payment charges received. A total of RM1,553.70 from the gharamah was classified as a Shariah non-compliant incomes which needs to be channeled to the charitable organisation.
- (2) Within CIMB Islamic Bank, due to the creation of fixed deposit for Islamic financing account involving Takaful claim proceed.

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

1. Removed any Shariah non-compliant terminologies in CIMB Islamic documentation.
2. Conducting series of Shariah Governance Framework Workshop and in-house Shariah awareness trainings to elevate awareness and knowledge of Shariah among the staff.
3. Reviewed the Policies & Procedures to reflect the Shariah requirements applicable to the Islamic business and approved by the Board Shariah Committee.

CIMB Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

Over and above these specific measures, we have also directed the Management to undertake more training sessions, courses and briefings aimed at building stronger and deeper understanding amongst the Bank's employee on Shariah application in the financial activities undertaken by the Bank and its subsidiaries as well as to infuse the right culture for Shariah compliance amongst them.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2016 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

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

CIMB Bank Berhad

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Board Shariah Committee's Report (Continued)

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the year ended 31 December 2016 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee



Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil
Chairman



Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Kuala Lumpur
6 March 2017



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 26 to 360.

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.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditor' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



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

OTHER MATTERS

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

A handwritten signature in black ink, appearing to be 'R. G. G.', written over a horizontal line.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ong Ching Chuan', written over a horizontal line.

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

Kuala Lumpur
6 March 2017

CIMB Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2016

	Note	The Group		The Bank	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	2	18,620,310	20,188,831	10,358,003	14,159,386
Reverse repurchase agreements		5,107,539	9,558,281	4,698,080	8,404,346
Deposits and placements with banks and other financial institutions	3	1,181,729	1,440,564	5,044,889	4,694,012
Financial assets held for trading	4	21,333,299	18,435,955	17,613,301	14,951,772
Derivative financial instruments	26(a)	11,809,961	11,463,962	9,688,843	8,808,615
Financial investments available-for-sale	5	25,967,834	28,010,649	20,485,426	22,834,039
Financial investments held-to-maturity	6	27,600,862	23,707,698	22,572,462	19,389,224
Loans, advances and financing	7	256,199,949	235,437,884	182,585,775	170,669,912
Other assets	8	9,663,268	10,857,585	8,619,807	9,846,589
Tax recoverable		6,583	9,612	-	-
Deferred taxation	9	313,200	289,940	108,082	141,458
Statutory deposits with central banks	10	8,484,241	7,699,798	6,640,483	6,139,925
Amounts due from holding company and ultimate holding company	11	4,084	2,803	4,084	2,803
Amounts due from subsidiaries	12	-	-	546,462	40,622
Amounts due from related companies	13	1,223,076	1,272,717	1,220,820	1,269,970
Investment in subsidiaries	14	-	-	5,310,889	4,674,129
Investment in joint venture	15	165,029	162,775	125,000	125,000
Investment in associates	16	-	798,095	-	305,584
Goodwill	17	5,188,198	5,114,235	3,555,075	3,555,075
Intangible assets	18	1,007,672	1,061,134	888,572	942,964
Prepaid lease payments	19	408	689	-	-
Property, plant and equipment	20	763,541	787,671	417,030	443,981
Investment properties	21	-	1,120	-	-
		394,640,783	376,301,998	300,483,083	291,399,406
Non-current assets/disposal groups held for sale	54	890,927	4,575	305,959	375
Total assets		395,531,710	376,306,573	300,789,042	291,399,781
Liabilities					
Deposits from customers	22	278,480,261	263,302,264	201,352,180	198,273,648
Investment accounts of customers	23	254,408	232,716	-	-
Deposits and placements of banks and other financial institutions	24	26,899,767	22,062,752	26,284,933	20,176,311
Repurchase agreements		4,340,854	7,905,919	4,340,854	7,889,260
Financial liabilities designated at fair value	25	4,367,577	4,952,771	2,004,463	2,848,922
Derivative financial instruments	26(a)	12,030,888	11,880,534	9,780,735	9,097,934
Bills and acceptances payable		2,301,368	1,024,296	886,404	686,487
Amounts due to subsidiaries	12	-	-	29,422	34,647
Amounts due to related companies	13	5,228	24,652	3,570	15,561
Other liabilities	27	6,280,132	6,862,848	5,817,201	5,587,706
Recourse obligation on loans and financing sold to Cagamas	28	4,498,369	1,817,816	3,144,979	1,315,448
Provision for taxation		218,187	147,739	169,015	104,203
Deferred taxation	9	2,579	2,490	-	-
Bonds, Sukuk and debentures	29	6,287,153	9,868,655	5,199,084	6,576,072
Other borrowings	30	3,565,826	2,752,792	3,565,826	2,752,792
Subordinated obligations	31	11,106,619	11,169,604	9,529,719	9,117,067
Total liabilities		360,639,216	344,007,848	272,108,385	264,476,058

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Financial Position
as at 31 December 2016 (Continued)**

	Note	The Group		The Bank	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Equity					
Capital and reserves attributable to owners of the Parent					
Ordinary share capital	33	5,276,655	5,148,084	5,276,655	5,148,084
Reserves	35	28,982,224	26,518,218	23,174,262	21,545,899
		34,258,879	31,666,302	28,450,917	26,693,983
Perpetual preference shares	34	200,000	200,000	200,000	200,000
Redeemable preference shares	32(a)	29,740	29,740	29,740	29,740
Non-controlling interests		403,875	402,683	-	-
Total equity		34,892,494	32,298,725	28,680,657	26,923,723
Total equity and liabilities		395,531,710	376,306,573	300,789,042	291,399,781
Commitments and contingencies	26(b)	794,583,414	865,417,801	563,099,015	616,440,947
Net assets per ordinary share attributable to owners of the Parent (RM)		6.49	6.15	5.39	5.19

CIMB Bank Berhad

(Incorporated in Malaysia)

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

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	36	12,366,574	11,717,596	10,695,597	10,090,726
Interest expense	37	(6,019,767)	(5,457,488)	(5,530,537)	(4,837,334)
Net interest income		6,346,807	6,260,108	5,165,060	5,253,392
Income from Islamic banking operations	55	1,445,220	1,372,939	87,029	82,867
Net non-interest income	38	2,540,711	2,569,241	2,161,052	2,236,406
Net income		10,332,738	10,202,288	7,413,141	7,572,665
Overheads	39	(5,135,270)	(5,365,314)	(3,722,562)	(3,955,833)
Profit before allowances		5,197,468	4,836,974	3,690,579	3,616,832
Allowances for impairment losses on loans, advances and financing	40	(1,054,708)	(759,785)	(340,352)	(180,759)
Allowances for losses on other receivables written-back/(made)		76	(8,890)	(1,197)	(4,293)
Allowances for commitments and contingencies	27(c)	(30,461)	(534)	-	(534)
Allowances for other impairment losses	41	(50,164)	(2,438)	(32,761)	(6,345)
Profit after allowances		4,062,211	4,065,327	3,316,269	3,424,901
Share of results of joint venture	15	2,254	1,587	-	-
Share of results of associates	16	111,980	93,425	-	-
Profit before taxation and zakat		4,176,445	4,160,339	3,316,269	3,424,901
Taxation and zakat	44	(953,120)	(874,631)	(764,963)	(677,416)
Profit after taxation and zakat		3,223,325	3,285,708	2,551,306	2,747,485
Profit for the financial year attributable to :					
Owners of the Parent		3,227,089	3,280,377	2,551,306	2,747,485
Non-controlling interests		(3,764)	5,331	-	-
		3,223,325	3,285,708	2,551,306	2,747,485
Earnings per share attributable to ordinary equity holders of the Parent - basic (sen)	45	62.61	67.65	49.50	56.66

CIMB Bank Berhad

(Incorporated in Malaysia)

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	3,223,325	3,285,708	2,551,306	2,747,485
Other comprehensive income/(expense):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	143,896	(223,408)	187,813	(163,420)
- Net gain/(loss) from change in fair value	257,776	(86,824)	255,713	(86,167)
- Realised gain transferred to statement of income on disposal and impairment	(121,341)	(132,965)	(58,859)	(60,309)
- Income tax effects	25,738	(13,518)	10,956	(15,677)
- Currency translation difference	(18,277)	9,899	(19,997)	(1,267)
Net investment hedge	(194,940)	(999,584)	(135,971)	(649,100)
Cash flow hedge	14,718	(14,149)	13,768	(14,149)
- Net gain/(loss) from change in fair value	20,649	(19,427)	19,575	(19,427)
- Income tax effects	(5,931)	5,278	(5,807)	5,278
Exchange fluctuation reserve	539,583	1,418,626	270,059	660,272
Share of other comprehensive expense of associate	-	(4,963)	-	-
	503,257	176,522	335,669	(166,397)
<i>Items that will not be reclassified to profit or loss</i>				
Actuarial loss on post employment benefits obligations	(2,850)	(12,210)	-	-
Income tax effects	570	2,442	-	-
	(2,280)	(9,768)	-	-
Other comprehensive income/(expense) during the financial year, net of tax	500,977	166,754	335,669	(166,397)
Total comprehensive income for the financial year	3,724,302	3,452,462	2,886,975	2,581,088
Total comprehensive income attributable to:				
Owners of the Parent	3,721,775	3,428,561	2,886,975	2,581,088
Non-controlling interests	2,527	23,901	-	-
	3,724,302	3,452,462	2,886,975	2,581,088

CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Group	Attributable to owners of the Parent																		
	Share capital	Share premium	Share	Statutory reserve	Exchange fluctuation reserve	Revaluation reserve- financial investments available-for-sale	Capital reserve	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Defined benefits reserve	Retained profits	Total	Perpetual preference shares	Non-controlling interests	Total Equity	
At 1 January 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	5,448,084	10,363,629	29,740	6,626,969	1,941,402	46,913	735,457	(1,085,928)	(1,330,115)	58,280	1,019,502	(22,006)	8,164,115	31,696,042	402,683	200,000	32,298,725	3,223,325	500,977
Other comprehensive income/(expense) (net of tax)	-	-	-	-	530,611	147,863	-	-	(181,172)	147,863	980	-	(3,596)	-	3,227,089	-	(3,764)	3,227,089	6,291
- financial investments available-for-sale	-	-	-	-	-	147,863	-	-	(181,172)	147,863	-	-	-	-	-	-	-	-	(3,967)
- net investment hedge	-	-	-	-	-	-	-	-	(194,940)	-	-	-	-	(194,940)	-	-	-	-	-
- cash flow hedge	-	-	-	-	-	-	-	-	14,718	-	-	-	-	14,718	-	-	-	-	-
- currency translation difference	-	-	-	-	530,611	-	-	-	(950)	980	-	-	(1,316)	529,325	-	-	10,258	-	14,718
- actuarial loss from defined benefits	-	-	-	-	-	-	-	-	-	-	-	-	(2,280)	-	-	-	-	-	(2,280)
Total comprehensive income/(expense) for the financial year	-	-	-	-	530,611	147,863	-	-	(181,172)	147,863	980	-	(3,596)	3,227,089	3,721,775	-	2,527	3,724,302	143,896
Transfer to statutory reserve	-	-	-	135,800	-	-	-	-	-	-	-	-	-	(135,800)	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	300,022	-	(300,022)	-	-	-	-	-
Second interim dividend for the financial year ended 31 December 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
First interim dividend for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	(966,553)	-	-	-	-	(966,553)
Issue of Shares from rights issue	-	-	-	-	-	-	-	-	-	-	-	-	-	(814,879)	-	-	-	-	(814,879)
Dividend paid to non-controlling interests	128,571	546,427	-	-	-	-	-	-	-	-	-	-	-	674,998	-	-	-	-	674,998
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,335)
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	45,981	(68,745)	-	-	-	45,981	-	-	-	45,981
At 31 December 2016	5,276,655	10,910,056	29,740	6,762,769	2,472,013	194,776	735,457	(1,085,928)	(1,511,287)	36,496	1,319,524	(25,602)	9,173,950	34,288,619	200,000	403,875	34,892,494	68,745	34,892,494

CIMB Bank Berhad

(Incorporated in Malaysia)

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

The Group	Note	Attributable to owners of the Parent											Total Equity			
		Share capital	Share premium	Statutory reserve	Exchange fluctuation reserve	Revaluation reserve-financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Defined benefits reserve		Retained profits	Perpetual preference shares	Non-controlling interests
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		4,787,023	8,898,945	5,839,094	541,793	275,761	(1,085,928)	735,457	(316,382)	57,542	593,795	(10,548)	7,668,320	28,014,612	351,695	28,566,307
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,280,377	3,280,377	5,331	3,285,708
Other comprehensive income/(expense) (net of tax)		-	-	-	1,399,609	(228,848)	-	(1,013,733)	(1,013,733)	2,614	-	(11,458)	-	148,184	18,570	166,754
- financial investments available-for-sale		-	-	-	-	(223,885)	-	-	-	-	-	-	-	(223,885)	477	(223,408)
- net investment hedge		-	-	-	-	-	-	(999,584)	(999,584)	-	-	-	-	(999,584)	-	(999,584)
- cash flow hedge		-	-	-	-	-	-	(14,149)	(14,149)	-	-	-	-	(14,149)	-	(14,149)
- currency translation difference		-	-	-	1,399,609	-	-	2,614	(1,690)	-	-	(1,690)	-	1,400,533	18,093	1,418,626
- actuarial loss from defined benefits		-	-	-	-	-	-	-	-	-	-	(9,768)	-	(9,768)	-	(9,768)
- share of other comprehensive income of associate		-	-	-	-	(4,963)	-	-	-	-	-	-	-	(4,963)	-	(4,963)
Total comprehensive income/(expense) for the year		-	-	-	1,399,609	(228,848)	-	(1,013,733)	(1,013,733)	2,614	-	(11,458)	3,280,377	3,428,561	23,901	3,452,462
Transfer to statutory reserve		-	-	787,875	-	-	-	-	-	-	-	(787,875)	-	-	-	-
Transfer from regulatory reserve		-	-	-	-	-	-	-	-	425,707	-	(425,707)	-	-	-	-
Second interim dividend for the financial year ended 31 December 2014	46	-	-	-	-	-	-	-	-	-	-	-	(753,000)	(753,000)	-	(753,000)
Interim dividend for the financial year ended 31 December 2015	46	-	-	-	-	-	-	-	-	-	-	(818,000)	(818,000)	-	(818,000)	
Issue of shares from rights issue		361,061	1,464,684	-	-	-	-	-	-	-	-	-	1,825,745	1,825,745	-	1,825,745
Right issues of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	28,154	28,154	
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(1,067)	(1,067)	
Share-based payment expense		-	-	-	-	-	-	67,903	-	(69,779)	-	-	-	67,903	-	67,903
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,779)
At 31 December 2015		5,148,084	10,363,629	6,626,969	1,941,402	46,913	(1,085,928)	735,457	(1,330,115)	58,280	1,019,502	(22,006)	8,164,115	31,696,042	402,683	32,298,725

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

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

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

The Bank	Note	Retainable			Non-distributable				Distributable				Total Equity RM'000		
		Share capital RM'000	Preference Shares RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Hedging reserve RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000		Retained profits RM'000	Total RM'000
		4,787,023	29,740	8,898,945	5,119,366	245,317	220,441	746,852	(227,853)	55,626	593,795	4,469,361	23,890,741	200,000	24,090,741
		-	-	-	-	-	-	-	-	-	-	2,747,485	2,747,485	-	2,747,485
		-	-	-	-	657,899	(163,420)	-	(663,249)	2,373	-	-	(166,397)	-	(166,397)
		-	-	-	-	-	(163,420)	-	-	-	-	-	(163,420)	-	(163,420)
		-	-	-	-	-	-	(649,100)	-	-	-	-	(649,100)	-	(649,100)
		-	-	-	-	-	-	(14,149)	-	-	-	-	(14,149)	-	(14,149)
		-	-	-	-	657,899	-	-	-	2,373	-	-	660,272	-	660,272
		-	-	-	-	657,899	(163,420)	-	(663,249)	2,373	-	2,747,485	2,581,088	-	2,581,088
		-	-	-	-	-	-	-	-	-	364,750	(364,750)	-	-	-
		-	-	-	686,871	-	-	-	-	-	-	(686,871)	-	-	-
	46	-	-	-	-	-	-	-	-	-	-	(753,000)	(753,000)	-	(753,000)
		-	-	-	-	-	-	-	-	-	-	(818,000)	(818,000)	-	(818,000)
	46	361,061	-	1,464,684	-	-	-	-	-	-	-	-	1,825,745	-	1,825,745
		-	-	-	-	-	-	-	-	64,766	-	-	64,766	-	64,766
		-	-	-	-	-	-	-	-	(67,617)	-	-	(67,617)	-	(67,617)
		5,148,084	29,740	10,363,629	5,806,237	903,216	57,021	746,852	(891,102)	55,148	958,545	4,594,225	26,723,723	200,000	26,923,723

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**Statements of Cash Flows
for the financial year ended 31 December 2016**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	4,176,445	4,160,339	3,316,269	3,424,901
Adjustments for:				
Depreciation of property, plant and equipment	162,071	204,828	114,942	150,608
Amortisation of intangible assets	195,133	197,532	170,630	174,888
Amortisation of prepaid lease payments	82	206	-	-
Gain on disposal of property, plant and equipment/ assets held for sale/leased assets	(5,724)	(1,377)	(5,170)	(7,093)
Impairment of property, plant and equipment	-	1,094	-	-
Loss on disposal of foreclosed assets	27,609	26,410	-	-
Loss on revaluation of investment properties	-	2,880	-	-
Property, plant and equipment written off	3,328	1,126	3,328	1,126
Net gain from sale of financial investments available-for-sale	(156,237)	(134,033)	(98,234)	(63,231)
Net gain from redemption of financial investments held-to-maturity	6	(16)	6	(16)
Net loss/(gain) from hedging activities	25,175	21,915	23,169	(9,758)
Net gain from fair value hedge on redeemable preference shares	-	(27,533)	-	-
Unrealised (gain)/loss from financial assets held for trading	(91,234)	514,734	(94,937)	516,257
Unrealised loss from financial liabilities designated at fair value	219,432	71,303	171,669	51,080
Unrealised gain from derivative financial instruments	(346,478)	(1,825,363)	(323,047)	(1,892,283)
Unrealised loss on foreign exchange	969,025	535,005	823,032	654,558
Allowances for impairment losses on loans, advances and financing	1,379,218	1,044,165	537,561	351,944
Allowance for other impairment losses made on securities	50,164	2,438	32,761	1,902
Allowances for losses on other receivables (written-back)/made	(76)	8,890	1,197	4,293
Allowance for impairment loss in subsidiaries	-	-	-	4,443
Interest income on financial investments available-for-sale	(839,493)	(1,010,690)	(749,083)	(905,776)
Interest income on financial investments held-to-maturity	(923,770)	(704,583)	(851,618)	(616,674)
Interest expense on subordinated obligations	545,292	437,964	490,621	418,741
Interest expense on bonds and debentures	185,334	172,804	142,255	123,987
Interest expense on other borrowings	53,351	33,599	66,639	45,966
Interest expense on redeemable preference shares	-	43,113	-	-
Interest expense on recourse obligation on loans and financing sold to Cagamas	110,491	5,591	110,491	5,591
Accretion of discount less amortisation of premium	41,646	42,151	(5,856)	(2,313)
Gain on distributions from associates	-	(14,463)	-	(55,389)
Dividend income	(59,157)	(68,646)	(100,299)	(117,385)
Allowances for commitments and contingencies made	30,461	534	-	534
Share-based payment expense	45,981	67,903	41,496	64,766
Share of results of joint venture	(2,254)	(1,587)	-	-
Share of results of associates	(111,980)	(93,425)	-	-
	5,683,841	3,714,808	3,817,822	2,325,667

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Increase)/Decrease in operating assets				
Reverse repurchase agreements	4,450,742	(5,045,332)	3,706,266	(3,997,693)
Deposits and placements with banks and other financial institutions	258,835	2,404,318	(350,877)	689,003
Financial assets held for trading	(2,728,243)	3,810,422	(2,481,819)	2,975,547
Loans, advances and financing	(21,985,660)	(28,208,795)	(12,437,707)	(20,030,852)
Amount due from holding company and ultimate holding company	(1,281)	26,050	(1,281)	(2,803)
Amount due from subsidiaries	-	-	(505,840)	(34,358)
Amount due from related companies	49,641	(38,719)	49,150	(39,456)
Other assets	129,017	(5,673,733)	1,153,180	(4,655,119)
Statutory deposits with central banks	(784,443)	(860,354)	(500,558)	(1,014,089)
Increase/(Decrease) in operating liabilities				
Deposits from customers	15,174,278	28,038,627	3,074,813	23,956,600
Deposits and placements of banks and other financial institutions	4,837,015	(9,354,570)	6,108,622	(11,361,992)
Investment account of customers	21,692	232,716	-	-
Repurchase agreements	(3,565,065)	2,170,080	(3,548,406)	2,153,421
Derivative financial instruments	(155,661)	949,036	(177,765)	1,159,720
Bills and acceptances payable	1,277,072	(532,613)	199,917	(74,727)
Financial liabilities designated at fair value	(804,626)	1,190,766	(1,016,128)	71,450
Amount due to ultimate holding company	-	-	-	-
Amount due to subsidiaries	-	-	(5,225)	(91,643)
Amount due to related companies	(19,424)	(16,131)	(11,991)	(7,690)
Other liabilities	(615,383)	2,688,422	(603,261)	1,482,944
Cash flows generated from/(used in) operations	1,222,347	(4,505,002)	(3,531,088)	(6,496,070)
Taxation and Zakat paid	(877,156)	(946,917)	(651,909)	(745,160)
Net cash generated from/(used in) operating activities	345,191	(5,451,919)	(4,182,997)	(7,241,230)

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

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Dividend from associate		23,721	23,920	23,721	23,920
Dividend income		59,157	68,646	76,578	93,465
Investment in subsidiaries		-	-	(627,111)	(438,216)
Interest income received from financial investments available-for-sale		931,445	1,014,222	769,777	918,340
Net proceeds/(purchase) of financial investments available-for-sale		2,135,472	(599,306)	2,556,066	(179,979)
Interest income received from financial investments held-to-maturity		993,209	601,563	809,411	566,091
Net purchase of financial investments held-to-maturity		(3,987,807)	(6,917,902)	(3,151,077)	(5,859,148)
Purchase of property, plant and equipment		(337,428)	(167,647)	(284,726)	(131,795)
Proceeds from disposal of property, plant and equipment/assets held for sale/leased assets		209,072	73,764	195,147	59,421
Proceeds from disposal/write off of intangible assets		111,717	59,292	110,549	57,879
Proceeds from disposal of prepaid lease payments		209	4	-	-
Purchase of intangible assets		(251,377)	(231,206)	(225,449)	(206,934)
Capital repayment from a subsidiary		-	-	-	899,580
Profit distributions and capital repayment from an associate		-	68,134	-	68,134
Net cash (used in)/generated from investing activities		(112,610)	(6,006,516)	252,886	(4,129,242)
Cash flows from financing activities					
Dividends paid		(1,782,767)	(1,572,067)	(1,781,432)	(1,571,000)
Interest expense paid on subordinated obligations		(538,143)	(405,827)	(480,813)	(426,660)
Interest expense paid on redeemable preference shares		-	(43,113)	-	-
Interest expense paid on other borrowings		(50,492)	(31,800)	(56,478)	(44,126)
Interest expense paid on bond and debentures		(117,800)	(111,518)	(72,107)	(76,843)
Interest expense paid on recourse obligation on loans and financing sold to Cagamas		(135,000)	-	(87,442)	-
Proceeds from issuance of bonds and debentures		4,533,756	7,460,494	158,815	1,665,318
Proceeds from other borrowings		1,046,625	-	1,046,625	-
Proceeds from issuance of subordinated obligations		2,860,000	2,000,000	2,750,000	2,000,000
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas		2,636,499	1,807,000	1,790,991	1,307,526
Repayment of bonds and debentures		(8,163,011)	(5,005,384)	(1,590,379)	(163,283)
Repayment of other borrowing		(434,844)	(601,020)	(434,844)	(601,020)
Repayment of subordinated obligations		(2,937,263)	(1,001,060)	(2,350,000)	(1,697,573)
Repayment of redeemable preference shares		-	(887,433)	-	-
Contribution from non-controlling interests		-	28,154	-	-
Issuance of shares due to rights issue		674,998	1,825,745	674,998	1,825,745
Net cash (used in)/generated from financing activities		(2,407,442)	3,462,171	(432,066)	2,218,084
Net decrease in cash and cash equivalents during the financial year		(2,174,861)	(7,996,264)	(4,362,177)	(9,152,388)
Effects of exchange rate differences		606,340	2,729,040	560,794	1,876,675
Cash and cash equivalents at beginning of financial year		20,188,831	25,456,055	14,159,386	21,435,099
Cash and cash equivalents at end of financial year	2	18,620,310	20,188,831	10,358,003	14,159,386

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

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

A Basis of preparation

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 51.

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

A Basis of preparation (Continued)

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

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

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

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

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

A Basis of preparation (Continued)

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

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

- (i) Financial year beginning on/after 1 January 2017
 - Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities.
 - Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

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

The amendments shall be applied retrospectively.

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

A Basis of preparation (Continued)

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

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

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

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

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

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

A Basis of preparation (Continued)

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

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

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

- MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

Key provisions of the new standard are as follows:

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

- MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group

(a) Subsidiaries

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

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

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

(c) Disposal of subsidiaries

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(d) Joint arrangements

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(d) Joint arrangements (Continued)

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

(e) Associates

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(e) Associates (Continued)

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

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

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

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

(f) Interests in subsidiaries, joint arrangements and associates

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

D Recognition of fees and other income

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

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

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

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

E Sale and repurchase agreements

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

F Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

F Financial assets (Continued)

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

F Financial assets (Continued)

(d) Reclassification of financial assets

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

G Financial liabilities

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

G Financial liabilities (Continued)

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

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

- eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group and the Bank under this criterion. The interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income;
- applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

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

(b) Financial liabilities at amortised cost

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

H Derecognition of financial assets and financial liabilities

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

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

I Offsetting financial instruments

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

J Impairment of financial assets

(a) Assets carried at amortised cost

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

J Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

J Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

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

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

K Derivative financial instruments and hedge accounting

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

K Derivative financial instruments and hedge accounting (Continued)

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

K Derivative financial instruments and hedge accounting (Continued)

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

L Property, plant and equipment

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

L Property, plant and equipment (Continued)

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

M Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

M Intangible assets (Continued)

(b) Other intangible assets (Continued)

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

Customer relationships:	
- credit card	12 years
- revolving credit	4 years
- overdraft	6 years
- trade finance	5 years
Core deposits	8 years
Computer software	3 - 15 years

N Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

Others

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

N Assets purchased under lease (Continued)

(b) Operating lease (Continued)

Others (Continued)

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

O Assets sold under lease

(a) Finance lease

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

(b) Operating lease

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

P Currency translations

(a) Functional and presentation currency

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

P Currency translations (Continued)

(b) Foreign currency transactions and balances

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

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

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

(c) Group companies

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

P Currency translations (Continued)

(c) Group companies (Continued)

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

Q Income and deferred taxes

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

Q Income and deferred taxes (Continued)

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

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

R Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

S Employee benefits

(a) Short term employee benefits

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

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

(b) Post employment benefits

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

Defined contribution plans

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

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

Defined benefit plans

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

S Employee benefits (Continued)

(b) Post employment benefits (Continued)

Defined benefit plans (Continued)

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

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

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

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

(c) Other long term employee benefits

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group and the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits at the earlier of the following dates:

- (a) when the Group and the Bank can no longer withdraw the offer of those benefits; and
- (b) when the Group and the Bank recognise costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

CIMB Bank Berhad

(Incorporated in Malaysia)

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

S Employee benefits (Continued)

(e) Bonus plans

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

(f) Share-based compensation benefits

Employee Ownership Plan ("EOP")

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

T Impairment of non-financial assets

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

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

U Foreclosed properties

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

V Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

W Financial guarantee contracts

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

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

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

X Cash and cash equivalents

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

Y Segment reporting

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

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

Z Non-current assets/disposal groups held for sale

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

AA Investment properties

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

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

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

AB Contingent assets and contingent liabilities

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

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

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

AC Bills and acceptances payable

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

1 General information

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

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

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

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

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

2 Cash and short-term funds

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Cash and balances with banks and other financial institutions	6,342,113	6,721,451	4,934,349	5,191,732
Money at call and deposit placements maturing within one month	12,278,197	13,467,380	5,423,654	8,967,654
	18,620,310	20,188,831	10,358,003	14,159,386

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****3 Deposits and placements with banks and other financial institutions**

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,063,367	1,171,102	4,994,833	4,531,649
Licensed investment banks	50,056	162,363	50,056	162,363
Other financial institutions	68,306	107,099	-	-
	<u>1,181,729</u>	<u>1,440,564</u>	<u>5,044,889</u>	<u>4,694,012</u>

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

As at 31 December 2016, the RPSIA placements amounted to RM3,912 million (2015: RM2,901 million) for a tenure between 1 to 3 months (2015: tenure 1 to 3 months) at indicative profit rates from 3.16% to 3.85% (2015: 3.41% to 3.99%) per annum.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****4 Financial assets held for trading**

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	651,044	634,713	651,044	634,713
Cagamas bonds	155,955	45,925	155,955	45,925
Malaysian Government treasury bills	184,701	47,739	63,713	32,878
Other Government securities	2,722,901	982,119	2,204,427	734,310
Other Government treasury bills	6,613,654	4,937,468	6,613,654	4,937,468
Bank Negara Malaysia Monetary Notes	-	20,914	-	996
Negotiable instruments of deposit	5,746,031	4,747,035	3,320,430	2,516,543
Commercial papers	14,864	506,398	14,864	506,398
Government Investment Issue	88,842	437,313	33,383	313,908
	16,177,992	12,359,624	13,057,470	9,723,139
Quoted securities:				
<u>In Malaysia</u>				
Shares	445,741	206,767	445,741	206,767
<u>Outside Malaysia</u>				
Shares	337,415	277,132	337,415	277,132
Unquoted securities:				
<u>In Malaysia</u>				
Shares	1	1	1	1
Corporate bond and Sukuk	1,938,290	1,765,826	1,898,784	1,554,112
	1,938,291	1,765,827	1,898,785	1,554,113
<u>Outside Malaysia</u>				
Private equity funds	178,450	157,384	73,505	64,828
Corporate bond and Sukuk	2,255,410	3,669,221	1,800,385	3,125,793
	2,433,860	3,826,605	1,873,890	3,190,621
	21,333,299	18,435,955	17,613,301	14,951,772

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****5 Financial investments available-for-sale**

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	492,289	457,708	492,289	457,708
Malaysian Government Sukuk	29,622	44,168	-	-
Khazanah bonds	167,700	328,709	167,700	308,520
Government Investment Issue	202,788	496,811	90,925	267,757
Negotiable instruments of deposit	597,838	258,112	597,838	258,112
Other Government securities	1,433,272	1,205,749	348,992	975,949
Cagamas bonds	127,295	207,300	86,523	183,629
Commercial papers	49,727	-	49,727	-
	3,100,531	2,998,557	1,833,994	2,451,675
Quoted securities:				
<u>Outside Malaysia</u>				
Shares	5,479	4,193	63	94
Unit trusts	7,313	7,507	-	-
	12,792	11,700	63	94
Unquoted securities:				
<u>In Malaysia</u>				
Shares	1,012,649	987,953	1,001,331	977,378
Corporate bond and Sukuk	13,118,869	13,931,288	11,746,570	12,401,358
Loan stocks	10,087	10,211	10,087	10,211
	14,141,605	14,929,452	12,757,988	13,388,947
<u>Outside Malaysia</u>				
Shares	33,088	32,524	147	997
Private equity and unit trusts funds	500,363	484,089	472,801	426,714
Corporate bond and Sukuk	8,468,080	9,814,245	5,657,984	6,793,799
	9,001,531	10,330,858	6,130,932	7,221,510
	26,256,459	28,270,567	20,722,977	23,062,226
Allowance for impairment losses:				
Corporate bond	(30,306)	(60,306)	(30,306)	(60,306)
Private equity funds	(145,715)	(84,006)	(123,135)	(79,347)
Unquoted shares	(102,152)	(105,048)	(74,023)	(78,323)
Loan stocks	(10,087)	(10,211)	(10,087)	(10,211)
Unit trusts	(365)	(347)	-	-
	(288,625)	(259,918)	(237,551)	(228,187)
	25,967,834	28,010,649	20,485,426	22,834,039

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

5 Financial investments available-for-sale (Continued)

Securities and money market instruments amounting to RM4,160 million (2015: RM4,616 million) were invested by asset management companies on behalf of the Group and the Bank.

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	259,918	241,407	228,187	213,803
Allowance made during the financial year	50,164	2,438	32,761	1,902
Disposal of securities	(30,000)	(2,256)	(30,000)	(2,256)
Exchange fluctuation	8,543	18,329	6,603	14,738
At 31 December	288,625	259,918	237,551	228,187

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****6 Financial investments held-to-maturity**

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	2,117,602	1,674,626	2,117,602	1,674,626
Government Investment Issue	7,035,108	6,062,711	6,223,425	5,628,826
Other government securities	1,499,993	2,071,926	824,853	1,419,211
Cagamas bonds	267,938	267,966	236,993	237,242
Khazanah bonds	443,597	391,667	430,935	379,005
	11,364,238	10,468,896	9,833,808	9,338,910
Unquoted securities:				
<u>In Malaysia</u>				
Loans stocks	7,020	7,020	-	-
Corporate bond and Sukuk	13,665,072	10,526,122	11,192,208	9,339,731
	13,672,092	10,533,142	11,192,208	9,339,731
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	2,575,652	2,778,234	1,533,594	758,077
Amortisation of premium net of accretion of discount	(3,939)	(65,400)	12,852	(47,494)
Less: Allowance for impairment losses	(7,181)	(7,174)	-	-
	27,600,862	23,707,698	22,572,462	19,389,224

Securities and money market instruments amounting to RM873 million (2015: RM1,008 million) were invested by asset management companies on behalf of the Group and the Bank.

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

At the date of reclassification, the fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale are RM1,181,982,000 (2015: RM4,477,287,000) and RM1,201,448,000 (2015: RM4,673,993,000) and RM19,466,000 (2015: RM196,706,000) respectively for the Group and RM918,452,000 (2015: RM4,007,007,000) and RM935,018,000 (2015: RM4,182,773,000) and RM16,566,000 (2015: RM175,766,000) for the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****6 Financial investments held-to-maturity (Continued)**

As at 31 December 2016, the fair value and carrying amount of the financial investments that have been reclassified in the current and previous financial year are RM6,646,312,000 (2015: RM5,664,452,000) and RM6,590,291,000 (2015: RM5,665,760,000) for the Group and RM5,902,523,000 (2015: RM5,193,723,000) and RM5,854,115,000 (2015: RM5,195,149,000) for the Bank.

As at 31 December 2016, the fair value gain that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM81,562,000 (2015: fair value loss of RM764,000) for the Group and RM71,583,000 (2015: fair value loss of RM1,212,000) for the Bank.

As at 31 December 2016, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM187,933,000 (2015: RM194,144,000) for the Group and RM167,463,000 (2015: RM173,674,000) for the Bank.

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,174	27,526	-	-
Amount written off	-	(20,368)	-	-
Exchange fluctuation	7	16	-	-
At 31 December	7,181	7,174	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing****(i) By type**

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Overdrafts	5,279,905	5,400,737	3,542,512	3,697,406
Term loans/financing				
- Housing loan/financing	73,275,382	65,920,173	53,501,700	48,208,195
- Syndicated term loan	20,564,303	17,030,250	18,215,201	14,785,024
- Other term loans/financing	104,107,384	98,553,723	69,349,570	68,838,773
- Factoring receivables	38,594	48,115	-	-
- Lease receivables	112,437	110,860	-	-
- Hire purchase receivables	17,241,259	16,245,737	9,950,887	9,205,173
Bills receivable	6,502,410	6,408,165	2,544,001	2,738,160
Trust receipts	1,643,343	1,946,329	1,005,724	1,188,901
Claim on customers under acceptance credit	3,333,494	3,147,815	2,905,128	2,702,777
Staff loans	749,029	626,524	603,794	511,333
Credit card receivables	7,072,581	6,860,195	6,862,731	6,705,135
Revolving credit	19,752,877	16,080,717	16,073,149	13,903,086
Share margin financing	705,571	786,194	703,543	782,094
Gross loans, advances and financing	260,378,569	239,165,534	185,257,940	173,266,057
Fair value changes arising from fair value hedges	149,815	164,694	38,833	57,794
	260,528,384	239,330,228	185,296,773	173,323,851
Less: Individual impairment allowance	(2,350,633)	(1,922,002)	(1,610,822)	(1,543,266)
Less: Portfolio impairment allowance	(1,977,802)	(1,970,342)	(1,100,176)	(1,110,673)
Total net loans, advances and financing	256,199,949	235,437,884	182,585,775	170,669,912

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

7 Loans, advances and financing (Continued)

(i) By type (Continued)

- (a) Included in the Group's and the Bank's loans, advances and financing balances are RM44,994,000 (2015: RM47,172,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatements of these loans have been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing of RM4,647,826,000 (2015: RM4,879,641,000) and RM1,072,826,000 (2015: RM1,252,968,000) respectively, using interest rate swaps.
- (c) As part of an arrangement with CIMB Islamic in relation to the RPSIA, the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement (See Note 3), whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances for bad and doubtful financing arising from the RPSIA financing.

As at 31 December 2016, the gross exposure and portfolio impairment allowance relating to RPSIA financing are RM3,236 million (2015: RM2,733 million) and RM5.4 million (2015: RM5.4 million) respectively.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing (Continued)**

(ii) By type of customer:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Domestic banking institutions	954,441	1,444,678	908,487	1,424,314
Domestic non-bank financial institutions				
- stockbroking companies	3	-	3	-
- others	3,086,790	3,100,402	963,743	1,101,460
Domestic business enterprises				
- small medium enterprises	27,922,658	24,988,104	19,787,830	17,355,502
- others	38,757,407	35,617,846	22,390,784	20,857,752
Government and statutory bodies	9,857,704	8,852,539	2,576,854	2,073,966
Individuals	137,660,775	125,531,320	97,491,668	91,708,758
Other domestic entities	1,072,825	989,057	523,791	497,333
Foreign entities	41,065,966	38,641,588	40,614,780	38,246,972
Gross loans, advances and financing	<u>260,378,569</u>	<u>239,165,534</u>	<u>185,257,940</u>	<u>173,266,057</u>

(iii) By interest rate sensitivity:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Fixed rate				
- Housing loans	2,620,395	2,052,871	1,923,309	1,356,225
- Hire-purchase receivables	11,361,137	10,497,249	4,103,665	3,444,693
- Other fixed rate loans	27,680,714	28,557,983	14,244,282	14,894,134
Variable rate				
- BLR plus	99,226,229	99,899,272	82,264,192	82,606,664
- Cost-plus	43,787,066	37,380,641	33,557,219	29,738,280
- Other variable rates	75,703,028	60,777,518	49,165,273	41,226,061
Gross loans, advances and financing	<u>260,378,569</u>	<u>239,165,534</u>	<u>185,257,940</u>	<u>173,266,057</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing (Continued)**

(iv) By economic purpose:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Personal use	11,243,691	9,720,218	6,122,597	4,756,076
Credit card	7,072,581	6,860,195	6,862,731	6,705,135
Purchase of consumer durables	100,997	109,330	81,948	88,217
Construction	10,142,391	8,312,047	7,106,884	4,829,392
Residential property (Housing)	75,952,392	68,990,487	55,776,751	50,890,545
Non-residential property	24,780,493	24,479,034	20,963,945	20,670,888
Purchase of fixed assets other than land and building	2,393,414	2,243,940	1,878,056	1,666,793
Merger and acquisition	4,600,566	3,617,161	4,598,304	3,616,568
Purchase of securities	25,758,787	26,288,181	19,687,343	24,034,179
Purchase of transport vehicles	17,801,710	17,026,610	10,223,820	9,946,518
Working capital	59,073,586	53,259,755	41,898,362	38,343,132
Other purpose	21,457,961	18,258,576	10,057,199	7,718,614
Gross loans, advances and financing	260,378,569	239,165,534	185,257,940	173,266,057

(v) By geographical distribution:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Malaysia	182,337,158	166,612,919	134,654,115	125,731,818
Indonesia	3,458,858	3,250,838	3,458,843	3,250,827
Thailand	29,867,768	28,384,770	4,130,864	4,743,840
Singapore	29,847,261	28,835,853	29,847,255	28,835,853
United Kingdom	4,328,553	2,669,792	4,328,550	2,669,792
Hong Kong	2,116,395	1,090,639	2,116,395	1,090,639
China	1,856,722	2,169,801	1,856,722	2,169,801
Other countries	6,565,854	6,150,922	4,865,196	4,773,487
Gross loans, advances and financing	260,378,569	239,165,534	185,257,940	173,266,057

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing (Continued)**

(vi) By residual contractual maturity:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Maturing within one year	45,273,308	42,288,081	32,479,141	32,334,678
One year to less than three years	30,127,465	26,840,213	22,190,271	20,130,054
Three years to less than five years	27,924,997	26,531,558	17,908,510	15,631,887
Five years and more	157,052,799	143,505,682	112,680,018	105,169,438
Gross loans, advances and financing	260,378,569	239,165,534	185,257,940	173,266,057

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

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Personal use	277,111	198,265	141,113	100,186
Credit card	184,832	147,089	177,261	142,724
Purchase of consumer durables	329	228	259	185
Construction	1,140,574	1,135,825	1,052,939	1,092,897
Residential property (Housing)	1,147,493	990,075	752,499	711,494
Non-residential property	224,295	168,854	156,871	128,816
Purchased of fixed assets other than land and building	3,731	5,708	3,024	3,008
Purchase of securities	139,404	153,939	138,750	152,951
Purchase of transport vehicles	304,912	288,391	161,765	148,027
Working capital	1,553,938	869,743	879,096	623,691
Other purpose	609,133	382,252	19,872	20,340
Gross impaired loans, advances and financing	5,585,752	4,340,369	3,483,449	3,124,319

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

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Malaysia	3,256,608	3,180,979	2,789,213	2,753,889
Indonesia	135,978	145,429	135,978	145,429
Thailand	1,568,329	789,035	-	610
Singapore	416,848	93,854	416,848	93,854
United Kingdom	4,855	2,838	4,855	2,838
China	67,095	64,860	67,095	64,860
Other countries	136,039	63,374	69,460	62,839
Gross impaired loans, advances and financing	5,585,752	4,340,369	3,483,449	3,124,319

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing (Continued)**

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	4,340,369	4,371,804	3,124,319	3,070,511
Classified as impaired during the financial year	4,938,364	3,610,930	2,612,188	2,133,068
Reclassified as not impaired during the financial year	(1,728,392)	(1,466,533)	(1,264,650)	(987,748)
Amount written back in respect of recoveries	(970,083)	(989,982)	(509,428)	(562,641)
Amount written off	(1,049,804)	(1,018,690)	(492,552)	(598,594)
Sale of impaired loans	-	(338,654)	-	-
Exchange fluctuation	55,298	171,494	13,572	69,723
At 31 December	<u>5,585,752</u>	<u>4,340,369</u>	<u>3,483,449</u>	<u>3,124,319</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>2.15%</u>	<u>1.81%</u>	<u>1.88%</u>	<u>1.80%</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****7 Loans, advances and financing (Continued)**

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	1,922,002	1,897,017	1,543,266	1,613,522
Net allowance made during the financial year	629,401	153,507	110,486	39,860
Amount written off	(256,575)	(174,622)	(46,910)	(172,557)
Amount transferred to portfolio impairment allowance	(11,402)	(6,876)	(11,258)	-
Sale of impaired loans	-	(44,110)	-	-
Exchange fluctuation	67,207	97,086	15,238	62,441
At 31 December	<u>2,350,633</u>	<u>1,922,002</u>	<u>1,610,822</u>	<u>1,543,266</u>

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Portfolio impairment allowance				
At 1 January	1,970,342	1,968,148	1,110,673	1,231,434
Net allowance made during the financial year	737,224	869,825	417,423	295,808
Amount written off	(793,197)	(864,294)	(445,595)	(426,480)
Amount transferred from individual impairment allowance	11,402	6,876	11,258	-
Amount transferred from subsidiary	-	-	596	-
Sale of impaired loans	-	(85,802)	-	-
Exchange fluctuation	52,031	75,589	5,821	9,911
At 31 December	<u>1,977,802</u>	<u>1,970,342</u>	<u>1,100,176</u>	<u>1,110,673</u>

Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.3%</u>	<u>1.3%</u>	<u>1.2%</u>	<u>1.2%</u>
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(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****8 Other assets**

	Note	The Group		The Bank	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Foreclosed assets	(a)	135,872	114,987	-	-
Due from brokers and clients		31,413	-	31,413	-
Structured financing		1,997,845	2,279,166	1,997,845	2,279,166
Collateral pledged for derivative transactions		5,030,001	5,640,407	4,489,383	4,925,486
Collateral for securities borrowing		189,851	463,326	189,851	463,326
Other debtors, deposits and prepayments *	(b)	2,278,286	2,359,699	1,911,315	2,178,611
		9,663,268	10,857,585	8,619,807	9,846,589

* net of allowance for doubtful debts of RM14,390,000 (2015: RM15,606,000) for the Group and RM11,351,000 (2015: RM10,655,000) for the Bank

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	43,807	60,996	-	-
Net allowance made during the financial year	617	-	-	-
Disposed during the financial year	(13,723)	(23,421)	-	-
Exchange difference	1,446	6,232	-	-
At 31 December	32,147	43,807	-	-

Foreclosed properties are stated at lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2016. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using the sale comparison approach. Sale price of comparable land and building in close proximity are adjusted for differences in key attributes such as property size.

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	15,606	6,513	10,655	5,980
Net allowance (written-back)/made during the financial year	(693)	8,890	1,197	4,293
Write off	(548)	(188)	(526)	(9)
Exchange difference	25	391	25	391
At 31 December	14,390	15,606	11,351	10,655

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****9 Deferred taxation**

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

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	313,200	289,940	108,082	141,458
Deferred tax liabilities	(2,579)	(2,490)	-	-
	310,621	287,450	108,082	141,458

Further breakdown are as follows:

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets (before offsetting)				
Individual/Portfolio impairment allowance	87,131	79,900	97	-
Property, plant and equipment	2,104	-	-	-
Revaluation reserve - financial investments available-for-sale	16,943	8,375	-	-
Provision for expenses	265,627	273,843	236,933	241,099
Cash flow hedge	2,793	8,596	2,613	8,420
Post employment benefit obligations	37,313	33,572	-	-
Other temporary differences	74,558	67,247	33,530	62,411
	486,469	471,533	273,173	311,930
Offsetting	(173,269)	(181,593)	(165,091)	(170,472)
Deferred tax assets (after offsetting)	313,200	289,940	108,082	141,458
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(67,495)	(54,861)	(61,331)	(52,694)
Revaluation reserve - financial investments available-for-sale	(97,830)	(115,638)	(95,332)	(106,288)
Intangible assets	(9,970)	(13,065)	(8,428)	(11,490)
Other temporary differences	(553)	(519)	-	-
	(175,848)	(184,083)	(165,091)	(170,472)
Offsetting	173,269	181,593	165,091	170,472
Deferred tax liabilities (after offsetting)	(2,579)	(2,490)	-	-

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****9 Deferred taxation (Continued)**

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

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2016		79,900	(54,861)	(107,263)	66,728	(13,065)	273,843	8,596	33,572	287,450
Credited/(Charged) to statements of income	44	2,859	(2,420)	-	27,344	3,095	(3,828)	-	1,257	28,307
Over/(Under) provision in prior financial year		-	(8,367)	-	(23,736)	-	(5,343)	-	-	(37,446)
Transferred from/(to) equity		-	-	25,738	-	-	-	(5,931)	570	20,377
Exchange difference		4,372	257	638	3,669	-	955	128	1,914	11,933
At 31 December 2016		87,131	(65,391)	(80,887)	74,005	(9,970)	265,627	2,793	37,313	310,621
Deferred tax assets/(liabilities)										
At 1 January 2015		64,864	(117,446)	(89,847)	48,289	(16,766)	269,998	3,142	26,666	188,900
Credited to statements of income	44	8,500	28,937	-	11,161	3,701	33	-	1,129	53,461
Over/(Under) provision in prior financial year		(1,189)	33,648	-	(1,124)	-	57	-	-	31,392
Transferred (to)/from equity		-	-	(13,518)	-	-	-	5,278	2,442	(5,798)
Exchange difference		7,725	-	(3,898)	8,402	-	3,755	176	3,335	19,495
At 31 December 2015		79,900	(54,861)	(107,263)	66,728	(13,065)	273,843	8,596	33,572	287,450

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****9 Deferred taxation (Continued)**

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

	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Total RM'000
The Bank									
Deferred tax assets/(liabilities)									
At 1 January 2016		-	(52,694)	(106,288)	62,411	(11,490)	241,099	8,420	141,458
Credited/(Charged) to statements of income	44	97	(270)	-	(5,167)	3,062	(3,709)	-	(5,987)
(Under)/Over provision in prior financial year		-	(8,367)	-	(23,714)	-	(646)	-	(32,727)
Transferred from/(to) equity		-	-	10,956	-	-	-	(5,807)	5,149
Exchange fluctuation		-	-	-	-	-	189	-	189
At 31 December 2016		97	(61,331)	(95,332)	33,530	(8,428)	236,933	2,613	108,082

	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Total RM'000
The Bank									
Deferred tax assets/(liabilities)									
At 1 January 2015		257	(110,970)	(90,611)	38,650	(15,158)	243,699	3,142	69,009
(Charged)/Credited to statements of income	44	(257)	24,861	-	20,306	3,668	(5,506)	-	43,072
Over/(Under) provision in prior financial year		-	33,415	-	(1,081)	-	(267)	-	32,067
Transferred (to)/from equity		-	-	(15,677)	-	-	-	5,278	(10,399)
Exchange fluctuation		-	-	-	4,536	-	3,173	-	7,709
At 31 December 2015		-	(52,694)	(106,288)	62,411	(11,490)	241,099	8,420	141,458

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****10 Statutory deposits with central banks**

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Statutory deposits with				
- Bank Negara Malaysia	5,341,574	5,673,212	3,956,415	4,415,734
- Other central banks	3,142,667	2,026,586	2,684,068	1,724,191
	8,484,241	7,699,798	6,640,483	6,139,925

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

11 Amounts due from holding company and ultimate holding company

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Amounts due from:				
- ultimate holding company	1,473	2,498	1,473	2,498
- holding company	2,611	305	2,611	305
	4,084	2,803	4,084	2,803

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

12 Amounts due from/(to) subsidiaries

	The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Amounts due from subsidiaries	546,462	40,622
Amounts due to subsidiaries	(29,422)	(34,647)

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

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****13 Amounts due from/(to) related companies**

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Amounts due from related companies	1,223,076	1,272,717	1,220,820	1,269,970
Amounts due to related companies	(5,228)	(24,652)	(3,570)	(15,561)

Included in amount due from related companies is an amount of RM1,197,832,000 (2015: RM1,237,928,000) due from PCSB. With the adoption of MFRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's and the Bank's loans, advances and financing as the risks and rewards relating to the cash flows of these hire purchase receivables have been substantially transferred to PCSB.

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

14 Investments in subsidiaries

	The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Unquoted shares, at cost		
- ordinary shares	5,108,083	4,471,323
- preference shares	220,000	220,000
	5,328,083	4,691,323
Less: Allowance for impairment losses	(17,194)	(17,194)
	5,310,889	4,674,129

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

	The Bank	
	2016 RM'000	2015 RM'000
At 1 January	17,194	12,751
Allowance made during the financial year	-	4,443
At 31 December	17,194	17,194

CIMB Bank Berhad

(Incorporated in Malaysia)

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

14 Investments in subsidiaries (Continued)

(a) Additional investment in subsidiaries

- (i) On 6 September 2016, CIMB Bank received an operating license from the State Bank of Vietnam to establish and operate a 100% owned subsidiary in Vietnam. The first CIMB Bank's subsidiary in Hanoi became operational by December 2016.

On 9 December 2016, CIMB Bank completed the capital injection of VND3,203,200,000,000 into new ordinary shares of CIMB Bank (Vietnam) Limited. The new ordinary shares were issued by CIMB Bank (Vietnam) Limited at an issue price of VND1 each to CIMB Bank.

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****14 Investments in subsidiaries (Continued)**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2016 %	31 December 2015 %	31 December 2016 %	31 December 2015 %
CIMB Group Nominees Sdn. Bhd.	Nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan) @	Nominee services	-	-	-	100
BC Management Services Ltd (Incorporated in the Federal Territory of Labuan) @	Nominee services	-	-	-	100
Mutiara Aset Berhad	Financial services	100	100	-	-
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	20	20	40	40
CIMB Trust Limited (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on business of a Labuan bank	100	100	-	-
Semerak Services Sdn. Bhd.	Provision of security, maintenance and other related services	100	100	-	-
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	100	100	-	-

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****14 Investments in subsidiaries (Continued)**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2016 %	31 December 2015 %	31 December 2016 %	31 December 2015 %
CIMB Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100	-	-
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan) @	Fund management	-	-	-	100
CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan) @	Fund management	-	-	-	100
Mezzanine Capital Limited @	Fund management	-	-	-	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	100	100	-	-
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	-	-	100	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	-	-	100	100
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominees services	20	20	40	40
S.B. Properties Sdn. Bhd.	Property ownership and management	100	100	-	-
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	100	100	-	-
SIBB Berhad	Investment dealings	80	80	-	-
Perdana Nominees (Tempatan) Sdn. Bhd.	Nominee services	-	-	80	80
SFB Auto Berhad	Financial services	100	100	-	-
SFB Development Sdn. Bhd.	Property investment	100	100	-	-
CIMB Nominees (S) Pte. Ltd. (Incorporated in Republic of Singapore) ^a	Nominee services	100	100	-	-
Southeast Asia Special Asset Vehicle Limited (formerly known as SBB Capital Corporation)	Special purpose vehicle	-	100	-	-
SBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	-	-

CIMB Bank Berhad

(Incorporated in Malaysia)

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

14 Investments in subsidiaries (Continued)

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		%	%	%	%
CIMB Thai Bank Public Company Limited (Incorporated in the Kingdom of Thailand) ^a	Commercial Banking	93.71	93.71	-	-
Commerce Returns Berhad ^	Investment holding	100	100	-	-
CIMB Bank PLC (Incorporated in Cambodia) ^a	Financial banking and related financial services	100	100	-	-
CIMB Bank (Vietnam) Limited (Incorporated in Vietnam)	Banking activities	100	-	-	-
Merdeka Kapital Berhad	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	-	**	-	-
Ziya Capital Bhd	Implementing and carrying out an asset- backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	-	-	**	-

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		%	%	%	%
CT Coll Company Limited (Incorporated in the Kingdom of Thailand) ^a	Debt collection service	-	-	99.99	99.99
Centre Auto Lease Company Limited (Incorporated in the Kingdom of Thailand) ^a	Leasing/hire purchase	-	-	99.99	99.99
Worldlease Company Limited (Incorporated in the Kingdom of Thailand) ^a	Hire purchase of motorcycles	-	-	99.99	99.99
Krungthai Thanakit Finance PCL (Incorporated in the Kingdom of Thailand) [@]	Dormant	-	-	-	99.10
PT Pattanasup Company Limited (Incorporated in the Kingdom of Thailand) [#]	Dormant	-	-	99.93	99.93

CIMB Bank Berhad

(Incorporated in Malaysia)

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

14 Investments in subsidiaries (Continued)

- ^α Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia
- ** The silo of Merdeka Kapital Berhad and Ziya Capital Bhd are consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers Malaysia
- @ Company has been voluntarily liquidated during the financial year
- ^ Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank
- # in the process of liquidation

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

(c) Consolidation of the silo of Merdeka Kapital Berhad

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

The securitisation transaction was completed during the financial year.

(d) Consolidation of the silo Ziya Capital Bhd

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****14 Investments in subsidiaries (Continued)**

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

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non- controlling interests		Accumulated non-controlling interests	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	%	%	RM'000	RM'000	RM'000	RM'000
CIMB Thai Bank Public Company Limited and its subsidiaries (incorporated in the Kingdom of Thailand)	6.3	6.3	(4,958)	3,259	385,584	385,587
Individually immaterial subsidiaries with non-controlling interests					<u>18,291</u>	<u>17,096</u>
					<u>403,875</u>	<u>402,683</u>

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

	CIMB Thai Bank Public Company Limited Group As at 31 December	
	2016 RM'000	2015 RM'000
Total assets	37,102,051	36,199,927
Total liabilities	(33,883,764)	(32,984,326)
Net assets	<u>3,218,287</u>	<u>3,215,601</u>
	Year ended 31 December	
	2016 RM'000	2015 RM'000
Revenue	<u>1,557,012</u>	<u>1,467,973</u>
(Loss)/profit before taxation	(94,591)	87,157
Taxation	15,890	(35,221)
Other comprehensive income/(expense)	<u>103,271</u>	<u>277,757</u>
Total comprehensive income	<u>24,570</u>	<u>329,693</u>
(Loss)/profit allocated to non-controlling interest	(4,958)	3,259
Dividends paid to non-controlling interest	<u>1,335</u>	<u>1,067</u>
Net cash generated from/(used in) operating activities	1,720,850	(2,417,554)
Net cash generated from investing activities	204,949	102,496
Net cash (used in)/generated from financing activities	<u>(2,060,484)</u>	<u>2,262,850</u>
Net decrease in cash and cash equivalents	<u>(134,685)</u>	<u>(52,208)</u>

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

14 Investments in subsidiaries (Continued)

(f) Unconsolidated structured entities:

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

Investment Vehicle 1

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

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

Investment Vehicle 2

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

Third Party Funding Entity

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****14 Investments in subsidiaries (Continued)**

(f) Unconsolidated structured entities: (Continued)

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

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

	Carrying amount as at 31 December					
	31 December 2016			31 December 2015		
	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
Cash and short-term funds	-	-	-	13,339	-	251,981
Reverse repurchase agreements	-	-	-	-	-	883,395
Financial investments available-for-sale	-	79,063	-	850	77,538	-
Other assets	-	-	-	429,300	-	163,134
Total assets	-	79,063	-	443,489	77,538	1,298,510
Derivative financial liabilities **	-	-	-	-	-	195,191
Other liabilities	-	-	-	-	-	163,134
Total liabilities	-	-	-	-	-	358,325
Commitments	-	-	-	429,300	-	-

	31 December 2016			31 December 2015		
	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000	Investment Vehicle 1 RM'000	Investment Vehicle 2 RM'000	Third Party Funding Entity RM'000
	Assets size of structured entity*	-	4,591,348	-	12,772,670	4,609,655

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

** Derivative liabilities are based of a notional amount of USD200 million.

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

14 Investments in subsidiaries (Continued)

(f) Unconsolidated structured entities: (Continued)

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

Cash and short-term funds

Represents CIMB Bank's cash received from realised gains from derivatives, interest income and dividend income.

Financial investments available-for-sale

Represents CIMB Bank's equity/economic interests in unconsolidated structured entities.

Reverse repurchase agreements, other assets and other liabilities

Reverse repurchase agreements represents reverse repurchase agreements or loans to Third Party Funding Entity which may be collateralised by underlying securities. Other assets and other liabilities pertaining to Third Party Funding Entity may include cash collateral pledged to/received from Third Party Funding Entity for the purposes of mitigating counterparty credit exposure arising from existing transactions. In the context of Investment Vehicles, other assets include collateral placements to Investment Vehicles for collateralisation purposes against potential future losses incurred by the vehicle.

Derivative financial liabilities

Derivative transactions entered into with the structured entities are in the normal course of business. Carrying amounts of the derivative financial liabilities do not reflect the true variability of returns to CIMB Bank because they do not take into account the effects of collateral or hedges.

Commitments

Represents financial commitments (such as capital support) which CIMB Bank is contractually obligated to make to the Investment Vehicles in a given year due to losses/underperformance of the underlying business of the vehicle. The maximum liability is capped at the collateral amounts pledged (see Other Assets for Investment Vehicle 1).

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****14 Investments in subsidiaries (Continued)**

(f) Unconsolidated structured entities: (Continued)

(iii) Income/gains/(losses) from structured entities

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

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

	Income/gains/(losses) recognised in the statements of income for the financial year 31 December 2015				Total RM'000
	Unrealised losses on derivatives	Realised gains on derivatives	Interest Income	Dividend Income	
	RM'000	RM'000	RM'000	RM'000	
Investment Vehicle 1	-	-	4,958	4,287	9,245
Investment Vehicle 2	-	-	-	3,623	3,623
Third Party Funding Entity	(169,349)	167,235	24,795	-	22,681
	<u>(169,349)</u>	<u>167,235</u>	<u>29,753</u>	<u>7,910</u>	<u>35,549</u>

Unrealised losses on derivatives do not reflect the true variability of returns to CIMB Bank because they do not take into account the effects of collateral or hedges.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****15 Investment in joint venture**

	The Group	
	2016	2015
	RM'000	RM'000
At 1 January	162,775	161,188
Share of profit	2,254	1,587
At 31 December	165,029	162,775

	The Bank	
	31 December 2016	31 December 2015
	RM'000	RM'000
Unquoted shares, at cost	125,000	125,000

(a) Information about joint venture:

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

The direct joint venture of the Bank is:

Name	Principal activity	Percentage of equity held	
		2016	2015
		%	%
Proton Commerce Sdn. Bhd.	Financing of vehicles	50	50

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****15 Investment in joint venture (Continued)**

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

	PCSB	
	As at 31 December	
	2016	2015
	RM'000	RM'000
Non-current assets	1,546,990	1,473,202
Current assets	787,919	493,880
Current liabilities (non-trade)	(1,717,420)	(1,358,734)
Non-current liabilities (non-trade)	(287,431)	(282,798)
Net assets	<u>330,058</u>	<u>325,550</u>
The above amounts of assets include the following:		
Cash and cash equivalents	<u>325,983</u>	<u>296,048</u>
	Year ended 31 December	
	2016	2015
	RM'000	RM'000
Revenue	<u>82,066</u>	<u>93,363</u>
Profit for the financial year/Total comprehensive income for the financial year	<u>4,508</u>	<u>3,174</u>
The above profit for the financial year include the following:		
Interest income	78,967	84,994
Interest expense	(50,752)	(48,709)
Taxation	(3,255)	(1,603)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****15 Investment in joint venture (Continued)**

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

	PCSB	
	2016	2015
	RM'000	RM'000
Opening net assets as at 1 January	325,550	322,376
Profit for the financial year	4,508	3,174
Closing net assets as at 31 December	330,058	325,550
Interest in joint venture	50%	50%
Interest in joint venture (RM'000)	165,029	162,775

16 Investments in associates

	The Group	
	2016	2015
	RM'000	RM'000
At 1 January	798,095	785,797
Profit on distributions from associate and capital repayments	-	(52,244)
Dividend from associate	(23,721)	(23,920)
Share of associate's other comprehensive expense	-	(4,963)
Share of profit	111,980	93,425
Reclassified to non-current assets held for sale	(886,354)	-
At 31 December	-	798,095

	The Bank	
	2016	2015
	RM'000	RM'000
At 1 January	305,584	318,329
Profit on distributions from associate and capital repayments	-	(12,745)
Reclassified to non-current assets held for sale	(305,584)	-
At 31 December	-	305,584

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****16 Investments in associates (Continued)**

(a) Information about associates:

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

The direct associates of the Bank are:

Name	Principal activities	Percentage of equity held	
		2016	2015
		%	%
Bank of Yingkou Co., Ltd (Incorporated in the People's Republic of China)	Banking	18.21 #	18.21
The South East Asian Strategic Assets Fund LP* (Incorporated in the Cayman Islands)	Investing in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	25.1	25.1
SEASAF Power Sdn. Bhd.*	Investment holding	25.1	25.1
SEASAF Highway Sdn. Bhd.*	Investment holding	25.1	25.1
SEASAF Education Sdn. Bhd.^	Investment holding	-	25.1
SEASAF I Resources Pte. Ltd.* (Incorporated in the Republic of Singapore)	Investment holding	25.1	25.1

* In the process of liquidation/voluntary winding up

^ Company has been dissolved during the financial year

On 30 December 2016, CIMB Bank entered into a Share Transfer Agreement to sell its 18.21% stake in the Bank of Yingkou Co., Ltd. ("BYK") to Shanghai Guozhijie Investment Development Co., Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million).

Accordingly, the Bank has reclassified its investment in BYK to non-current assets held for sale.

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

16 Investments in associates (Continued)

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

	Bank of Yingkou	
	As at 31 December	
	2016	2015
	RM'000	RM'000
Total assets	-	68,684,691
Total liabilities	-	(64,344,777)
Net assets	<u>-</u>	<u>4,339,914</u>
	Year ended 31 December	
	2016	2015
	RM'000	RM'000
Revenue	<u>-</u>	<u>1,667,997</u>
Profit for the financial year/Total comprehensive income for the financial year	<u>-</u>	<u>536,518</u>
Dividends paid by the associate during the financial year	<u>-</u>	<u>123,556</u>

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

16 Investments in associates (Continued)

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

	Bank of Yingkou
	2015
	RM'000
Opening net assets as at 1 January	3,682,275
Profit for the financial year	536,518
Dividends	(123,556)
Increase in share capital	244,677
Closing net assets as at 31 December	<u>4,339,914</u>
Interest in associate (%)	18.21%
Interest in associate	790,298
Goodwill	7,797
Carrying value	<u>798,095</u>

- (d) Aggregate information of associate that is not individually material:

	31 December	31 December
	2016	2015
	RM'000	RM'000
The Group's share of loss for the financial year	-	(7,905)
The Group's share of other comprehensive expense for the financial year	-	(4,963)
The Group's share of total comprehensive expense for the financial year	-	(12,868)
Aggregate carrying amount of the Group's interest in the associate	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****17 Goodwill**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	5,118,235	4,969,324	3,559,075	3,559,075
Exchange fluctuation	73,963	148,911	-	-
At 31 December	<u>5,192,198</u>	<u>5,118,235</u>	<u>3,559,075</u>	<u>3,559,075</u>
Impairment				
At 1 January/31 December	(4,000)	(4,000)	(4,000)	(4,000)
Net book value at 31 December	<u>5,188,198</u>	<u>5,114,235</u>	<u>3,555,075</u>	<u>3,555,075</u>

Allocation of goodwill to cash-generating units

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

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

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Retail Financial Services	1,262,272	1,262,272	1,262,272	1,262,272
Commercial Banking	911,000	911,000	911,000	911,000
Corporate Banking	419,000	419,000	419,000	419,000
Islamic Banking	136,000	136,000	-	-
Group Cards	425,803	425,803	425,803	425,803
Treasury	537,000	537,000	537,000	537,000
Foreign Banking operations	1,199,277	1,199,277	-	-
Goodwill	4,890,352	4,890,352	3,555,075	3,555,075
Exchange fluctuation	297,846	223,883	-	-
	<u>5,188,198</u>	<u>5,114,235</u>	<u>3,555,075</u>	<u>3,555,075</u>

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

17 Goodwill (Continued)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2017 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.20% (2015: 4.50%) for all cash generating units other than foreign banking operations which has used a terminal growth rate of 2.00% (2015: 2.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 7.12% (2015: 6.62%) and 5.20% (2015: 5.35%) for the foreign banking operations CGU. The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

Impairment charge

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****18 Intangible assets**

The Group	Note	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Licence fee RM'000	Total RM'000
2016						
Cost						
At 1 January		163,522	264,662	2,187,120	346	2,615,650
Additions		-	-	251,377	-	251,377
Disposals/write-off		-	-	(125,864)	-	(125,864)
Reclassified from property, plant and equipment	20	-	-	1,978	-	1,978
Exchange fluctuation		54	-	14,121	18	14,193
At 31 December		163,576	264,662	2,328,732	364	2,757,334
Amortisation and impairment						
At 1 January		131,648	264,532	1,158,028	308	1,554,516
Amortisation during the financial year		12,758	130	182,229	16	195,133
Disposals/write-off		-	-	(14,146)	-	(14,146)
Reclassified from property, plant and equipment	20	-	-	2,210	-	2,210
Exchange fluctuation		33	-	11,876	40	11,949
At 31 December		144,439	264,662	1,340,197	364	1,749,662
Net book value at 31 December 2016		19,137	-	988,535	-	1,007,672
2015						
Cost						
At 1 January		163,413	264,662	1,982,074	309	2,410,458
Additions		-	-	231,206	-	231,206
Disposals/write-off		-	-	(68,269)	-	(68,269)
Reclassified to property, plant and equipment	20	-	-	(3,076)	-	(3,076)
Exchange fluctuation		109	-	45,185	37	45,331
At 31 December		163,522	264,662	2,187,120	346	2,615,650
Amortisation and impairment						
At 1 January		118,764	264,401	952,677	187	1,336,029
Amortisation during the financial year		12,758	131	184,533	110	197,532
Disposals/write-off		-	-	(8,977)	-	(8,977)
Exchange fluctuation		126	-	29,795	11	29,932
At 31 December		131,648	264,532	1,158,028	308	1,554,516
Net book value at 31 December 2015		31,874	130	1,029,092	38	1,061,134

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****18 Intangible assets (Continued)**

	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
The Bank				
2016				
Cost				
At 1 January	153,091	263,612	1,879,487	2,296,190
Additions	-	-	225,449	225,449
Disposals/write-off	-	-	(112,162)	(112,162)
Exchange fluctuation	-	-	4,072	4,072
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>1,996,846</u>	<u>2,413,549</u>
Amortisation				
At 1 January	121,196	263,612	968,418	1,353,226
Amortisation during the financial year	12,758	-	157,872	170,630
Disposals/write-off	-	-	(1,613)	(1,613)
Exchange fluctuation	-	-	2,734	2,734
At 31 December	<u>133,954</u>	<u>263,612</u>	<u>1,127,411</u>	<u>1,524,977</u>
Net book value at 31 December 2016	<u>19,137</u>	<u>-</u>	<u>869,435</u>	<u>888,572</u>
The Bank				
2015				
Cost				
At 1 January	153,091	263,612	1,707,842	2,124,545
Additions	-	-	206,934	206,934
Disposals/write-off	-	-	(60,967)	(60,967)
Exchange fluctuation	-	-	25,678	25,678
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>1,879,487</u>	<u>2,296,190</u>
Amortisation				
At 1 January	108,438	263,612	796,428	1,168,478
Amortisation during the financial year	12,758	-	162,130	174,888
Disposals/write-off	-	-	(3,088)	(3,088)
Exchange fluctuation	-	-	12,948	12,948
At 31 December	<u>121,196</u>	<u>263,612</u>	<u>968,418</u>	<u>1,353,226</u>
Net book value at 31 December 2015	<u>31,895</u>	<u>-</u>	<u>911,069</u>	<u>942,964</u>

The above intangible assets include the software under construction at cost of the Group and the Bank of RM200,416,565 (2015: RM232,011,497) and RM190,512,403 (2015: RM214,258,102) respectively.

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

18 Intangible assets (Continued)

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

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

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

Customer relationships:	
- credit card	1.5 years
Computer software	1 – 15 years

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

19 Prepaid lease payments

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****19 Prepaid lease payments (Continued)**

	Short term leasehold land RM'000	Total RM'000
The Group		
2015		
Cost		
At 1 January	4,046	4,046
Disposals/write-off	(59)	(59)
Exchange fluctuation	431	431
At 31 December	<u>4,418</u>	<u>4,418</u>
Amortisation		
At 1 January	3,191	3,191
Amortisation during the financial year	206	206
Disposals/write-off	(55)	(55)
Exchange fluctuation	387	387
At 31 December	<u>3,729</u>	<u>3,729</u>
Net book value at 31 December 2015	<u>689</u>	<u>689</u>

Future amortisation of prepaid land lease is as follows:

	Short term leasehold land	
	31 December 2016 RM'000	31 December 2015 RM'000
The Group		
- Not later than one year	82	206
- Later than one year and not later than five years	326	483
	<u>408</u>	<u>689</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment**

The Group 2016	Note	Freehold land		Leasehold land 50 years or more		Leasehold land less than 50 years		Buildings on freehold land		Buildings on leasehold land 50 years or more		Buildings on leasehold land less than 50 years		Renovations, office equipment, plant and machinery and furniture and fittings		Computer equipment and hardware		Motor vehicles		Computer equipment and software under lease		Total RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January		70,825	5,073	1,804	337,936	37,870	67,490	892,523	934,414	102,701	2,504,810	102,701	54,174	2,504,810								
Additions		-	-	-	-	-	1,425	169,758	147,340	11,840	337,428	11,840	7,065	337,428								
Disposals/write-offs		(4,157)	-	-	(17,179)	-	(16,471)	(290,785)	(21,229)	(23,847)	(373,987)	(23,847)	(319)	(373,987)								
Reclassified to intangible assets	18	-	-	-	-	-	-	(91)	(1,579)	-	(1,978)	-	(308)	(1,978)								
Exchange fluctuation		3,058	-	-	9,512	(2,407)	2,573	8,332	10,127	1,841	33,297	1,841	261	33,297								
At 31 December		69,726	5,073	1,804	330,269	35,463	55,017	779,737	1,069,073	92,535	2,499,570	92,535	60,873	2,499,570								

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment (Continued)**

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2015	Note	Freehold land		Leasehold land 50 years or more		Leasehold land less than 50 years or more		Buildings on freehold land		Buildings on leasehold land 50 years or more		Buildings on leasehold land less than 50 years		Renovations, office equipment and machinery and fittings		Computer equipment and hardware		Motor vehicles		Computer equipment and software under lease		Total RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cost																						
As 1 January		65,740	5,073	1,804	326,812	35,601	65,023	873,258	898,293	112,476	45,566	2,429,646										
Additions		-	-	-	1,152	-	3,225	57,488	92,283	5,009	8,490	167,647										
Disposals/write-offs		(1,200)	-	-	(12,058)	(446)	(6,410)	(69,046)	(84,800)	(19,282)	(544)	(193,786)										
Reclassified from intangible assets	18	-	-	-	-	-	-	-	3,149	-	(73)	3,076										
Exchange fluctuation		6,285	-	-	22,030	2,715	5,652	30,823	25,489	4,498	735	98,227										
At 31 December		70,825	5,073	1,804	337,936	37,870	67,490	892,523	934,414	102,701	54,174	2,504,810										

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2015	Freehold land RM'000	Leasehold land 50 years or more RM'000		Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment hardware and RM'000	Motor vehicles RM'000	Computer equipment under lease RM'000	Total RM'000
		or more	less than									
Accumulated depreciation												
At 1 January	9,111	2,078	1,004	1,004	113,687	20,473	31,586	645,431	675,659	35,889	40,003	1,574,921
Charge for the financial year	-	186	-	-	4,332	601	5,145	64,230	83,291	37,801	9,242	204,828
Disposals/write-off	(688)	-	-	-	(3,341)	(259)	(2,689)	(38,537)	(65,816)	(13,717)	(509)	(125,556)
Impairment charged for the financial year	-	-	-	-	-	-	967	127	-	-	-	1,094
Exchange fluctuation	1,086	-	-	-	11,383	524	2,945	22,133	20,611	2,833	337	61,852
At 31 December	9,509	2,264	1,004	1,004	126,061	21,339	37,954	693,384	713,745	62,806	49,073	1,717,139
Net book value at 31 December 2015	61,316	2,809	800	800	211,875	16,531	29,536	199,139	220,669	39,895	5,101	787,671

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM80,160,089 for the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment (Continued)**

The Bank 2016	Freehold land RM'000	Leasehold land		Buildings on freehold land RM'000	Buildings on leasehold land		Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
		land 50 years or more RM'000	land less than 50 years RM'000		50 years or more RM'000	less than 50 years RM'000						
At 1 January	12,999	5,073	1,804	53,816	37,599	18,328	690,174	754,049	63,802	5,635	1,643,279	
Additions	-	-	-	-	-	-	134,673	139,039	5,139	5,875	284,726	
Disposals/write-off	-	-	-	-	-	(1,290)	(247,103)	(17,264)	(12,559)	(175)	(278,391)	
Exchange fluctuation	-	-	-	(817)	(2,420)	-	(665)	1,103	17	261	(2,521)	
At 31 December	12,999	5,073	1,804	52,999	35,179	17,038	577,079	876,927	56,399	11,596	1,647,093	
Accumulated depreciation												
At 1 January	-	2,264	1,004	24,288	21,145	9,277	582,504	519,034	36,715	3,067	1,199,298	
Charge for the financial year	-	186	-	1,353	565	222	32,405	72,096	8,063	52	114,942	
Disposals/write off	-	-	-	-	-	-	(58,031)	(16,966)	(9,912)	(175)	(85,084)	
Exchange fluctuation	-	-	-	(158)	(461)	-	947	389	13	177	907	
At 31 December	-	2,450	1,004	25,483	21,249	9,499	557,825	574,553	34,879	3,121	1,230,063	
Net book value at 31 December 2016	12,999	2,623	800	27,516	13,930	7,539	19,254	302,374	21,520	8,475	417,030	

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****20 Property, plant and equipment (Continued)**

The Bank 2015	Freehold land RM'000	Leasehold land		Buildings on freehold land RM'000	Buildings on leasehold land		Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment under lease RM'000	Total RM'000
		land 50 years or more RM'000	land less than 50 years RM'000		50 years or more RM'000	less than 50 years RM'000						
Cost												
At 1 January	12,999	5,073	1,804	51,953	35,381	18,328	694,549	729,035	75,554	4,975	1,629,651	
Additions	-	-	-	1,152	-	-	42,652	85,534	2,314	143	131,795	
Disposals/write-off	-	-	-	-	(446)	-	(57,959)	(65,914)	(14,469)	(218)	(139,006)	
Exchange fluctuation	-	-	-	711	2,664	-	10,932	5,394	403	735	20,839	
At 31 December	12,999	5,073	1,804	53,816	37,599	18,328	690,174	754,049	63,802	5,635	1,643,279	
Accumulated depreciation												
At 1 January	-	2,078	1,004	22,544	20,322	8,819	557,402	496,794	16,105	2,481	1,127,549	
Charge for the financial year	-	186	-	1,355	595	458	49,252	67,465	30,864	433	150,608	
Disposals/write-off	-	-	-	-	(259)	-	(32,209)	(47,641)	(10,542)	(184)	(90,835)	
Exchange fluctuation	-	-	-	389	487	-	8,059	2,416	288	337	11,976	
At 31 December	-	2,264	1,004	24,288	21,145	9,277	582,504	519,034	36,715	3,067	1,199,298	
Net book value at 31 December 2015	12,999	2,809	800	29,528	16,454	9,051	107,670	235,015	27,087	2,568	443,981	

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM67,802,520 for the Bank.

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

21 Investment properties

	Buildings on long term leasehold land RM'000	Total RM'000
The Group 2016		
At 1 January	1,120	1,120
Fair value adjustments	-	-
Disposals	(1,120)	(1,120)
At 31 December	<u>-</u>	<u>-</u>
The Group 2015		
At 1 January	4,000	4,000
Fair value adjustments	(2,880)	(2,880)
At 31 December	<u>1,120</u>	<u>1,120</u>

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

	The Group	
	31 December 2016 RM'000	31 December 2015 RM'000
Rental income	63	81
Operating expenses arising from investment properties that generated the rental income	<u>(9)</u>	<u>(11)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****22 Deposits from customers**

(a) By type of deposit

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Demand deposits	60,099,074	56,241,206	50,330,553	46,218,415
Saving deposits	31,262,728	27,813,773	17,862,332	16,136,409
Fixed deposits	117,355,798	115,324,164	88,140,500	94,484,092
Negotiable instruments of deposit	1,430,657	1,677,753	1,013,931	925,569
Others	68,332,004	62,245,368	44,004,864	40,509,163
	278,480,261	263,302,264	201,352,180	198,273,648

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

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Due within six months	100,396,486	91,757,228	76,198,034	73,962,675
Six months to less than one year	16,716,926	23,006,900	11,426,494	19,476,095
One year to less than three years	1,413,406	1,282,268	1,272,909	1,016,261
Three years to less than five years	259,409	422,101	256,766	421,210
Five years and more	228	533,420	228	533,420
	118,786,455	117,001,917	89,154,431	95,409,661

(b) By type of customer

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	11,252,639	9,251,880	6,765,025	5,789,913
Business enterprises	105,220,252	112,398,694	78,295,170	87,472,417
Individuals	101,412,481	88,139,619	73,470,856	66,842,244
Others	60,594,889	53,512,071	42,821,129	38,169,074
	278,480,261	263,302,264	201,352,180	198,273,648

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****23 Investment accounts of customers**

	Note	The Group		The Bank	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Unrestricted investment accounts	55(o)	<u>254,408</u>	<u>232,716</u>	<u>-</u>	<u>-</u>
		<u>254,408</u>	<u>232,716</u>	<u>-</u>	<u>-</u>

24 Deposits and placements of banks and other financial institutions

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Licensed banks	23,197,754	16,052,227	23,801,377	15,832,310
Licensed finance companies	892,184	1,246,197	112,856	63,746
Licensed investment banks	37,246	1,174,121	36,326	1,000,776
Bank Negara Malaysia	51,747	165,547	51,747	6,521
Other financial institutions	2,720,836	3,424,660	2,282,627	3,272,958
	<u>26,899,767</u>	<u>22,062,752</u>	<u>26,284,933</u>	<u>20,176,311</u>

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

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Due within six months	23,429,078	16,851,369	22,901,333	15,271,019
Six months to less than one year	2,804,115	3,898,766	2,717,428	3,593,434
One year to less than three years	194,369	918,094	193,967	917,335
Three years to less than five years	154,196	102,585	154,196	102,585
Five years and more	318,009	291,938	318,009	291,938
	<u>26,899,767</u>	<u>22,062,752</u>	<u>26,284,933</u>	<u>20,176,311</u>

The Group and the Bank have undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM158,865,000 and RM100,000,000 respectively (31 December 2015: RM132,117,000 and RM100,000,000 respectively) using interest rate swaps.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****25 Financial liabilities designated at fair value**

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers - structured investments	2,006,644	3,047,985	2,004,463	2,848,922
Debentures	807,881	980,203	-	-
Bills payable	1,553,052	924,583	-	-
	<u>4,367,577</u>	<u>4,952,771</u>	<u>2,004,463</u>	<u>2,848,922</u>

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

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 December 2016 were RM431,079,000 (2015: RM567,569,000) and RM431,017,000 (2015: RM558,988,000) respectively lower than the contractual amount at maturity for the structured investments, RM12,538,000 (2015: RM18,606,000) lower than the contractual amount at maturity for the debentures and RM182,391,000 (2015: RM131,549,000) higher than the contractual amount at maturity for the bills payable. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies****(a) Derivative financial instruments**

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

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

	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
At 31 December 2016						
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	25,772,318	781,816	(928,816)	18,000,029	497,622	(851,062)
Currency swaps	154,770,013	1,745,933	(1,569,343)	69,828,899	1,194,347	(755,587)
Currency spots	2,880,628	5,399	(2,876)	2,570,376	4,938	(2,442)
Currency options	20,993,677	545,672	(572,099)	20,707,509	532,976	(560,049)
Cross currency interest rate swaps	62,663,827	4,641,946	(4,745,865)	35,311,655	4,070,104	(4,161,716)
	267,080,463	7,720,766	(7,818,999)	146,418,468	6,299,987	(6,330,856)
Interest rate derivatives						
Interest rate swaps	355,695,031	2,669,467	(2,033,941)	259,618,107	1,914,265	(1,498,924)
Interest rate futures	6,035,464	8,574	(8,659)	6,035,464	8,574	(8,659)
Interest rate options	62,135	14	(14)	62,135	14	(14)
	361,792,630	2,678,055	(2,042,614)	265,715,706	1,922,853	(1,507,597)
Equity related derivatives						
Equity swaps	740,684	1,675	(7,390)	731,606	1,594	(7,390)
Equity options	9,966,772	94,940	(198,893)	9,966,772	94,940	(198,893)
Equity futures	265,830	1,219	(2,444)	265,830	1,219	(2,444)
	10,973,286	97,834	(208,727)	10,964,208	97,753	(208,727)
Commodity related derivatives						
Commodity swaps	3,684,103	320,887	(514,252)	3,671,470	320,866	(514,255)
Commodity futures	6,472,099	405,180	(191,328)	6,472,099	405,180	(191,328)
Commodity options	4,202,948	227,122	(205,747)	4,202,948	227,122	(205,747)
	14,359,150	953,189	(911,327)	14,346,517	953,168	(911,330)
Credit related contract						
Credit default swaps	6,781,108	56,700	(66,341)	6,780,867	63,127	(73,258)
Total Return Swaps	1,468,770	9,282	(39,229)	1,441,920	9,096	(39,043)
	8,249,878	65,982	(105,570)	8,222,787	72,223	(112,301)
Bond Forward	265,217	14,388	(429)	90,000	971	(429)
<u>Hedging derivatives</u>						
Currency swaps	4,971,124	60,331	(163,051)	4,971,124	60,331	(163,051)
Cross currency interest rate swaps	4,355,932	106,949	(383,641)	1,858,643	40,824	(149,914)
Interest rate swaps	30,848,391	112,467	(396,530)	34,685,229	240,733	(396,530)
Total derivatives assets/(liabilities)	702,896,071	11,809,961	(12,030,888)	487,272,682	9,688,843	(9,780,735)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)**

	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
At 31 December 2015						
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	22,134,841	509,183	(1,028,156)	15,633,172	393,432	(937,129)
Currency swaps	166,930,777	2,547,427	(1,945,760)	75,596,912	1,287,728	(1,029,094)
Currency spots	3,542,420	3,855	(5,988)	2,578,023	3,463	(5,598)
Currency options	6,777,423	298,638	(319,001)	6,032,715	274,414	(304,894)
Cross currency interest rate swaps	60,910,422	4,664,451	(5,208,347)	31,819,711	3,915,753	(3,999,032)
	260,295,883	8,023,554	(8,507,252)	131,660,533	5,874,790	(6,275,747)
Interest rate derivatives						
Interest rate swaps	449,231,362	2,236,017	(1,635,294)	338,227,919	1,640,599	(1,221,985)
Interest rate futures	7,282,871	2,673	(5,102)	7,282,871	2,673	(5,102)
Interest rate options	216,491	413	(2,213)	228,386	906	(2,213)
	456,730,724	2,239,103	(1,642,609)	345,739,176	1,644,178	(1,229,300)
Equity related derivatives						
Equity swaps	683,337	2,867	(14,342)	683,337	2,867	(14,342)
Equity options	9,559,091	110,741	(265,215)	9,559,091	110,741	(265,215)
Equity futures	146,909	599	(626)	146,909	599	(626)
	10,389,337	114,207	(280,183)	10,389,337	114,207	(280,183)
Commodity related derivatives						
Commodity swaps	1,723,092	514,368	(452,384)	1,702,943	514,254	(452,273)
Commodity futures	732,519	7,654	(60,371)	732,519	7,654	(60,371)
Commodity options	2,456,170	300,145	(227,970)	2,463,477	300,145	(228,002)
	4,911,781	822,167	(740,725)	4,898,939	822,053	(740,646)
Credit related contract						
Credit default swaps	7,787,594	89,670	(85,558)	7,787,594	89,670	(85,558)
Total Return Swaps	2,841,299	12,080	(18,480)	2,791,079	11,854	(18,254)
	10,628,893	101,750	(104,038)	10,578,673	101,524	(103,812)
Bond Forward	30,000	1,204	-	30,000	1,204	-
<u>Hedging derivatives</u>						
Currency swaps	2,797,900	9,079	(52,481)	2,797,900	9,079	(52,481)
Cross currency interest rate swaps	4,655,247	92,976	(303,978)	3,721,296	54,937	(166,275)
Interest rate swaps	28,588,642	59,922	(249,268)	32,672,607	186,643	(249,490)
Total derivatives assets/(liabilities)	779,028,407	11,463,962	(11,880,534)	542,488,461	8,808,615	(9,097,934)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)****Fair value hedge**

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

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

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/gain on hedging instruments	(111,999)	304,445	(111,698)	359,259
Gain/(loss) on the hedged items attributable to the hedged risk	63,639	(290,975)	65,345	(343,168)

Net investment hedge

Currency swaps and non-derivative financial liabilities are used to hedge the Group's and the Bank's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the currency swaps are transferred to equity to offset against any gains or losses on translation of the net investment in foreign operations. The fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income during the financial year for the Group and the Bank of RM166,610,479 and RM166,503,627 respectively (2015: Group and Bank of RM45,493,315). No amounts were withdrawn from equity during the financial year as there were no disposal of net investment.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)****Cash flow hedge**

Cash flow hedges are used by the Group and the Bank to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group and the Bank hedge cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps. During the financial year ended 31 December 2016, the Group and the Bank have ceased cash flow hedge accounting with no cumulative gain (2015: RM35,675) remaining in equity as at 31 December 2016.

The Group and the Bank also hedge financial investment available-for-sale, senior bond and debentures issued and interbranch lending against foreign exchange and interest rate risks by using cross currency interest rate swaps. The notional amount of the outstanding cross currency interest rate swaps as at 31 December 2016 for the Group and the Bank were RM4,081,972,374 and RM1,584,683,821 (2015: RM3,497,544,382 and RM3,022,619,961) respectively. Gains and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged cash flows affect profit or loss. Total loss of RM360,633 of the Group and the Bank (2015: gains of RM194,843) were recognised in the statement of income for the financial year ended 31 December 2016 due to hedge ineffectiveness from cash flow hedges.

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(a) Derivative financial instruments (Continued)****Cash flow hedge (Continued)**

As at 31 December 2015	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
Cash inflows (assets)	239,585	204,929	149,151	1,008,967	1,427,818
Cash outflows (liabilities)	(11,321)	(1,023)	(153,265)	(430,681)	(468,442)
Net cash (outflows)/inflows	<u>228,264</u>	<u>203,906</u>	<u>(4,114)</u>	<u>578,286</u>	<u>959,376</u>

	The Bank				
	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
Cash inflows (assets)	239,585	204,929	149,151	1,008,967	1,427,818
Cash outflows (liabilities)	-	(1,023)	(142,067)	(430,681)	-
Net cash inflows	<u>239,585</u>	<u>203,906</u>	<u>7,084</u>	<u>578,286</u>	<u>1,427,818</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(b) Commitments and contingencies**

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

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

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

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

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Principal RM'000	Principal RM'000	Principal RM'000	Principal RM'000
<u>Credit-related</u>				
Direct credit substitutes	3,716,152	3,790,900	3,498,784	3,606,342
Transaction-related contingent items	5,731,778	4,799,716	3,875,445	3,203,646
Short-term self-liquidating trade-related contingencies	4,437,262	8,525,630	3,641,147	7,928,718
Irrevocable commitments to extend credit :				
- maturity not exceeding one year	47,180,249	42,988,381	38,500,809	36,678,554
- maturity exceeding one year	28,260,340	22,156,647	24,841,154	19,681,552
Miscellaneous commitments and contingencies	2,361,562	4,128,120	1,468,994	2,853,674
Total credit-related commitments and contingencies	91,687,343	86,389,394	75,826,333	73,952,486

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****26 Derivative financial instruments, commitments and contingencies (Continued)****(b) Commitments and contingencies (Continued)**

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

	The Group		The Bank	
	31 December 2016 Principal RM'000	31 December 2015 Principal RM'000	31 December 2016 Principal RM'000	31 December 2015 Principal RM'000
<u>Treasury-related</u>				
Foreign exchange related contracts :				
- less than one year	214,023,105	210,636,232	112,873,233	101,915,234
- one year to five years	42,795,808	46,421,842	26,009,644	29,466,645
- more than five years	19,588,606	10,690,956	14,365,358	6,797,850
	276,407,519	267,749,030	153,248,235	138,179,729
Interest rate related contracts :				
- less than one year	144,616,551	204,607,635	113,277,248	154,794,412
- one year to five years	200,606,694	232,598,191	153,839,169	188,658,808
- more than five years	47,417,776	48,113,540	33,284,518	34,958,563
	392,641,021	485,319,366	300,400,935	378,411,783
Equity related contracts:				
- less than one year	2,928,225	3,049,197	2,928,225	3,049,197
- one year to five years	7,305,802	6,603,384	7,305,802	6,603,384
- more than five years	739,259	736,756	730,181	736,756
	10,973,286	10,389,337	10,964,208	10,389,337
Credit related contracts :				
- less than one year	3,311,427	5,933,342	3,311,427	5,933,342
- one year to five years	3,924,885	4,198,809	3,924,885	4,198,809
- more than five years	1,013,566	496,742	986,475	446,522
	8,249,878	10,628,893	8,222,787	10,578,673
Commodity related contracts:				
- less than one year	12,838,727	4,540,275	12,826,094	4,527,433
- one year to five years	1,520,423	371,506	1,520,423	371,506
	14,359,150	4,911,781	14,346,517	4,898,939
Bond Forward:				
- less than one year	137,643	-	-	-
- one year to five years	37,574	-	-	-
- more than five years	90,000	30,000	90,000	30,000
	265,217	30,000	90,000	30,000
Total treasury-related commitments and contingencies	702,896,071	779,028,407	487,272,682	542,488,461
	794,583,414	865,417,801	563,099,015	616,440,947

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****27 Other liabilities**

	Note	The Group		The Bank	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Due to brokers and clients		27,318	-	27,318	-
Accrued employee benefits	(a)	34,732	25,305	26,994	18,560
Post employment benefit obligations	(b)	213,163	194,679	28,649	27,565
Sundry creditors		812,953	888,078	773,620	759,619
Expenditure payable		1,356,450	1,327,984	1,130,996	1,077,717
Collateral for securities lending		10,559	669,469	10,559	669,469
Allowance for commitments and contingencies	(c)	43,169	9,219	3,238	3,238
Provision for legal claims		58,780	60,974	42,506	43,179
Credit card expenditure payable		131,675	125,660	131,675	125,660
Collateral received for derivative transactions		3,148,558	3,161,566	3,419,169	2,655,454
Others		442,775	399,914	222,477	207,245
		6,280,132	6,862,848	5,817,201	5,587,706

(a) Accrued employee benefits

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

(b) Post employment benefit obligations

		The Group		The Bank	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Defined contribution plan – EPF	(i)	28,649	27,565	28,649	27,565
Defined benefit plans	(ii)	184,514	167,114	-	-
		213,163	194,679	28,649	27,565

(i) Defined contribution plan

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

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

27 Other liabilities (Continued)

(b) Post employment benefit obligations (Continued)

(ii) Defined benefit plans

CIMB Thai Bank operates final salary defined benefit plans for employees. The latest actuarial valuation of the plans for CIMB Thai Bank was carried out as at 31 December 2016.

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

	The Group	
	31 December	31 December
	2016	2015
	RM'000	RM'000
Present value of unfunded obligations	184,514	167,114
Liability	184,514	167,114

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****27 Other liabilities (Continued)****(b) Post employment benefit obligations (Continued)****(ii) Defined benefit plans (Continued)**

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

	The Group	
	31 December	31 December
	2016	2015
	RM'000	RM'000
Service cost:		
Current service costs	13,440	12,368
Net interest expense	4,382	4,651
Components of defined benefits costs recognised in statements of income	17,822	17,019
Remeasurement:		
- Actuarial losses:		
- from changes in financial assumptions	6,995	6,700
- Experience adjustments	(4,145)	5,510
Components of defined benefits costs recognised in statements of comprehensive income	2,850	12,210
	20,672	29,229

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****27 Other liabilities (Continued)****(b) Post employment benefit obligation (Continued)****(ii) Defined benefit plans (Continued)**

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	167,114	132,494	-	-
Current services costs	13,440	12,368	-	-
Interest costs	4,382	4,651	-	-
	184,936	149,513	-	-
Remeasurement:				
- Actuarial losses/(gains):				
- from changes in financial assumptions	6,995	6,700	-	-
- Experience adjustments	(4,145)	5,510	-	-
	2,850	12,210	-	-
Exchange fluctuation	9,371	16,589	-	-
Benefits paid	(12,643)	(11,198)	-	-
At 31 December	184,514	167,114	-	-

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

27 Other liabilities (Continued)

(b) Post employment benefit obligation (Continued)

(ii) Defined benefit plans (Continued)

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

	The Group	
	31 December 2016	31 December 2015
	%	%
Discount rates	2.25	2.75
Future salary increases	5.00	5.00
Rate of price inflation - other fixed allowance	2.00	2.50

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rates	0.5%	Decreased by 4.24%	Increased by 4.54%
Future salary increases	1.0%	Increased by 9.68%	Decreased by 8.58%

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

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

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

The expected contribution to post employment benefits plan for the financial year ended 31 December 2017 to the Group is RM11,918,000 (2016: RM10,643,000).

The weighted average duration of the defined benefit obligation of the Group is 10 years.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****27 Other liabilities (Continued)****(c) Allowances for commitments and contingencies**

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	9,219	6,182	3,238	2,704
Allowance made during the financial year	30,461	534	-	534
Exchange fluctuation	3,489	2,503	-	-
At 31 December	43,169	9,219	3,238	3,238

28 Recourse obligation on loans and financing sold to Cagamas

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****29 Bonds, Sukuk and debentures**

	Note	The Group		The Bank	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
HKD462 million notes	(a)	271,351	260,164	271,351	260,164
USD350 million notes	(b)	1,585,206	1,515,034	1,585,206	1,515,034
Structured debentures	(c)	6,258	1,187	-	-
Short term debentures	(d)	495,323	2,791,235	-	-
HKD171 million notes	(e)	66,848	66,843	66,848	66,843
HKD430 million notes	(f)	-	167,900	-	167,900
HKD350 million notes	(g)	-	140,024	-	140,024
SGD20 million notes	(h)	62,023	61,095	62,023	61,095
USD20 million notes	(i)	-	86,085	-	86,085
RM500 million bonds	(j)	-	500,161	-	-
HKD775 million notes	(k)	-	429,634	-	429,634
HKD950 million notes	(l)	-	396,006	-	396,006
HKD300 million notes	(m)	129,310	129,209	129,310	129,209
HKD150 million notes	(n)	87,008	83,307	87,008	83,307
AUD100 million notes	(o)	292,320	291,921	292,320	291,921
HKD1,130 million notes	(p)	562,862	550,562	562,862	550,562
USD313 million notes	(q)	1,510,589	1,383,349	1,510,589	1,383,349
EUR30 million notes	(r)	-	140,736	-	140,736
SGD100 million notes	(s)	310,187	304,105	310,187	304,105
CNY220 million notes	(t)	137,403	137,445	137,403	137,445
CNY130 million notes	(u)	82,563	-	82,563	-
CNY130 million notes	(v)	78,849	-	78,849	-
RM630 million Sukuk	(w)	586,488	-	-	-
		6,264,588	9,436,002	5,176,519	6,143,419
Fair value changes arising from fair value hedges		22,565	432,653	22,565	432,653
		6,287,153	9,868,655	5,199,084	6,576,072

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

29 Bonds, Sukuk and debentures (Continued)

(a) HKD462 million notes

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

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD462 million notes using cross currency interest rate swaps.

(b) USD350 million notes

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

The Bank has undertaken fair value hedge on the interest rate risk of the USD350 million notes using interest rate swaps.

(c) Structured debentures

CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature within 6 months from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.

(d) Short term debentures

CIMB Thai Bank issued various unsecured short term debentures with maturity dates varying from 2 months to 6 months. The debentures carry fixed interest rates of 1.55% to 1.90%, payable at respective maturity dates.

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

29 Bonds, Sukuk and debentures (Continued)

(e) HKD171 million notes

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

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

(f) HKD430 million notes

On 22 January 2013, the Bank issued HKD430 million 3-year senior unsecured fixed rate notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 January 2016. It bears a coupon rate of 1.20% per annum payable quarterly in arrears.

In January 2016, the Bank has redeemed its HKD430 million senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

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

29 Bonds, Sukuk and debentures (Continued)

(g) HKD350 million notes

On 14 March 2013, the Bank issued HKD350 million 3-year senior unsecured notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 14 March 2016 (subject to adjustment in accordance with the modified following business day convention). It bears a coupon rate of 1.09% per annum payable quarterly in arrears.

In March 2016, the Bank has redeemed its HKD350 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(h) SGD20 million notes

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

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

(i) USD20 million notes

On 8 April 2013, the Bank, acting through its Labuan Offshore Branch, issued USD20 million 3-year senior unsecured notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 8 April 2016. It bears a floating coupon rate of 3 month U.S.\$ LIBOR plus 79 basis points per annum payable quarterly in arrears.

In April 2016, the Bank has redeemed its USD20 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

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

29 Bonds, Sukuk and debentures (Continued)

(j) RM500 million bonds

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

The RM500 million funding received by the Bank from MKB is recognised under other assets, being the net amounts receivable from MKB from the waterfall report over the RM500 million funding. At the Group level, due to the consolidation of MKB, the RM500 million funding is eliminated and reclassified under bonds.

1st tranche of RM180 million is raised for an effective interest rate of 2.85% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and will mature on 28 October 2016.

2nd tranche of RM320 million is raised for an effective interest rate of 3.00% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and will mature on 28 October 2016.

The securitisation transactions was completed during the financial year.

(k) HKD775 million notes

On 29 August 2013, the Bank issued HKD775 million nominal value 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 29 August 2016 (subject to adjustment in accordance with the modified following business convention). It bears a floating coupon rate of 3 month HIBOR plus 56 basis points per annum payable quarterly in arrears.

In August 2016, the Bank has redeemed its HKD775 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

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

29 Bonds, Sukuk and debentures (Continued)

(l) HKD950 million notes

On 20 December 2013, the Bank issued HKD950 million nominal value 3-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 20 December 2016. It bears a fixed coupon rate of 1.45% per annum payable annually in arrears.

The HKD950 million notes was matured on 20 December 2016.

(m) HKD300 million notes

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

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

(n) HKD150 million notes

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

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

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

29 Bonds, Sukuk and debentures (Continued)

(o) AUD100 million notes

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

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

(p) HKD1,130 million notes

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

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

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

(q) USD313 million notes

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

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

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

29 Bonds, Sukuk and debentures (Continued)

(r) EUR30 million notes

On 12 May 2015, CIMB Bank Berhad issued EUR30 million 1-year senior floating rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 12 May 2016 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3 months EURIBOR + 0.15 % per annum payable quarterly.

In May 2016, the Bank has redeemed its EUR30 million senior floating rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(s) SGD100 million notes

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

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

(t) CNY220 million notes

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

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

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

29 Bonds, Sukuk and debentures (Continued)

(u) CNY130 million notes

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

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

(v) CNY130 million notes

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

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

(w) RM 630 million Sukuk, Ziya Capital Bhd

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

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

30 Other borrowings

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Term loans	3,565,826	2,752,792	3,565,826	2,752,792
	3,565,826	2,752,792	3,565,826	2,752,792

These loans were undertaken by the Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 24 March 2017 being the earliest to mature and 30 August 2019 being the latest to mature. Interest rates charged are between 1.47% to 1.89% per annum (2016: 30 December 2016 to 29 March 2019, 1.12% to 1.31% per annum).

31 Subordinated obligations

	Note	The Group		The Bank	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Subordinated bonds - RM1.0 billion	(a)	1,015,786	1,015,786	1,015,786	1,015,786
Subordinated bonds - RM1.0 billion	(b)	-	1,000,789	-	1,000,789
Subordinated notes - THB544 million	(c)	68,196	64,770	-	-
Subordinated Sukuk - RM600 million (2015: RM850 million)	(d)	606,833	859,186	-	-
Subordinated debts - RM1.0 billion	(e)	1,018,265	1,019,458	1,018,265	1,019,458
Subordinated debts - RM1.5 billion	(f)	152,821	1,524,885	152,821	1,524,885
Subordinated notes - THB3 billion	(g)	-	365,802	-	-
Subordinated debts - RM1.5 billion	(h)	1,505,458	1,505,458	1,505,458	1,505,458
Subordinated notes - THB3 billion	(i)	378,352	359,345	-	-
Subordinated debts - RM3.05 billion	(j)	3,063,448	3,061,784	3,063,448	3,061,784
Subordinated notes - RM 400 million	(k)	411,130	406,703	-	-
Subordinated debts - RM1.0 billion	(l)	1,005,879	-	1,005,879	-
Subordinated debts - RM570 million	(m)	102,931	-	-	-
Subordinated debts - RM1.35 billion	(n)	1,375,758	-	1,375,758	-
Subordinated Sukuk - RM10 million	(o)	10,127	-	-	-
Subordinated debts - RM400 million	(p)	400,964	-	400,964	-
		11,115,948	11,183,966	9,538,379	9,128,160
Fair value changes arising from fair value hedges		(9,329)	(14,362)	(8,660)	(11,093)
		11,106,619	11,169,604	9,529,719	9,117,067

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

31 Subordinated obligations (Continued)

- (a) The RM1.0 billion subordinated bonds (“the RM1.0 billion Bonds”) were issued at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 and callable with step-up interest on 7 October 2018. The bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

The Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion subordinated bonds in whole but not in part, on 7 October 2018 or any interest payment date thereafter, at their principal amount plus accrued interest.

The RM1.0 billion Bonds qualify as Tier I Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

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

31 Subordinated obligations (Continued)

(b) The RM1.0 billion subordinated bonds (“the Bonds”) is part of the Non-Innovative Tier I Stapled Securities Issuance Programme which was approved by the Securities Commission on 17 December 2008. Under the programme, the Bank is allowed to raise Non-Innovative Tier I Capital of up to RM4.0 billion in nominal value outstanding at any one time comprising:

- (i) Non-Cumulative Perpetual Capital Securities issued by the Bank; and
- (ii) Subordinated Notes issued by Commerce Returns Berhad, a wholly-owned subsidiary of the Bank

The Bonds under the first issuance were issued at par on 26 December 2008 and are due on 26 December 2058, with optional redemption on 26 December 2018 or any distribution payment date thereafter. The Bonds bear an interest rate of 7.2% per annum payable semi-annually in arrears.

Subject to the prior approval of BNM, the Bank shall redeem the RM1.0 billion subordinated bonds in whole but not in part, on 26 December 2018 or any distribution payment date thereafter, at their principal amount plus accrued interest.

On 27 December 2016, CIMB Bank has early redeemed the RM1 billion Non-Innovative Tier I subordinated bonds.

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

31 Subordinated obligations (Continued)

- (c) The THB544 million subordinated notes (“the THB544 million Notes”) represent the promissory notes previously issued by few financial institutions which had been transferred to CIMB Thai Bank after the series of merger.
- (d) The RM600 million (2015: RM850 million) unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme by the Bank’s direct subsidiary, CIMB Islamic which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

CIMB Islamic has undertaken fair value hedge on the profit rate risk of the RM300 million subordinated sukuk using Islamic profit rate swaps.

On 21 April 2016, CIMB Islamic Bank has exercised its option to early redeem the RM250 million (second tranche of the Sukuk).

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

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

31 Subordinated obligations (Continued)

- (e) The Bank has on 23 December 2010 completed the issuance of unsecured RM2.0 billion Subordinated Debt.

The RM2.0 billion Subordinated Debt issuance was issued under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“10 years tranche”), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“15 years tranche”). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia’s approval.

The coupon rate for the Subordinated Debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

The RM2.0 billion subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

On 23 December 2015, CIMB Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date of 23 December 2015.

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

31 Subordinated obligations (Continued)

- (f) The Bank has on 8 August 2011 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“Tranche 1”), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“Tranche 2”). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia’s approval.

The coupon rate for the Subordinated Debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

On 8 August 2016, CIMB Bank Berhad redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion and RM150 million subordinated debts using interest rate swaps.

The RM150 million (Tranche 2) Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

- (g) On 14 July 2011, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 3,000,000 units unsecured 10-year subordinated notes (“the THB3 billion Notes”). The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry fixed interest rate of 5.35% per annum payable every 6 months on 14 July and 14 January.

The THB3 billion Notes will mature on 14 July 2021. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

On 14 July 2016, CIMB Thai Bank exercised its option to early redeem all unsecured subordinated notes amounting to THB3 billion, maturing on 14 July 2021, which CIMB Thai Bank was able to early redeem (under the specified conditions). This early redemption was approved by BoT notification For Kor Kor (02) 23/2559 “The approval of redemption of subordinated notes”.

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

31 Subordinated obligations (Continued)

- (h) The Bank has on 30 November 2012 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the third issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued as a single tranche of RM1.5 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter. Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.15% per annum. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank's working capital purposes.

The RM1.5 billion Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

- (i) On 9 November 2012, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 3,000,000 units unsecured 10-year subordinated notes. The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry fixed interest rate of 4.80% per annum payable semi annually on 9 November and 9 May.

The THB3 billion Notes will mature on 9 November 2022. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

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

31 Subordinated obligations (Continued)

- (j) On 1 August 2013 the Bank has successfully set up a Basel III Compliant Tier II Subordinated Debt Issuance Programme of up to RM10.0 billion in nominal value (“Basel III Subordinated Debt Programme”). The Basel III Subordinated Debt Programme was approved by the Securities Commission on 10 June 2013.

The Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

The Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

The Bank has on 23 December 2015 completed the third issuance of a RM2.0 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM2.0 billion at 5.15% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia (“BNM”)’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM3.05 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts using interest rate swaps.

CIMB Bank Berhad

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

31 Subordinated obligations (Continued)

- (k) On 7 July 2014, CIMB Thai Bank issued RM400 million 10-years non callable 5 years Basel 3 compliant Tier II subordinated notes (“RM400 million Notes”) to their overseas investors. The RM400 million Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM400 million Notes as Tier II capital according to the correspondence For Kor Kor. (02) 453/2557.

- (l) On 25 May 2016, CIMB Bank Berhad issued a nominal value RM1.0 billion perpetual subordinated capital securities (“Additional Tier I Securities”). The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.80% p.a.

The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts using interest rate swaps.

- (m) On 11 July 2016, CIMB Thai Bank issued RM570 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM570 million Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB 5,016,199,500) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

CIMB Bank Berhad

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

31 Subordinated obligations (Continued)

- (n) On 8 August 2016, CIMB Bank Berhad issued RM1,350 million 10-years non-callable 5-years Tier II subordinated debt (“Sub Debt”) bearing a fixed rate coupon of 4.77% per annum. The Sub Debt will qualify as Tier II capital of the Bank.

The Sub Debt was issued from CIMB Bank Berhad's existing RM10 billion Basel III-compliant Tier II subordinated debt programme.

The proceeds from the issuance were used for CIMB Bank Berhad's working capital requirements, general banking and other corporate purposes and the refinancing of its existing subordinated debt.

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM950 million subordinated debts using interest rate swaps.

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

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

- (p) On 16 December 2016, CIMB Bank Berhad issued a nominal value RM400 million Additional Tier I Securities. The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.50% p.a. The Additional Tier I Securities is perpetual with a Issuer’s call option to redeem at the end of year 5.

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM400 million subordinated debts using interest rate swaps.

CIMB Bank Berhad

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

32 Redeemable preference shares

(a)

	The Group and The Bank	
	2016	2015
	RM'000	RM'000
Authorised		
Redeemable preference shares of RM0.01 each (equity)		
At 1 January/31 December	<u>50,000</u>	<u>50,000</u>
	The Group and The Bank	
	2016	2015
	RM'000	RM'000
Issued and fully paid		
Redeemable preference shares of RM0.01 each (equity)		
At 1 January/31 December	<u>29,740</u>	<u>29,740</u>

On 30 January 2008, the Bank issued 2,974,009,486 Redeemable Preference Shares (“RPS”) of nominal value RM0.01 each to the Bank’s minority shareholders and to CIMB Group at an issue price of RM0.01 each, which was approved by the shareholders via an Extraordinary General Meeting on the same date.

The main features of the RPS are as follows:

- (i) The RPS will rank equal in all respects with each other and senior to ordinary shares.
- (ii) The RPS will be fully paid-up upon issue and allotment.
- (iii) The RPS will not carry any fixed dividend but ranks the most senior in terms of dividend distribution.
- (iv) The RPS will not carry any voting rights.
- (v) The RPS will only be redeemable, subject to BNM’s approval, at the option of the Bank.
- (vi) The RPS will not be convertible.
- (vii) The RPS will not be earmarked to any particular assets or banking activities.
- (viii) The RPS will not represent any fixed charge on the earnings of the Bank.

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

33 Ordinary share capital

	The Group and The Bank	
	2016	2015
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	<u>7,000,000</u>	<u>7,000,000</u>
	The Group and The Bank	
	2016	2015
	RM'000	RM'000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	5,148,084	4,787,023
Issue of shares from rights issue	<u>128,571</u>	<u>361,061</u>
At 31 December	<u>5,276,655</u>	<u>5,148,084</u>

CIMB Bank has on 15 December 2016, issued 129 million Rights Issue at RM 5.25 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM129 million and share premium of RM546 million.

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

35 Reserves

- (a) The statutory reserve is maintained in compliance with BNM guidelines and is not distributable as cash dividends.
- (b) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (c) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad (now known as Mutiara Aset Berhad) and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the predecessor basis of accounting in financial year 2006.
- (d) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****35 Reserves (Continued)**

- (e) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (f) Hedging reserve mainly arise from net investment hedge activities undertaken by the Bank on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed. Included in hedging reserve are cash flow hedge undertaken by the Group and the Bank to hedge held-to-maturity debt securities against foreign exchange risk using currency swaps, which were subsequently terminated by the Bank with no cumulative gain (2015: RM35,675) remaining in equity. The Group and the Bank have also entered into cash flow hedges on financial investment available-for-sale, senior bond issued and interbranch lending.
- (g) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (h) Share-based payment reserve arose from Employee Ownership Plan, the Group's and the Bank's share-based compensation benefits.
- (i) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.
- (j) Share premium

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Relating to				
- Ordinary shares				
At 1 January	10,363,629	8,898,945	10,363,629	8,898,945
Issued during the financial year	546,427	1,464,684	546,427	1,464,684
At 31 December	<u>10,910,056</u>	<u>10,363,629</u>	<u>10,910,056</u>	<u>10,363,629</u>

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****36 Interest income**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income	9,675,048	9,152,702	8,024,042	7,570,916
- unwinding income [^]	54,607	40,284	45,989	37,566
Money at call and deposits with financial institutions	414,483	359,193	547,269	491,665
Reverse repurchase agreements	145,181	119,942	140,915	118,791
Financial assets held for trading	355,638	372,353	330,825	347,025
Financial investments available-for- sale	839,493	1,010,690	749,083	905,776
Financial investments held-to-maturity	923,770	704,583	851,618	616,674
	<u>12,408,220</u>	<u>11,759,747</u>	<u>10,689,741</u>	<u>10,088,413</u>
Net accretion of discount less amortisation of premium	(41,646)	(42,151)	5,856	2,313
	<u>12,366,574</u>	<u>11,717,596</u>	<u>10,695,597</u>	<u>10,090,726</u>

[^] Unwinding income is interest income earned on impaired financial assets**37 Interest expense**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	223,001	391,875	191,434	362,860
Deposits from customers	4,361,340	3,881,915	4,035,129	3,428,112
Repurchase agreements	198,741	184,840	193,084	176,029
Financial liabilities designated at fair value	124,289	124,505	86,550	98,623
Negotiable certificates of deposits	217,928	181,282	214,334	177,425
Recourse obligation on loan and financing sold to Cagamas	110,491	5,591	110,491	5,591
Redeemable preference shares	-	43,113	-	-
Bonds, Sukuk and debentures	185,334	172,804	142,255	123,987
Subordinated obligations	545,292	437,964	490,621	418,741
Other borrowings	53,351	33,599	66,639	45,966
	<u>6,019,767</u>	<u>5,457,488</u>	<u>5,530,537</u>	<u>4,837,334</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****38 Net non-interest income**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net fee and commission income				
Commissions	374,901	342,389	296,559	280,374
Fee on loans and advances	497,254	508,112	493,513	503,768
Service charges and fees	498,992	496,509	433,211	432,577
Guarantee fees	66,553	67,680	54,653	55,032
Other fee income	283,014	254,017	223,076	193,905
Fee and commission income	1,720,714	1,668,707	1,501,012	1,465,656
Fee and commission expense	(439,555)	(405,481)	(412,878)	(369,688)
Net fee and commission income	1,281,159	1,263,226	1,088,134	1,095,968
Gross dividend income from:				
<u>In Malaysia</u>				
Subsidiaries	-	-	19,884	30,885
Financial assets held for trading	44,106	50,879	44,106	50,879
Financial investments available-for-sale	12,750	11,863	12,588	11,701
	56,856	62,742	76,578	93,465
<u>Outside Malaysia</u>				
Financial investments available-for-sale	2,301	5,904	-	-
Associate	-	-	23,721	23,920
	2,301	5,904	23,721	23,920
Net (loss)/gain arising from financial assets held for trading				
- realised ^	(265,078)	(322,562)	(263,711)	(342,318)
- unrealised	91,234	(514,734)	94,937	(516,257)
	(173,844)	(837,296)	(168,774)	(858,575)
Net (loss)/gain arising from hedging activities	(25,175)	5,618	(23,169)	9,758
Net gain arising from derivative financial instruments				
- realised	1,789,961	628,190	1,675,173	539,683
- unrealised	346,478	1,825,363	323,047	1,892,283
	2,136,439	2,453,553	1,998,220	2,431,966
Net loss arising from financial liabilities designated at fair value				
- realised	(10,391)	(40,496)	(307)	(34,015)
- unrealised	(219,432)	(71,303)	(171,669)	(51,080)
	(229,823)	(111,799)	(171,976)	(85,095)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****38 Net non-interest income (Continued)**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net gain from sale of financial investments available-for-sale	156,237	134,033	98,234	63,231
Net (loss)/gain from redemption of financial investments held-to-maturity	(6)	16	(6)	16
Other non-interest income				
Foreign exchange loss	(717,566)	(500,135)	(814,574)	(656,992)
Rental income	13,474	15,817	10,420	11,690
Gain on disposal of property, plant and equipment/assets held for sale	5,543	1,292	5,170	7,093
Loss on disposal of foreclosed assets	(27,609)	(26,410)	-	-
Gain on disposal of leased assets	181	85	-	-
Loss on revaluation of investment properties	-	(2,880)	-	-
Gain on distributions from associate	-	14,463	-	55,389
Others	62,544	91,012	39,074	44,572
	(663,433)	(406,756)	(759,910)	(538,248)
	2,540,711	2,569,241	2,161,052	2,236,406

^ Includes loss on early termination of unconsolidated structured entity of RM230,671,000 (2015: Nil) - Refer to Note 14(f)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****39 Overheads**

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs				
- Salaries, allowances and bonuses	2,369,059	2,388,759	1,910,820	1,907,135
- Pension cost (defined contribution plan)	232,528	225,347	211,529	203,674
- Pension cost (defined benefit plan)	17,822	17,019	-	-
- Mutual Separation Scheme	-	302,764	-	290,946
- Overtime	16,611	15,977	11,439	10,411
- Staff incentives and other staff payments	155,670	123,947	135,506	116,587
- Medical expenses	84,886	82,224	78,218	75,883
- Others	92,066	84,650	60,592	54,309
	2,968,642	3,240,687	2,408,104	2,658,945
Establishment costs				
- Depreciation of property, plant and equipment	162,071	204,828	114,942	150,608
- Amortisation of prepaid lease payments	82	206	-	-
- Impairment of property, plant and equipment	-	1,094	-	-
- Rental	302,364	275,107	257,121	225,950
- Repairs and maintenance	251,333	240,358	221,687	213,874
- Outsourced services	109,681	159,468	96,235	222,671
- Security expenses	99,581	104,621	99,646	105,456
- Utility expenses	51,433	47,994	42,103	37,185
- Others	40,196	38,287	26,810	23,075
	1,016,741	1,071,963	858,544	978,819
Marketing expenses				
- Sales commission	5,686	4,100	525	-
- Advertisement	156,866	183,823	131,369	156,979
- Others	21,720	25,274	19,958	17,682
	184,272	213,197	151,852	174,661
Administration and general expenses				
- Communication	23,841	27,538	16,940	20,646
- Consultancy and professional fees	56,257	63,134	49,527	56,344
- Legal expenses	17,661	19,976	8,428	9,218
- Stationery	33,109	34,836	23,940	25,281
- Amortisation of intangible assets	195,133	197,532	170,630	174,888
- Postages	50,686	44,554	41,741	36,562
- Administrative travelling and vehicle expenses	41,362	43,663	31,302	33,574
- Incidental expenses on banking operations	48,425	45,870	25,194	28,770
- Insurance	161,903	155,655	37,577	37,698
- Others	308,082	166,005	260,179	59,745
	936,459	798,763	665,458	482,726
Shared service cost	29,156	40,704	(361,396)	(339,318)
	5,135,270	5,365,314	3,722,562	3,955,833

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****39 Overheads (Continued)**

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 43)	10,977	3,854	10,291	3,310
Hire of equipment	3,090	2,089	2,615	1,680
Lease rental	5,916	1,837	5,912	1,832
Auditors' remuneration:				
PwC Malaysia (audit)				
- statutory audit	3,257	3,025	2,733	2,533
- limited review	815	773	738	693
- other audit related	409	353	274	225
PwC Malaysia (non audit)	663	149	612	92
Other member firms of PwC International Limited (audit)				
- statutory audit	1,801	1,618	1,209	950
- limited review	769	727	130	128
- other audit related	169	257	12	50
Other member firms of PwC International Limited (non audit)	822	184	638	107
Property, plant and equipment written-off	3,328	1,126	3,328	1,126

PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****40 Allowances for impairment losses on loans, advances and financing**

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for bad and doubtful debts on loans and financing				
Individual impairment allowance				
- Net allowance made during the financial year	629,401	153,507	110,486	39,860
Portfolio impairment allowance				
- Net allowance made during the financial year	737,224	869,825	417,423	295,808
Impaired loans and advances				
- recovered	(324,510)	(284,380)	(197,209)	(171,185)
- written off	12,593	20,833	9,652	16,276
	1,054,708	759,785	340,352	180,759

41 Allowances for other impairment losses

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial investments available-for-sale				
- net allowance made during the financial year	50,164	2,438	32,761	1,902
Subsidiaries				
- allowance made during the financial year	-	-	-	4,443
	50,164	2,438	32,761	6,345

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

42 Significant related party transactions and balances

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

Related parties	Relationship
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Holding company
Subsidiaries of the Bank as disclosed in Note 14	Subsidiaries
SBB Berhad	Subsidiary of ultimate holding company
Commerce Asset Realty Sdn. Bhd.	Subsidiary of ultimate holding company
Commerce MGI Sdn. Bhd.	Subsidiary of ultimate holding company
CIMB Investment Bank Berhad	Subsidiary of holding company
PT Bank CIMB Niaga Tbk and Group	Subsidiary of holding company
Commerce International Group Berhad	Subsidiary of holding company
Commerce Asset Ventures Sdn. Bhd. and Group	Subsidiary of holding company
Joint venture of the Bank as disclosed in Note 15	Joint venture
Associates of the Bank as disclosed in Note 16	Associates
Key management personnel	See below

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****42 Significant related party transactions and balances (Continued)****(b) Related party transactions**

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

	← The Group and the Bank →			← The Group ← The Bank →		
	Holding and Ultimate Holding Company RM'000	Other related companies RM'000	Associate and joint venture RM'000	Key management personnel RM'000	Subsidiaries RM'000	Key management personnel RM'000
2016						
Income						
Interest on deposits and placements with financial institutions	-	19,815	283	-	142,175	-
Interest on loans, advances and financing	34,404	11,746	-	189	5,559	358
Interest on securities	201	-	-	-	12,974	-
Dividends	-	-	23,721	-	19,884	-
Others	167	47,308	47,415	83	11,721	53
Expenditure						
Interest on deposits from customers and securities sold under repurchase agreements	20,378	29,924	7,176	1,336	6,749	342
Interest on deposits and placements of banks and other financial institutions	-	4,955	-	-	7,315	-
Interest on subordinated bonds	139,364	-	-	-	-	-
Rental of premises	284	17,184	-	-	372	-
Shared service cost	-	29,342	-	-	(390,739)	-
Dividends	1,781,421	-	-	-	-	-
Others	2,601	86,607	-	-	75,981	-
2015						
Income						
Interest on deposits and placements with financial institutions	-	17,209	129	-	140,032	-
Interest on loans, advances and financing	23,268	4,270	-	231	3,773	504
Interest on securities	307	-	-	-	596	-
Dividends	-	-	23,920	-	30,885	-
Others	22	49,976	40,830	14	8,549	15
Expenditure						
Interest on deposits from customers and securities sold under repurchase agreements	38,211	32,551	537	524	6,328	440
Interest on deposits and placements of banks and other financial institutions	-	1,711	-	-	12,963	-
Interest on subordinated bonds	2,540	-	-	-	-	-
Rental of premises	284	9,915	-	-	360	-
Shared service cost	-	10,007	-	-	(352,718)	-
Dividends	1,570,983	-	-	-	-	-
Others	-	82,170	-	-	90,196	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****42 Significant related party transactions and balances (Continued)****(c) Related party balances**

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Holding Company	Other related companies	Associate and joint venture	Key management personnel	Subsidiaries	Key management personnel
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amounts due from						
Current accounts, deposits and placements with banks and other financial institutions	-	949,440	26,916	-	1,037,393	-
Placement from Investment Account	-	-	-	-	3,912,011	-
Loans, advances and financing	1,058,422	444,101	-	34,179	76,000	35,832
Derivative financial instruments	-	90	-	-	1,077,396	-
Investments securities	11,180	-	-	-	514,968	-
Others	-	23,239	1,197,832	-	625	-
Amounts due to						
Deposits from customers and securities sold under repurchase agreements	651,547	1,561,873	1,524	99,641	267,046	33,738
Deposits and placements of banks and other financial institutions	-	107,310	-	-	1,104,204	-
Derivative financial instruments	8,619	-	-	-	328,847	-
Subordinated obligations	3,434,789	-	-	-	-	-
Others	-	8,837	448,204	-	766,424	-
Commitment and contingencies						
Foreign exchange related contracts	289,440	17,944	-	-	12,986,063	-
Equity related contracts	-	158,441	-	-	219,036	-
Commodity related derivatives	-	-	-	-	7,016	-
Interest rate related contracts	-	-	-	-	46,818,998	-
Credit related contracts	134,580	-	-	-	593,526	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****42 Significant related party transactions and balances (Continued)****(c) Related party balances (Continued)**

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Holding Company RM'000	Other related companies RM'000	Associate and joint venture RM'000	Key management personnel RM'000	Subsidiaries RM'000	Key management personnel RM'000
2015						
Amounts due from						
Current accounts, deposits and placements with banks and other financial institutions	-	1,198,633	25,758	-	492,402	-
Placement from Investment Account	-	-	-	-	2,900,982	-
Loans, advances and financing	1,020,519	263,030	-	18,406	114,000	32,535
Derivative financial instruments	977	260	-	-	690,284	-
Investments securities	5,095	-	-	-	36,670	-
Others	-	365	1,237,928	-	849	-
Amounts due to						
Deposits from customers and securities sold under repurchase agreements	94,284	1,695,177	630	69,481	221,063	42,091
Deposits and placements of banks and other financial institutions	-	331,059	-	-	961,290	-
Derivative financial instruments	885	216	-	-	489,713	-
Subordinated obligations	2,002,540	756	-	-	-	-
Others	-	3,098	397,025	-	57	-
Commitment and contingencies						
Foreign exchange related contracts	291,206	148,383	-	-	5,287,224	-
Equity related contracts	-	155,812	-	-	116,332	-
Interest rate related contracts	500,000	-	-	-	22,310,459	-
Credit related contracts	128,790	-	-	-	27,150	-

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

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

42 Significant related party transactions and balances (Continued)

(d) Key management personnel

Key management compensation

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries and other employee benefits [#]	87,068	69,122	55,261	87,790
Shares of the ultimate holding company (units)	4,182,357	2,538,504	2,205,389	2,965,507

includes compensation paid by other related companies

Loans to Directors of the Bank amounting to RM3,073,552 (2015: RM3,962,219). Loans made to Directors and other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances were required in 2016 and 2015 for loans, advances and financing made to the key management personnel.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****42 Significant related party transactions and balances (Continued)****(e) Equity Ownership Plan (“EOP”)**

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

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

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM45,981,000 (2015: RM67,903,000) and RM41,496,000 (2015: RM64,766,000) respectively.

The weighted average fair value of shares awarded under EOP was RM4.17 per ordinary share (2015: RM5.93 per ordinary share), based on market price during the period in which they were purchased.

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

	The Group		The Bank	
	2016	2015	2016	2015
	Units	Units	Units	Units
	'000	'000	'000	'000
Shares				
At 1 January	13,200	19,193	12,156	18,179
Awarded	10,082	7,556	8,483	6,844
Released	(9,127)	(13,549)	(8,437)	(12,867)
At 31 December	<u>14,155</u>	<u>13,200</u>	<u>12,202</u>	<u>12,156</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****42 Significant related party transactions and balances (Continued)**

(f) Credit transactions and exposures with connected parties

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

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties	14,976,234	14,231,613	13,024,576	12,514,068
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.9%	4.0%	4.2%	4.2%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.0%	0.0%	0.0%	0.0%

(g) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29.3% of the issued capital of the ultimate holding company (2015: 29.7%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

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

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

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

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

43 Directors' remuneration

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

Non-Executive Directors

Dato' Zainal Abidin bin Putih
Dato' Sri Mohamed Nazir bin Abdul Razak
Puan Rosnah Dato' Kamarul Zaman
Mr. Venkatachalam Krishnakumar
Datin Grace Yeoh Cheng Geok
Encik Ahmad Zulqarnain Che On
Dato' Sri Amrin bin Awaluddin
Datuk Mohd Nasir bin Ahmad
Dato' Lee Kok Kwan
Encik Afzal bin Abdul Rahim (appointed on 29 June 2016)
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (resigned on 30 June 2016)

Executive Director

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz (appointed on 20 January 2016)

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- Salary and other remuneration	7,611	1,557	7,611	1,557
- Benefits-in-kind	17	28	17	28
	<u>7,628</u>	<u>1,585</u>	<u>7,628</u>	<u>1,585</u>
Non-Executive Directors				
- Fees	1,246	607	966	469
- Other remuneration	2,036	1,591	1,660	1,219
- Benefits-in-kind	67	71	37	37
	<u>3,349</u>	<u>2,269</u>	<u>2,663</u>	<u>1,725</u>
	<u>10,977</u>	<u>3,854</u>	<u>10,291</u>	<u>3,310</u>

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****43 Directors' remuneration (Continued)**

	Fees	Salary and/or other remuneration	Benefits-in- kind	The Group Total	Fees	Salary and/or other remuneration	Benefits- in-kind	The Bank Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Executive Directors								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	7,611	17	7,628	-	7,611	17	7,628
	-	7,611	17	7,628	-	7,611	17	7,628
Non-Executive Directors								
Dato' Zainal Abidin bin Putih	186	318	37	541	186	318	37	541
Dato' Sri Mohamed Nazir bin Abdul Razak	65	113	-	178	65	113	-	178
Puan Rosnah Dato' Kamarul Zaman	245	304	-	549	144	209	-	353
Mr. Venkatachalam Krishnakumar	72	120	-	192	72	120	-	192
Datin Grace Yeoh Cheng Geok	72	135	-	207	72	135	-	207
Encik Ahmad Zulqarnain Che On	96	145	-	241	96	145	-	241
Dato' Sri Amrin bin Awaluddin	72	115	-	187	72	115	-	187
Datuk Mohd Nasir bin Ahmad	93	207	-	300	93	207	-	300
Dato' Lee Kok Kwan	88	180	-	268	70	154	-	224
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	257	399	30	686	96	144	-	240
	1,246	2,036	67	3,349	966	1,660	37	2,663
	1,246	9,647	84	10,977	966	9,271	54	10,291
2015								
Executive Directors								
Mr. Renzo Christopher Viegas	-	858	14	872	-	858	14	872
Dato' Sulaiman bin Mohd Tahir	-	699	14	713	-	699	14	713
	-	1,557	28	1,585	-	1,557	28	1,585
Non-Executive Directors								
Dato' Zainal Abidin bin Putih	108	321	37	466	96	295	37	428
Dato' Sri Mohamed Nazir bin Abdul Razak	36	155	-	191	36	155	-	191
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	137	417	34	588	60	162	-	222
Puan Rosnah Dato' Kamarul Zaman	115	252	-	367	72	174	-	246
Mr. Venkatachalam Krishnakumar	36	70	-	106	36	70	-	106
Datin Grace Yeoh Cheng Geok	36	90	-	126	36	90	-	126
Encik Ahmad Zulqarnain Che On	48	81	-	129	48	81	-	129
Dato' Sri Amrin bin Awaluddin	36	80	-	116	36	80	-	116
Datuk Mohd Nasir bin Ahmad	27	67	-	94	27	67	-	94
Dato' Lee Kok Kwan	28	58	-	86	22	45	-	67
	607	1,591	71	2,269	469	1,219	37	1,725
	607	3,148	99	3,854	469	2,776	65	3,310

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****44 Taxation**

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	771,116	837,249	589,120	670,717
- Foreign tax	72,990	102,906	38,634	58,564
Deferred taxation (Note 9)	(28,307)	(53,461)	5,987	(43,072)
Under/(over) provision in prior financial years	137,021	(12,063)	131,222	(8,793)
	952,820	874,631	764,963	677,416
Zakat	300	-	-	-
	953,120	874,631	764,963	677,416

Reconciliation between tax expense and the Malaysian tax rate

Profit before taxation and zakat	4,176,445	4,160,339	3,316,269	3,424,901
Less:				
Share of results of joint venture	(2,254)	(1,587)	-	-
Share of results of associates	(111,980)	(93,425)	-	-
	4,062,211	4,065,327	3,316,269	3,424,901
Tax calculated at a rate of 24% (2015: 25%)	974,931	1,016,332	795,905	856,225
- different tax rates in Labuan and other countries	(192,675)	(228,770)	(198,029)	(215,805)
- change in tax rates	-	8,664	-	7,744
- expenses not deductible for tax purposes	95,028	106,095	85,817	75,889
- income not subject to tax	(60,179)	(14,555)	(49,952)	(37,844)
- utilisation of previously unrecognised tax losses	(1,306)	(1,072)	-	-
- under/(over) provision in prior financial years	137,021	(12,063)	131,222	(8,793)
Tax expense	952,820	874,631	764,963	677,416

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****45 Earnings per share**

(a) Basic earnings per share

The basic earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM3,227,089,000 (2015: RM3,280,377,000). For the Bank, the basic earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM2,551,306,000 (2015: RM2,747,485,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 5,154,055,000 (2015: 4,849,271,000) is used for the computation.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2016 and 31 December 2015.

46 Dividends

The gross and net dividend declared per share for each financial year are as follows:

	2016			2015		
	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000
Dividends recognised as distributions to equity holders:						
<u>Interim dividend</u>						
Per redeemable preference shares - single tier	27.40	27.40	814,879	27.50	27.50	818,000
<u>Interim dividend - in respect of previous year</u>						
Per redeemable preference shares - single tier	32.50	32.50	966,553	25.32	25.32	753,000
	<u>59.90</u>	<u>59.90</u>	<u>1,781,432</u>	<u>52.82</u>	<u>52.82</u>	<u>1,571,000</u>

The Directors have proposed a single tier second interim dividend of approximately 16.0 sen per share on 5,276,654,718 ordinary shares of RM1.00 each, amounting to RM844 million in respect of the financial year ended 31 December 2016. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 25 January 2017.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2016.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****47 Lease commitments**

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

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Within one year	184,451	192,537	156,602	171,237
One year to less than five years	206,066	307,220	185,312	292,663
Five years and more	518	124,165	-	122,521

48 Capital commitments

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Capital expenditure:				
- authorised and contracted for	89,059	434,494	88,983	434,451
- authorised but not contracted for	277,846	353,408	218,295	268,911
	366,905	787,902	307,278	703,362

Analysed as follows:

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Property, plant and equipment	311,597	776,313	263,499	693,196
Computer software	55,308	11,589	43,779	10,166
	366,905	787,902	307,278	703,362

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

49 Capital adequacy

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015 and BNM Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 28 November 2012, revised on 13 October 2015 and updated on 1 August 2016. The revised guidelines took effect for all banking institutions on 1 January 2016 and will take effect for all financial holding companies on 1 January 2019.

The IRB Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand ("BOT") guidelines issued on 8 November 2012. The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand ("BOT") requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNorSor. 12/2555 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****49 Capital adequacy (Continued)***Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2016.

31 December 2016 - Basel III

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

Before deducting proposed dividends	The Group	The Bank*
Common equity tier I ratio	11.942%	12.064%
Tier I ratio	13.156%	13.567%
Total capital ratio	<u>16.771%</u>	<u>16.699%</u>
After deducting proposed dividends		
Common equity tier I ratio	11.556%	11.549%
Tier 1 ratio	12.770%	13.051%
Total capital ratio	<u>16.385%</u>	<u>16.183%</u>

On 26 April 2016, CIMB Group Holdings Berhad (“CIMB Group”) completed its seventh Dividend Reinvestment Scheme (“DRS”) of which RM814 million was reinvested into new CIMB Group shares. There was no reinvestment made into the Bank post the successful completion of the DRS.

CIMB Group successfully completed its eighth DRS of which RM599 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group reinvested cash dividend surplus of RM675 million into CIMB Bank via rights issue which was completed on 15 December 2016.

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

	The Group	The Bank*
	RM’000	RM’000
Credit risk	185,063,333	138,362,816
Market risk	14,567,619	11,249,430
Large exposure risk requirements	719,612	719,612
Operational risk	<u>18,282,144</u>	<u>13,500,836</u>
Total risk-weighted assets	<u>218,632,708</u>	<u>163,832,694</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****49 Capital adequacy (Continued)****31 December 2016 - Basel III (Continued)**

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

	The Group RM'000	The Bank* RM'000
Common Equity Tier I capital		
Ordinary shares	5,276,655	5,276,655
Other reserves	28,982,224	23,251,046
Qualifying non-controlling interests	307,549	-
Less: Proposed dividends	<u>(844,265)</u>	<u>(844,265)</u>
Common Equity Tier I capital before regulatory adjustments	33,722,163	27,683,436
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,188,198)	(3,555,075)
Intangible assets	(934,211)	(833,024)
Deferred tax assets	(384,082)	(164,602)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(531,812)	(2,963,652)
Others	<u>(1,419,044)</u>	<u>(1,246,394)</u>
Common Equity Tier I capital after regulatory adjustments	<u>25,264,816</u>	<u>18,920,689</u>
Additional Tier I capital		
Perpetual preference shares	200,000	200,000
Innovative Tier I Capital	1,000,000	1,000,000
Perpetual subordinated capital securities	1,400,000	1,400,000
Qualifying capital instruments held by third parties	60,423	-
Additional Tier I capital before regulatory adjustments	<u>2,660,423</u>	<u>2,600,000</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(6,568)</u>	<u>(138,568)</u>
Additional Tier I capital after regulatory adjustments	<u>2,653,855</u>	<u>2,461,432</u>
Total Tier I capital	<u>27,918,671</u>	<u>21,382,121</u>
Tier II capital		
Subordinated notes	7,050,000	7,050,000
Redeemable preference shares	29,740	29,740
Qualifying capital instruments held by third parties	407,064	-
Surplus eligible provisions over expected loss	180,808	375,461
Portfolio impairment allowance and regulatory reserves ^	<u>596,054</u>	<u>247,139</u>
Tier II capital before regulatory adjustments	8,263,666	7,702,340
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(359,121)</u>	<u>(2,571,006)</u>
Total Tier II capital	<u>7,904,545</u>	<u>5,131,334</u>
Total capital	<u>35,823,216</u>	<u>26,513,455</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****49 Capital adequacy (Continued)****31 December 2016 - Basel III (Continued)**

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank PLC
Common equity tier I ratio	14.711%	10.156%	N/A
Tier I ratio	15.526%	10.156%	N/A
Total capital ratio	18.025%	15.583%	15.926%

31 December 2015 - Basel III

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

Before deducting proposed dividends	The Group	The Bank*
Common equity tier I ratio	11.329%	12.107%
Tier I ratio	12.279%	13.279%
Total capital ratio	<u>15.892%</u>	<u>16.425%</u>

After deducting proposed dividends		
Common equity tier I ratio	10.876%	11.504%
Tier I ratio	11.825%	12.677%
Total capital ratio	<u>15.438%</u>	<u>15.823%</u>

CIMB Group successfully completed its sixth DRS of which approximately RM171 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group reinvested cash dividend surplus of RM584 million and an additional equity injection of RM696 million into CIMB Bank via rights issue which was completed on 23 December 2015.

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

	The Group RM'000	The Bank* RM'000
Credit risk	180,655,182	134,581,911
Market risk	14,483,777	12,251,594
Large exposure risk requirements	666,867	666,867
Operational risk	<u>17,227,086</u>	<u>12,885,118</u>
Total risk-weighted assets	<u>213,032,912</u>	<u>160,385,490</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****49 Capital adequacy (Continued)****31 December 2015 - Basel III (Continued)**

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

	The Group RM'000	The Bank* RM'000
Common Equity Tier I capital		
Ordinary shares	5,148,084	5,148,084
Other reserves	26,518,216	21,591,225
Qualifying non-controlling interests	275,120	-
Less: Proposed dividends	(966,553)	(966,553)
Common Equity Tier I capital before regulatory adjustments	<u>30,974,867</u>	<u>25,772,756</u>
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,114,235)	(3,555,075)
Intangible assets	(945,435)	(874,745)
Deferred tax assets	(403,149)	(210,842)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(319,238)	(1,721,064)
Others	(1,023,930)	(959,972)
Common Equity Tier I capital after regulatory adjustments	<u>23,168,880</u>	<u>18,451,058</u>
Additional Tier I capital		
Perpetual preference shares	140,000	140,000
Non-innovative Tier I Capital	700,000	700,000
Innovative Tier I Capital	1,128,260	1,128,260
Qualifying capital instruments held by third parties	54,760	-
Additional Tier I capital before and after regulatory adjustments	<u>2,023,020</u>	<u>1,968,260</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(88,000)
Additional Tier I capital after regulatory adjustments	<u>2,023,020</u>	<u>1,880,260</u>
Total Tier I capital	<u>25,191,900</u>	<u>20,331,318</u>
Tier II capital		
Subordinated notes	7,050,000	7,050,000
Redeemable preference shares	29,740	29,740
Surplus eligible provisions over expected loss	210,735	480,515
Qualifying capital instruments held by third parties	376,000	-
Portfolio impairment allowance and regulatory reserves ^	509,270	236,377
Tier II capital before regulatory adjustments	<u>8,175,745</u>	<u>7,796,632</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(478,907)	(2,750,641)
Total Tier II capital	<u>7,696,838</u>	<u>5,045,991</u>
Total capital	<u>32,888,738</u>	<u>25,377,309</u>

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

49 Capital adequacy (Continued)

31 December 2015 - Basel III (Continued)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank PLC
Common equity tier I ratio	12.718%	10.778%	N/A
Tier I ratio	13.557%	10.778%	N/A
Total capital ratio	<u>16.273%</u>	<u>15.456%</u>	<u>17.377%</u>

* Includes the operations of CIMB Bank (L) Limited.

^ The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM186 million (2015: RM183 million) and RM166 million (2015: RM161 million) respectively.

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

50 (a) Significant events during the financial year

- (i) On 6 September 2016, CIMB Bank received an operating license from the State Bank of Vietnam to establish and operate a 100% owned subsidiary in Vietnam. The first CIMB Bank's subsidiary in Hanoi became operational by December 2016.

On 9 December 2016, CIMB Bank completed the capital injection of VND3,203,200,000,000 into new ordinary shares of CIMB Bank (Vietnam) Limited. The new ordinary shares were issued by CIMB Bank (Vietnam) Limited at an issue price of VND1 each to CIMB Bank.

- (ii) On 16 December 2016, CIMB Bank Berhad, Labuan Offshore branch completed the disposal of its 12.42% interest in CIMB-TrustCapital Australian Office Fund No. 1 LP and 13.70% interest in CIMB-TrustCapital Australian Office Trust No. 2 to Employees Provident Fund Board ("EPF") for AUD37.1 million (approximately RM122.8 million).

(b) Subsequent events after the financial year end

On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights issue of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share.

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

51 Critical accounting estimates and judgements in applying accounting policies

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

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

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

(b) *Impairment losses on loans, advances and financing*

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

(c) *Goodwill impairment*

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

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

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

(c) Goodwill impairment (Continued)

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating units ("CGUs"). The goodwill is then allocated to these various CGUs. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the CGUs, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions.

Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

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

(d) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 53.4.

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

52 Segment reporting

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

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

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

(i) Business segment reporting

Definition of segments

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

Consumer Banking

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

Commercial Banking

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

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

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

52 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking

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

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

Corporate Banking offers a broad spectrum of both conventional and Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate loans, to derivatives, structured products and debt capital market.

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

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

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

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

Investments

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

Support and others

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****52 Segment reporting (Continued)****(i) Business segment reporting (Continued)***Basis of pricing for inter-segment transfers:*

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

(ii) Geographic segment reporting

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Cambodia, Singapore, United Kingdom, Hong Kong, Shanghai and Vietnam. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia, no other individual country contributed more than 10% of the net interest income and of total assets.

	31 December 2016				
	Net interest income	Total non-current assets	Total assets	Total liabilities	Capital expenditure
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
Malaysia	4,536,921	10,896,255	293,450,853	266,039,609	518,652
Overseas operations	1,809,886	5,916,962	102,080,857	94,599,607	70,153
	6,346,807	16,813,217	395,531,710	360,639,216	588,805

	31 December 2015				
	Net interest income	Total non-current assets	Total assets	Total liabilities	Capital expenditure
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
Malaysia	4,593,701	7,092,999	279,602,930	255,262,904	321,446
Overseas operations	1,666,407	8,827,036	96,703,643	88,744,944	77,407
	6,260,108	15,920,035	376,306,573	344,007,848	398,853

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

53 Financial Risk Management

(a) Financial risk management objectives and policies

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

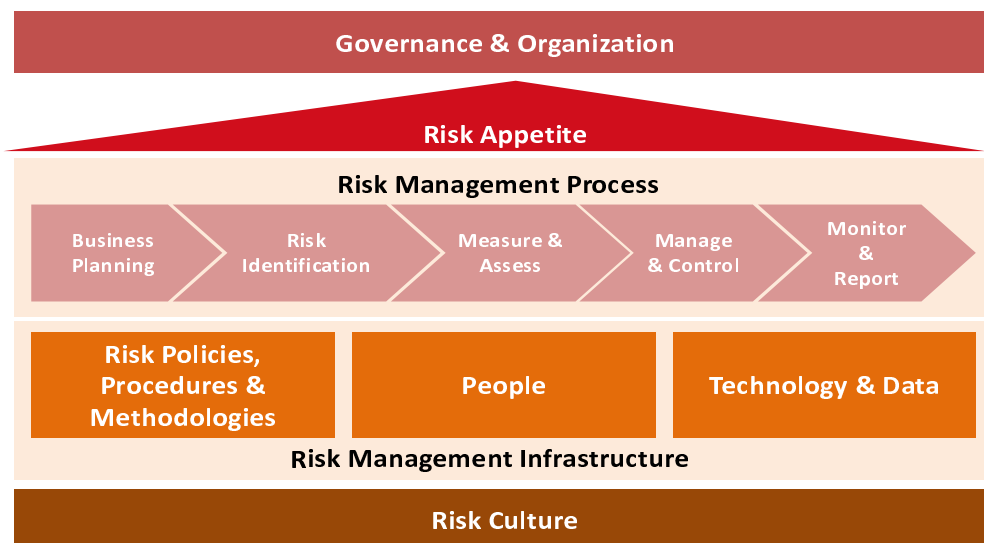
Generally, the objectives of the Group's risk management activities are to:

- 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 shareholders' value through sound risk management framework.

(b) Enterprise Wide Risk Management Framework (EWRM)

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

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



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

53 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

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

i) Governance & Organisation

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

ii) Risk Appetite

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

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

iii) Risk Management Process

- **Business Planning:** Risk is central to the business planning process, including setting risk appetite, risk posture and new product/ new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group’s risk frameworks, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using Group wide methodologies across each of the risk types, including stress testing.
- **Manage and Control:** Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

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

53 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

iii) Risk Management Process (Continued)

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

iv) Risk Management Infrastructure

- **Risk Policies, Methodologies and Procedures:** Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
- **People:** Attracting the right talent and skills are keys to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment. Performance measurement and compensation are aligned to the strategy plan and risk appetite.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

v) Risk Culture

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

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

53 Financial Risk Management (Continued)

(c) Risk Governance

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

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

The responsibility of the supervision of the risk management functions is delegated to the GRC, comprising senior management of the Group and reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The GRC is supported by specialised risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

- (i) Market risk, arising from fluctuations in the market value of the trading exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- (ii) Credit risk, arising from the possibility of losses due to the obligor, market counterparty or 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 risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates;

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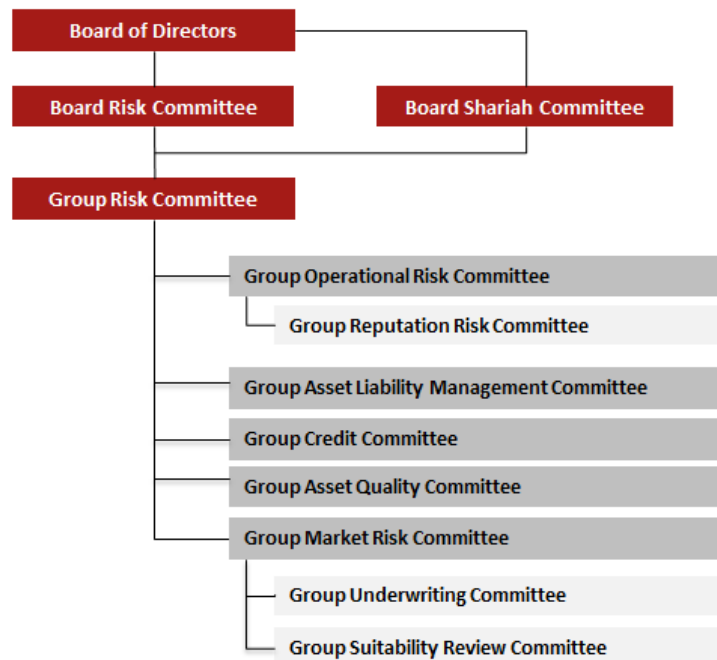
Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

- (vi) Capital risk, arising from the failure of not meeting the minimum regulatory and internal requirements that could incur regulatory sanction of the Group, resulting in a potential capital charge; and
- (vii) Shariah Non Compliance (SNC) risk, arising from failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the Board Shariah Committee (BSC) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of the Group's Risk Committees is depicted as follows:



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

53 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

Three-Lines of Defence

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

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

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

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. ("CoE"). GRD is headed by the Group Chief Risk Officer who is appointed by the Board to spearhead risk management functions and implementation of the EWRM. The CRO:

- a) Actively engages the Board and senior management on risk management issues and initiatives.

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

53 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

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

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

a) Risk Analytics & Infrastructure CoE

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

b) Market Risk CoE

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

c) Operational Risk CoE

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

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

53 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

d) Asset Liability Management CoE

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

e) Credit Risk CoE

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

f) Shariah Risk Management CoE (SRM CoE)

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

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

53 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 CoEs, there is also specialised team within Group Risk:

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

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

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

53 Financial Risk Management (Continued)

Strategies and Processes for Various Risk Management

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

53.1 Credit risk

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

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

In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

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 risk-based delegated authority framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

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

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

Credit Risk Management (Continued)

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and Consumer & Commercial Banking Credit Committee (CBCC).

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

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

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

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

Credit Risk Management (continued)

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

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

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

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

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

Credit Risk Mitigation

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

i) Collaterals/Securities

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

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

ii) Collateral Valuation and Management

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

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

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

iii) *Netting*

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

iv) *Portfolio diversification for better clarity*

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

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

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

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

i) Credit Risk Mitigation

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

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2016, the additional collateral to be posted was RM6,729,000 (2015: RM6,439,500).

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.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)**

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

	The Group		The Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Financial guarantees	6,375,142	10,368,168	5,774,484	9,955,204
Credit related commitments and contingencies	77,924,513	69,276,171	66,333,759	61,045,365
	84,299,655	79,644,339	72,108,243	71,000,569

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 80.0% (2015: 76.7%) and 81.6% (2015: 78.9%) respectively while the financial effect of collateral for derivatives for the Group and the Bank is 76.6% (2015: 66.4%) and 74.2% (2015: 58.9%) respectively. The financial effect of collateral held for the remaining financial assets are insignificant.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type**

	The Group						The Bank					
	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016												
<u>Financial assets</u>												
Derivatives	11,809,961	-	11,809,961	(6,026,459)	(2,165,380)	3,618,122	9,688,843	-	9,688,843	(4,647,044)	(2,455,736)	2,586,063
Reverse repurchase agreements	5,107,539	-	5,107,539	(746,933)	(4,262,068)	98,538	4,698,080	-	4,698,080	(746,933)	(3,858,600)	92,547
Share margin financing	705,571	-	705,571	-	(703,902)	1,669	703,543	-	703,543	-	(702,836)	707
Total	17,623,071	-	17,623,071	(6,773,392)	(7,131,350)	3,718,329	15,090,466	-	15,090,466	(5,393,977)	(7,017,172)	2,679,317
31 December 2015												
<u>Financial assets</u>												
Derivatives	11,463,962	-	11,463,962	(5,786,645)	(1,822,531)	3,854,786	8,808,615	-	8,808,615	(3,985,387)	(1,201,218)	3,622,010
Reverse repurchase agreements	9,558,281	-	9,558,281	(1,553,752)	(7,865,470)	139,059	8,404,346	-	8,404,346	(1,553,752)	(6,712,506)	138,088
Share margin financing	786,194	-	786,194	-	(781,013)	5,181	782,094	-	782,094	-	(777,795)	4,299
Total	21,808,437	-	21,808,437	(7,340,397)	(10,469,014)	3,999,026	17,995,055	-	17,995,055	(5,539,139)	(8,691,519)	3,764,397

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.2 Offsetting financial assets and financial liabilities (Continued)****(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type**

	The Group						The Bank					
	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016												
Financial liabilities												
Derivatives	12,030,888	-	12,030,888	(5,923,837)	(3,127,070)	2,979,981	9,780,735	-	9,780,735	(4,548,119)	(2,771,053)	2,461,563
Repurchase agreements	4,340,854	-	4,340,854	(4,340,065)	-	789	4,340,854	-	4,340,854	(4,340,065)	-	789
Total	16,371,742	-	16,371,742	(10,263,902)	(3,127,070)	2,980,770	14,121,589	-	14,121,589	(8,888,184)	(2,771,053)	2,462,352
31 December 2015												
Financial liabilities												
Derivatives	11,880,534	-	11,880,534	(5,810,271)	(3,037,644)	3,032,619	9,097,934	-	9,097,934	(4,020,029)	(2,307,170)	2,770,735
Repurchase agreements	7,905,919	-	7,905,919	(7,862,682)	(16,971)	26,266	7,889,260	-	7,889,260	(7,846,957)	(16,971)	25,332
Total	19,786,453	-	19,786,453	(13,672,953)	(3,054,615)	3,058,885	16,987,194	-	16,987,194	(11,866,986)	(2,324,141)	2,796,067

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure**

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

(a) Geographical sectors

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

	The Group 31 December 2016									
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	11,530,336	63,113	167,442	46,183	562,801	729,029	696,063	330,438	1,359,122	15,484,527
Reverse repurchase agreements	2,107,953	2,940	411,121	803,108	25,197	53,086	148,234	9,305	1,546,595	5,107,539
Deposits and placements with banks and other financial institutions	77,299	300,622	48,309	282	-	387,278	-	139,909	228,030	1,181,729
Financial assets held for trading	8,779,725	150,176	946,031	6,539,646	519,634	707,003	242,638	148,402	2,338,437	20,371,692
Financial investments available-for-sale	14,157,984	475,655	3,989,900	2,571,342	157,956	253,409	1,963,912	384,309	702,707	24,657,174
Financial investments held-to-maturity	23,568,870	-	2,212,966	1,803,238	-	-	-	-	15,788	27,600,862
Derivative financial instruments	4,427,549	265,721	2,766,513	1,708,115	359,690	959,038	224,980	242	1,098,113	11,809,961
Loans, advances and financing	179,878,624	2,981,250	28,606,825	30,350,628	214,373	3,994,836	2,096,472	1,448,900	6,628,041	256,199,949
Other assets	7,027,132	35,663	558,551	549,076	10,632	534,068	128,282	277	325,376	9,169,057
Amounts due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	-	-	4,084
Amount due from related companies	1,219,161	902	306	1,739	-	29	2	1	936	1,223,076
Financial guarantees	2,556,299	503	10,285	2,941,239	1,500	52,574	307,830	11,878	493,034	6,375,142
Credit related commitments and contingencies	69,134,680	937,476	1,527,026	2,160,332	1,636	456,819	804,395	754,684	2,147,465	77,924,513
Total credit exposures	324,469,696	5,214,021	41,245,275	49,474,928	1,853,419	8,127,169	6,612,808	3,228,345	16,883,644	457,109,305

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

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

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Group 31 December 2015		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	11,210,553	15,275	143,313	488,580	1,024,705	1,119,855	1,370,272	301,807	1,458,311	17,132,671
Reverse repurchase agreements	3,946,041	7,570	1,156,146	924,787	953,110	961,051	424,495	13,206	1,171,875	9,558,281
Deposits and placements with banks and other financial institutions	146,118	402,026	64,865	42,193	-	304,383	109,525	142,446	229,008	1,440,564
Financial assets held for trading	8,205,864	289,399	992,882	5,400,053	338,567	827,069	674,826	235,949	830,062	17,794,671
Financial investments available-for-sale	15,405,677	1,591,081	3,563,885	2,168,715	180,672	644,236	1,899,548	756,705	473,265	26,683,784
Financial investments held-to-maturity	18,926,188	-	2,676,138	1,730,692	349,954	-	-	-	24,726	23,707,698
Derivative financial instruments	4,589,482	275,064	3,254,706	1,304,552	321,394	994,196	116,311	-	608,257	11,463,962
Loans, advances and financing	164,103,253	2,842,172	27,485,641	29,495,536	158,607	1,883,131	1,091,708	1,791,435	6,586,401	235,437,884
Other assets	7,383,672	11,624	783,572	511,943	-	1,056,086	66,151	-	439,912	10,252,960
Amounts due from holding company and ultimate holding company	2,803	-	-	-	-	-	-	-	-	2,803
Amount due from related companies	1,266,648	1,016	169	3,776	2	29	33	1	1,043	1,272,717
Financial guarantees	3,170,403	4,238	11,280	6,653,760	-	72,220	118,135	10,872	327,260	10,368,168
Credit related commitments and contingencies	59,964,539	301,473	1,258,686	5,407,492	2,363	249,436	450,852	969,639	671,691	69,276,171
Total credit exposures	298,321,241	5,740,938	41,391,283	54,132,079	3,329,374	8,111,692	6,321,856	4,222,060	12,821,811	434,392,334

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

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

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Bank 31 December 2016		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	4,738,556	58,035	152,980	42,628	498,994	679,835	694,594	330,438	433,312	7,629,372
Reverse repurchase agreements	2,107,953	2,940	1,662	803,108	25,197	53,086	148,234	9,305	1,546,595	4,698,080
Deposits and placements with banks and other financial institutions	4,217,080	300,622	-	-	-	387,278	-	139,909	-	5,044,889
Financial assets held for trading	6,138,172	150,176	60,372	6,539,646	519,634	619,162	242,638	148,402	2,338,437	16,756,639
Financial investments available-for-sale	12,603,428	475,655	168,994	2,513,130	157,956	253,409	1,963,912	384,309	687,449	19,208,242
Financial investments held-to-maturity	20,239,740	-	481,987	1,803,238	-	-	-	-	47,497	22,572,462
Derivative financial instruments	4,722,688	265,721	717,089	1,700,704	358,138	844,137	223,042	242	857,082	9,688,843
Loans, advances and financing	132,378,473	2,981,235	4,150,519	30,350,628	33,745	3,994,834	2,096,472	1,448,900	5,150,969	182,585,775
Other assets	6,885,105	35,663	168	536,601	10,632	516,068	128,282	277	272,966	8,385,762
Amounts due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	-	-	4,084
Amount due from subsidiaries	517,187	-	3,639	-	-	25,402	-	1	233	546,462
Amount due from related companies	1,217,388	877	123	1,739	-	29	2	1	661	1,220,820
Financial guarantees	2,380,245	503	-	2,941,239	1,500	52,574	307,830	11,878	78,715	5,774,484
Credit related commitments and contingencies	59,354,176	935,378	-	2,154,133	-	456,539	804,174	753,836	1,875,523	66,333,759
Total credit exposures	257,504,275	5,206,805	5,737,533	49,386,794	1,605,796	7,882,353	6,609,180	3,227,498	13,289,439	350,449,673

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

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

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	The Bank 31 December 2015		Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
					United States RM'000	United Kingdom RM'000				
Cash and short-term funds	6,536,113	14,197	130,933	483,869	642,070	1,025,392	1,368,034	300,948	998,654	11,500,210
Reverse repurchase agreements	3,946,040	7,570	2,212	924,787	953,110	961,051	424,495	13,206	1,171,875	8,404,346
Deposits and placements with banks and other financial institutions	3,436,279	402,026	-	42,964	-	310,860	109,525	142,446	249,912	4,694,012
Financial assets held for trading	5,605,474	289,399	286,869	5,400,053	338,567	741,845	674,826	235,949	830,062	14,403,044
Financial investments available-for-sale	13,558,666	1,591,081	395,630	2,106,335	180,672	644,236	1,899,548	756,705	453,653	21,586,526
Financial investments held-to-maturity	17,263,124	-	-	1,730,692	349,954	-	-	-	45,454	19,389,224
Derivative financial instruments	4,902,068	275,064	378,136	1,324,743	319,310	943,527	112,901	-	552,866	8,808,615
Loans, advances and financing	123,478,148	2,842,161	4,706,425	29,495,536	30,729	1,883,132	1,091,708	1,791,435	5,350,638	170,669,912
Other assets	7,236,576	11,624	14,580	502,070	-	1,043,161	66,151	-	328,820	9,202,982
Amounts due from holding company and ultimate holding company	2,803	-	-	-	-	-	-	-	-	2,803
Amount due from subsidiaries	38,087	-	2,112	-	-	418	4	1	-	40,622
Amount due from related companies	1,264,210	1,016	76	3,776	2	29	33	1	827	1,269,970
Financial guarantees	2,999,091	4,238	-	6,653,760	-	72,220	118,135	10,872	96,888	9,955,204
Credit related commitments and contingencies	53,185,707	299,877	47,852	5,394,186	-	249,156	450,463	968,103	450,021	61,045,365
Total credit exposures	243,452,386	5,738,253	5,964,825	54,062,771	2,814,414	7,875,027	6,315,823	4,219,666	10,529,670	340,972,835

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors**

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

	The Group 31 December 2016									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets [*] RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	4,148	218,684	-	83,261	7,763,666	-	8,069,759
Mining and quarrying	-	-	-	165,059	318,349	-	2,717	6,503,096	4,886	6,994,107
Manufacturing	-	-	-	91,134	901,896	219,655	87,703	11,461,394	-	12,761,782
Electricity, gas and water supply	-	-	-	400,684	2,039,369	1,503,234	184,207	3,096,541	3,474	7,227,509
Construction	-	-	-	432,461	1,935,211	582,352	30,661	5,292,936	-	8,273,621
Transport, storage and communications	-	-	-	299,994	2,612,439	1,681,238	459,365	7,383,118	390,863	12,827,017
Education, health and others	-	-	-	19,494	26,227	-	1,184	7,954,693	425	8,002,023
Wholesale and retail trade, and restaurants and hotels	-	-	-	22,936	210,581	5,063	658	14,391,916	-	14,631,154
Finance, insurance/takaful, real estate and business activities	7,822,289	3,804,556	1,181,729	14,472,991	9,884,927	7,845,899	9,280,044	30,149,837	9,563,427	94,005,699
<i>Others</i>										
Government and government agencies	7,655,497	-	-	4,014,702	3,531,661	14,993,871	592,860	9,447,696	4,820	40,241,107
Household	6,741	-	-	-	-	-	-	151,181,833	8,149	151,196,723
Others	-	1,302,983	-	448,089	2,977,830	769,550	1,087,301	1,573,223	420,173	8,579,149
	15,484,527	5,107,539	1,181,729	20,371,692	24,657,174	27,600,862	11,809,961	256,199,949	10,396,217	372,809,650

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Group 31 December 2015									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	31,572	294,601	25,247	77,935	7,737,415	-	8,166,770
Mining and quarrying	-	-	-	313,822	349,321	-	7,073	7,173,045	421	7,843,682
Manufacturing	-	-	-	89,923	942,513	249,066	166,028	12,676,194	-	14,123,724
Electricity, gas and water supply	-	-	-	350,525	2,821,253	1,103,977	164,366	2,277,178	2,428	6,719,727
Construction	-	-	-	304,089	2,092,828	663,743	69,203	7,727,923	-	10,857,786
Transport, storage and communications	-	-	-	298,610	3,213,171	1,651,180	721,739	8,629,408	399,533	14,913,641
Education, health and others	-	-	-	16,428	31,920	7,249	35	6,837,154	404	6,893,190
Wholesale and retail trade, and restaurants and hotels	-	-	-	46,581	76,041	4,809	823	16,959,850	-	17,088,104
Finance, insurance/takaful, real estate and business activities	8,536,014	7,507,994	1,440,564	7,890,771	9,080,679	7,699,657	8,881,283	32,083,302	10,152,181	93,272,445
<i>Others</i>										
Government and government agencies	8,596,657	202,352	-	7,664,072	4,135,872	11,506,982	428,679	8,943,507	105,334	41,583,455
Household	-	-	-	-	-	-	-	122,299,689	-	122,299,689
Others	-	1,847,935	-	788,278	3,645,585	795,788	946,798	2,093,219	868,179	10,985,782
	17,132,671	9,558,281	1,440,564	17,794,671	26,683,784	23,707,698	11,463,962	235,437,884	11,528,480	354,747,995

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Bank 31 December 2016									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	4,148	163,672	-	82,370	6,452,030	-	6,702,220
Mining and quarrying	-	-	-	151,905	305,239	-	88	5,110,350	4,886	5,572,468
Manufacturing	-	-	-	40,689	774,647	173,535	71,859	6,653,101	-	7,713,831
Electricity, gas and water supply	-	-	-	399,195	1,865,301	1,231,750	48,904	1,503,700	3,472	5,052,322
Construction	-	-	-	397,670	1,479,683	552,276	29,762	3,916,022	-	6,375,413
Transport, storage and communications	-	-	-	256,560	2,007,868	660,989	440,895	5,168,432	391,093	8,925,837
Education, health and others	-	-	-	-	-	-	-	6,016,505	425	6,016,930
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	9,818,189	-	9,818,189
Finance, insurance/takaful, real estate and business activities	6,844,990	3,395,097	5,044,889	11,724,794	7,389,193	6,276,690	7,742,827	22,677,576	9,356,380	80,452,436
<i>Others</i>										
Government and government agencies	784,382	-	-	3,333,589	2,268,211	12,907,672	193,466	2,021,279	-	21,508,599
Household	-	-	-	-	-	-	-	112,174,922	-	112,174,922
Others	-	1,302,983	-	448,089	2,954,428	769,550	1,078,672	1,073,669	400,872	8,028,263
	7,629,372	4,698,080	5,044,889	16,756,639	19,208,242	22,572,462	9,688,843	182,585,775	10,157,128	278,341,430

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Bank 31 December 2015									
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets* RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	22,073	225,990	-	77,292	6,429,142	-	6,754,497
Mining and quarrying	-	-	-	313,822	332,739	-	394	5,693,716	421	6,341,092
Manufacturing	-	-	-	53,205	754,375	197,750	137,958	7,651,083	-	8,794,371
Electricity, gas and water supply	-	-	-	316,605	2,633,261	917,246	110,103	1,598,861	2,428	5,578,504
Construction	-	-	-	261,169	1,666,154	633,637	65,906	6,303,318	-	8,930,184
Transport, storage and communications	-	-	-	291,930	2,150,377	717,715	702,685	6,570,844	399,533	10,833,084
Education, health and others	-	-	-	-	-	-	-	6,036,388	404	6,036,792
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	12,276,537	-	12,276,537
Finance, insurance/takaful, real estate and business activities	7,106,543	6,354,059	4,694,012	5,064,999	6,793,490	5,529,684	6,613,543	24,429,138	9,184,653	75,770,121
<i>Others</i>										
Government and government agencies	4,393,667	202,352	-	7,290,963	3,442,651	10,597,404	157,293	2,022,156	100,327	28,206,813
Household	-	-	-	-	-	-	-	90,052,472	-	90,052,472
Others	-	1,847,935	-	788,278	3,587,489	795,788	943,441	1,606,257	828,611	10,397,799
	11,500,210	8,404,346	4,694,012	14,403,044	21,586,526	19,389,224	8,808,615	170,669,912	10,516,377	269,972,266

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Group		The Group	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	30,304	1,295,247	23,862	1,101,762
Mining and quarrying	187,804	960,607	404,931	1,541,728
Manufacturing	544,810	5,074,518	375,758	5,355,290
Electricity, gas and water supply	87,244	1,170,242	86,893	524,268
Construction	705,700	7,127,018	914,200	5,033,724
Transport, storage and communications	445,454	2,683,984	197,573	1,380,305
Education, health and others	87,511	3,419,036	247,259	2,915,361
Wholesale and retail trade, and restaurants and hotels	2,366,764	6,723,228	6,355,212	6,248,927
Finance, insurance/takaful, real estate and business activities	1,025,112	8,753,318	1,628,723	9,394,364
<i>Others</i>				
Household	780,379	36,282,554	55,284	32,343,046
Others	114,060	4,434,761	78,473	3,437,396
	6,375,142	77,924,513	10,368,168	69,276,171

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Bank			
	31 December 2016		31 December 2015	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	28,954	1,144,442	23,767	805,894
Mining and quarrying	187,492	895,106	401,769	1,493,877
Manufacturing	369,600	3,988,079	333,932	4,275,733
Electricity, gas and water supply	51,027	697,193	53,089	279,791
Construction	657,998	4,069,207	824,755	3,562,724
Transport, storage and communications	440,853	1,898,738	194,396	967,652
Education, health and others	85,350	3,316,839	244,897	2,822,695
Wholesale and retail trade, and restaurants and hotels	2,074,205	5,801,468	6,135,750	5,494,707
Finance, insurance/takaful, real estate and business activities	1,015,268	6,876,220	1,615,127	8,424,059
<u>Others</u>				
Household	780,279	33,461,697	55,284	29,649,781
Others	83,458	4,184,770	72,438	3,268,452
	5,774,484	66,333,759	9,955,204	61,045,365

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets**

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

(a) Loan, advances and financing

Loans, advances and financing are summarised as follows:

	The Group 31 December 2016			
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	Total
	RM'000	RM'000	RM'000	RM'000
Overdrafts	4,578,149	403,225	298,531	5,279,905
Term loans/financing	198,865,589	13,170,709	4,201,905	216,238,203
Bills receivable	5,922,446	112,727	467,237	6,502,410
Trust receipts	1,454,567	1,918	186,858	1,643,343
Claim on customers under acceptance credit	3,213,146	8,188	112,160	3,333,494
Credit card receivables	6,465,569	422,013	184,999	7,072,581
Revolving credit	19,608,384	11,314	133,179	19,752,877
Share margin financing	704,688	-	883	705,571
Total	240,812,538	14,130,094	5,585,752	260,528,384
Less: Impairment allowances				(4,328,435) *
Total net amount				256,199,949

	The Group 31 December 2015			
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	Total
	RM'000	RM'000	RM'000	RM'000
Overdrafts	4,739,165	400,193	261,777	5,401,135
Term loans/financing	184,840,499	10,365,618	3,500,386	198,706,503
Bills receivable	6,197,490	72,162	137,077	6,406,729
Trust receipts	1,787,166	55,275	103,140	1,945,581
Claim on customers under acceptance credit	3,001,030	3,908	142,877	3,147,815
Credit card receivables	6,308,911	405,067	146,217	6,860,195
Revolving credit	16,021,504	10,092	44,480	16,076,076
Share margin financing	778,006	3,773	4,415	786,194
Total	223,673,771	11,316,088	4,340,369	239,330,228
Less: Impairment allowances				(3,892,344) *
Total net amount				235,437,884

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

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Loans, advances and financing are summarised as follows: (Continued)

	The Bank			Total
	31 December 2016			
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,992,758	345,367	204,387	3,542,512
Term loans/financing	140,476,214	8,438,105	2,745,666	151,659,985
Bills receivable	2,503,230	1,798	38,973	2,544,001
Trust receipts	918,517	1,918	85,289	1,005,724
Claim on customers under acceptance credit	2,794,592	6,142	104,394	2,905,128
Credit card receivables	6,285,716	399,585	177,430	6,862,731
Revolving credit	15,946,539	-	126,610	16,073,149
Share margin financing	702,843	-	700	703,543
Total	172,620,409	9,192,915	3,483,449	185,296,773
Less: Impairment allowances				(2,710,998) *
Total net amount				182,585,775

	The Bank			Total
	31 December 2015			
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired (iii)	
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,160,808	322,374	214,622	3,697,804
Term loans/financing	132,294,865	6,823,198	2,494,656	141,612,719
Bills receivable	2,706,046	1,019	29,659	2,736,724
Trust receipts	1,121,262	5,194	61,697	1,188,153
Claim on customers under acceptance credit	2,565,512	1,341	135,924	2,702,777
Credit card receivables	6,168,126	395,161	141,848	6,705,135
Revolving credit	13,856,300	454	41,691	13,898,445
Share margin financing	774,099	3,773	4,222	782,094
Total	162,647,018	7,552,514	3,124,319	173,323,851
Less: Impairment allowances				(2,653,939) *
Total net amount				170,669,912

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired”**

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

	The Group							
	31 December 2016				31 December 2015			
	Good	Satisfactory	No rating	Total	Good	Satisfactory	No rating	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,275,255	144,450	2,158,444	4,578,149	2,139,148	138,151	2,461,866	4,739,165
Term loans/financing	67,421,620	2,689,345	128,754,624	198,865,589	61,766,907	5,133,557	117,940,035	184,840,499
Bills receivable	4,937,870	430,775	553,801	5,922,446	4,419,761	107,143	1,670,586	6,197,490
Trust receipts	1,338,744	15,248	100,575	1,454,567	1,649,318	55,964	81,884	1,787,166
Claim on customers under acceptance credit	2,008,278	22,683	1,182,185	3,213,146	2,250,511	52,515	698,004	3,001,030
Credit card receivables	-	-	6,465,569	6,465,569	-	-	6,308,911	6,308,911
Revolving credit	17,424,516	255,348	1,928,520	19,608,384	11,946,012	443,631	3,631,861	16,021,504
Share margin financing	-	-	704,688	704,688	-	-	778,006	778,006
Total	95,406,283	3,557,849	141,848,406	240,812,538	84,171,657	5,930,961	133,571,153	223,673,771

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)**

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

	The Bank							
	31 December 2016				31 December 2015			
	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Overdrafts	1,401,245	66,159	1,525,354	2,992,758	1,256,317	59,959	1,844,532	3,160,808
Term loans/financing	48,469,582	1,445,382	90,561,250	140,476,214	44,019,522	2,032,029	86,243,314	132,294,865
Bills receivable	1,715,969	319,546	467,715	2,503,230	1,134,985	9,179	1,561,882	2,706,046
Trust receipts	881,767	951	35,799	918,517	1,085,311	4,894	31,057	1,121,262
Claim on customers under acceptance credit	1,691,098	1,429	1,102,065	2,794,592	1,877,898	40,838	646,776	2,565,512
Credit card receivables	-	-	6,285,716	6,285,716	-	-	6,168,126	6,168,126
Revolving credit	13,897,132	203,708	1,845,699	15,946,539	9,837,996	392,034	3,626,270	13,856,300
Share margin financing	-	-	702,843	702,843	-	-	774,099	774,099
Total	68,056,793	2,037,175	102,526,441	172,620,409	59,212,029	2,538,933	100,896,056	162,647,018

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

53.1.4 Credit quality of financial assets (Continued)

(a) Loan, advances and financing (Continued)

(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)

Credit quality descriptions can be summarised as follows:

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

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

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

(ii) Loans, advances and financing that are “past due but not impaired”

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loans, advances and financing (Continued)****(ii) Loans, advances and financing that are “past due but not impaired” (Continued)**

An age analysis of loans, advances and financing that are “past due but not impaired” are set out as below:

	The Group					
	31 December 2016			31 December 2015		
	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
Overdrafts	362,426	40,799	403,225	370,814	29,379	400,193
Term loans/financing	10,461,805	2,708,904	13,170,709	8,946,419	1,419,199	10,365,618
Bills receivable	68,251	44,476	112,727	68,488	3,674	72,162
Trust receipts	1,028	890	1,918	31,847	23,428	55,275
Claim on customers under acceptance credit	6,360	1,828	8,188	3,219	689	3,908
Credit card receivables	354,846	67,167	422,013	351,020	54,047	405,067
Revolving credit	3,843	7,471	11,314	997	9,095	10,092
Share margin financing	-	-	-	3,383	390	3,773
Total	11,258,559	2,871,535	14,130,094	9,776,187	1,539,901	11,316,088

	The Bank					
	31 December 2016			31 December 2015		
	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
Overdrafts	313,932	31,435	345,367	304,503	17,871	322,374
Term loans/financing	6,660,643	1,777,462	8,438,105	6,120,229	702,969	6,823,198
Bills receivable	1,778	20	1,798	958	61	1,019
Trust receipts	1,028	890	1,918	4,227	967	5,194
Claim on customers under acceptance credit	4,953	1,189	6,142	652	689	1,341
Credit card receivables	337,587	61,998	399,585	344,045	51,116	395,161
Revolving credit	-	-	-	454	-	454
Share margin financing	-	-	-	3,383	390	3,773
Total	7,319,921	1,872,994	9,192,915	6,778,451	774,063	7,552,514

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(iii) Impaired loans, advances and financing**

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Total gross impaired loans	5,585,752	4,340,369	3,483,449	3,124,319
Less: Impairment allowances	(3,080,997)	(2,674,282)	(2,030,229)	(2,020,772)
Total net impaired loans	<u>2,504,755</u>	<u>1,666,087</u>	<u>1,453,220</u>	<u>1,103,547</u>

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments**

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

	The Group					
	31 December 2016			31 December 2015		
	Neither past due nor impaired		Total	Neither past due nor impaired		Total
	(i)	Impaired		(i)	Impaired	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	20,371,692	-	20,371,692	17,794,671	-	17,794,671
Financial investments available-for-sale	24,657,174	40,393	24,697,567	26,683,784	70,517	26,754,301
Financial investments held-to-maturity	27,600,862	7,181	27,608,043	23,707,698	7,174	23,714,872
Total	72,629,728	47,574	72,677,302	68,186,153	77,691	68,263,844
Less: Impairment allowance			(47,574) *			(77,691) *
Total net amount			72,629,728			68,186,153

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

	The Bank					
	31 December 2016			31 December 2015		
	Neither past due nor impaired		Total	Neither past due nor impaired		Total
	(i)	Impaired		(i)	Impaired	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading	16,756,639	-	16,756,639	14,403,044	-	14,403,044
Financial investments available-for-sale	19,208,242	40,393	19,248,635	21,586,526	70,517	21,657,043
Financial investments held-to-maturity	22,572,462	-	22,572,462	19,389,224	-	19,389,224
Total	58,537,343	40,393	58,577,736	55,378,794	70,517	55,449,311
Less: Impairment allowance			(40,393) *			(70,517) *
Total net amount			58,537,343			55,378,794

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

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” as at 31 December 2016 and 31 December 2015 for the Group and the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired”**

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

	31 December 2016					The Group					31 December 2015				
	Sovereign	Investment grade		Non investment grade	No rating	Total	Sovereign	Investment grade		Non investment grade	No rating	Total			
		(AAA to BBB-)	(BB+ and below)					(AAA to BBB-)	(BB+ and below)						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Financial assets held for trading	10,386,340	9,214,914	-	770,438	20,371,692	7,229,514	9,053,183	14,415	1,497,559	17,794,671					
Financial investments available-for-sale	4,134,546	17,626,495	387,628	2,508,505	24,657,174	7,015,884	16,979,632	47,453	2,640,815	26,683,784					
Financial investments held-to-maturity	19,437,319	5,030,510	153,875	2,979,158	27,600,862	18,008,478	3,003,414	154,006	2,541,800	23,707,698					
Total	33,958,205	31,871,919	541,503	6,258,101	72,629,728	32,253,876	29,036,229	215,874	6,680,174	68,186,153					

The securities with no ratings mainly consist of corporate bond and Sukuk and commercial papers.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired” (Continued)**

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

	31 December 2016					The Bank		31 December 2015				
	Sovereign RM'000	Investment grade		Non investment grade		Total RM'000	Sovereign RM'000	Investment grade		Non investment grade		Total RM'000
		(AAA to BBB-) RM'000	(BB+ and below) RM'000	No rating RM'000	No rating RM'000			(AAA to BBB-) RM'000	(BB+ and below) RM'000	No rating RM'000	No rating RM'000	
Financial assets held for trading	9,691,420	6,325,523	-	739,696	16,756,639	6,823,520	6,226,407	14,415	1,338,702	14,403,044		
Financial investments available-for-sale	2,675,841	13,636,268	387,628	2,508,505	19,208,242	3,792,767	15,105,491	47,453	2,640,815	21,586,526		
Financial investments held-to-maturity	16,195,663	3,232,331	153,875	2,990,593	22,572,462	14,476,936	2,695,041	154,006	2,063,241	19,389,224		
Total	28,562,924	23,194,122	541,503	6,238,794	58,537,343	25,093,223	24,026,939	215,874	6,042,758	55,378,794		

The securities with no ratings mainly consist of corporate bond and Sukuk and commercial papers.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets**

Other financial assets are summarised as follows:

	The Group 31 December 2016			Total
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	15,484,527	-	-	15,484,527
Reverse repurchase agreements	5,107,539	-	-	5,107,539
Deposits and placements with banks and other financial institutions	1,181,729	-	-	1,181,729
Other assets	9,158,844	8,493	16,110	9,183,447
Derivative financial instruments	11,809,961	-	-	11,809,961
Amount due from holding company and ultimate holding company	4,084	-	-	4,084
Amount due from related companies	1,223,076	-	-	1,223,076
Total	43,969,760	8,493	16,110	43,994,363
Less: Impairment allowances				(14,390) *
Total net amount				43,979,973

	The Group 31 December 2015			Total
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	17,132,671	-	-	17,132,671
Reverse repurchase agreements	9,558,281	-	-	9,558,281
Deposits and placements with banks and other financial institutions	1,440,564	-	-	1,440,564
Other assets	10,234,586	6,695	27,285	10,268,566
Derivative financial instruments	11,463,962	-	-	11,463,962
Amount due from holding company and ultimate holding company	2,803	-	-	2,803
Amount due from related companies	1,272,717	-	-	1,272,717
Total	51,105,584	6,695	27,285	51,139,564
Less: Impairment allowances				(15,606) *
Total net amount				51,123,958

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

Other financial assets are summarised as follows: (Continued)

	The Bank 31 December 2016			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	7,629,372	-	-	7,629,372
Reverse repurchase agreements	4,698,080	-	-	4,698,080
Deposits and placements with banks and other financial institutions	5,044,889	-	-	5,044,889
Other assets	8,375,483	8,372	13,258	8,397,113
Derivative financial instruments	9,688,843	-	-	9,688,843
Amount due from holding company and ultimate holding company	4,084	-	-	4,084
Amount due from subsidiaries	546,462	-	-	546,462
Amount due from related companies	1,220,820	-	-	1,220,820
Total	37,208,033	8,372	13,258	37,229,663
Less: Impairment allowances				(11,351) *
Total net amount				37,218,312

	The Bank 31 December 2015			Total RM'000
	Neither past due nor impaired (i)	Past due but not impaired (ii)	Impaired	
	RM'000	RM'000	RM'000	
Cash and short term funds	11,500,210	-	-	11,500,210
Reverse repurchase agreements	8,404,346	-	-	8,404,346
Deposits and placements with banks and other financial institutions	4,694,012	-	-	4,694,012
Other assets	9,195,034	6,694	11,909	9,213,637
Derivative financial instruments	8,808,615	-	-	8,808,615
Amount due from holding company and ultimate holding company	2,803	-	-	2,803
Amount due from subsidiaries	40,622	-	-	40,622
Amount due from related companies	1,269,970	-	-	1,269,970
	43,915,612	6,694	11,909	43,934,215
Less: Impairment allowances				(10,655) *
Total net amount				43,923,560

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

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets****(i) Other financial assets that are “neither past due nor impaired”**

An analysis of the credit quality of the Group’s and the Bank’s other credit risk financial assets that are “neither past due nor impaired” are set out below:

	The Group									
	31 December 2016					31 December 2015				
	Sovereign	Investment grade	Non investment grade	No rating	Total	Sovereign	Investment grade	Non investment grade	No rating	Total
RM'000	(AAA to BBB-) RM'000	(BB+ and below) RM'000	RM'000	RM'000	RM'000	(AAA to BBB-) RM'000	(BB+ and below) RM'000	RM'000	RM'000	RM'000
Cash and short term funds	7,010,005	7,555,336	2,594	916,592	15,484,527	8,870,162	6,734,393	761	1,527,355	17,132,671
Reverse repurchase agreements	112,713	4,738,333	17,400	239,093	5,107,539	6,852,045	1,182,072	141,085	1,383,079	9,558,281
Deposits and placements with banks and other financial institutions	68,296	1,093,970	-	19,463	1,181,729	326,433	905,039	-	209,092	1,440,564
Other assets	31,038	5,013,068	585,813	3,528,925	9,158,844	267,479	4,703,160	250,424	5,013,523	10,234,586
Derivative financial instruments	21,265	8,912,453	2,432,179	444,064	11,809,961	8,477	8,469,764	2,045,316	940,405	11,463,962
Amount due from holding company and ultimate holding company	-	4,084	-	-	4,084	-	2,803	-	-	2,803
Amount due from related companies	-	9,285	-	1,213,791	1,223,076	-	2,195	-	1,270,522	1,272,717
Total	7,243,317	27,326,529	3,037,986	6,361,928	43,969,760	16,324,596	21,999,426	2,437,586	10,343,976	51,105,584

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)****(i) Other financial assets that are “neither past due nor impaired” (Continued)**

An analysis of the credit quality of the Group’s and the Bank’s other credit risk financial assets that are “neither past due nor impaired” are set out below: (Continued)

	31 December 2016					The Bank		31 December 2015				
	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000		
Cash and short term funds	100,184	6,990,856	900	537,432	7,629,372	4,609,154	5,746,673	761	1,143,622	11,500,210		
Reverse repurchase agreements	112,713	4,328,874	17,400	239,093	4,698,080	5,781,384	1,098,799	141,085	1,383,078	8,404,346		
Deposits and placements with banks and other financial institutions	-	5,044,889	-	-	5,044,889	261,568	4,242,400	-	190,044	4,694,012		
Other assets	-	3,721,773	584,018	4,069,692	8,375,483	129,669	3,884,522	250,424	4,930,419	9,195,034		
Derivative financial instruments	20,242	7,248,328	2,104,242	316,031	9,688,843	8,414	6,006,797	1,933,349	860,055	8,808,615		
Amount due from holding company and ultimate holding company	-	4,084	-	-	4,084	-	2,803	-	-	2,803		
Amount due from subsidiaries	-	517,458	-	29,004	546,462	-	34,171	-	6,451	40,622		
Amount due from related companies	-	9,163	-	1,211,657	1,220,820	-	678	-	1,269,292	1,269,970		
Total	233,139	27,865,425	2,706,560	6,402,909	37,208,033	10,790,189	21,016,843	2,325,619	9,782,961	43,915,612		

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)****(ii) Other financial assets that are “past due but not impaired”**

An age analysis of other financial assets that are “past due but not impaired” are set out as below:

	The Group					
	31 December 2016			31 December 2015		
	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
Other assets	2,722	5,771	8,493	2,353	4,342	6,695
Total	2,722	5,771	8,493	2,353	4,342	6,695

	The Bank					
	31 December 2016			31 December 2015		
	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
Other assets	2,722	5,650	8,372	2,353	4,341	6,694
Total	2,722	5,650	8,372	2,353	4,341	6,694

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

53 Financial Risk Management (Continued)

53.1 Credit risk (Continued)

53.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as follows:

	The Group	
	Carrying amount	
	31 December	31 December
	2016	2015
Nature of assets	RM'000	RM'000
Industrial and residential properties, development land and motor vehicles	135,872	114,987

Reposessed collaterals are sold as soon as practicable. The Group does not utilise the reposessed collaterals for its business use.

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

53 Financial Risk Management (Continued)

53.2 Market risk

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

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

Market Risk Management (MRM)

The Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. The GRC with the assistance of GMRC and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk CoE in GRD is responsible to measure and control the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

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

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

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

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53 Financial Risk Management (Continued)

53.2 Market risk (Continued)

Market Risk Management (MRM) (Continued)

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

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

Apart from daily monitoring, market risk exposures and VaR of the Group will be summarised and submitted to GMRC, GRC and BRC on a monthly basis. 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 2016 is shown in table 53.2.1.

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

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

Capital Treatment for Market Risk

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.1 VaR**

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

	The Group		The Bank *	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Foreign exchange risk	5,182	9,289	5,484	9,696
Interest rate risk	21,530	13,744	19,080	11,973
Equity risk	5,063	1,963	5,063	1,963
Commodity risk	1,294	485	1,294	485
Total	33,069	25,481	30,921	24,117
Total shareholder's fund	34,258,879	31,666,302	28,450,917	26,693,983
Percentage over shareholder's funds	0.10%	0.08%	0.11%	0.09%

* Includes the operations of CIMB Bank (L) Limited.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk**

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

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

	The Group							Trading book	Total
	31 December 2016								
	Non-trading book						Non-interest sensitive	RM'000	RM'000
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets									
Cash and short-term funds	12,936,127	-	-	-	-	-	5,684,183	-	18,620,310
Reverse repurchase agreements	3,972,033	1,125,691	-	-	-	-	9,815	-	5,107,539
Deposits and placements with banks and other financial institutions	451,253	524,793	157,626	85	-	-	47,972	-	1,181,729
Financial assets held for trading	-	-	-	-	-	-	-	21,333,299	21,333,299
Financial investments available-for-sale	458,563	592,772	368,599	1,937,760	9,095,255	12,006,815	1,508,070	-	25,967,834
Financial investments held-to-maturity	668,156	523,816	753,635	459,023	14,354,162	10,566,489	275,581	-	27,600,862
Derivative financial instruments	53,123	8,510	21,578	32,115	86,324	78,097	-	11,530,214	11,809,961
Loans, advances and financing	210,814,318	9,833,188	2,862,467	2,638,551	19,682,735	10,368,690	-	-	256,199,949
Other assets	1,195,335	4,017,228	45,040	159,739	1,283,633	397	2,467,685	-	9,169,057
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	4,084	-	4,084
Amount due from related companies	-	-	-	-	-	-	1,223,076	-	1,223,076
Total financial assets	230,548,908	16,625,998	4,208,945	5,227,273	44,502,109	33,020,488	11,220,466	32,863,513	378,217,700

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Group 31 December 2016						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	Non-trading book				→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial liabilities									
Deposits from customers	141,641,518	59,332,228	30,013,224	19,672,529	945,819	27,378	26,847,565	278,480,261	
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408	
Deposits and placements of banks and other financial institutions	12,172,100	10,768,774	2,163,857	969,298	348,561	318,009	159,168	26,899,767	
Repurchase agreements	352,679	2,182,711	1,275,867	-	513,262	-	16,335	4,340,854	
Financial liabilities designated at fair value	141,846	568,910	1,473,503	-	2,262,370	166,900	15,274	4,367,577	
Derivative financial instruments	62,897	90,279	3,293	48,867	516,122	221,764	-	11,087,666	
Bills and acceptances payable	1,602,469	136,560	221,022	26,019	27,295	251,675	36,328	2,301,368	
Amount due to related companies	-	-	-	-	-	-	5,228	5,228	
Other liabilities	25,228	3,420,008	-	-	212	-	2,403,950	5,849,398	
Recourse obligation on loans and financing sold to Cagamas	350,000	1,253,473	-	-	2,045,640	812,207	37,049	4,498,369	
Bonds, Sukuk and debentures	7,581	460,523	297,803	1,575,910	3,800,074	-	145,262	6,287,153	
Other borrowings	1,794,400	1,763,296	-	-	-	-	8,130	3,565,826	
Subordinated obligations	-	-	-	1,801,763	8,263,481	863,379	177,996	11,106,619	
Total financial liabilities	158,405,126	79,976,762	35,448,569	24,094,386	18,722,836	2,661,312	29,852,285	359,987,716	
Net interest sensitivity gap	72,143,782	(63,350,764)	(31,239,624)	(18,867,113)	25,779,273	30,359,176		22,037,073	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	6,375,142	6,375,142	
Credit related commitments and contingencies	-	-	-	-	-	-	77,924,513	77,924,513	
Treasury related commitments and contingencies (hedging)	1,919,138	109,076	5,322,867	4,980,737	20,795,137	7,048,492	-	40,175,447	
Net interest sensitivity gap	1,919,138	109,076	5,322,867	4,980,737	20,795,137	7,048,492	84,299,655	124,475,102	

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Group 31 December 2015							Trading book RM'000	Total RM'000
	Non-trading book						Non-interest sensitive RM'000		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial assets									
Cash and short-term funds	14,574,190	-	-	-	-	-	5,614,641	-	20,188,831
Reverse repurchase agreements	6,431,060	1,732,174	-	-	1,086,230	275,727	33,090	-	9,558,281
Deposits and placements with banks and other financial institutions	2,176	996,429	182,369	214,797	-	-	44,793	-	1,440,564
Financial assets held for trading	-	-	-	-	-	-	-	18,435,955	18,435,955
Financial investments available-for-sale	132,713	269,593	672,888	1,425,548	10,049,647	13,909,147	1,551,113	-	28,010,649
Financial investments held-to-maturity	110,198	576,375	355,046	1,609,547	9,724,770	11,100,474	231,288	-	23,707,698
Derivative financial instruments	1,803	4,299	3,962	9,119	117,511	25,283	-	11,301,985	11,463,962
Loans, advances and financing	186,845,745	14,157,467	3,678,332	1,393,796	20,030,762	9,331,781	-	-	235,437,884
Other assets	695,099	3,851,273	92,071	427,898	2,391,724	-	2,794,895	-	10,252,960
Amount due from holding company and Amount due from related companies	-	-	-	-	-	-	2,803	-	2,803
	-	-	-	-	-	-	1,272,717	-	1,272,717
Total financial assets	208,792,984	21,587,611	4,984,668	5,080,705	43,400,644	34,642,412	11,545,340	29,737,940	359,772,304

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Group 31 December 2015							Trading book RM'000	Total RM'000
	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
Financial liabilities									
Deposits from customers	125,110,924	47,510,419	25,360,132	33,609,696	2,408,118	837,500	28,465,475	-	263,302,264
Investment accounts of customers	226,728	-	-	-	-	-	5,988	-	232,716
Deposits and placements of banks and other financial institutions	8,057,108	6,382,594	2,803,880	3,347,536	1,006,047	291,938	173,649	-	22,062,752
Repurchase agreements	795,857	5,439,846	205,354	605,279	532,154	275,727	51,702	-	7,905,919
Financial liabilities designated at fair value	149,048	458,145	1,177,577	-	3,055,455	546,158	21,014	(454,626)	4,952,771
Derivative financial instruments	881	27,788	9,969	56,119	442,757	68,213	-	11,274,807	11,880,534
Bills and acceptances payable	847,493	49,232	25,950	619	61,098	-	39,904	-	1,024,296
Amount due to related companies	-	-	-	-	-	-	24,652	-	24,652
Other liabilities	734,964	2,492,313	-	-	-	-	3,268,845	-	6,496,122
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	852,225	957,106	8,485	-	1,817,816
Bonds and debentures	553,494	1,580,186	855,033	1,395,836	5,406,700	-	77,406	-	9,868,655
Other borrowings	1,073,250	1,674,270	-	-	-	-	5,272	-	2,752,792
Subordinated obligations	-	-	250,097	1,349,893	7,850,370	1,557,440	161,804	-	11,169,604
Total financial liabilities	137,549,747	65,614,793	30,687,992	40,364,978	21,614,924	4,534,082	32,304,196	10,820,181	343,490,893
Net interest sensitivity gap	71,243,237	(44,027,182)	(25,703,324)	(35,284,273)	21,785,720	30,108,330		18,917,759	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	10,368,168	-	10,368,168
Credit related commitments and contingencies	-	-	-	-	-	-	69,276,171	-	69,276,171
Treasury related commitments and contingencies (hedging)	936,666	1,251,223	6,087,558	2,238,206	17,043,472	8,484,664	-	-	36,041,789
Net interest sensitivity gap	936,666	1,251,223	6,087,558	2,238,206	17,043,472	8,484,664	79,644,339	-	115,686,128

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2016						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	Non-trading book				→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial assets									
Cash and short-term funds	5,997,010	-	-	-	-	-	4,360,993	-	10,358,003
Reverse repurchase agreements	3,562,610	1,125,691	-	-	-	-	9,779	-	4,698,080
Deposits and placements with banks and other financial institutions	3,840,524	1,030,487	160,959	2,240	-	-	10,679	-	5,044,889
Financial assets held for trading	-	-	-	-	-	-	-	17,613,301	17,613,301
Financial investments available-for-sale	405,041	592,772	367,339	1,673,976	5,474,072	10,538,417	1,433,809	-	20,485,426
Financial investments held-to-maturity	377,589	500,000	661,537	240,561	11,643,077	8,926,410	223,288	-	22,572,462
Derivative financial instruments	53,123	8,510	21,578	31,556	158,933	68,188	-	9,346,955	9,688,843
Loans, advances and financing	159,709,131	7,835,875	2,004,569	1,847,046	6,156,846	5,032,308	-	-	182,585,775
Other assets	1,182,268	4,015,561	-	110,153	1,276,327	-	1,801,453	-	8,385,762
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	4,084	-	4,084
Amount due from subsidiaries	-	-	-	-	-	-	546,462	-	546,462
Amount due from related companies	-	-	-	-	-	-	1,220,820	-	1,220,820
Total financial assets	175,127,296	15,108,896	3,215,982	3,905,532	24,709,255	24,565,323	9,611,367	26,960,256	283,203,907

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2016						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	Non-trading book				→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial liabilities									
Deposits from customers	100,026,800	39,609,508	21,590,457	12,958,131	802,570	228	26,364,486	-	201,352,180
Deposits and placements of banks and other financial institutions	11,828,985	10,814,382	1,970,143	931,885	348,163	318,009	73,366	-	26,284,933
Repurchase agreements	352,679	2,182,711	1,275,867	-	513,262	-	16,335	-	4,340,854
Financial liabilities designated at fair value	-	-	-	-	2,260,133	166,900	8,447	(431,017)	2,004,463
Derivative financial instruments	62,897	90,279	3,293	47,957	283,377	221,692	-	9,071,240	9,780,735
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	-	886,404
Amount due to subsidiaries	-	-	-	-	-	-	29,422	-	29,422
Amount due to related company	-	-	-	-	-	-	3,570	-	3,570
Other liabilities	10,559	3,418,908	-	-	-	-	2,314,620	-	5,744,087
Recourse obligation on loans and financing sold to Cagamas	350,000	807,969	-	-	1,145,637	812,207	29,166	-	3,144,979
Bonds and debentures	-	-	266,867	1,575,910	3,214,074	-	142,233	-	5,199,084
Other borrowing	1,794,400	1,763,296	-	-	-	-	8,130	-	3,565,826
Subordinated obligations	-	-	-	1,501,763	7,953,739	-	74,217	-	9,529,719
Total financial liabilities	115,221,146	58,755,047	25,130,195	17,015,662	16,520,955	1,519,036	29,063,992	8,640,223	271,866,256
Net interest sensitivity gap	59,906,150	(43,646,151)	(21,914,213)	(13,110,130)	8,188,300	23,046,287		18,320,033	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	5,774,484	-	5,774,484
Credit related commitments and contingencies	-	-	-	-	-	-	66,333,759	-	66,333,759
Treasury related commitments and contingencies (hedging)	7,154,390	109,076	5,322,867	4,680,737	17,199,434	7,048,492	-	-	41,514,996
Net interest sensitivity gap	7,154,390	109,076	5,322,867	4,680,737	17,199,434	7,048,492	72,108,243	-	113,623,239

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2015						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	←	Non-trading book				→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial assets									
Cash and short-term funds	10,068,413	-	-	-	-	-	4,090,973	-	14,159,386
Reverse repurchase agreements	5,277,219	1,732,174	-	-	1,086,230	275,727	32,996	-	8,404,346
Deposits and placements with banks and other financial institutions	2,611,324	1,492,641	182,369	398,003	-	-	9,675	-	4,694,012
Financial assets held for trading	-	-	-	-	-	-	-	14,951,772	14,951,772
Financial investments available-for-sale	129,183	144,326	408,715	1,138,949	6,952,651	12,633,487	1,426,728	-	22,834,039
Financial investments held-to-maturity	110,198	254,002	245,415	841,787	7,832,310	9,919,150	186,362	-	19,389,224
Derivative financial instruments	1,803	4,299	3,741	8,972	206,560	25,284	-	8,557,956	8,808,615
Loans, advances and financing	145,175,264	11,882,478	2,684,573	442,318	7,195,580	3,289,699	-	-	170,669,912
Other assets	695,099	3,851,273	92,071	427,898	2,391,724	-	1,744,917	-	9,202,982
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	2,803	-	2,803
Amount due from subsidiaries	-	-	-	-	-	-	40,622	-	40,622
Amount due from related companies	-	-	-	-	-	-	1,269,970	-	1,269,970
Total financial assets	164,068,503	19,361,193	3,616,884	3,257,927	25,665,055	26,143,347	8,805,046	23,509,728	274,427,683

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)**

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

	The Bank 31 December 2015							Trading book RM'000	Total RM'000
	←	←	Non-trading book		→	→	→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
Financial liabilities									
Deposits from customers	89,352,218	34,794,984	18,536,141	25,199,125	1,796,333	673,567	27,921,280	-	198,273,648
Deposits and placements of banks and other financial institutions	6,877,930	6,115,881	2,607,812	3,274,222	962,217	291,938	46,311	-	20,176,311
Repurchase agreements	779,203	5,439,846	205,354	605,279	532,154	275,727	51,697	-	7,889,260
Financial liabilities designated at fair value	-	-	-	-	2,849,135	546,158	12,617	(558,988)	2,848,922
Derivative financial instruments	881	27,788	9,969	56,119	305,795	67,694	-	8,629,688	9,097,934
Bills and acceptances payable	613,250	48,233	24,594	410	-	-	-	-	686,487
Amount due to subsidiaries	-	-	-	-	-	-	34,647	-	34,647
Amount due to related company	-	-	-	-	-	-	15,561	-	15,561
Other liabilities	669,469	2,492,313	-	-	-	-	2,215,019	-	5,376,801
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	352,225	957,106	6,117	-	1,315,448
Bonds and debentures	320,358	190,818	140,722	945,125	4,906,700	-	72,349	-	6,576,072
Other borrowings	1,073,250	1,674,270	-	-	-	-	5,272	-	2,752,792
Subordinated obligations	-	-	-	1,349,893	7,551,424	151,339	64,411	-	9,117,067
Total financial liabilities	99,686,559	50,784,133	21,524,592	31,430,173	19,255,983	2,963,529	30,445,281	8,070,700	264,160,950
Net interest sensitivity gap	64,381,944	(31,422,940)	(17,907,708)	(28,172,246)	6,409,072	23,179,818		15,439,028	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	9,955,204	-	9,955,204
Credit related commitments and contingencies	-	-	-	-	-	-	61,045,365	-	61,045,365
Treasury related commitments and contingencies (hedging)	936,666	1,251,223	5,837,558	2,738,206	19,963,298	8,464,852	-	-	39,191,803
Net interest sensitivity gap	936,666	1,251,223	5,837,558	2,738,206	19,963,298	8,464,852	71,000,569	-	110,192,372

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)****(c) Sensitivity of profit**

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

	The Group			
	31 December 2016		31 December 2015	
	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)	(59,059)	59,059	54,332	(54,332)

	The Bank			
	31 December 2016		31 December 2015	
	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)	31,268	(31,268)	138,607	(138,607)

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.2 Interest rate risk (Continued)****(d) Sensitivity of reserves**

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

	The Group			
	31 December 2016		31 December 2015	
	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 revaluation reserve-financial investments available-for-sale	(1,119,791)	1,119,791	(2,209,237)	2,209,237

	The Bank			
	31 December 2016		31 December 2015	
	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 revaluation reserve-financial investments available-for-sale	(906,854)	906,854	(2,030,525)	2,030,525

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

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

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

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

53 Financial Risk Management (Continued)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk

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

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

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

The Group 31 December 2016														
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	12,503,913	62,273	316,517	208,249	2,832,782	58,071	524,947	25,976	306,918	377,183	430,624	972,857	6,116,397	18,620,310
Reverse repurchase agreements	1,634,749	-	409,459	888,898	1,754,724	38,973	83,661	276,266	-	17,112	3,296	401	3,472,790	5,107,539
Deposits and placements with banks and other financial institutions	469,784	-	34,029	282	375,347	-	-	-	96,694	-	-	205,593	711,945	1,181,729
Financial assets held for trading	8,753,965	21	885,659	6,678,523	2,394,893	44,463	171,749	1,853,276	-	240,453	112,510	197,787	12,579,334	21,333,299
Financial investments available-for-sale	14,139,739	-	3,842,030	2,524,856	4,973,387	44,141	252,226	-	133,191	-	58,264	-	11,828,095	25,967,834
Financial investments held-to-maturity	23,037,295	-	1,730,979	1,803,238	1,029,350	-	-	-	-	-	-	-	4,563,567	27,600,862
Derivative financial instruments	188,667	3	1,012,217	170,549	10,137,552	11,304	5,868	127,200	22,101	25,070	8,791	100,639	11,621,294	11,809,961
Loans, advances and financing	171,014,331	-	23,056,146	25,619,753	29,255,643	291,117	4,670,913	541,157	12,803	529,125	1,154,939	54,022	85,185,618	256,199,949
Other assets	3,642,542	1,565	153,873	160,538	4,682,609	1,135	81,456	3,387	285	40,954	35,691	365,022	5,526,515	9,169,057
Amount due from ultimate holding company	4,024	-	-	-	-	-	-	-	-	-	60	-	60	4,084
Amount due from related companies	1,223,076	-	-	-	-	-	-	-	-	-	-	-	-	1,223,076
	236,612,085	63,862	31,440,909	38,054,886	57,436,287	489,204	5,790,820	2,827,262	571,992	1,229,897	1,804,175	1,896,321	141,605,615	378,217,700
Financial liabilities														
Deposits from customers	187,523,012	51	22,867,960	31,785,999	28,873,979	1,108,108	3,124,771	94,278	1,293,637	397,508	661,460	749,498	90,957,249	278,480,261
Investment accounts of customers	254,408	-	-	-	-	-	-	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	3,899,268	-	1,044,838	2,413,542	16,329,915	319,023	1,485,976	3,902	281,418	107,666	878,924	135,295	23,000,499	26,899,767
Repurchase agreements	1,518,064	-	-	586,040	2,236,750	-	-	-	-	-	-	-	2,822,790	4,340,854
Derivatives financial instruments	137,472	-	539,237	175,838	10,891,359	18,368	39,348	58,022	243	76,060	1,250	93,691	11,893,416	12,030,888
Bills and acceptances payable	473,710	-	1,071,028	140,411	616,200	-	19	-	-	-	-	-	1,827,658	2,301,368
Amount due to related companies	3,295	-	946	8	358	-	-	-	-	-	621	-	1,933	5,228
Other liabilities	2,810,386	92	435,932	292,320	2,254,462	5,365	14,120	9,627	2,674	9,924	12,083	2,413	3,039,012	5,849,398
Recourse obligation on loans and financing sold to Cagamas	4,498,369	-	-	-	-	-	-	-	-	-	-	-	-	4,498,369
Other borrowings	-	-	-	-	3,565,826	-	-	-	-	-	-	-	3,565,826	3,565,826
Bonds, Sukuk and debentures	586,487	-	501,582	372,126	2,918,052	338,803	-	-	299,863	-	1,270,240	-	5,700,666	6,287,153
Subordinated obligations	10,660,072	-	446,547	-	-	-	-	-	-	-	-	-	446,547	11,106,619
Financial liabilities designated at fair value	1,850,986	-	2,360,933	155,658	-	-	-	-	-	-	-	-	2,516,591	4,367,577
	214,215,529	143	29,269,003	35,921,942	67,686,901	1,789,667	4,664,234	165,829	1,877,835	591,158	2,824,578	980,897	145,772,187	359,987,716
Financial guarantees	1,699,236	-	15,479	898,848	2,943,027	50,986	99,982	3,207	654,814	6,529	-	3,034	4,675,906	6,375,142
Credit related commitments and contingencies	64,061,233	-	1,299,113	2,014,489	8,718,494	259,546	1,221,939	49,700	9,244	108,135	169,449	13,171	13,863,280	77,924,513
	65,760,469	-	1,314,592	2,913,337	11,661,521	310,532	1,321,921	52,907	664,058	114,664	169,449	16,205	18,539,186	84,299,655

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

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

		The Group 31 December 2015											Total non-MYR	Grand total
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	RM'000	RM'000
Financial assets														
Cash and short-term funds	11,933,386	16,065	282,959	282,906	4,406,310	28,856	1,518,973	56,021	285,123	65,516	670,727	641,989	8,255,445	20,188,831
Reverse repurchase agreements	816,866	-	1,153,935	2,143,496	5,292,089	35,737	87,734	421	-	23,270	4,733	-	8,741,415	9,558,281
Deposits and placements with banks and other financial institutions	168,295	-	39,765	298	808,262	-	127,545	-	99,496	127,712	66,527	2,664	1,272,269	1,440,564
Financial assets held for trading	7,992,234	1	706,013	5,463,697	3,286,010	35,271	47,379	428,649	159,894	55,599	234,424	26,784	10,443,721	18,435,955
Financial investments available-for-sale	15,379,120	40,036	3,191,611	2,051,867	6,642,331	105,684	176,485	-	232,561	190,954	-	-	12,631,529	28,010,649
Financial investments held-to-maturity	18,927,656	-	2,676,138	1,735,910	358,377	-	-	-	-	-	-	9,617	4,780,042	23,707,698
Derivative financial instruments	155,393	-	818,653	189,936	10,091,930	12,625	25,746	69,194	21,735	52,010	22,192	4,548	11,308,569	11,463,962
Loans, advances and financing	155,781,500	-	21,490,187	23,569,911	27,105,885	368,799	5,349,816	449,670	399,991	681,283	234,382	6,460	79,656,384	235,437,884
Other assets	4,160,647	-	276,606	225,450	5,257,268	359	4,382	28	-	1,263	9,293	317,664	6,092,313	10,252,960
Amount due from ultimate holding company	2,803	-	-	-	-	-	-	-	-	-	-	-	-	2,803
Amount due from related companies	1,272,717	-	-	-	-	-	-	-	-	-	-	-	-	1,272,717
	216,590,617	56,102	30,635,867	35,663,471	63,248,462	587,331	7,338,060	1,003,983	1,198,800	1,197,607	1,242,278	1,009,726	143,181,687	359,772,304
Financial liabilities														
Deposits from customers	168,943,857	41	20,180,586	25,047,643	41,871,724	1,136,551	2,390,348	506,018	941,396	818,837	820,070	645,193	94,358,407	263,302,264
Investment accounts of customers	232,716	-	-	-	-	-	-	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	5,565,492	-	1,736,873	2,740,392	7,876,637	773,390	2,005,367	232,324	93,908	449,709	346,918	241,742	16,497,260	22,062,752
Repurchase agreements	5,892,607	-	16,658	1,576,805	419,849	-	-	-	-	-	-	-	2,013,312	7,905,919
Derivatives financial instruments	532,157	-	469,727	157,526	10,493,851	16,486	8,796	47,019	726	91,600	20,434	42,212	11,348,377	11,880,534
Bills and acceptances payable	618,043	-	337,666	58,266	10,301	-	20	-	-	-	-	-	406,253	1,024,296
Amount due to related companies	16,743	-	5,543	8	2,335	-	-	-	-	-	23	-	7,909	24,652
Other liabilities	2,678,007	14,123	844,031	343,362	2,596,586	604	1,960	646	1,997	2,989	4,995	6,822	3,818,115	6,496,122
Recourse obligation on loans and financing	1,817,816	-	-	-	-	-	-	-	-	-	-	-	-	1,817,816
Other borrowings	-	-	-	-	2,752,792	-	-	-	-	-	-	-	2,752,792	2,752,792
Bonds and debentures	500,161	-	2,792,422	359,638	2,991,394	330,488	-	-	142,337	140,736	2,611,479	-	9,368,494	9,868,655
Subordinated obligations	10,379,687	-	789,917	-	-	-	-	-	-	-	-	-	789,917	11,169,604
Financial liabilities designated at fair value	2,885,608	-	1,904,786	162,377	-	-	-	-	-	-	-	-	2,067,163	4,952,771
	200,062,894	14,164	29,078,209	30,446,017	69,015,469	2,257,519	4,406,491	786,007	1,180,364	1,503,871	3,803,919	935,969	143,427,999	343,490,893
Financial guarantees	1,894,316	-	122,001	464,814	7,472,318	240	113,798	3,700	529	20,731	246	275,475	8,473,852	10,368,168
Credit related commitments and contingencies	55,324,663	-	1,052,025	1,982,575	9,107,134	4,996	1,104,709	84,046	51,545	40,799	501,504	22,175	13,951,508	69,276,171
	57,218,979	-	1,174,026	2,447,389	16,579,452	5,236	1,218,507	87,746	52,074	61,530	501,750	297,650	22,425,360	79,644,339

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

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

		The Bank												
		31 December 2016												
	MYR	IDR	THB	SGD	USD	AUD	GBP	JPY	RMB	EUR	HKD	Others	Total non-MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets														
Cash and short-term funds	6,257,214	58,986	39,093	203,313	1,829,636	49,436	291,299	20,815	306,736	363,885	428,278	509,312	4,100,789	10,358,003
Reverse repurchase agreements	1,634,749	-	-	888,898	1,754,724	38,973	83,661	276,266	-	17,112	3,296	401	3,063,331	4,698,080
Deposits and placements with banks and other financial institutions	4,492,191	-	-	-	456,004	-	-	-	96,694	-	-	-	552,698	5,044,889
Financial assets held for trading	6,143,155	21	-	6,678,523	2,171,364	44,463	171,749	1,853,276	-	240,453	112,510	197,787	11,470,146	17,613,301
Financial investments available-for-sale	12,524,886	-	-	2,524,080	4,948,638	44,141	252,226	-	133,191	-	58,264	-	7,960,540	20,485,426
Financial investments held-to-maturity	19,706,697	-	-	1,803,238	1,062,527	-	-	-	-	-	-	-	2,865,765	22,572,462
Derivative financial instruments	1,054,603	3	379,821	178,483	7,902,112	11,303	2,910	106,419	22,101	18,816	8,726	3,546	8,634,240	9,688,843
Loans, advances and financing	124,337,995	-	-	25,202,545	25,975,090	291,117	4,669,543	539,610	12,505	386,677	1,154,939	15,754	58,247,780	182,585,775
Other assets	3,732,617	1,522	1,380	160,514	3,964,444	1,135	81,308	3,387	285	39,209	35,691	364,270	4,653,145	8,385,762
Amount due from holding company and ultimate holding company	4,024	-	-	-	-	-	-	-	-	-	60	-	60	4,084
Amount due from subsidiaries	527,254	-	-	3,123	5,294	-	73	-	-	4,384	2,660	3,674	19,208	546,462
Amount due from related companies	1,210,746	-	-	9,911	163	-	-	-	-	-	-	-	10,074	1,220,820
	181,626,131	60,532	420,294	37,652,628	50,069,996	480,568	5,552,769	2,799,773	571,512	1,070,536	1,804,424	1,094,744	101,577,776	283,203,907
Financial liabilities														
Deposits from customers	135,700,449	51	8,418	31,765,218	26,662,810	1,104,159	3,121,583	92,643	1,293,637	380,131	661,460	561,621	65,651,731	201,352,180
Deposits and placements of banks and other financial institutions	5,693,406	-	-	2,417,292	15,142,665	319,023	1,481,695	-	113,747	104,837	878,924	133,344	20,591,527	26,284,933
Repurchase agreements	1,518,064	-	-	586,040	2,236,750	-	-	-	-	-	-	-	2,822,790	4,340,854
Derivatives financial instruments	807,632	-	385,160	164,498	8,344,230	18,037	12,077	29,951	243	10,163	1,250	7,494	8,973,103	9,780,735
Bills and acceptances payable	473,710	-	-	140,411	272,283	-	-	-	-	-	-	-	412,694	886,404
Amount due to subsidiaries	18,121	-	-	6,914	-	-	-	-	-	-	4,387	-	11,301	29,422
Amount due to related companies	2,948	-	-	-	1	-	-	-	-	-	621	-	622	3,570
Other liabilities	3,228,643	92	1,890	292,320	2,166,325	5,214	14,120	9,627	2,674	9,912	12,083	1,187	2,515,444	5,744,087
Recourse obligation on loans and financing sold to Cagamas	3,144,979	-	-	-	-	-	-	-	-	-	-	-	-	3,144,979
Other borrowings	-	-	-	-	3,565,826	-	-	-	-	-	-	-	3,565,826	3,565,826
Bonds and debentures	-	-	-	372,126	2,918,052	338,803	-	-	299,863	-	1,270,240	-	5,199,084	5,199,084
Subordinated notes	9,529,719	-	-	-	-	-	-	-	-	-	-	-	-	9,529,719
Financial liabilities designated at fair value	1,848,805	-	-	155,658	-	-	-	-	-	-	-	-	155,658	2,004,463
	161,966,476	143	395,468	35,900,477	61,308,942	1,785,236	4,629,475	132,221	1,710,164	505,043	2,828,965	703,646	109,899,780	271,866,256
Financial guarantees														
	1,524,619	-	1,252	898,848	2,531,654	50,927	99,982	3,207	654,814	6,148	-	3,033	4,249,865	5,774,484
Credit related commitments and contingencies	54,401,614	-	-	2,014,489	8,185,866	259,479	1,220,095	14,788	9,244	45,564	169,449	13,171	11,932,145	66,333,759
	55,926,233	-	1,252	2,913,337	10,717,520	310,406	1,320,077	17,995	664,058	51,712	169,449	16,204	16,182,010	72,108,243

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

53 Financial Risk Management (Continued)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

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

		The Bank 31 December 2015											Total non-MYR	Grand total
	MYR	IDR	THB	SGD	USD	AUD	GBP	JPY	RMB	EUR	HKD	Others	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial assets														
Cash and short-term funds	7,808,168	14,929	17,880	278,039	3,130,362	27,289	1,251,220	54,322	289,613	54,711	668,460	564,393	6,351,218	14,159,386
Reverse repurchase agreements	816,866	-	-	2,143,496	5,292,089	35,737	87,734	421	-	23,270	4,733	-	7,587,480	8,404,346
Deposits and placements with banks and other financial institutions	3,226,612	-	-	-	1,046,125	-	127,545	-	99,496	127,707	66,527	-	1,467,400	4,694,012
Financial assets held for trading	5,550,702	1	-	5,463,697	2,949,372	35,271	47,379	428,649	159,894	55,599	234,424	26,784	9,401,070	14,951,772
Financial investments available-for-sale	13,467,641	40,036	-	2,051,176	6,569,571	105,684	176,485	-	232,561	190,885	-	-	9,366,398	22,834,039
Financial investments held-to-maturity	17,263,124	-	-	1,735,910	390,190	-	-	-	-	-	-	-	2,126,100	19,389,224
Derivative financial instruments	891,319	-	337,652	210,981	7,222,956	9,361	25,742	40,301	21,735	24,469	22,104	1,995	7,917,296	8,808,615
Loans, advances and financing	115,156,037	-	-	23,568,636	24,658,020	368,799	5,349,481	448,354	399,395	481,671	233,060	6,459	55,513,875	170,669,912
Other assets	4,151,203	-	-	225,209	4,493,663	359	4,381	-	-	1,262	9,292	317,613	5,051,779	9,202,982
Amount due from holding company and ultimate holding company	2,803	-	-	-	-	-	-	-	-	-	-	-	-	2,803
Amount due from subsidiaries	31,306	-	6,748	-	-	726	162	-	-	1,680	-	-	9,316	40,622
Amount due from related companies	1,269,970	-	-	-	-	-	-	-	-	-	-	-	-	1,269,970
	169,635,751	54,966	362,280	35,677,144	55,752,348	583,226	7,070,129	972,047	1,202,694	961,254	1,238,600	917,244	104,791,932	274,427,683
Financial liabilities														
Deposits from customers	126,658,606	39	22,003	25,044,812	39,581,592	1,123,240	2,388,123	246,201	941,396	803,744	820,070	643,822	71,615,042	198,273,648
Deposits and placements of banks and other financial institutions	6,721,591	-	-	2,741,461	6,832,538	773,390	1,842,922	213,992	93,908	367,849	346,918	241,742	13,454,720	20,176,311
Repurchase agreements	5,892,606	-	-	1,576,805	419,849	-	-	-	-	-	-	-	1,996,654	7,889,260
Derivatives financial instruments	867,578	-	345,573	161,896	7,624,555	13,286	8,773	29,928	726	23,611	20,382	1,626	8,230,356	9,097,934
Bills and acceptances payable	618,043	-	-	58,266	10,178	-	-	-	-	-	-	-	68,444	686,487
Amount due to subsidiaries	14,267	-	-	9,625	-	-	-	-	-	-	10,755	-	20,380	34,647
Amount due to related companies	13,560	-	-	-	1,978	-	-	-	-	-	23	-	2,001	15,561
Other liabilities	2,450,510	14,122	60	343,362	2,549,121	458	1,960	646	1,997	2,977	4,995	6,593	2,926,291	5,376,801
Recourse obligation on loans and financing sold to Cagamas	1,315,448	-	-	-	-	-	-	-	-	-	-	-	-	1,315,448
Other borrowings	-	-	-	-	2,752,792	-	-	-	-	-	-	-	2,752,792	2,752,792
Bonds and debentures	-	-	-	359,638	2,991,394	330,488	-	-	142,337	140,736	2,611,479	-	6,576,072	6,576,072
Subordinated notes	9,117,067	-	-	-	-	-	-	-	-	-	-	-	-	9,117,067
Financial liabilities designated at fair value	2,686,545	-	-	162,377	-	-	-	-	-	-	-	-	162,377	2,848,922
	156,355,821	14,161	367,636	30,458,242	62,763,997	2,240,862	4,241,778	490,767	1,180,364	1,338,917	3,814,622	893,783	107,805,129	264,160,950
Financial guarantees														
	1,724,278	-	110,914	464,814	7,241,322	240	113,798	3,058	529	20,530	246	275,475	8,230,926	9,955,204
Credit related commitments and contingencies	48,787,164	-	-	1,982,575	8,501,613	4,996	1,103,545	80,102	51,545	18,971	501,504	13,350	12,258,201	61,045,365
	50,511,442	-	110,914	2,447,389	15,742,935	5,236	1,217,343	83,160	52,074	39,501	501,750	288,825	20,489,127	71,000,569

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.2 Market risk (Continued)****53.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit and reserves**

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

	The Group			
	31 December 2016		31 December 2015	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000
Impact to profit (after tax)	4,657	(4,657)	10,804	(10,804)
Impact to reserves	(46,932)	46,932	(26,859)	26,859

	The Bank			
	31 December 2016		31 December 2015	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000
Impact to profit (after tax)	7,295	(7,295)	12,040	(12,040)
Impact to reserves	(46,932)	46,932	(26,859)	26,859

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

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

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

53 Financial Risk Management (Continued)

53.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both 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.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset- Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and thresholds. Limits and Management Action Triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

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

53 Financial Risk Management (Continued)

53.3 Liquidity risk (Continued)

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities**

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

	The Group 31 December 2016							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short-term funds	18,620,310	-	-	-	-	-	-	18,620,310
Reverse repurchase agreements	3,981,848	1,125,691	-	-	-	-	-	5,107,539
Deposits and placements with banks and other financial institutions	450,605	573,370	157,670	84	-	-	-	1,181,729
Financial assets held for trading	4,387,465	6,608,445	3,117,658	1,880,459	2,234,711	2,142,954	961,607	21,333,299
Financial investments available-for-sale	607,338	606,603	381,337	1,912,816	8,964,162	12,184,918	1,310,660	25,967,834
Financial investments held-to-maturity	492,269	115,188	567,401	550,754	14,733,263	11,141,987	-	27,600,862
Derivative financial instruments	560,827	1,277,668	990,889	2,088,768	4,952,115	1,939,694	-	11,809,961
Loans, advances and financing	23,703,487	7,087,408	5,458,263	6,113,765	58,031,088	155,805,938	-	256,199,949
Other assets	7,047,911	1,509	155,076	298,083	2,159,635	397	657	9,663,268
Deferred taxation	-	-	-	-	-	-	313,200	313,200
Tax recoverable	6,583	-	-	-	-	-	-	6,583
Statutory deposits with central banks	-	-	-	-	-	-	8,484,241	8,484,241
Investment in joint venture	-	-	-	-	-	-	165,029	165,029
Amount due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	4,084
Amount due from related companies	1,223,076	-	-	-	-	-	-	1,223,076
Goodwill	-	-	-	-	-	-	5,188,198	5,188,198
Intangible assets	-	-	-	-	-	-	1,007,672	1,007,672
Prepaid lease payments	-	-	-	-	-	-	408	408
Property, plant and equipment	-	-	-	-	-	-	763,541	763,541
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	890,927	890,927
Total assets	61,085,803	17,395,882	10,828,294	12,844,729	91,074,974	183,215,888	19,086,140	395,531,710

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total RM'000
	31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Liabilities								
Deposits from customers	164,844,257	57,894,375	29,861,458	20,629,352	5,108,459	142,360	-	278,480,261
Investment accounts of customers	254,408	-	-	-	-	-	-	254,408
Deposits and placements of banks and other financial institutions	11,339,228	12,230,036	2,522,368	311,104	179,022	318,009	-	26,899,767
Repurchase agreements	362,162	2,187,463	1,276,693	1,275	513,261	-	-	4,340,854
Derivative financial instruments	585,888	1,074,594	997,415	1,440,274	6,164,832	1,767,885	-	12,030,888
Bills and acceptances payable	1,562,509	69,246	23,568	26,019	27,295	592,731	-	2,301,368
Financial liabilities designated at fair value	15,269	-	-	-	2,946,861	1,405,447	-	4,367,577
Amount due to related companies	5,228	-	-	-	-	-	-	5,228
Other liabilities	6,234,139	23,982	286	2	16,036	5,687	-	6,280,132
Recourse obligation on loans and financing sold to Cagamas	37,049	786,455	-	307,009	2,395,640	972,216	-	4,498,369
Deferred taxation	-	-	-	-	-	-	2,579	2,579
Provision for taxation	218,187	-	-	-	-	-	-	218,187
Bonds, Sukuk and debentures	46,634	460,523	297,803	1,575,910	3,799,812	106,471	-	6,287,153
Other borrowings	8,130	897,200	-	1,121,500	1,538,996	-	-	3,565,826
Subordinated obligations	178,011	-	-	1,801,763	8,263,739	863,106	-	11,106,619
Total liabilities	185,691,099	75,623,874	34,979,591	27,214,208	30,953,953	6,173,912	2,579	360,639,216
Net liquidity gap	(124,605,296)	(58,227,992)	(24,151,297)	(14,369,479)	60,121,021	177,041,976	19,083,561	

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group 31 December 2015							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short-term funds	20,188,831	-	-	-	-	-	-	20,188,831
Reverse repurchase agreements	6,439,139	1,746,066	-	4,409	1,088,060	280,607	-	9,558,281
Deposits and placements with banks and other financial institutions	138,668	996,745	182,416	122,735	-	-	-	1,440,564
Financial assets held for trading	3,668,703	5,011,414	2,756,551	449,529	3,571,449	2,337,025	641,284	18,435,955
Financial investments available-for-sale	310,619	290,485	696,997	1,160,941	9,786,384	14,438,358	1,326,865	28,010,649
Financial investments held-to-maturity	337,808	579,936	355,163	1,609,547	9,724,770	11,100,474	-	23,707,698
Derivative financial instruments	125,179	964,953	1,199,958	1,331,174	5,587,248	2,255,450	-	11,463,962
Loans, advances and financing	23,361,839	6,966,328	6,161,693	4,648,738	52,451,861	141,847,425	-	235,437,884
Other assets	7,074,439	94,987	181,488	513,133	2,953,710	39,828	-	10,857,585
Deferred taxation	-	-	-	-	-	-	289,940	289,940
Tax recoverable	9,612	-	-	-	-	-	-	9,612
Statutory deposits with central banks	-	-	-	-	-	-	7,699,798	7,699,798
Investment in joint venture	-	-	-	-	-	-	162,775	162,775
Investment in associate	-	-	-	-	-	-	798,095	798,095
Amount due from holding company and ultimate holding company	2,803	-	-	-	-	-	-	2,803
Amount due from related companies	1,272,717	-	-	-	-	-	-	1,272,717
Goodwill	-	-	-	-	-	-	5,114,235	5,114,235
Intangible assets	-	-	-	-	-	-	1,061,134	1,061,134
Prepaid lease payments	-	-	-	-	-	-	689	689
Property, plant and equipment	-	-	-	-	-	-	787,671	787,671
Investment properties	-	-	-	-	-	-	1,120	1,120
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	4,575	4,575
Total assets	62,930,357	16,650,914	11,534,266	9,840,206	85,163,482	172,299,167	17,888,181	376,306,573

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Liabilities								
Deposits from customers	153,588,123	47,513,536	25,360,369	33,599,340	2,403,131	837,765	-	263,302,264
Investment accounts of customers	232,716	-	-	-	-	-	-	232,716
Deposits and placements of banks and other financial institutions	8,242,684	7,108,529	3,962,997	1,741,334	715,270	291,938	-	22,062,752
Repurchase agreements	838,664	5,445,360	206,171	607,366	532,631	275,727	-	7,905,919
Derivative financial instruments	224,589	1,055,321	1,177,208	1,355,768	6,220,337	1,847,311	-	11,880,534
Bills and acceptances payable	887,397	49,232	25,950	619	61,098	-	-	1,024,296
Financial liabilities designated at fair value	19,689	-	-	-	3,677,725	1,255,357	-	4,952,771
Amount due to related companies	24,652	-	-	-	-	-	-	24,652
Other liabilities	6,668,178	181,719	149	67	12,621	114	-	6,862,848
Recourse obligation on loans and financing sold to Cagamas	8,485	-	-	-	852,225	957,106	-	1,817,816
Deferred taxation	-	-	-	-	-	-	2,490	2,490
Provision for taxation	147,739	-	-	-	-	-	-	147,739
Bonds and debentures	539,606	1,581,364	945,148	1,395,836	5,406,701	-	-	9,868,655
Other borrowings	5,272	-	-	214,650	2,532,870	-	-	2,752,792
Subordinated obligations	161,804	-	250,097	1,349,893	7,850,370	1,557,440	-	11,169,604
Total liabilities	171,589,598	62,935,061	31,928,089	40,264,873	30,264,979	7,022,758	2,490	344,007,848
Net liquidity gap	(108,659,241)	(46,284,147)	(20,393,823)	(30,424,667)	54,898,503	165,276,409	17,885,691	

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,358,003	-	-	-	-	-	-	10,358,003
Reverse repurchase agreements	3,572,389	1,125,691	-	-	-	-	-	4,698,080
Deposits and placements with banks and other financial institutions	3,850,990	1,030,657	161,002	2,240	-	-	-	5,044,889
Financial assets held for trading	3,580,110	5,692,179	2,371,046	1,661,509	1,673,943	1,777,853	856,661	17,613,301
Financial investments available-for-sale	535,105	606,603	380,069	1,648,953	5,325,690	10,711,823	1,277,183	20,485,426
Financial investments held-to-maturity	167,842	91,187	474,845	330,351	12,006,827	9,501,410	-	22,572,462
Derivative financial instruments	786,682	857,137	830,640	1,910,227	4,072,152	1,232,005	-	9,688,843
Loans, advances and financing	18,005,991	2,886,778	4,400,899	4,814,947	39,930,019	112,547,141	-	182,585,775
Other assets	6,097,350	-	112,874	248,556	2,160,370	-	657	8,619,807
Deferred taxation	-	-	-	-	-	-	108,082	108,082
Statutory deposits with central banks	-	-	-	-	-	-	6,640,483	6,640,483
Investment in subsidiaries	-	-	-	-	-	-	5,310,889	5,310,889
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Amount due from holding company and ultimate holding company	4,084	-	-	-	-	-	-	4,084
Amount due from subsidiaries	546,462	-	-	-	-	-	-	546,462
Amount due from related companies	1,220,820	-	-	-	-	-	-	1,220,820
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	888,572	888,572
Property, plant and equipment	-	-	-	-	-	-	417,030	417,030
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	305,959	305,959
Total assets	48,725,828	12,290,232	8,731,375	10,616,783	65,169,001	135,770,232	19,485,591	300,789,042

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total RM'000
	31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Liabilities								
Deposits from customers	122,995,376	38,134,340	21,376,599	13,898,718	4,946,919	228	-	201,352,180
Deposits and placements of banks and other financial institutions	10,909,100	12,275,730	2,329,702	273,768	178,624	318,009	-	26,284,933
Repurchase agreements	362,162	2,187,463	1,276,693	1,275	513,261	-	-	4,340,854
Derivative financial instruments	759,105	685,079	774,821	1,285,006	5,031,035	1,245,689	-	9,780,735
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	886,404
Financial liabilities designated at fair value	8,446	-	-	-	1,844,422	151,595	-	2,004,463
Amount due to subsidiaries	29,422	-	-	-	-	-	-	29,422
Amount due to related companies	3,570	-	-	-	-	-	-	3,570
Other liabilities	5,817,201	-	-	-	-	-	-	5,817,201
Recourse obligation on loans and financing sold to Cagamas	29,166	340,951	-	307,009	1,495,637	972,216	-	3,144,979
Provision for taxation	169,015	-	-	-	-	-	-	169,015
Bonds and debentures	36,022	-	266,867	1,575,910	3,213,814	106,471	-	5,199,084
Other borrowings	8,130	897,200	-	1,121,500	1,538,996	-	-	3,565,826
Subordinated obligations	74,217	-	-	1,501,763	7,953,739	-	-	9,529,719
Total liabilities	141,995,758	54,588,757	26,048,250	19,964,965	26,716,447	2,794,208	-	272,108,385
Net liquidity gap	(93,269,930)	(42,298,525)	(17,316,875)	(9,348,182)	38,452,554	132,976,024	19,485,591	

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank 31 December 2015							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short-term funds	14,159,386	-	-	-	-	-	-	14,159,386
Reverse repurchase agreements	5,285,204	1,746,066	-	4,409	1,088,060	280,607	-	8,404,346
Deposits and placements with banks and other financial institutions	2,712,699	1,492,957	182,416	305,940	-	-	-	4,694,012
Financial assets held for trading	3,172,417	4,050,728	1,740,089	400,221	2,770,056	2,269,534	548,727	14,951,772
Financial investments available-for-sale	262,056	165,218	432,824	874,342	6,689,388	13,162,698	1,247,513	22,834,039
Financial investments held-to-maturity	292,883	257,563	245,531	841,787	7,832,310	9,919,150	-	19,389,224
Derivative financial instruments	436,657	556,890	577,385	1,056,522	4,663,547	1,517,614	-	8,808,615
Loans, advances and financing	18,217,674	3,877,867	5,067,934	3,647,415	35,773,816	104,085,206	-	170,669,912
Other assets	6,252,177	93,317	141,730	458,439	2,861,492	39,434	-	9,846,589
Deferred taxation	-	-	-	-	-	-	141,458	141,458
Statutory deposits with central banks	-	-	-	-	-	-	6,139,925	6,139,925
Investment in subsidiaries	-	-	-	-	-	-	4,674,129	4,674,129
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Investment in associate	-	-	-	-	-	-	305,584	305,584
Amount due from holding company and ultimate holding company	2,803	-	-	-	-	-	-	2,803
Amount due from subsidiaries	40,622	-	-	-	-	-	-	40,622
Amount due from related companies	1,269,970	-	-	-	-	-	-	1,269,970
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	942,964	942,964
Property, plant and equipment	-	-	-	-	-	-	443,981	443,981
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	375	375
Total assets	52,104,548	12,240,606	8,387,909	7,589,075	61,678,669	131,274,243	18,124,731	291,399,781

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Liabilities								
Deposits from customers	117,279,561	34,800,032	18,537,855	25,191,019	1,791,349	673,832	-	198,273,648
Deposits and placements of banks and other financial institutions	6,936,167	6,841,816	3,766,929	1,668,020	671,441	291,938	-	20,176,311
Repurchase agreements	822,003	5,445,360	206,171	607,367	532,632	275,727	-	7,889,260
Derivative financial instruments	520,892	657,879	527,254	1,029,055	5,100,343	1,262,511	-	9,097,934
Bills and acceptances payable	613,250	48,233	24,594	410	-	-	-	686,487
Financial liabilities designated at fair value	12,617	-	-	-	2,503,062	333,243	-	2,848,922
Amount due to subsidiaries	34,647	-	-	-	-	-	-	34,647
Amount due to related companies	15,561	-	-	-	-	-	-	15,561
Other liabilities	5,424,572	163,134	-	-	-	-	-	5,587,706
Recourse obligation on loans and financing sold to Cagamas	6,117	-	-	-	352,225	957,106	-	1,315,448
Provision for taxation	104,203	-	-	-	-	-	-	104,203
Bonds and debentures	302,591	190,819	230,837	945,125	4,906,700	-	-	6,576,072
Other borrowings	5,272	-	-	214,650	2,532,870	-	-	2,752,792
Subordinated obligations	64,410	-	-	1,349,893	7,551,424	151,340	-	9,117,067
Total liabilities	132,141,863	48,147,273	23,293,640	31,005,539	25,942,046	3,945,697	-	264,476,058
Net liquidity gap	(80,037,315)	(35,906,667)	(14,905,731)	(23,416,464)	35,736,623	127,328,546	18,124,731	

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis****Non-derivative financial liabilities**

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

	The Group 31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	164,933,769	58,302,652	30,223,009	21,257,306	5,230,075	202,317	-	280,149,128
Investment accounts of customers	254,409	-	-	-	-	-	-	254,409
Deposits and placements of banks and other financial institutions	11,973,662	13,081,927	2,757,568	314,512	179,035	318,009	-	28,624,713
Repurchase agreements	362,698	2,189,933	1,279,410	4,205	546,776	-	-	4,383,022
Bills and acceptances payable	1,562,622	70,322	25,469	33,847	85,155	679,455	-	2,456,870
Financial liabilities designated at fair value	183,241	15,800	24,981	38,549	3,249,029	1,518,384	-	5,029,984
Amount due to related companies	5,228	-	-	-	-	-	-	5,228
Other liabilities	5,795,235	23,982	286	2	16,036	5,687	-	5,841,228
Recourse obligation on loans and financing sold to Cagamas	37,514	812,160	45,952	355,160	2,794,888	1,195,889	-	5,241,563
Bonds, Sukuk and debentures	61,241	464,287	316,848	1,633,899	4,187,702	106,471	-	6,770,448
Other borrowings	9,937	904,176	7,025	1,135,327	1,574,159	-	-	3,630,624
Subordinated obligations	179,361	21,898	157,783	2,053,535	9,773,987	1,100,898	-	13,287,462
Financial guarantees	6,375,142	-	-	-	-	-	-	6,375,142
Credit related commitments and contingencies	44,083,117	575,115	2,072,904	2,292,848	4,906,403	23,325,105	669,021	77,924,513
	235,817,176	76,462,252	36,911,235	29,119,190	32,543,245	28,452,215	669,021	439,974,334

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

	The Group							Total
	31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	153,509,380	47,822,505	25,735,535	34,393,457	2,498,265	885,093	-	264,844,235
Investment accounts of customers	235,584	3,263	-	-	-	-	-	238,847
Deposits and placements of banks and other financial institutions	8,253,403	7,123,761	3,983,654	1,760,890	716,341	291,938	-	22,129,987
Repurchase agreements	840,083	5,449,346	207,803	611,910	544,051	308,521	-	7,961,714
Bills and acceptances payable	887,397	49,411	25,950	1,137	64,214	-	-	1,028,109
Financial liabilities designated at fair value	130,595	23,637	31,990	61,029	4,068,954	1,363,727	-	5,679,932
Amount due to related companies	24,652	-	-	-	-	-	-	24,652
Other liabilities	6,293,232	181,719	4,273	67	12,621	4,210	-	6,496,122
Recourse obligation on loans and financing sold to Cagamas	8,486	3,206	30,659	42,450	1,150,549	1,234,544	-	2,469,894
Bonds and debentures	542,185	1,590,316	984,270	1,449,737	5,831,637	-	-	10,398,145
Other borrowings	6,174	6,539	3,791	226,969	2,567,294	-	-	2,810,767
Subordinated obligations	162,966	20,528	414,828	1,627,572	9,259,394	1,731,605	-	13,216,893
Financial guarantees	10,368,168	-	-	-	-	-	-	10,368,168
Credit related commitments and contingencies	42,422,730	824,936	2,019,734	1,746,193	3,205,431	18,739,024	318,123	69,276,171
	223,685,035	63,099,167	33,442,487	41,921,411	29,918,751	24,558,662	318,123	416,943,636

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

	The Bank							Total RM'000
	31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	123,059,959	38,423,306	21,615,676	14,423,088	5,062,221	31,825	-	202,616,075
Deposits and placements of banks and other financial institutions	11,542,688	13,126,525	2,563,915	276,721	178,624	318,009	-	28,006,482
Repurchase agreements	362,698	2,189,933	1,279,410	4,205	546,776	-	-	4,383,022
Bills and acceptances payable	794,826	67,994	23,568	16	-	-	-	886,404
Financial liabilities designated at fair value	6,469	15,303	20,821	30,472	2,077,961	175,049	-	2,326,075
Bonds and debentures	41,210	2,779	285,681	1,623,995	3,522,475	106,471	-	5,582,611
Other borrowings	9,937	904,176	7,025	1,135,327	1,574,159	-	-	3,630,624
Amount due to subsidiaries	29,422	-	-	-	-	-	-	29,422
Amount due to related companies	3,570	-	-	-	-	-	-	3,570
Other liabilities	5,744,087	-	-	-	-	-	-	5,744,087
Recourse obligation on loans and financing sold to Cagamas	29,632	350,369	24,023	343,516	1,790,806	1,195,889	-	3,734,235
Subordinated obligations	74,218	14,559	151,308	1,703,194	9,143,014	-	-	11,086,293
Financial guarantees	5,774,484	-	-	-	-	-	-	5,774,484
Credit related commitments and contingencies	36,279,344	571,661	1,901,224	2,131,770	4,855,452	19,925,287	669,021	66,333,759
	183,752,544	55,666,605	27,872,651	21,672,304	28,751,488	21,752,530	669,021	340,137,143

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

	The Bank							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	117,229,076	34,982,364	18,800,199	25,768,208	1,858,279	682,715	-	199,320,841
Deposits and placements of banks and other financial institutions	6,946,766	6,856,440	3,785,260	1,684,668	672,489	291,938	-	20,237,561
Repurchase agreements	823,410	5,449,346	207,803	611,910	544,051	308,521	-	7,945,041
Bills and acceptances payable	613,251	48,233	24,594	410	-	-	-	686,488
Financial liabilities designated at fair value	9,269	21,673	25,213	46,747	2,779,903	410,423	-	3,293,228
Bonds and debentures	305,100	194,958	264,856	994,609	5,331,637	-	-	7,091,160
Other borrowings	6,174	6,539	3,791	226,969	2,567,294	-	-	2,810,767
Amount due to subsidiaries	34,647	-	-	-	-	-	-	34,647
Amount due to related companies	15,561	-	-	-	-	-	-	15,561
Other liabilities	5,213,667	163,134	-	-	-	-	-	5,376,801
Recourse obligation on loans and financing sold to Cagamas	6,117	3,206	21,377	30,800	557,349	1,234,544	-	1,853,393
Subordinated obligations	64,410	13,940	155,446	1,583,445	8,624,927	158,389	-	10,600,557
Financial guarantees	9,955,204	-	-	-	-	-	-	9,955,204
Credit related commitments and contingencies	36,911,992	811,512	1,896,075	1,741,204	2,991,174	16,375,285	318,123	61,045,365
	178,134,644	48,551,345	25,184,614	32,688,970	25,927,103	19,461,815	318,123	330,266,614

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

53 Financial Risk Management (Continued)

53.3 Liquidity risk (Continued)

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

Derivative financial liabilities

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

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

	The Group							Total RM'000
	31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(811,290)	-	-	-	-	-	-	(811,290)
- Interest rate derivatives	(2,042,614)	-	-	-	-	-	-	(2,042,614)
- Equity related derivatives	(208,727)	-	-	-	-	-	-	(208,727)
- Commodity related derivatives	(911,327)	-	-	-	-	-	-	(911,327)
- Credit related contracts	(105,570)	-	-	-	-	-	-	(105,570)
- Bond forward	(429)	-	-	-	-	-	-	(429)
Hedging derivatives								
- Foreign exchange derivatives	-	(1,294)	-	-	-	-	-	(1,294)
- Interest rate derivatives	(25,294)	53,680	(60,579)	(78,463)	(177,305)	732,323	-	444,362
	(4,105,251)	52,386	(60,579)	(78,463)	(177,305)	732,323	-	(3,636,889)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

	The Group							Total
	31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(586,265)	-	-	-	-	-	-	(586,265)
- Interest rate derivatives	(1,642,609)	-	-	-	-	-	-	(1,642,609)
- Equity related derivatives	(280,183)	-	-	-	-	-	-	(280,183)
- Commodity related derivatives	(740,725)	-	-	-	-	-	-	(740,725)
- Credit related contracts	(104,038)	-	-	-	-	-	-	(104,038)
Hedging derivatives								
- Foreign exchange derivatives	(63)	(228)	-	(17,154)	-	-	-	(17,445)
- Interest rate derivatives	(21,256)	38,471	(57,406)	(127,489)	(208,900)	650,601	-	274,021
	(3,375,139)	38,243	(57,406)	(144,643)	(208,900)	650,601	-	(3,097,244)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

	The Bank							Total
	31 December 2016							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(810,965)	-	-	-	-	-	-	(810,965)
- Interest rate derivatives	(1,507,597)	-	-	-	-	-	-	(1,507,597)
- Equity related derivatives	(208,727)	-	-	-	-	-	-	(208,727)
- Commodity related derivatives	(911,330)	-	-	-	-	-	-	(911,330)
- Credit related contracts	(112,301)	-	-	-	-	-	-	(112,301)
- Bond forward	(429)	-	-	-	-	-	-	(429)
Hedging derivatives								
- Interest rate derivatives	(17,671)	36,126	(24,921)	(55,549)	(87,871)	732,323	-	582,437
	(3,569,020)	36,126	(24,921)	(55,549)	(87,871)	732,323	-	(2,968,912)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

	The Bank							Total
	31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(586,129)	-	-	-	-	-	-	(586,129)
- Interest rate derivatives	(1,229,300)	-	-	-	-	-	-	(1,229,300)
- Equity related derivatives	(280,183)	-	-	-	-	-	-	(280,183)
- Commodity related derivatives	(740,646)	-	-	-	-	-	-	(740,646)
- Credit related contracts	(103,812)	-	-	-	-	-	-	(103,812)
Hedging derivatives								
- Interest rate derivatives	(15,425)	19,241	(24,517)	(108,261)	(107,499)	650,658	-	414,197
	(2,955,495)	19,241	(24,517)	(108,261)	(107,499)	650,658	-	(2,525,873)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	The Group 31 December 2016							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(7,007,709)	-	-	-	-	-	-	(7,007,709)
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	(2,739,891)	(2,848,350)	(642,645)	(314,884)	(2,616,613)	(109,784)	-	(9,272,167)
- Inflow	2,737,633	2,797,564	648,640	293,128	2,314,358	116,100	-	8,907,423
	(7,009,967)	(50,786)	5,995	(21,756)	(302,255)	6,316	-	(7,372,453)

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for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Group							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(7,920,987)	-	-	-	-	-	-	(7,920,987)
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	(556,854)	(1,376,538)	(922,781)	(2,066,388)	(2,266,701)	(43,862)	-	(7,233,124)
- Inflow	560,940	1,349,155	916,929	2,075,603	1,881,750	47,655	-	6,832,032
	<u>(7,916,901)</u>	<u>(27,383)</u>	<u>(5,852)</u>	<u>9,215</u>	<u>(384,951)</u>	<u>3,793</u>	<u>-</u>	<u>(8,322,079)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Bank							Total RM'000
	31 December 2016							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(5,519,891)	-	-	-	-	-	-	(5,519,891)
Derivative financial liabilities								
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	(2,720,669)	(2,848,350)	(642,109)	(293,341)	(1,262,831)	(45,834)	-	(7,813,134)
- Inflow	2,710,889	2,797,564	647,960	266,286	1,169,247	49,797	-	7,641,743
	(5,529,671)	(50,786)	5,851	(27,055)	(93,584)	3,963	-	(5,691,282)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Bank							Total
	31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(5,689,618)	-	-	-	-	-	-	(5,689,618)
Derivative financial liabilities								
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	(549,750)	(1,376,538)	(922,781)	(2,058,296)	(1,669,710)	(43,862)	-	(6,620,937)
- Inflow	549,619	1,349,155	916,929	2,064,344	1,413,370	47,655	-	6,341,072
	<u>(5,689,749)</u>	<u>(27,383)</u>	<u>(5,852)</u>	<u>6,048</u>	<u>(256,340)</u>	<u>3,793</u>	<u>-</u>	<u>(5,969,483)</u>

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

53.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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.

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

53 Financial Risk Management (Continued)

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

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;
- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the GMRC for approval;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the GMRC;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016										
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
-Money market instruments	16,177,992	-	16,177,992	-	16,177,992	13,057,470	-	13,057,470	-	13,057,470
-Quoted securities	783,156	783,156	-	-	783,156	783,156	783,156	-	-	783,156
-Unquoted securities	4,372,151	-	4,193,700	178,451	4,372,151	3,772,675	-	3,699,169	73,506	3,772,675
Financial investments available-for-sale										
-Money market instruments	3,100,531	-	3,100,531	-	3,100,531	1,833,994	-	1,833,994	-	1,833,994
-Quoted securities	12,792	12,792	-	-	12,792	63	63	-	-	63
-Unquoted securities	22,854,511	-	21,556,643	1,297,868	22,854,511	18,651,369	-	17,374,248	1,277,121	18,651,369
Derivative financial instruments										
-Trading derivatives	11,530,214	423,619	10,996,882	109,713	11,530,214	9,346,955	423,619	8,813,623	109,713	9,346,955
-Hedging derivatives	279,747	-	279,747	-	279,747	341,888	-	341,888	-	341,888
Non-recurring fair value measurements										
Non-financial assets										
Non-current assets/disposal groups held for sale	4,573	-	4,573	-	4,573	375	-	375	-	375
Total	59,115,667	1,219,567	56,310,068	1,586,032	59,115,667	47,787,945	1,206,838	45,120,767	1,460,340	47,787,945
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
-Trading derivatives	11,087,666	270,504	10,676,652	140,510	11,087,666	9,071,240	270,504	8,660,226	140,510	9,071,240
-Hedging derivatives	943,222	-	943,222	-	943,222	709,495	-	709,495	-	709,495
Financial liabilities designated at fair value	4,367,577	-	3,981,115	386,462	4,367,577	2,004,463	-	1,618,001	386,462	2,004,463
Total	16,398,465	270,504	15,600,989	526,972	16,398,465	11,785,198	270,504	10,987,722	526,972	11,785,198

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015										
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
-Money market instruments	12,359,624	-	12,359,624	-	12,359,624	9,723,139	-	9,723,139	-	9,723,139
-Quoted securities	483,899	483,899	-	-	483,899	483,899	483,899	-	-	483,899
-Unquoted securities	5,592,432	-	5,435,047	157,385	5,592,432	4,744,734	-	4,679,905	64,829	4,744,734
Financial investments available-for-sale										
-Money market instruments	2,998,557	-	2,998,557	-	2,998,557	2,451,675	-	2,451,675	-	2,451,675
-Quoted securities	11,700	11,700	-	-	11,700	94	94	-	-	94
-Unquoted securities	25,000,392	-	23,685,227	1,315,165	25,000,392	20,382,270	-	19,134,851	1,247,419	20,382,270
Derivative financial instruments										
-Trading derivatives	11,301,985	12,408	11,156,699	132,878	11,301,985	8,557,956	12,408	8,412,670	132,878	8,557,956
-Hedging derivatives	161,977	-	161,977	-	161,977	250,659	-	250,659	-	250,659
Non-financial assets										
Investment Properties	1,120	-	1,120	-	1,120	-	-	-	-	-
Non-recurring fair value measurements										
Non-financial assets										
Non-current assets/disposal groups held for sale	4,575	-	4,575	-	4,575	375	-	375	-	375
Total	57,916,261	508,007	55,802,826	1,605,428	57,916,261	46,594,801	496,401	44,653,274	1,445,126	46,594,801
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
-Trading derivatives	11,274,807	140,679	10,917,501	216,627	11,274,807	8,629,688	140,679	8,272,382	216,627	8,629,688
-Hedging derivatives	605,727	-	605,727	-	605,727	468,246	-	468,246	-	468,246
Financial liabilities designated at fair value	4,952,771	-	4,593,682	359,089	4,952,771	2,848,922	-	2,489,833	359,089	2,848,922
Total	16,833,305	140,679	16,116,910	575,716	16,833,305	11,946,856	140,679	11,230,461	575,716	11,946,856

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group and the Bank:

	Financial Assets				Financial Liabilities		
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments	Total	Derivative financial instruments	Financial liabilities designated at fair value	Total
	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group							
2016							
At 1 January	157,385	1,315,165	132,878	1,605,428	(216,627)	(359,089)	(575,716)
Total gains/(losses) recognised in statement of income	12,927	(28,949)	(56,250)	(72,272)	107,021	(46,608)	60,413
Total gains recognised in other comprehensive income	-	83,849	-	83,849	-	-	-
Purchases	-	122,760	39,369	162,129	(38,421)	-	(38,421)
Sales and redemptions	-	(208,454)	-	(208,454)	-	-	-
Settlements	-	-	(5,666)	(5,666)	6,246	19,235	25,481
Exchange fluctuation	8,139	13,497	(618)	21,018	1,271	-	1,271
At 31 December	178,451	1,297,868	109,713	1,586,032	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2016 under:							
- net non-interest income	12,927	(25,220)	(56,250)	(68,543)	107,021	(30,236)	76,785
- interest expense	-	-	-	-	-	(16,372)	(16,372)
- allowances for other impairment losses	-	(3,729)	-	(3,729)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2016 under "revaluation reserves"	-	83,849	-	83,849	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2016 under "net non-interest income"	12,927	-	24,642	37,569	62,697	(30,236)	32,461

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000		Trading derivatives RM'000	RM'000	
The Group							
2015							
At 1 January	132,681	1,471,047	66,855	1,670,583	(870,966)	(360,736)	(1,231,702)
Total gains/(losses) recognised in statement of income	769	(15,077)	58,126	43,818	765,434	(24,856)	740,578
Total gains recognised in other comprehensive income	-	1,283	-	1,283	-	-	-
Purchases	-	80,443	32,137	112,580	(28,853)	-	(28,853)
New issuances	-	-	-	-	-	(456)	(456)
Sales and redemptions	(5,000)	(323,683)	-	(328,683)	-	-	-
Settlements	-	-	(26,307)	(26,307)	17,039	26,959	43,998
Exchange fluctuation	28,935	101,152	2,067	132,154	(99,281)	-	(99,281)
At 31 December	<u>157,385</u>	<u>1,315,165</u>	<u>132,878</u>	<u>1,605,428</u>	<u>(216,627)</u>	<u>(359,089)</u>	<u>(575,716)</u>
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2015 under:							
- net non-interest income	769	(14,588)	58,126	44,307	765,434	(10,761)	754,673
- interest expense	-	-	-	-	-	(14,095)	(14,095)
- allowances for other impairment losses	-	(489)	-	(489)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2015 under "revaluation reserves"	<u>-</u>	<u>1,283</u>	<u>-</u>	<u>1,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2015 under "net non-interest income"	<u>2,484</u>	<u>(29,321)</u>	<u>64,645</u>	<u>37,808</u>	<u>(49,501)</u>	<u>(10,761)</u>	<u>(60,262)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
The Bank							
2016							
At 1 January	64,829	1,247,419	132,878	1,445,126	(216,627)	(359,089)	(575,716)
Total gains/(losses) recognised in statement of income	5,325	(11,847)	(56,250)	(62,772)	107,021	(46,608)	60,413
Total gains recognised in other comprehensive income	-	66,696	-	66,696	-	-	-
Purchases	-	121,333	39,369	160,702	(38,421)	-	(38,421)
Sales and redemptions	-	(161,086)	-	(161,086)	-	-	-
Settlements	-	-	(5,666)	(5,666)	6,246	19,235	25,481
Exchange fluctuation	3,352	14,606	(618)	17,340	1,271	-	1,271
At 31 December	<u>73,506</u>	<u>1,277,121</u>	<u>109,713</u>	<u>1,460,340</u>	<u>(140,510)</u>	<u>(386,462)</u>	<u>(526,972)</u>
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2016 under:							
- net non-interest income	5,325	(11,847)	(56,250)	(62,772)	107,021	(30,236)	76,785
- interest expense	-	-	-	-	-	(16,372)	(16,372)
Total gains recognised in other comprehensive income for financial year ended 31 December 2016 under "revaluation reserves"	-	66,696	-	66,696	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2016 under "net non-interest income"	5,325	-	24,642	29,967	62,697	(30,236)	32,461

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2016 and 31 December 2015 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	Total
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000		Trading derivatives RM'000	RM'000	RM'000
The Bank							
2015							
At 1 January	58,602	1,313,531	66,855	1,438,988	(870,966)	(360,736)	(1,231,702)
Total gains/(losses) recognised in statement of income	(689)	(23,419)	58,126	34,018	765,434	(24,856)	740,578
Total gains recognised in other comprehensive income	-	56,951	-	56,951	-	-	-
Purchases	-	80,258	32,137	112,395	(28,853)	-	(28,853)
New issuances	-	-	-	-	-	(456)	(456)
Sales and redemptions	(5,000)	(259,861)	-	(264,861)	-	-	-
Settlements	-	-	(26,307)	(26,307)	17,039	26,959	43,998
Exchange fluctuation	11,916	79,959	2,067	93,942	(99,281)	-	(99,281)
At 31 December	<u>64,829</u>	<u>1,247,419</u>	<u>132,878</u>	<u>1,445,126</u>	<u>(216,627)</u>	<u>(359,089)</u>	<u>(575,716)</u>
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2015 under:							
- net non-interest income	(689)	(23,419)	58,126	34,018	765,434	(10,761)	754,673
- interest expense	-	-	-	-	-	(14,095)	(14,095)
Total gains recognised in other comprehensive income for financial year ended 31 December 2015 under "revaluation reserves"	-	56,951	-	56,951	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2015 under "net non-interest income"	<u>1,026</u>	<u>(29,321)</u>	<u>64,645</u>	<u>36,350</u>	<u>(49,501)</u>	<u>(10,761)</u>	<u>(60,262)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed**

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

	Carrying amount RM'000	The Group Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	18,620,310	18,620,310	-	18,620,310
Reverse repurchase agreements	5,107,539	-	5,107,539	5,107,539
Deposits and placement with banks and other financial institutions	1,181,729	-	1,181,729	1,181,729
Financial investments held-to-maturity	27,600,862	-	27,687,099	27,687,099
Loans, advances and financing	256,199,949	-	250,883,762	250,883,762
Other assets	9,663,268	-	9,663,871	9,663,871
Statutory deposits with central banks	8,484,241	8,484,241	-	8,484,241
Amounts due from holding company and ultimate holding company	4,084	-	4,084	4,084
Amounts due from related companies	1,223,076	-	1,223,076	1,223,076
Non-current assets/disposal groups held for sale	886,354		972,735	972,735
Total	328,971,412	27,104,551	296,723,895	323,828,446

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
31 December 2016				
Liabilities				
Deposits from customers	278,480,261	-	278,390,805	278,390,805
Investment accounts of customers	254,408	-	254,408	254,408
Deposits and placements of banks and other financial institutions	26,899,767	-	26,802,658	26,802,658
Repurchase agreements	4,340,854	-	4,340,854	4,340,854
Bills and acceptances payable	2,301,368	-	2,267,810	2,267,810
Amounts due to related companies	5,228	-	5,228	5,228
Other liabilities	6,280,132	-	6,280,132	6,280,132
Recourse obligation on loans and financing sold to Cagamas	4,498,369	-	4,572,449	4,572,449
Bonds, Sukuk and debentures	6,287,153	-	6,275,347	6,275,347
Other borrowings	3,565,826	-	3,495,509	3,495,509
Subordinated obligations	11,106,619	-	11,180,755	11,180,755
Total	344,019,985	-	343,865,955	343,865,955

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
31 December 2015				
Assets				
Cash and short-term funds	20,188,831	20,188,831	-	20,188,831
Reverse repurchase agreements	9,558,281	-	9,570,765	9,570,765
Deposits and placement with banks and other financial institutions	1,440,564	-	1,440,564	1,440,564
Financial investments held-to-maturity	23,707,698	-	23,721,899	23,721,899
Loans, advances and financing	235,437,884	-	230,760,504	230,760,504
Other assets	10,857,585	-	10,852,142	10,852,142
Statutory deposits with central banks	7,699,798	7,699,798	-	7,699,798
Amounts due from ultimate holding company	2,803	-	2,803	2,803
Amounts due from related companies	1,272,717	-	1,272,717	1,272,717
Total	310,166,161	27,888,629	277,621,394	305,510,023

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
31 December 2015				
Liabilities				
Deposits from customers	263,302,264	-	263,243,272	263,243,272
Investment accounts of customers	232,716	-	232,716	232,716
Deposits and placements of banks and other financial institutions	22,062,752	-	22,048,265	22,048,265
Repurchase agreements	7,905,919	-	7,905,919	7,905,919
Bills and acceptances payable	1,024,296	-	1,029,546	1,029,546
Amounts due to related companies	24,652	-	24,652	24,652
Other liabilities	6,862,848	-	6,862,848	6,862,848
Recourse obligation on loans and financing sold to Cagamas	1,817,816	-	1,890,031	1,890,031
Bonds and debentures	9,868,655	-	9,896,483	9,896,483
Other borrowings	2,752,792	-	2,622,268	2,622,268
Subordinated obligations	11,169,604	-	11,208,433	11,208,433
Total	327,024,314	-	326,964,433	326,964,433

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed
(Continued)**

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

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Assets				
Cash and short-term funds	10,358,003	10,358,003	-	10,358,003
Reverse repurchase agreements	4,698,080	-	4,698,080	4,698,080
Deposits and placement with banks and other financial institutions	5,044,889	-	5,044,889	5,044,889
Financial investments held-to-maturity	22,572,462	-	22,647,643	22,647,643
Loans, advances and financing	182,585,775	-	179,596,215	179,596,215
Other assets	8,619,807	-	8,620,412	8,620,412
Statutory deposits with central banks	6,640,483	6,640,483	-	6,640,483
Amounts due from holding company and ultimate holding company	4,084	-	4,084	4,084
Amounts due from subsidiaries	546,462	-	546,462	546,462
Amounts due from related companies	1,220,820	-	1,220,820	1,220,820
Non-current assets/disposal groups held for sale	305,584		305,584	305,584
Total	242,596,449	16,998,486	222,684,189	239,682,675

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2016				
Liabilities				
Deposits from customers	201,352,180	-	202,020,958	202,020,958
Deposits and placements of banks and other financial institutions	26,284,933	-	26,187,802	26,187,802
Repurchase agreements	4,340,854	-	4,334,177	4,334,177
Bills and acceptances payable	886,404	-	886,404	886,404
Amounts due to subsidiaries	29,422	-	29,422	29,422
Amounts due to related companies	3,570	-	3,570	3,570
Other liabilities	5,817,201	-	5,817,201	5,817,201
Recourse obligation on loans and financing sold to Cagamas	3,144,979		3,219,060	3,219,060
Bonds and debentures	5,199,084	-	5,210,964	5,210,964
Other borrowings	3,565,826	-	3,495,509	3,495,509
Subordinated obligations	9,529,719	-	9,572,599	9,572,599
Total	260,154,172	-	260,777,666	260,777,666

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Bank Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
31 December 2015				
Assets				
Cash and short-term funds	14,159,386	14,159,386	-	14,159,386
Reverse repurchase agreements	8,404,346	-	8,416,830	8,416,830
Deposits and placement with banks and other financial institutions	4,694,012	-	4,694,012	4,694,012
Financial investments held-to-maturity	19,389,224	-	19,352,937	19,352,937
Loans, advances and financing	170,669,912	-	168,924,910	168,924,910
Other assets	9,846,589	-	9,851,716	9,851,716
Statutory deposits with central banks	6,139,925	6,139,925	-	6,139,925
Amounts due from holding company and ultimate holding company	2,803	-	2,803	2,803
Amounts due from subsidiaries	40,622	-	40,622	40,622
Amounts due from related companies	1,269,970	-	1,269,970	1,269,970
Total	234,616,789	20,299,311	212,553,800	232,853,111

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

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

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2015				
Liabilities				
Deposits from customers	198,273,648	-	198,210,386	198,210,386
Deposits and placements of banks and other financial institutions	20,176,311	-	20,164,644	20,164,644
Repurchase agreements	7,889,260	-	7,889,260	7,889,260
Bills and acceptances payable	686,487	-	686,487	686,487
Amounts due to subsidiaries	34,647	-	34,647	34,647
Amounts due to related companies	15,561	-	15,561	15,561
Other liabilities	5,587,706	-	5,587,706	5,587,706
Recourse obligation on loans and financing sold to Cagamas	1,315,448	-	1,369,748	1,369,748
Bonds and debentures	6,576,072	-	6,549,022	6,549,022
Other borrowings	2,752,792	-	2,622,268	2,622,268
Subordinated obligations	9,117,067	-	9,130,388	9,130,388
Total	252,424,999	-	252,260,117	252,260,117

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

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

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

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

Loans, advances and financing

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

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

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

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

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

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

Deposits from customers

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

Investment accounts of customers

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

Deposits and placements of banks and other financial institutions

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

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

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

Recourse obligation on loans and financing sold to Cagamas

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

Bonds, Sukuk and debentures and other borrowings

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

Subordinated obligations

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

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

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

Credit derivatives inputs deemed to trigger Level 3 classification:

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

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

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

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

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

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

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

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

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

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

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value**

2016 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments The Group and the Bank - Credit derivatives	18,526	(5,083)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-58% to -3%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Equity derivatives	91,187	(135,427)	Option pricing	Equity volatility	5.37% to 77.09%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial assets held for trading - Unquoted shares and private equity funds (The Group) - Unquoted shares and private equity funds (The Bank)	178,451 73,506	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments available-for-sale - Unquoted shares and private equity funds (The Group) - Unquoted shares and private equity funds (The Bank)	1,297,868 1,277,121	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial liabilities designated at fair value The Group and the Bank - Credit linked structured deposits	Not applicable	(386,462)	Discounted cash flow	Internal deposit rates	0.47% to 3.42%	Higher internal deposit rates results in decrease in fair value measurement

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value (Continued)**

2015 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments The Group and the Bank - Credit derivatives	18,346	(20,008)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-60% to +7%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Equity derivatives	114,532	(196,619)	Option pricing	Equity volatility	6.31% to 94.46%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial assets held for trading - Unquoted shares and private equity funds (The Group) - Unquoted shares and private equity funds (The Bank)	157,385 64,829	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments available-for-sale - Unquoted shares and private equity funds (The Group) - Unquoted shares and private equity funds (The Bank)	1,315,165 1,247,419	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial liabilities designated at fair value The Group and the Bank - Credit linked structured deposits	Not applicable	(359,089)	Discounted cash flow	Internal deposit rates	0.47% to 3.47%	Higher internal deposit rates results in decrease in fair value measurement

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)****(a) Financial instruments carried at fair value (Continued)****Sensitivity analysis for Level 3****The Group and the Bank**

2016	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Profit or loss Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments			
Trading derivatives			
- Credit derivatives	+10%	54	-
	-10%	-	(53)
- Equity derivatives	+25%	8,378	-
	-25%	-	(10,034)
Financial liabilities designated at fair value			
- Credit linked structured deposits	+ 1%	1,740	-
	- 1%	-	(1,740)
Total		10,172	(11,827)

2015	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Profit or loss Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments			
Trading derivatives			
- Credit derivatives	+10%	18	-
	-10%	-	(19)
- Equity derivatives	+25%	-	(19)
	-25%	18	-
Financial liabilities designated at fair value			
- Credit linked structured deposits	+ 1%	2,945	-
	- 1%	-	(2,945)
Total		2,981	(2,983)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****54 Non-current assets/disposal groups held for sale**

	The Group		The Bank	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Non-current assets held for sale:				
- Property plant and equipment	4,573	4,575	375	375
- Investment in associates	886,354	-	305,584	-
Total non-current assets held for sale	890,927	4,575	305,959	375

Foreclosed properties, property, plant and equipment and investment properties of the Group and the Bank where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2017.

The Bank's investment in BYK have been presented as held for sale as at 31 December 2016 following the Share Transfer Agreement entered by the Bank to sell its 18.21% stake in BYK to Shanghai Guozhijie Investment Development Co., Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million).

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2016**

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Cash and short-term funds	(a)	8,425,152	7,475,867	1,372,170	1,540,012
Deposits and placements with banks and other financial institutions	(b)	430,948	404,241	551,349	271,289
Financial assets held for trading	(c)	2,949,804	2,945,220	219,139	253,282
Financial investments available-for-sale	(d)	1,918,663	2,337,791	293,433	398,812
Financial investments held-to-maturity	(e)	3,564,547	1,893,963	233,947	229,432
Islamic derivative financial instruments	(f)(i)	872,532	479,624	1,881	3,344
Financing, advances and other financing/loans	(g)	51,545,247	45,028,998	4,372,374	4,703,558
Other assets	(h)	1,493,475	595,390	610,095	425,611
Deferred taxation	(i)	15,427	30,454	-	-
Amount due from conventional operations		1,278,436	1,268,605	-	-
Amount due from related companies		3,575,340	2,988,364	3,574,444	2,987,728
Statutory deposits with Bank					
Negara Malaysia	(j)	1,384,859	1,257,178	-	-
Goodwill	(k)	136,000	136,000	-	-
Intangible assets	(l)	81,079	83,005	39	64
Property, plant and equipment	(m)	9,603	12,628	21	32
Total assets		77,681,112	66,937,328	11,228,892	10,813,164
Liabilities					
Deposits from customers	(n)	56,108,748	46,820,998	3,346,460	2,573,118
Investment accounts of customers	(o)	254,408	232,716	-	-
Deposits and placements of banks and other financial institutions	(p)	2,236,242	3,584,073	2,476,700	2,341,073
Investment accounts due to designated financial institutions	(q)	3,912,011	2,900,982	-	-
Financial liabilities designated at fair value	(r)	2,181	199,063	-	-
Islamic derivative financial instruments	(f)(i)	979,203	586,143	193	82
Other liabilities	(s)	4,432,670	5,003,218	4,176,683	4,595,621
Recourse obligation on loans and financing sold to Cagamas	(t)	1,353,390	502,368	-	-
Sukuk	(u)	586,488	-	-	-
Amount due to related companies		1,049,776	1,190,830	942,644	1,074,832
Amount due to conventional operations		495,087	11,043	-	-
Provision for taxation	(v)	45,623	37,587	-	-
Subordinated Sukuk	(w)	617,563	856,983	-	-
Total liabilities		72,073,390	61,926,004	10,942,680	10,584,726
Equity					
Ordinary share capital	(x)	1,000,000	1,000,000	-	-
Perpetual preference shares	(y)	220,000	220,000	-	-
Reserves	(z)	4,387,722	3,791,324	286,212	228,438
Total equity		5,607,722	5,011,324	286,212	228,438
Total equity and liabilities		77,681,112	66,937,328	11,228,892	10,813,164
Commitment and contingencies	(f)(ii)	53,621,920	29,785,885	541,415	479,972

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2016**

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds and others	(aa)	2,486,196	2,235,407	147,862	98,397
Income derived from investment of investment accounts	(ab)	188,683	143,064	-	-
Net income derived from investment of shareholders' funds	(ac)	362,680	374,376	1,865	22,599
Allowances for impairment losses on financing, advances and other financing/loans	(ad)	(30,355)	(95,271)	(20,820)	(826)
Allowance for losses on other receivables		(198)	(56)	-	-
Allowance for other impairment losses	(ae)	(3,160)	-	(3,160)	-
Total distributable income		3,003,846	2,657,520	125,747	120,170
Income attributable to depositors	(af)	(1,597,403)	(1,368,601)	(62,698)	(38,129)
Profit distributed to investment account holder	(ag)	(133,058)	(151,945)	-	-
Total net income		1,273,385	1,136,974	63,049	82,041
Personnel expenses	(ah)	(36,858)	(74,837)	(2,750)	(2,676)
Other overheads and expenditures	(ai)	(449,787)	(439,393)	(441)	(923)
Profit before taxation and zakat		786,740	622,744	59,858	78,442
Taxation and zakat	(ak)	(181,184)	(138,316)	-	-
Profit after taxation and zakat		605,556	484,428	59,858	78,442

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Comprehensive Income for the financial year ended 31 December 2016**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	605,556	484,428	59,858	78,442
Other comprehensive income/(expense):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve of financial investments available-for-sale	(690)	(24,698)	2,008	(9,198)
- Net gain/(loss) from change in fair value	7,685	(23,249)	3,160	(10,458)
- Realised (gain)/loss transferred to statement of income on disposal	(7,796)	(4,067)	(934)	1,260
- Income tax effects	(260)	2,618	-	-
- Currency translation difference	(319)	-	(218)	-
Exchange fluctuation reserves	(8,500)	10,395	(4,092)	30,001
	(9,190)	(14,303)	(2,084)	20,803
Total comprehensive income for the financial year	596,366	470,125	57,774	99,245
Total net income	1,273,385	1,136,974	63,049	82,041
Add: Allowances for impairment losses on financing, advances and other financing/loans	30,355	95,271	20,820	826
Add: Allowance for other impairment losses	3,160	-	3,160	-
Add: Allowance for losses on other receivables	198	56	-	-
	1,307,098	1,232,301	87,029	82,867
Elimination for transactions with conventional operations	138,122	140,638	-	-
	1,445,220	1,372,939	87,029	82,867

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2016**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
The Group									
At 1 January 2016	1,000,000	220,000	947,235	6,906	(22,561)	60,957	548	2,798,239	5,011,324
Profit for the financial year	-	-	-	-	-	-	-	605,556	605,556
Other comprehensive income/(expense), net of tax	-	-	-	(8,500)	(690)	-	-	-	(9,190)
- financial investments available-for-sale	-	-	-	-	(690)	-	-	-	(690)
- currency translation difference	-	-	-	(8,500)	-	-	-	-	(8,500)
Total comprehensive income/(expense) for the financial year	-	-	-	(8,500)	(690)	-	-	605,556	596,366
Share-based payment expense	-	-	-	-	-	-	858	-	858
Shares released under Equity Ownership plan	-	-	-	-	-	-	(826)	-	(826)
Transfer to statutory reserve	-	-	135,800	-	-	-	-	(135,800)	-
Transfer to regulatory reserve	-	-	-	-	-	140,387	-	(140,387)	-
At 31 December 2016	1,000,000	220,000	1,083,035	(1,594)	(23,251)	201,344	580	3,127,608	5,607,722

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2016 (Continued)**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
The Group									
At 1 January 2015	1,000,000	220,000	846,231	(3,489)	2,137	-	674	2,475,772	4,541,325
Profit for the financial year	-	-	-	-	-	-	-	484,428	484,428
Other comprehensive income/(expense), net of tax	-	-	-	10,395	(24,698)	-	-	-	(14,303)
- financial investments available-for-sale	-	-	-	-	(24,698)	-	-	-	(24,698)
- currency translation difference	-	-	-	10,395	-	-	-	-	10,395
Total comprehensive income/(expense) for the financial year	-	-	-	10,395	(24,698)	-	-	484,428	470,125
Share-based payment expense	-	-	-	-	-	-	604	-	604
Shares released under Equity Ownership plan	-	-	-	-	-	-	(730)	-	(730)
Transfer to statutory reserve	-	-	101,004	-	-	-	-	(101,004)	-
Transfer to regulatory reserve	-	-	-	-	-	60,957	-	(60,957)	-
At 31 December 2015	1,000,000	220,000	947,235	6,906	(22,561)	60,957	548	2,798,239	5,011,324

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2016 (Continued)**

	<u>Non- distributable</u>	<u>Distributable</u>		
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained profits RM'000	Total RM'000
The Bank				
At 1 January 2016	37,114	(1,571)	192,895	228,438
Profit for the financial year	-	-	59,858	59,858
Currency translation difference	(4,092)	-	-	(4,092)
Financial investments available-for-sale	-	2,008	-	2,008
At 31 December 2016	33,022	437	252,753	286,212

	<u>Non- distributable</u>	<u>Distributable</u>		
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained profits RM'000	Total RM'000
The Bank				
At 1 January 2015	7,113	7,627	114,453	129,193
Profit for the financial year	-	-	78,442	78,442
Currency translation difference	30,001	-	-	30,001
Financial investments available-for-sale	-	(9,198)	-	(9,198)
At 31 December 2015	37,114	(1,571)	192,895	228,438

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

55 The operations of Islamic Banking (Continued)

Statements of Cash Flow for the financial year ended 31 December 2016

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	786,740	622,744	59,858	78,442
Adjustments for:				
Depreciation of property, plant and equipment	4,142	3,843	18	17
Property, plant and equipment written off	119	481	-	-
Amortisation of intangible assets	10,942	10,298	27	26
Allowance for losses on other receivables made	198	56	-	-
Net (gain)/loss from disposal of financial investments available-for-sale	(7,796)	(4,067)	(934)	1,260
Share-based payment expense	858	604	-	-
Unrealised (gain)/loss on Islamic derivative financial instruments	(2,749)	2,938	(2)	(26)
Unrealised loss on foreign exchange	41,412	79,694	-	-
Allowance for impairment losses on financing, advances and other financing/loans	80,281	136,627	20,820	826
Unrealised loss/(gain) from revaluation of financial assets held for trading	2,142	(5,962)	888	(1,445)
Unrealised loss from financial liabilities designated at fair value	8,520	6	-	-
Interest expense on recourse obligation on loans and financing sold to Cagamas	53,072	2,368	-	-
Accretion of discount less amortisation of premium	(59,339)	(96,788)	220	302
Profit income from financial investments available-for-sale	(75,057)	(104,558)	(8,254)	(8,838)
Profit income from financial investments held-to-maturity	(112,595)	(54,794)	(6,577)	(8,464)
Net loss from hedging derivatives	3,175	3,250	1,121	609
Profit expense on subordinated Sukuk	34,175	41,178	-	-
Profit expense on Sukuk	8,063	-	-	-
	776,303	637,918	67,185	62,709
Decrease/(Increase) in operating assets				
Deposits and placements with banks and other financial institutions	(26,707)	33,621	(280,060)	(265,438)
Financial assets held for trading	52,838	879,225	33,255	(64,576)
Financing, advances and other financing/loans	(6,595,543)	(6,315,633)	311,314	(2,153,964)
Other assets	(899,109)	(485,166)	(184,486)	(415,975)
Amount due from conventional operations	(9,831)	107,081	-	299
Amount due from related companies	(586,976)	(550,059)	(586,716)	(550,085)
Statutory deposits with Bank Negara Malaysia	(127,681)	40,476	-	-
Increase/(Decrease) in operating liabilities				
Deposits from customers	9,287,750	4,534,091	773,342	1,614,255
Investment accounts of customers	21,692	232,716	-	-
Deposits and placements of banks and other financial institutions	(1,347,831)	(2,258,699)	135,627	574,595
Investment accounts due to designated financial institutions	1,011,029	2,900,982	-	-
Islamic derivative financial instruments	2,901	37,966	1,576	(2,519)
Financial liabilities designated at fair value	(205,402)	49,222	-	-
Amount due to conventional operations	484,044	11,043	-	-
Amount due to related companies	(141,054)	567,384	(132,188)	559,521
Other liabilities	(609,358)	1,419,440	(418,938)	1,381,064
Cash flows generated/(used in) from operations	1,087,065	1,841,608	(280,089)	739,886
Taxation and zakat paid	(158,382)	(134,014)	-	-
Cash flows generated/(used in) from operating activities	928,683	1,707,594	(280,089)	739,886

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2016 (Continued)**

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Net (purchase)/redemption of financial investments held-to-maturity		(1,667,779)	(938,455)	(4,280)	102,691
Net proceeds/(purchase) of financial investments available-for-sale		413,433	28,441	106,434	(49,622)
Profit income from financial investments held-to-maturity		109,790	53,340	6,342	9,403
Profit income from financial investments available-for-sale		84,977	113,363	9,060	8,641
Proceeds from disposal of intangible assets		49	-	-	-
Purchase of property, plant and equipment		(1,540)	(6,853)	(4)	-
Purchase of intangible assets		(8,758)	(2,044)	-	-
Cash flows (used in)/generated from investing activities		<u>(1,069,828)</u>	<u>(752,208)</u>	<u>117,552</u>	<u>71,113</u>
Cash flows from financing activities					
Proceeds from issuance of subordinated sukuk		10,000	-	-	-
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas		845,507	500,000	-	-
Issuance of Sukuk		578,425	-	-	-
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		(47,558)	-	-	-
Profit expense paid on subordinated Sukuk		(36,194)	(41,234)	-	-
Repayment of subordinated Sukuk		(250,000)	-	-	-
Cash flows generated from financing activities		<u>1,100,180</u>	<u>458,766</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		959,035	1,414,152	(162,537)	810,999
Effects of exchange rate differences		(9,750)	9,277	(5,305)	29,737
Cash and cash equivalents at beginning of financial year		7,475,867	6,052,438	1,540,012	699,276
Cash and cash equivalents at end of financial year		8,425,152	7,475,867	1,372,170	1,540,012
Cash and cash equivalents comprise:					
Cash and short-term funds	(a)	8,425,152	7,475,867	1,372,170	1,540,012

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(a) Cash and short-term funds**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,903,956	1,995,438	1,241,353	1,173,424
Money at call and deposit placements maturing within one month	6,521,196	5,480,429	130,817	366,588
	8,425,152	7,475,867	1,372,170	1,540,012

(b) Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	430,948	362,017	551,349	271,289
Other financial institutions	-	42,224	-	-
	430,948	404,241	551,349	271,289

(c) Financial assets held for trading

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	55,459	123,405	-	-
Malaysian Government treasury bills	120,987	14,861	-	-
Bank Negara Malaysia Monetary Notes	-	19,918	-	-
Islamic negotiable instruments of deposits	2,425,600	2,230,491	-	-
Other Government Securities	-	4,718	-	4,718
	2,602,046	2,393,393	-	4,718
Quoted securities				
<u>Outside Malaysia</u>				
Sukuk	161,473	211,175	161,473	211,175
Corporate Sukuk	27	26	27	26
Unquoted securities				
<u>In Malaysia</u>				
Corporate Sukuk	40,778	233,977	-	15,938
<u>Outside Malaysia</u>				
Corporate Sukuk	145,480	106,649	57,639	21,425
	2,949,804	2,945,220	219,139	253,282

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(d) Financial investments available-for-sale**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	111,863	229,054	-	-
Islamic Cagamas bonds	40,772	23,671	-	-
Malaysian Government Sukuk	29,622	44,168	-	-
Khazanah bonds	-	20,189	-	-
Other Government Securities	-	41,195	-	41,195
	182,257	358,277	-	41,195
Unquoted securities				
<u>In Malaysia</u>				
Bonds	47,972	53,145	47,972	53,145
Corporate Sukuk	1,420,382	1,559,569	51,614	33,170
Placements with Islamic Banking and Finance Institute Malaysia	575	575	-	-
<u>Outside Malaysia</u>				
Corporate Sukuk	73,471	324,520	-	242,528
Bonds	78,459	-	78,459	-
Private equity funds	118,967	46,364	118,808	28,774
Less: Allowance for impairment losses	(3,420)	(4,659)	(3,420)	-
	1,918,663	2,337,791	293,433	398,812

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	4,659	3,795	-	-
Allowance made during the financial year	3,160	-	3,160	-
Disposal of securities	(4,659)	-	-	-
Exchange fluctuation	260	864	260	-
At 31 December	3,420	4,659	3,420	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(e) Financial investments held-to-maturity**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	811,683	433,885	-	-
Khazanah bond	12,662	12,662	-	-
Islamic Cagamas Notes	30,945	30,724	-	-
Unquoted securities				
<u>In Malaysia</u>				
Corporate Sukuk	2,472,854	1,186,380	-	-
<u>Outside Malaysia</u>				
Corporate Sukuk	233,947	229,432	233,947	229,432
Amortisation of premium				
less accretion of discounts	2,456	880	-	-
	3,564,547	1,893,963	233,947	229,432

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

The fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale at the date of reclassification are RM263,531,000 (2015: RM470,280,000) and RM266,431,000 (2015: RM491,220,000) and RM2,900,000 (2015: RM20,939,000) respectively. The fair value and carrying amount of the financial investments as at 31 December 2016 are RM743,790,000 (2015: RM470,729,000) and RM736,176,000 (2015: RM470,611,000) respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM9,979,000 (2015: RM449,000).

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies****(i) Islamic derivative financial instruments**

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

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

At 31 December 2016	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	6,544,610	376,129	(185,418)	152,013	3,719	(180)
Currency swaps	12,176,335	120,528	(306,096)	159,948	(3,493)	-
Currency spot	26,607	38	(47)	2,062	19	(13)
Currency option	2,512	93	(93)	-	-	-
Cross currency profit rate swaps	4,232,269	252,730	(245,706)	42,911	427	-
	22,982,333	749,518	(737,360)	356,934	672	(193)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	15,651,929	118,432	(107,721)	184,481	1,209	-
Equity related derivatives						
Equity options	447,153	3,713	(3,632)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	81,150	869	(869)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,895,703	-	(129,621)	-	-	-
Total derivative assets/(liabilities)	43,058,268	872,532	(979,203)	541,415	1,881	(193)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(i) Islamic derivative financial instruments (Continued)**

At 31 December 2015	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	2,328,559	171,560	(97,704)	15,964	104	(82)
Currency swaps	4,750,561	86,890	(143,226)	-	-	-
Currency spot	8,761	38	(3)	1,823	36	-
Currency option	12,206	19	(19)	-	-	-
Cross currency profit rate swaps	1,510,651	169,734	(165,935)	-	-	-
	8,610,738	428,241	(406,887)	17,787	140	(82)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	8,905,301	42,328	(44,108)	431,778	986	-
<u>Equity related derivatives</u>						
Equity options	462,541	6,012	(6,012)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	104,520	603	(603)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	4,175,219	2,440	(128,533)	30,407	2,218	-
Total derivative assets/(liabilities)	22,258,319	479,624	(586,143)	479,972	3,344	(82)

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies**

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

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies (Continued)**

	The Group		The Bank	
	2016	2015	2016	2015
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
<u>Treasury related</u>				
Foreign exchange related contracts:				
- less than one year	18,864,140	6,407,693	356,934	9,729
- one year to less than five years	2,841,449	937,810	-	8,058
- five years and above	1,276,744	1,265,235	-	-
Profit rate related contracts:				
- less than one year	2,963,832	740,407	184,481	30,407
- one year to less than five years	15,846,824	11,990,594	-	431,778
- five years and above	736,976	349,519	-	-
Equity related contracts:				
- less than one year	93,021	-	-	-
- one year to less than five years	78,876	134,139	-	-
- five years and above	275,256	328,402	-	-
Credit related contracts:				
- five years and above	81,150	104,520	-	-
Total treasury-related commitments and contingencies	43,058,268	22,258,319	541,415	479,972
	53,621,920	29,785,885	541,415	479,972

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans****(i) By type and Shariah contract:**The Group
At 31 December 2016

	Sale-based contracts				Lease-based contracts			Loan contract	Other	Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma al-Bai	Qard	Ujrah	
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line [^]	-	30,336	11,772	-	639,697	-	-	4,283	-	686,088
Term financing										
- House financing	-	6,938,888	-	-	3,707,156	1,478,984	-	-	-	12,125,028
- Syndicated financing	287,191	898	260,465	-	1,978,421	110,216	-	-	-	2,637,191
- Hire purchase receivables	-	-	-	-	-	-	4,004,807	-	-	4,004,807
- Other term financing	2,917,351	1,971,036	10,090,242	-	11,785,762	57,511	-	-	-	26,821,902
Bills receivable	-	-	-	57,210	-	-	-	-	-	57,210
Islamic trust receipts	157,584	-	-	-	-	-	-	-	-	157,584
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	427,776
Staff financing	2	-	-	-	15,203	-	-	-	-	15,205
Revolving credits	290,905	-	-	-	3,626,798	-	-	-	-	3,917,703
Credit card receivables	-	-	-	-	-	-	-	-	121,558	121,558
Share purchase financing	2,028	-	-	-	-	-	-	-	-	2,028
Other financing	775,135	-	-	-	-	-	-	-	-	775,135
Gross financing, advances and other financing/loans	4,799,460	8,941,158	10,362,479	115,722	21,753,037	1,646,711	4,004,807	4,283	121,558	51,749,215
Fair value changes arising from fair value hedge										110,982
										51,860,197
Less: Allowance for impairment losses										
- Individual impairment allowance										(65,362)
- Portfolio impairment allowance										(249,588)
										(314,950)
Net financing, advances and other financing/loans										51,545,247

[^] Includes current account in excess

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)**The Group
At 31 December 2015

	Sale-based contracts				Lease-based contracts			Loan contract	Other		Total RM'000
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai RM'000	Qard RM'000	Rahnu RM'000	Ujarah RM'000	
At amortised cost											
Cash line [^]	-	50,240	59,000	-	475,690	-	-	17,114	-	-	602,044
Term financing											
- House financing	-	7,570,992	-	-	2,063,935	1,385,143	-	-	-	-	11,020,070
- Syndicated financing	29,919	-	343,017	-	1,741,508	160,701	-	-	-	-	2,275,145
- Hire purchase receivables	-	-	-	-	-	-	4,306,661	-	-	-	4,306,661
- Other term financing	3,257,296	2,347,004	10,861,042	-	6,371,504	58,232	-	-	-	-	22,895,078
Bills receivable	-	-	-	3,373	-	-	-	153	-	-	3,526
Islamic trust receipts	120,179	-	-	-	-	-	-	-	-	-	120,179
Claims on customers under acceptance credits	391,283	-	-	53,755	-	-	-	-	-	-	445,038
Staff financing	2	-	-	-	-	-	-	-	-	-	2
Revolving credits	509,243	-	50,179	-	2,118,816	-	-	-	-	-	2,678,238
Credit card receivables	-	-	-	-	-	-	-	-	-	115,218	115,218
Share purchase financing	4,100	-	-	-	-	-	-	-	-	-	4,100
Ar Rahnu	-	-	-	-	-	-	-	-	405	-	405
Other financing	815,281	-	-	-	-	-	-	-	-	-	815,281
Gross financing, advances and other financing/loans	5,127,303	9,968,236	11,313,238	57,128	12,771,453	1,604,076	4,306,661	17,267	405	115,218	45,280,985
Fair value changes arising from fair value hedge											110,491
											45,391,476
Less: Allowance for impairment losses											
- Individual impairment allowance											(46,168)
- Portfolio impairment allowance											(316,310)
											(362,478)
Net financing, advances and other financing/loans											45,028,998

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract:****The Bank****At 31 December 2016**

At amortised cost	Sale-based contracts		Total RM'000
	Murabahah RM'000	Bai' Bithaman RM'000	
Term financing			
- Syndicated financing	287,191	898	288,089
- Other term financing	2,917,351	-	2,917,351
Islamic trust receipts	124,918	-	124,918
Staff financing	2	-	2
Revolving credits	290,905	-	290,905
Other financing	775,135	-	775,135
Gross financing, advances and other financing/loans	4,395,502	898	4,396,400
Fair value changes arising from fair value hedge			
			4,396,400
Less: Allowance for impairment losses			
- Individual impairment allowance			(17,300)
- Portfolio impairment allowance			(6,726)
			(24,026)
Net financing, advances and other financing/loans			4,372,374

At 31 December 2015

At amortised cost	Sale-based contracts		Total RM'000
	Murabahah RM'000	Bai' Bithaman RM'000	
Term financing			
- Syndicated financing	29,919	-	29,919
- Other term financing	3,257,296	-	3,257,296
Islamic trust receipts	94,073	-	94,073
Staff financing	2	-	2
Revolving credits	509,243	-	509,243
Other financing	815,281	-	815,281
Gross financing, advances and other financing/loans	4,705,814	-	4,705,814
Fair value changes arising from fair value hedge			
			4,705,814
Less: Allowance for impairment losses			
- Individual impairment allowance			-
- Portfolio impairment allowance			(2,256)
			(2,256)
Net financing, advances and other financing/loans			4,703,558

^ Includes current account in excess

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

55 The operations of Islamic Banking (Continued)

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

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

Sale-based contracts

- Murabahah

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

- Bai' al-'inah

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

- Tawarruq

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

- Bai' Bithaman Ajil

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

- Bai' al-Dayn

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

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

55 The operations of Islamic Banking (Continued)

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

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

Lease-based contracts

- Ijarah

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

Loan contracts

- Qard

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

Rahnu

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

Ujrah

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

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

55 The operations of Islamic Banking (Continued)

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

- a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM3,575 million (2015: RM3,575 million) financing using Islamic profit rate swaps.
- b) Included in financing, advances and other financing/loans of the Group are exposures to Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of an arrangement between CIMB Islamic Bank and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts financing arising thereon.

As at 31 December 2016, the gross exposures to RPSIA financing is RM3,236 million (2015: RM2,733 million) and the portfolio impairment allowance relating to this RPSIA is RM5.4 million (2015: RM5.4 million).

There was no individual impairment provided on this RPSIA financing.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)****c) Movement in Qard financing:**

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

(ii) By type of customer:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	28,897	-	-	-
Domestic non-bank financial institutions	1,583,695	1,657,505	-	-
Domestic business enterprises				
- small medium enterprises	6,666,599	6,233,846	-	-
- others	5,737,922	4,351,016	184,109	230,443
Government and statutory bodies	7,279,784	6,777,740	-	-
Individuals	26,024,321	21,533,090	-	-
Other domestic entities	92,657	85,075	-	-
Foreign entities	4,335,340	4,642,713	4,212,291	4,475,371
	<u>51,749,215</u>	<u>45,280,985</u>	<u>4,396,400</u>	<u>4,705,814</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(iii) By profit rate sensitivity:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- House financing	118,366	142,863	-	-
- Hire-purchase receivables	3,959,825	4,306,662	-	-
- other financing/loans	10,877,992	11,568,953	902,084	973,814
Variable rate				
- House financing	12,006,662	10,877,207	-	-
- Others	24,786,370	18,385,300	3,494,316	3,732,000
	51,749,215	45,280,985	4,396,400	4,705,814

(iv) By economic purposes:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personal use	2,502,702	2,678,136	-	-
Credit card	121,558	115,218	-	-
Purchase of consumer durables	19,049	21,113	-	-
Residential property	12,654,762	11,275,977	220,535	267,435
Non residential property	4,620,311	3,808,146	803,763	875,480
Purchase of fixed assets other than land and building	140,923	478,951	-	-
Construction	1,341,384	1,509,395	-	-
Purchase of securities	6,071,444	2,254,002	-	-
Purchase of transport vehicles	4,512,381	4,571,338	898	-
Working capital	12,152,074	10,042,876	288,791	328,514
Merger and acquisition	274,836	183,785	272,574	183,192
Other purpose	7,337,791	8,342,048	2,809,839	3,051,193
	51,749,215	45,280,985	4,396,400	4,705,814

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(v) By geographical distribution:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	47,536,925	40,805,185	184,109	230,014
Indonesia	89,896	47,251	89,896	47,251
Singapore	2,885,809	3,183,243	2,885,809	3,183,243
Other countries	1,236,585	1,245,306	1,236,586	1,245,306
	<u>51,749,215</u>	<u>45,280,985</u>	<u>4,396,400</u>	<u>4,705,814</u>

(vi) By residual contractual maturity:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within one year	6,841,682	4,599,670	979,764	926,537
One year to less than three years	7,541,325	5,293,929	2,421,815	1,631,686
Three years to less than five years	7,028,599	8,589,696	874,215	1,608,990
Five years and more	30,337,609	26,797,690	120,606	538,601
	<u>51,749,215</u>	<u>45,280,985</u>	<u>4,396,400</u>	<u>4,705,814</u>

(vii) Impaired financing, advances and other financing/loans by economic purposes:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personal use	22,088	27,423	-	-
Credit card	3,768	3,463	-	-
Purchase of consumer durables	70	43	-	-
Residential property	91,091	93,851	-	-
Non residential property	67,424	40,038	-	-
Purchase of fixed assets other than land and building	-	379	-	-
Construction	34,221	40,150	-	-
Purchase of securities	654	988	-	-
Purchase of transport vehicles	106,758	106,316	-	-
Working capital	85,428	74,433	-	-
Other purpose	54,861	37,299	-	-
	<u>466,363</u>	<u>424,383</u>	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	<u>466,363</u>	<u>424,383</u>	<u>-</u>	<u>-</u>

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	424,383	457,860	-	-
Classified as impaired during the financial year	597,298	534,355	-	-
Reclassified as not impaired during the financial year	(290,211)	(305,934)	-	-
Amount written back in respect of recoveries	(139,867)	(103,317)	-	-
Amount written off	(125,240)	(158,581)	-	-
At 31 December	<u>466,363</u>	<u>424,383</u>	<u>-</u>	<u>-</u>
Ratio of gross impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	<u>0.90%</u>	<u>0.94%</u>	<u>0.00%</u>	<u>0.00%</u>

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	46,168	39,713	-	-
Net allowance made during the financial year	18,639	7,436	16,745	-
Amount written off	-	(981)	-	-
Exchange fluctuation	555	-	555	-
At 31 December	65,362	46,168	17,300	-
Portfolio impairment allowance				
At 1 January	316,310	347,623	2,256	1,193
Allowance made during the financial year	58,756	126,030	4,075	826
Amount written off	(125,314)	(157,580)	-	-
Transfer to conventional operations	(596)	-	-	-
Exchange fluctuation	432	237	395	237
At 31 December	249,588	316,310	6,726	2,256
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	1.09%	1.05%	-	-

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for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(h) Other assets**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits and prepayments	4,105	4,176	-	-
Sundry debtors	692,590	526,539	610,095	425,611
Collateral pledged for derivative transactions	575,445	52,790	-	-
Clearing accounts	221,335	11,885	-	-
	<u>1,493,475</u>	<u>595,390</u>	<u>610,095</u>	<u>425,611</u>

(i) Deferred taxation

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

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	17,348	30,852	-	-
Deferred tax liabilities	(1,921)	(398)	-	-
	<u>15,427</u>	<u>30,454</u>	<u>-</u>	<u>-</u>

Further breakdown are as follows:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
Revaluation reserve - financial investments available-for-sale	8,114	8,374	-	-
Provision for expenses	9,234	22,478	-	-
Deferred tax assets	<u>17,348</u>	<u>30,852</u>	<u>-</u>	<u>-</u>

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
Property, plant and equipment	(1,921)	(398)	-	-
Deferred tax liabilities	<u>(1,921)</u>	<u>(398)</u>	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(i) Deferred taxation (Continued)**

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

	At 1 January 2016 RM'000	(Charged)/ Credited to statements of income RM'000	Over/ (Under) provision in prior financial year RM'000	Transferred from equity RM'000	At 31 December 2016 RM'000
Deferred tax assets/(liabilities)					
Accelerated tax depreciation	(398)	(1,524)	1	-	(1,921)
Revaluation reserve- financial investments available-for-sale	8,374	-	-	(260)	8,114
EOP reserve	131	21	(19)	-	133
Provision for expenses	22,347	(8,568)	(4,678)	-	9,101
	30,454	(10,071)	(4,696)	(260)	15,427

	At 1 January 2015 RM'000	Credited/ (Charged) to statements of income RM'000	Over provision in prior financial year RM'000	Transferred from equity RM'000	At 31 December 2015 RM'000
Deferred tax assets/(liabilities)					
Portfolio impairment allowance	118	(118)	-	-	-
Accelerated tax depreciation	(1,414)	782	234	-	(398)
Revaluation reserve- financial investments available-for-sale	5,756	-	-	2,618	8,374
EOP reserve	168	(37)	-	-	131
Provision for expenses	16,875	5,148	324	-	22,347
	21,503	5,775	558	2,618	30,454

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(j) Statutory deposits with Bank Negara Malaysia**

	The Group	
	2016	2015
	RM'000	RM'000
Statutory deposit with Bank Negara Malaysia	1,384,859	1,257,178

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

(k) Goodwill

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

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

Impairment test for goodwillValue-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2017 financial budgets approved by Board of Directors, projected for five years based on the average historical Gross Domestic Product ('GDP') growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.20% (2015: 4.50%) for all cash generating units other than foreign banking operations which has used a terminal growth rate of 2.00% (2015: 2.00%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 7.12% (2015: 6.62%) and 5.20% (2015: 5.35%) for the foreign banking operations CGU. The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

Impairment charge

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(l) Intangible assets**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Computer software				
Cost				
At 1 January	123,634	121,500	129	112
Additions	8,758	2,044	-	-
Disposal	(49)	-	-	-
Reclassified from property, plant and equipment (Note m)	306	73	-	-
Exchange fluctuation	1	17	2	17
At 31 December	132,650	123,634	131	129
Amortisation				
At 1 January	40,629	30,326	65	34
Charge for the financial year	10,942	10,298	27	26
Exchange fluctuation	-	5	-	5
At 31 December	51,571	40,629	92	65
Net book value at 31 December	81,079	83,005	39	64

The remaining amortisation period of the intangible assets are as follows:

Computer software 1-15 years

The above intangible assets include computer software under construction at cost of the Group of RM85,216 (2015: RM5,367,833).

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment**

The Group 2016	Renovations, office and plant equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	2,287	17,908	2,867	23,062
Additions	6	1,475	59	1,540
Written-off	-	-	(787)	(787)
Reclassified to intangible assets (Note 1)	-	(306)	-	(306)
Exchange fluctuation	2	-	-	2
At 31 December	<u>2,295</u>	<u>19,077</u>	<u>2,139</u>	<u>23,511</u>
Accumulated depreciation				
At 1 January	1,714	7,064	1,656	10,434
Charge for the financial year	358	3,781	3	4,142
Written-off	-	-	(668)	(668)
At 31 December	<u>2,072</u>	<u>10,845</u>	<u>991</u>	<u>13,908</u>
Net book value at 31 December	<u>223</u>	<u>8,232</u>	<u>1,148</u>	<u>9,603</u>

The Group 2015	Renovations, office and plant equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	2,659	11,340	3,398	17,397
Additions	3	6,641	209	6,853
Written-off	(382)	-	(740)	(1,122)
Reclassified to intangible assets (Note 1)	-	(73)	-	(73)
Exchange fluctuation	7	-	-	7
At 31 December	<u>2,287</u>	<u>17,908</u>	<u>2,867</u>	<u>23,062</u>
Accumulated depreciation				
At 1 January	1,485	4,203	1,542	7,230
Charge for the financial year	445	2,861	537	3,843
Written-off	(218)	-	(423)	(641)
Exchange fluctuation	2	-	-	2
At 31 December	<u>1,714</u>	<u>7,064</u>	<u>1,656</u>	<u>10,434</u>
Net book value at 31 December	<u>573</u>	<u>10,844</u>	<u>1,211</u>	<u>12,628</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment (Continued)**

The Bank 2016	Renovations, office and plant equipment, furniture and fittings RM'000	Computer equipments RM'000	Total RM'000
Cost			
At 1 January	47	15	62
Additions	-	4	4
Exchange fluctuation	2	2	4
At 31 December	<u>49</u>	<u>21</u>	<u>70</u>
Accumulated depreciation			
At 1 January	21	9	30
Charge for the financial year	11	7	18
Exchange fluctuation	1	-	1
At 31 December	<u>33</u>	<u>16</u>	<u>49</u>
Net book value at 31 December	<u>16</u>	<u>5</u>	<u>21</u>
The Bank 2015			
Cost			
At 1 January	40	15	55
Exchange fluctuation	7	-	7
At 31 December	<u>47</u>	<u>15</u>	<u>62</u>
Accumulated depreciation			
At 1 January	8	3	11
Charge for the financial year	11	6	17
Exchange fluctuation	2	-	2
At 31 December	<u>21</u>	<u>9</u>	<u>30</u>
Net book value at 31 December	<u>26</u>	<u>6</u>	<u>32</u>

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of the Group of RM14,173 (2015: RM11,691,612).

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(n) Deposits from customers****(i) By type of deposits**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Savings deposits				
Wadiah	3,104,346	2,694,000	176,577	109,841
Demand deposit				
Wadiah	9,025,669	9,236,611	260,864	270,875
Qard	201,919	386,784	-	-
Term deposit				
Commodity Murabahah (via Tawarruq arrangement)*	43,348,305	33,230,363	2,700,862	1,934,275
Islamic negotiable instruments				
Mudharabah	38,031	344,450	-	-
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	-	398,342	-	-
Short term money market deposit-i				
Wakalah	20,415	17,816	20,415	17,816
Wadiah	177,595	10,965	177,595	10,965
Other term deposit				
Wadiah	10,147	239,772	10,147	229,346
General investment account				
Mudharabah	12,260	77,997	-	-
Specific investment account				
Mudharabah	156,357	169,209	-	-
Others-Qard	13,704	14,689	-	-
	56,108,748	46,820,998	3,346,460	2,573,118

*included Qard contract of RM554,168,000 (2015: RM159,118,000)

(ii) By maturity structures of term deposits

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Due within six months	29,127,523	26,804,221	2,639,610	961,914
Six months to less than one year	8,489,002	7,129,187	255,390	1,229,801
One year to less than three years	4,607,068	390,597	14,019	687
Three years to less than five years	1,397,389	885	-	-
Five years and more	142,128	164,024	-	-
	43,763,110	34,488,914	2,909,019	2,192,402

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(n) Deposits from customers (Continued)****(iii) By type of customer**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	4,019,510	3,459,433	118	170
Business enterprises	19,807,651	19,006,157	1,444,990	1,648,635
Individuals	15,466,732	9,304,317	1,858,029	889,715
Others	16,814,855	15,051,091	43,323	34,598
	<u>56,108,748</u>	<u>46,820,998</u>	<u>3,346,460</u>	<u>2,573,118</u>

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

Commodity Murabahah

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is name as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

Mudharabah

A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio (PSR) whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorized into two types:

- Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.
- Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

55 The operations of Islamic Banking (Continued)

(n) Deposits from customers (Continued)

Profit shall be recognised accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

Wakalah

A trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. This contract is categorised into two types which are Restricted Agency (Wakalah Muqayyadah) and Unrestricted Agency (Wakalah Mutlaqah). The fee shall be recognised based on agreement.

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(o) Investment accounts of customers**

	Note	The Group 2016 RM'000	2015 RM'000
Unrestricted investment accounts - without maturity Special Mudharabah Investment Account	23	<u>254,408</u>	<u>232,716</u>

(i) Movement in the investment accounts

	2016 RM'000	2015 RM'000
The Group		
As at 1 January	232,716	-
<i>Funding inflows/outflows</i>		
New placement during the financial year	95,665	262,928
Redemption during the financial year	(74,526)	(30,406)
Income from investment	11,076	3,881
<i>CIMB Islamic Bank's share of profit</i>		
Profit distributed to mudarib	(10,523)	(3,687)
As at 31 December	<u>254,408</u>	<u>232,716</u>
<i>Investment asset:</i>		
House financing	189,054	170,496
Other term financing	65,354	62,220
Total investment	<u>254,408</u>	<u>232,716</u>

(ii) Profit Sharing Ratio and Rate of Return

	2016		2015	
	Investment account holder		Investment account holder	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts: no specific tenure	5.00	0.23	5.00	0.22

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(p) Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Mudharabah</u>				
Licensed Islamic banks	-	85,901	-	-
Licensed banks	898,314	2,085,562	1,460,424	1,328,671
Licensed investment banks	920	173,345	-	-
Other financial institutions	1,337,008	1,239,265	1,016,276	1,012,402
	<u>2,236,242</u>	<u>3,584,073</u>	<u>2,476,700</u>	<u>2,341,073</u>

(q) Investment accounts due to designated financial institutions

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Mudharabah	3,912,011	2,900,982	-	-
By type of counterparty				
Licensed banks	3,912,011	2,900,982	-	-

(i) Movement in the investment accounts

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Mudharabah</u>				
Restricted Profit Sharing Investment Account				
As at 1 January	2,900,982	-	-	-
<i>Funding inflows/outflows</i>				
New placement during the financial year	3,963,997	4,341,765	-	-
Redemption during the financial year	(3,085,478)	(1,497,417)	-	-
Income from investment	177,812	74,653	-	-
<i>CIMB Islamic Bank's share of profit</i>				
Profit distributed to mudarib	(1,778)	(747)	-	-
Incentive fee	(43,524)	(17,272)	-	-
As at 31 December	<u>3,912,011</u>	<u>2,900,982</u>	<u>-</u>	<u>-</u>
<i>Investment asset:</i>				
Other term financing	3,197,184	2,722,855	-	-
Marketable securities	650,881	125,897	-	-
Miscellaneous other assets	63,946	52,230	-	-
Total investment	<u>3,912,011</u>	<u>2,900,982</u>	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(q) Investment accounts due to designated financial institutions (continued)****(ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee**

	2016			2015		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts: less than 1 year	99.00	3.69	1.22	99.00	3.64	1.15

Included in the investment accounts due to designated financial institutions is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by CIMB Bank amounting to RM3,912 million (2015: RM2,901 million) for tenures between 1 month to 3 months (2015: 1 month to 3 months) at indicative profit rates from 3.16% to 3.85% per annum (2015 : 3.41% to 3.99% tenures between 1 month to 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

(r) Financial liabilities designated at fair value

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers - structured investments	2,181	199,063	-	-

The Group has issued structured investments, and has designated them at fair value in accordance with MFRS139. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group as at 31 December 2016 of financial liabilities designated at fair value was RM62,000 (2015: RM8,581,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

CIMB Islamic Bank did not issue any new structured investment in 2016.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(s) Other liabilities**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Clearing accounts	4,002,111	3,381,669	3,839,401	3,147,098
Accruals and other payables	69,740	161,209	-	-
Others	360,819	1,460,340	337,282	1,448,523
	4,432,670	5,003,218	4,176,683	4,595,621

(t) Recourse obligation on loans and financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to CIMB Islamic Bank Berhad. Under this agreement, CIMB Islamic Bank Berhad undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

(u) Sukuk

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
RM630 million Sukuk.	586,488	-	-	-

On 12 August 2016, Ziya Capital Bhd ("Ziya"), an Islamic special purpose vehicle consolidated by CIMB Islamic Bank, issued RM630 million Sukuk which bears a coupon rate of 3.38% per annum. The Sukuk is due on 23 July 2021. RM44 million of the Sukuk was partially redeemed during the year.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(v) Provision for taxation**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Taxation	45,623	37,587	-	-

(w) Subordinated Sukuk

	Note	The Group		The Bank	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Subordinated Sukuk, at cost					
RM600 million (2015: RM850 million)	(a)	608,106	860,252	-	-
RM10 million	(b)	10,126	-	-	-
		618,232	860,252	-	-
Fair value changes arising from fair value hedges		(669)	(3,269)	-	-
		617,563	856,983	-	-

- (a) The RM600 million (2015: RM850 million) unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

On 21 April 2016, CIMB Islamic Bank has exercised its option to early redeem the RM250 million (second tranche of the Sukuk).

On 18 September 2012, the third tranche of Sukuk of RM300 million was issued at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

55 The operations of Islamic Banking (Continued)

(w) Subordinated Sukuk (continued)

Redemption of the Subordinated Sukuk on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. The proceeds of the Subordinated Sukuk shall be made available to CIMB Islamic Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing Subordinated Sukuk previously issued by the Issuer under other programmes established by CIMB Islamic Bank.

The Bank has undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

The RM600 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

- (b) The RM10 million subordinated Sukuk ("the Sukuk") is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(x) Ordinary share capital**

	The Group 2016 RM'000	2015 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	<u>1,400,000</u>	<u>1,400,000</u>
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

(y) Perpetual preference shares

	The Group 2016 RM'000	2015 RM'000
Authorised		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	<u>400,000</u>	<u>400,000</u>
Issued and fully paid		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	<u>220,000</u>	<u>220,000</u>

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of CIMB Islamic Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of CIMB Islamic Bank beyond such redemption rights as are expressly set out in these Articles.

CIMB Islamic Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of CIMB Islamic Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

55 The operations of Islamic Banking (Continued)

(z) Reserves

- (a) The statutory reserves are maintained in compliance with BNM guidelines and is not distributable as cash dividends.
- (b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (c) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the financing/loans impairment financing assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (d) Share-based payment reserve arose from the Employee Ownership Plan, the Group's share-based compensation benefits.
- (e) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(aa) Income derived from investment of depositors' funds and others**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	1,770,996	1,497,533	147,862	98,397
(ii) Specific investment deposits	11,037	21,219	-	-
(iii) Other deposits	704,163	716,655	-	-
	<u>2,486,196</u>	<u>2,235,407</u>	<u>147,862</u>	<u>98,397</u>

(i) Income derived from investment of general investment deposits

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other financing/loans				
- profit income	1,400,513	1,214,265	117,453	79,877
- unwinding income [^]	10,332	6,269	-	-
Financial assets held for trading	18,298	18,313	4,135	2,255
Financial investments available-for-sale	51,700	67,969	8,091	8,718
Financial investments held-to-maturity	75,912	37,008	6,369	8,229
Money at call and deposits with financial institutions	182,866	131,903	2,995	2,244
Others	1,282	1,100	1,282	1,100
	<u>1,740,903</u>	<u>1,476,827</u>	<u>140,325</u>	<u>102,423</u>
Accretion of discount less amortisation of premium	38,433	59,610	(220)	(302)
Total finance income and hibah	<u>1,779,336</u>	<u>1,536,437</u>	<u>140,105</u>	<u>102,121</u>
Other operating income				
- Net gain/(loss) from financial assets held for trading				
-realised	8,033	169	316	98
-unrealised	(1,667)	4,251	(858)	1,412
- Net gain/(loss) from sale of financial investments available-for-sale	3,880	(93)	927	(1,260)
- Net (loss)/gain from foreign exchange transactions	(27,531)	(64,477)	1,465	(16,565)
	<u>(17,285)</u>	<u>(60,150)</u>	<u>1,850</u>	<u>(16,315)</u>
Fee and commission income	8,945	21,246	5,907	12,591
	<u>1,770,996</u>	<u>1,497,533</u>	<u>147,862</u>	<u>98,397</u>

[^] Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(aa) Income derived from investment of depositors' funds and others (continued)****(ii) Income derived from specific investment deposits**

	The Group	
	2016	2015
	RM'000	RM'000
Money at call and deposit with financial institutions	<u>11,037</u>	<u>21,219</u>
 (iii) Income derived from investment of other deposits		
	The Group	
	2016	2015
	RM'000	RM'000
Financing, advances and other financing/loans		
- profit income	557,235	582,791
- unwinding income [^]	4,409	3,201
Financial assets held for trading	6,099	8,275
Financial investments available-for-sale	18,784	30,342
Financial investments held-to-maturity	29,554	14,565
Money at call and deposits with financial institutions	<u>76,016</u>	<u>67,105</u>
	<u>692,097</u>	<u>706,279</u>
Accretion of discount less amortisation of premium	<u>16,938</u>	<u>30,945</u>
Total finance income and hibah	<u>709,035</u>	<u>737,224</u>
Other operating income		
- Net gain/(loss) from financial assets held for trading		
-realised	3,122	94
-unrealised	(367)	1,388
- Net gain from sale of financial investments available-for-sale	1,228	570
- Net loss from foreign exchange transactions	<u>(10,098)</u>	<u>(26,732)</u>
	<u>(6,115)</u>	<u>(24,680)</u>
Fee and commission income	<u>1,243</u>	<u>4,111</u>
	<u>704,163</u>	<u>716,655</u>

[^] Unwinding income is income earned on impaired financial assets

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Notes to the Financial Statements for the financial year ended 31 December 2016 (Continued)

55 The operations of Islamic Banking (Continued)

(ab) Income derived from investment of investment account

	The Group	
	2016	2015
	RM'000	RM'000
Financing, advances and other financing/loans		
- Profit income	172,124	135,081
- Unwinding income [^]	47	15
Money at call and deposit with financial institutions	16,512	7,968
	<u>188,683</u>	<u>143,064</u>

[^] *Unwinding income is income earned on impaired financing, advances and other financing/loans*

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(ac) Net income/(expenses) derived from investment of shareholders' funds**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other financing/loans				
- profit income	133,071	135,381	2,335	21,752
- unwinding income [^]	1,036	650	-	-
Financial assets held for trading	1,514	1,690	78	27
Financial investments available-for-sale	4,573	6,247	163	120
Financial investments held-to-maturity	7,129	3,221	208	235
Money at call and deposits with financial institutions	17,889	13,579	89	259
	165,212	160,768	2,873	22,393
Accretion of discount less amortisation of premium	3,968	6,233	-	-
Total finance income and hibah	169,180	167,001	2,873	22,393
Other operating income				
- Net gain/(loss) from financial assets held for trading				
- Realised	791	9	-	-
- Unrealised	(108)	323	(30)	33
- Net loss arising from financial liabilities designated at fair value				
- Realised	(1,938)	(2,534)	-	-
- Unrealised	(8,520)	(6)	-	-
- Net gain from sale of financial investments available-for-sale	2,688	3,590	7	-
- Net gain/(loss) from derivative financial instruments				
- Realised	93,028	103,921	(1,404)	507
- Unrealised	2,749	(2,938)	2	26
- Net (loss)/gain from foreign exchange transactions	(732)	(5,709)	1,441	(731)
- Net loss from hedging derivatives	(3,175)	(3,250)	(1,121)	(609)
	84,783	93,406	(1,105)	(774)
Fee and commission income	106,254	111,773	97	980
Fee and commission expense	(7,834)	(4,321)	-	-
Net fee and commission income	98,420	107,452	97	980
Sundry income	10,297	6,517	-	-
	362,680	374,376	1,865	22,599

[^] Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(ad) Allowances for impairment losses on financing, advances and other financing/loans**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
Individual impairment allowance				
- Net allowance made during the financial year	18,639	7,436	16,745	-
Portfolio impairment allowance				
- Net allowance made during the financial year	58,756	126,030	4,075	826
Bad debts on financing:				
- recovered	(49,926)	(41,356)	-	-
- written off	2,886	3,161	-	-
	30,355	95,271	20,820	826

(ae) Allowance for other impairment losses

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale				
- net allowance made during the financial year	3,160	-	3,160	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(af) Income attributable to depositors**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	54,880	75,322	47,251	20,182
- Non-Mudharabah	1,414,401	1,214,675	1,912	1,225
Deposits and placements of banks and other financial institutions				
- Mudharabah	-	-	4,130	3,233
- Non-Mudharabah	28,446	26,982	9,209	12,724
Financial liabilities designated at fair value	4,169	7,311	-	-
Recourse obligation on loan and financing sold to Cagamas	53,072	2,368	-	-
Subordinated Sukuk	34,175	41,178	-	-
Sukuk	8,063	-	-	-
Others	197	765	196	765
	1,597,403	1,368,601	62,698	38,129

(ag) Profit distributed to investment account holder

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
- Restricted	132,510	151,741	-	-
- Unrestricted	548	204	-	-
	133,058	151,945	-	-

(ah) Personnel expenses

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	27,390	64,266	2,750	2,676
Pension costs (defined contribution plan)	3,741	3,500	-	-
Staff incentives and other staff payments	3,876	2,024	-	-
Mutual separation scheme	-	2,586	-	-
Medical expenses	778	1,385	-	-
Others	1,073	1,076	-	-
	36,858	74,837	2,750	2,676

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM1,173,000 (2015: RM1,227,000).

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(ai) Other overheads and expenditures**

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental	3,485	2,066	146	88
Depreciation of property, plant and equipment	4,142	3,843	18	17
Repairs and maintenance	-	572	-	-
Outsourcing expenses	791	937	16	19
Security expenses	32	10	-	-
Utility expenses	98	239	-	-
Others	284	1,588	-	-
Marketing expenses				
Advertisement and publicity	5,318	5,165	178	380
Others	941	1,890	-	-
Administration and general expenses				
Auditor's remuneration - statutory audit	269	210	-	-
Amortisation of intangible assets	10,942	10,298	27	26
Consultancy and professional fees	1,756	963	-	-
Legal expenses	1	225	-	-
Stationery	684	1,067	56	393
Communication	(80)	183	-	-
Incidental expenses on banking operations	5,036	1,380	-	-
Postage	4,112	3,322	-	-
Donation	249	5,115	-	-
Others	14,141	15,359	-	-
	52,201	54,432	441	923
Shared service cost	397,586	384,961	-	-
	449,787	439,393	441	923

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(aj) Significant related party transactions and balances**

The related parties of, and their relationship with the Group and Bank, are disclosed in Note 42.

	Conventional operations RM'000	Other related companies RM'000	Key management personnel RM'000
2016			
Income			
Fee income	-	508	-
Profit income on deposits and placements with banks and other financial institutions	5,190	9	-
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	8,457	11,776	-
Profit expense on deposits from customers	-	3,746	-
Profit expense on Investment accounts due to designated financial institutions	132,510	-	-
Profit expense on subordinated Sukuk	206	-	-
Shared service costs	398,115	(530)	-
Security services	-	32	-
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	652,672	7,619	-
Financing, advances and other financing/loans	-	-	32
Others	534,340	-	-
Derivatives	240,179	-	-
Amounts due to			
Deposits from customers	-	45,496	167
Deposits and placements of banks and other financial institutions	911,149	920	-
Investment accounts due to designated financial institutions	3,912,011	-	-
Subordinated Sukuk	11,399	-	-
Derivatives	761,917	-	-
Commitment and contingencies			
Foreign exchange related contracts	11,882,678	-	-
Equity related contracts	219,036	-	-
Profit rate related contracts	11,612,492	-	-
Credit related contract	27,150	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(aj) Significant related party transactions and balances (Continued)**

	Conventional operations RM'000	Other related companies RM'000	Key management personnel RM'000
2015			
Income			
Fee income	-	554	-
Profit income on deposits and placements with banks and other financial institutions	6,891	3,612	-
Profit income on financing, advances and other financing/loans	-	-	13
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	23,639	16,154	-
Profit expense on deposits from customers	-	3,037	-
Profit expense on Investment accounts due to designated financial institutions	115,328	-	-
Profit expense on subordinated Sukuk	119	-	-
Shared service costs	355,288	29,634	-
Security services	-	10	-
Outsource expenses	-	520	-
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	648,128	2,219	-
Financing, advances and other financing/loans	-	-	-
Other	27,680	-	-
Derivatives	168,202	-	-
Amounts due to			
Deposits from customers	-	152,285	1,433
Deposits and placements of banks and other financial institutions	473,445	177,284	-
Investment accounts due to designated financial institutions	2,900,982	-	-
Subordinated Sukuk	1,066	-	-
Derivatives	443,903	-	-
Commitment and contingencies			
Equity related contracts	116,332	-	-
Foreign exchange related contracts	4,499,042	-	-
Credit related contract	27,150	-	-
Profit rate related contracts	8,460,669	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(ak) Taxation and zakat****(i) Tax expense for the financial year**

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	166,118	146,286	-	-
Deferred taxation (Note i)	10,070	(5,775)	-	-
Under/(Over) provision in prior financial year	4,696	(2,195)	-	-
	180,884	138,316	-	-
Zakat	300	-	-	-
	181,184	138,316	-	-

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation and zakat	786,740	622,744	59,858	78,442
Tax calculated at tax rate of 24% (2015: 25%)	188,818	155,686	14,366	19,611
- effect of different tax rates in other countries	(6,119)	(2,752)	(5,072)	(3,834)
- income not subject to tax	(9,050)	(17,949)	(9,294)	(15,777)
- expenses not deductible for tax purposes	2,539	5,526	-	-
Under/(Over) provision in prior financial year	4,696	(2,195)	-	-
	180,884	138,316	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2016 (Continued)****55 The operations of Islamic Banking (Continued)****(a) Sources and uses of charity funds**

Earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sources of charity funds				
Balance as at 1 January	-	550	-	509
Non-shariah compliance income	-	-	-	-
Exchange fluctuation	-	60	-	60
Total sources of charity funds during the financial year	<u>-</u>	<u>610</u>	<u>-</u>	<u>569</u>
Uses of charity funds				
Contribution to non-profit organisation	-	569	-	569
Contribution to government agencies	-	41	-	-
Total uses of charity funds during the financial year	<u>-</u>	<u>610</u>	<u>-</u>	<u>569</u>
Undistributed charity funds as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

56 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 6 March 2017.