

FUTURE FORWARD



CIMB GROUP HOLDINGS BERHAD
FINANCIAL STATEMENTS 2019

REVENUE GROWTH

Improved topline underpinned by 6.3% YoY NII expansion
Page 18

IMPROVED CAPITAL ADEQUACY

Capital ratios strengthened for the Group and all regulated banking entities
Page 10

HEALTHY LOAN GROWTH

Group gross loans expanded 6.7% YoY driven by Consumer and Corporate Banking
Page 18

CUSTOMER CENTRICITY

TECHNOLOGY & DATA

OUR PEOPLE

VENTURES & PARTNERSHIPS

SUSTAINABILITY

ADVANCING CUSTOMERS AND SOCIETY

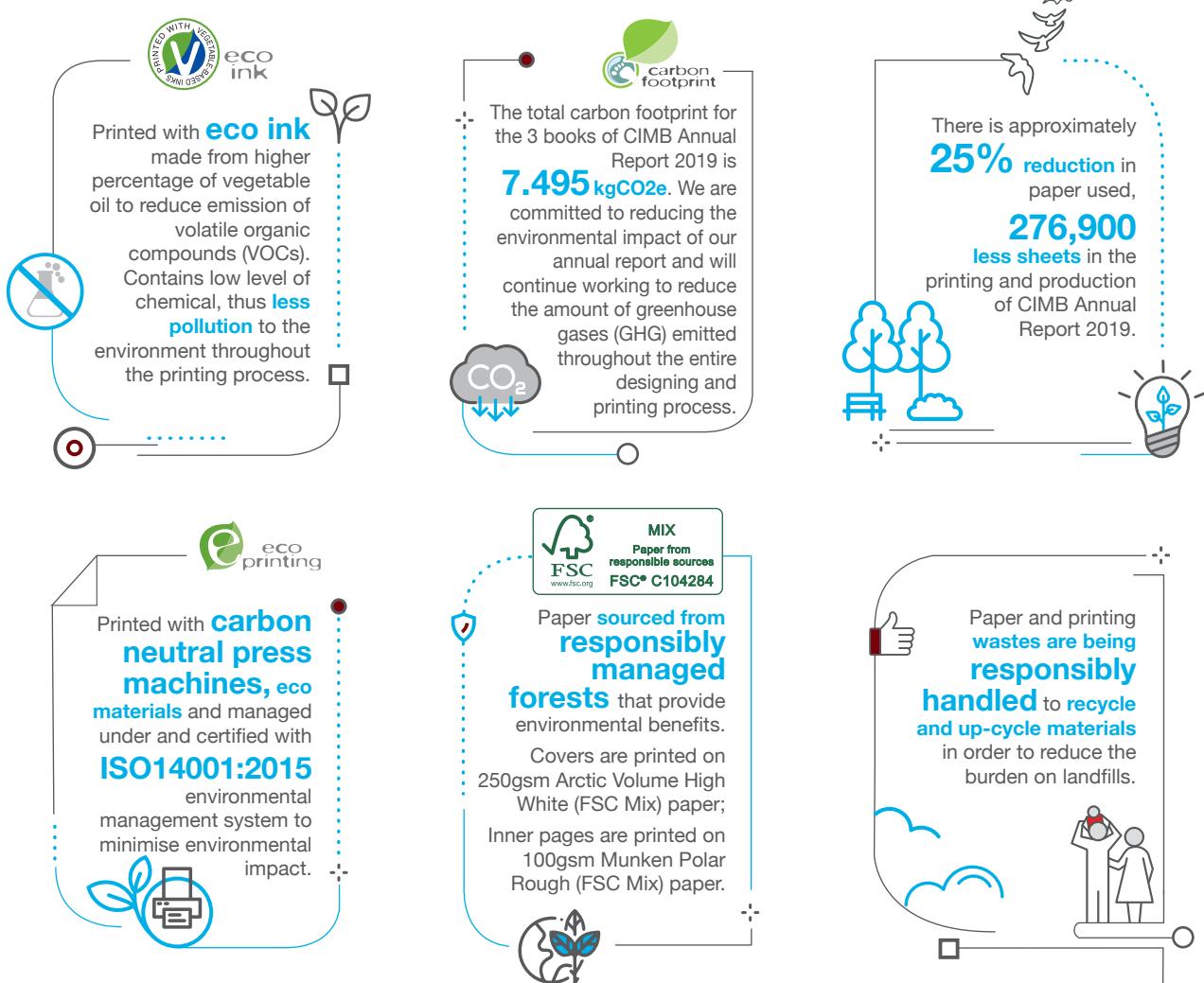
View our Annual Report, Accounts and
other information about
CIMB Group Holdings Berhad at

www.cimb.com

Goes Green

Financial Statements 2019

We have taken conscious effort to manage and minimise the environmental impact of our annual report and related processes.



> WHAT'S INSIDE THIS REPORT

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Five-Year Group Financial Highlights

Financial Year Ended 31 December

Key Highlights	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Consolidated Statement of Income					
Operating income	17,795,879	17,381,968	17,626,496	16,065,255	15,395,790
Overheads	9,872,905	8,655,821	9,133,575	8,651,690	9,248,978
Profit before expected credit losses	7,922,974	8,726,147	8,492,921	7,413,565	6,146,812
Expected credit losses on loans, advances and financing	1,638,785	1,432,661	2,230,907	2,408,883	2,168,624
Profit before taxation and zakat	5,974,840	7,200,667	6,109,985	4,884,144	3,913,993
Net profit for the financial year	4,559,656	5,583,510	4,475,175	3,564,190	2,849,509
Consolidated Statement of Financial Position					
Gross loans, advances and financing	369,491,503	346,290,529	324,218,054	323,719,559	297,822,144
Total assets	573,245,655	534,089,043	506,499,532	485,766,887	461,577,143
Deposits from customers^	401,681,309	379,671,991	356,994,529	338,530,629	320,509,026
Total liabilities	515,776,579	481,501,072	456,693,097	438,687,729	419,344,515
Shareholders' funds	56,237,171	51,374,295	48,245,479	45,308,175	41,050,778
Commitments and contingencies	1,146,023,486	1,129,138,654	875,879,316	888,167,213	883,583,439
Financial Ratios (%)					
Common equity tier 1 ratio (CIMB Group)	12.9	n/a	n/a	n/a	n/a
Tier 1 ratio (CIMB Group)	14.0	n/a	n/a	n/a	n/a
Total capital ratio (CIMB Group)	16.8	n/a	n/a	n/a	n/a
Common equity tier 1 ratio (CIMB Bank)	13.0	12.2	11.9	11.5	11.5
Tier 1 ratio (CIMB Bank)	14.4	13.7	13.3	13.1	12.7
Total capital ratio (CIMB Bank)	18.7	18.4	16.8	16.2	15.8
Return on average equity	8.5	11.4	9.6	8.3	7.3
Return on average total assets	0.82	1.07	0.90	0.75	0.65
Net interest margin	2.46	2.50	2.63	2.63	2.66
Cost to income ratio	55.5	49.8	51.8	53.9	60.1
Gross impaired loans to gross loans	3.1	2.9	3.4	3.3	3.0
Allowance coverage ratio	80.7	91.0	70.5	79.8	84.7
Loan loss charge	0.44	0.41	0.69	0.74	0.73
Loan deposit ratio	92.0	91.2	90.8	95.6	92.9
Net tangible assets per share (RM)	4.70	4.39	4.14	3.92	3.63
Book value per share (RM)	5.67	5.37	5.23	5.11	4.81
CASA ratio	34.4	32.7	35.0	35.7	34.1
Other Information					
Earnings per share (sen)					
– basic	47.0	59.7	49.6	41.0	33.6
Gross dividend per share (sen)	26.0	25.0	25.0	20.0	14.0
Dividend payout ratio (%)	56	42	51	49	42
Number of shares in issue* ('000)	9,922,966	9,564,455	9,225,547	8,868,384	8,527,272
Weighted average number of shares in issue ('000)	9,705,987	9,356,695	9,016,943	8,689,362	8,475,522
Non Financial Highlights					
Share price at year-end (RM)	5.15	5.71	6.54	4.51	4.54
Number of employees~	35,265	36,104	37,597	38,952	40,545

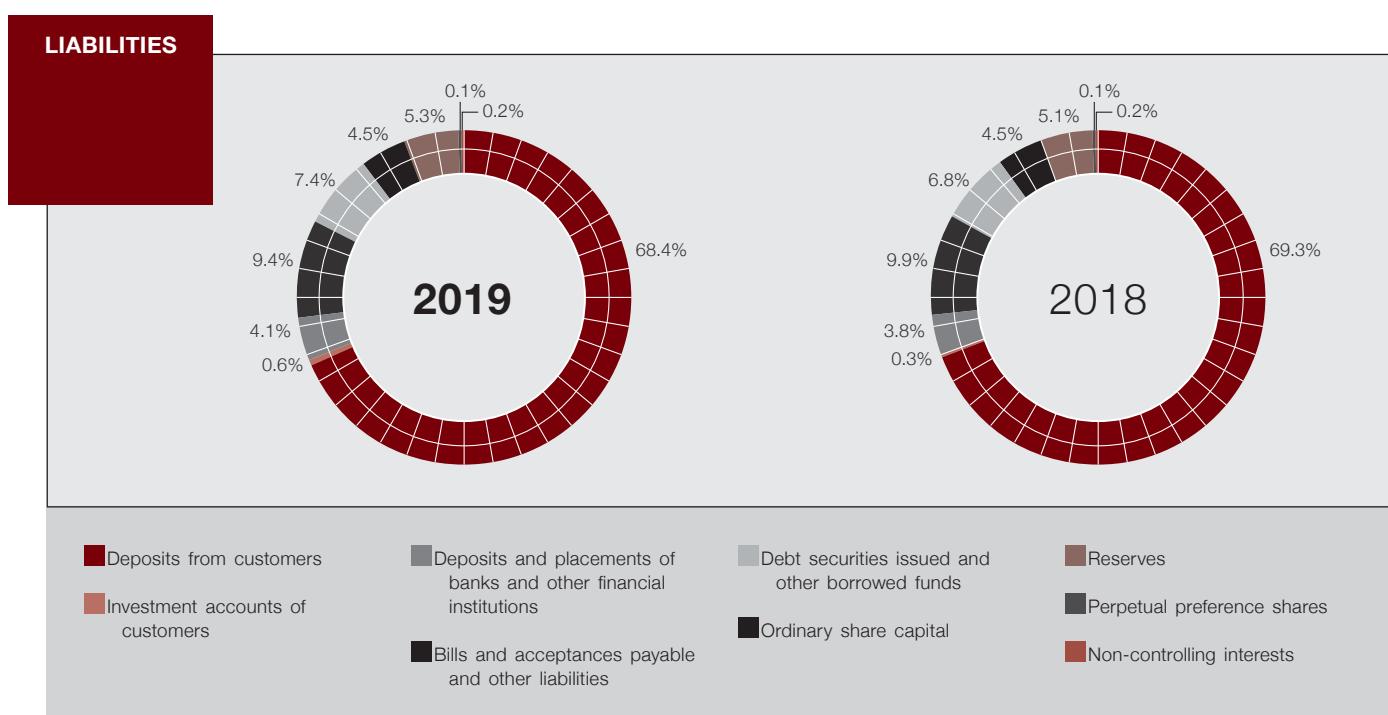
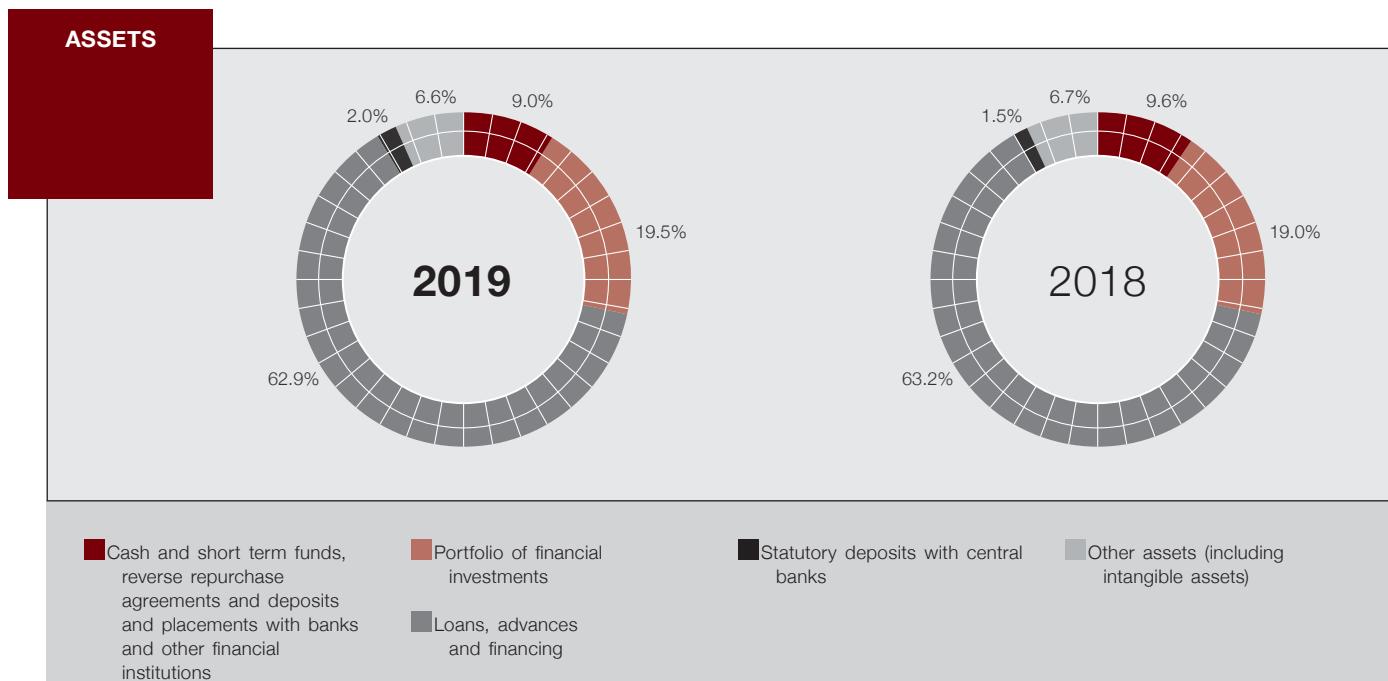
[^] Include investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities

[~] Excludes headcount borne by third parties

^{*} Excludes 4,908 ordinary shares held as treasury shares

Simplified Group

Statements of Financial Position



Key Interest Bearing Assets and Liabilities

Financial Year Ended 31 December 2019

	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	42,564	2.39	1,111
Financial investments at fair value through profit or loss	38,137	2.78	1,068
Debt instruments at fair value through other comprehensive income	33,318	3.63	1,227
Debt instruments at amortised cost	39,833	4.40	1,765
Loans, advances and financing	360,340	5.88	20,476
Interest bearing liabilities:			
Total deposits*	429,482	2.57	11,007
Bonds, Sukuk, debentures and other borrowings	28,691	3.57	925
Subordinated obligations	13,521	5.33	710

Financial Year Ended 31 December 2018

	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	39,903	2.52	1,214
Financial investments at fair value through profit or loss	29,511	2.90	847
Debt instruments at fair value through other comprehensive income	32,276	4.28	1,327
Debt instruments at amortised cost	39,269	3.92	1,542
Loans, advances and financing	337,148	5.89	19,069
Interest bearing liabilities:			
Total deposits*	405,131	2.51	10,100
Bonds, Sukuk, debentures and other borrowings	23,022	4.04	908
Subordinated obligations	13,482	5.61	744

* Total deposits include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, financial liabilities designated at fair value through profit or loss and structured deposits.

Value Added Statement

	2019 RM'000	2018 RM'000
VALUE ADDED		
Net interest income	10,083,918	9,634,440
Income from Islamic banking operations	3,040,663	2,610,161
Net non-interest income	4,671,298	5,137,367
Overheads excluding personnel costs, depreciation and amortisation	(3,263,700)	(3,065,699)
Expected credit losses on loans, advances and financing	(1,638,785)	(1,432,661)
Expected credit losses written back for commitments and contingencies	12,019	7,427
Other expected credit losses made	(352,018)	(134,500)
Share of results of joint ventures	31,401	30,678
Share of results of associates	(751)	3,576
Value added available for distribution	12,584,045	12,790,789

DISTRIBUTION OF VALUE ADDED

To employees:

Personnel costs	5,764,674	4,926,747
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To the Government:

Taxation and zakat	1,519,653	1,537,314
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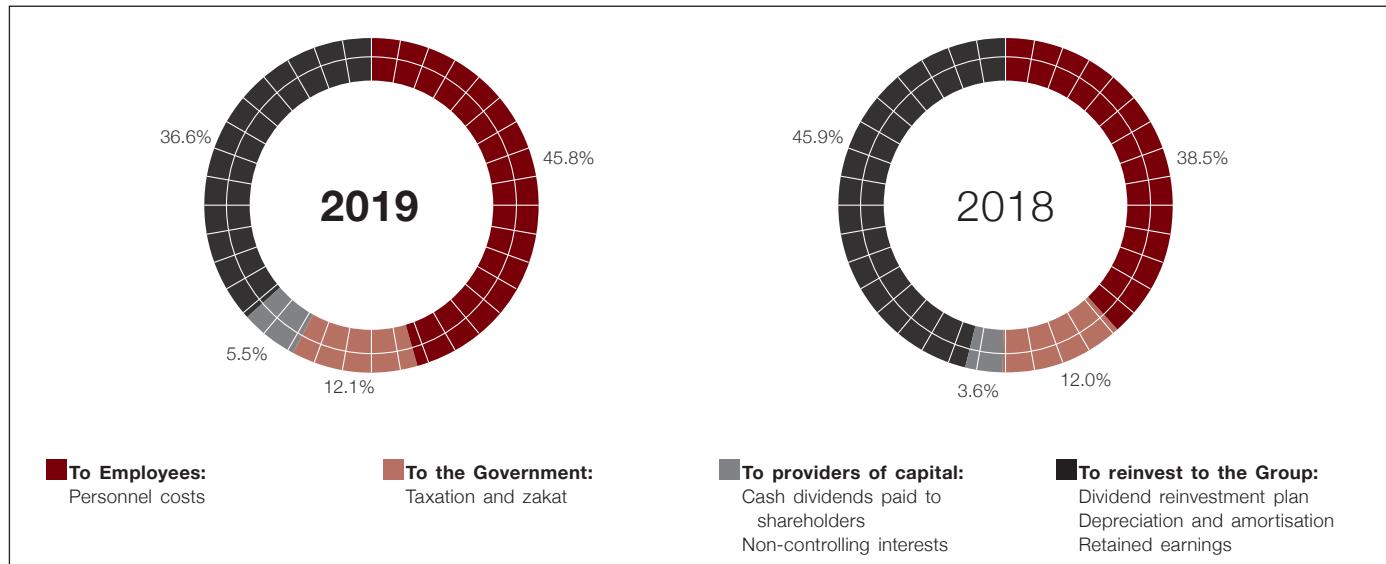
To providers of capital:

Cash dividends paid to shareholders	797,515	376,094
Non-controlling interests	(104,469)	79,843

To reinvest to the Group:

Dividend reinvestment plan	1,712,059	1,948,524
Depreciation and amortisation	844,531	663,375
Retained earnings	2,050,082	3,258,892

Value added available for distribution	12,584,045	12,790,789
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Quarterly Financial Performance

2019

RM'000	Q1	Q2	Q3	Q4
Operating revenue	4,166,146	4,468,851	4,638,445	4,522,437
Net interest income	2,461,543	2,376,781	2,567,740	2,677,854
Net non-interest income and income from Islamic banking operation	1,704,603	2,092,070	2,070,705	1,844,583
Overheads	(2,302,416)	(2,293,626)	(2,786,392)	(2,490,471)
Profit before taxation and zakat	1,603,126	1,955,829	1,336,883	1,079,002
Net profit attributable to owners of the Parent	1,192,042	1,508,625	1,010,348	848,641
Earnings per share (sen)	12.46	15.60	10.36	8.56
Dividend per share (sen)	–	14.00	–	12.00

2018

RM'000	Q1	Q2	Q3	Q4
Operating revenue	4,303,311	4,863,578	4,140,536	4,074,543
Net interest income	2,419,783	2,367,316	2,413,467	2,433,874
Net non-interest income and income from Islamic banking operation	1,883,528	2,496,262	1,727,069	1,640,669
Overheads	(2,141,121)	(2,087,316)	(2,158,346)	(2,269,038)
Profit before taxation and zakat	1,742,893	2,459,160	1,486,401	1,512,213
Net profit attributable to owners of the Parent	1,305,874	1,980,783	1,179,718	1,117,135
Earnings per share (sen)	14.15	21.29	12.56	11.67
Dividend per share (sen)	–	13.00	–	12.00

Analysis of Financial Statements

ANALYSIS OF STATEMENT OF INCOME

	2019 RM'million	2018 RM'million	Increase/ (Decrease)
Net interest income^	12,659	11,904	6.3%
Net non-interest income^	5,137	5,478	-6.2%
Operating income	17,796	17,382	2.4%
Overheads	(9,873)	(8,656)	14.1%
Profit before expected credit losses	7,923	8,726	-9.2%
Expected credit losses on loans, advances and financing	(1,639)	(1,432)	14.5%
Expected credit losses written back for commitment and contingencies	12	7	71.4%
Other expected credit losses made	(352)	(134)	162.7%
Share of results of joint ventures and associates	31	34	-8.8%
Profit before taxation and zakat	5,975	7,201	-17.0%
Net profit attributable to owners of the Parent	4,560	5,584	-18.3%
EPS (sen)	47.0	59.7	-21.3%

[^] inclusive of income from Islamic banking operations

Net interest income

The Group's net interest income (NII) increased by 6.3% YoY at RM12.659 billion from RM11.904 billion in 2018. The improvement was attributed to a combination of loan growth across all jurisdictions and businesses partially offset by marginally lower Net Interest Margins (NIM). The Group's NIMs were lower at 2.46% from 2.50% in FY18 largely due to the impact of the interest rate cuts in our main operating countries Malaysia, Indonesia and Thailand. However, increased lending rates and improved balance sheet management in Indonesia provided a material mitigating impact over the year. The Group's gross loans expanded by 6.7% YoY underpinned by the Consumer and Wholesale Banking segments which grew 9.0% and 7.2% respectively. Commercial Banking loans were relatively flat YoY. By country, loan growth was driven by Malaysia at 6.0% and Thailand at 6.1%.

Net non-interest income

Total net non-interest income (NOII) was 6.2% lower YoY at RM5.137 billion compared to RM5.478 billion in 2018. The decline was principally due to the RM928 million gain from divestment of a 20% interest in CIMB Principal Asset Management (CPAM) and 10% in CIMB Principal Islamic Asset Management (CPIAM) in 2018. The Group also disposed of its 50% interest in the Malaysia stockbroking business in 2019. The subsequent deconsolidation of CPAM and the Malaysian stockbroking business contributed to the lower NOII during the year. However, the underlying capital market trading and foreign exchange revenues, wealth management and Private Banking NOII showed strong growth momentum over the year.

Overheads

The Group's total overhead expenses rose by 14.1% YoY to RM9.873 billion compared to RM8.656 billion in 2018. The increase was attributed to a combination of: a) staff transformational expenses undertaken in Indonesia and Malaysia totalling RM366 million during the year, b) Forward23-related investments in technology, Touch 'N Go and operations in Vietnam and the Philippines, and c) foreign exchange fluctuation effects. The Group continues to adopt strict controls over the underlying operational costs.

Expected credit losses

The total net expected credit losses on loans, advances and financing of RM1.639 billion in 2019 was 14.5% higher YoY versus the RM1.432 billion in 2018. The increase in provisions was attributed to several corporate impairments in Indonesia as well as MFRS9-related provision adjustments in Malaysia Consumer Banking. The Group also accounted for some MFRS9-related write-backs in Commercial and Corporate Banking during the year. For 2019, the Group reported a total loan loss charge of 0.44% with a gross impairment ratio of 3.1% and an allowance coverage of 99.6%.

Net profit attributable to owners of the Parent

The Group recorded a net profit of RM4.560 billion in 2019, an 18.3% YoY decline from the RM5.584 billion in 2018. The lower profitability was mainly attributed to the 2.4% increase in operating income, owing to the lack of the RM928 million gain from the CPAM and CPIAM shareholding realignment, as well as the 14.1% increase in operating costs brought about by the staff transformational costs and Forward23-related investments, and higher expected credit losses on loans, advance and financing for the year. As a result, the Group reported a net EPS of 47.0 sen in 2019.

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

	2019 RM'million	2018 RM'million	Increase/ (Decrease)
Assets			
Cash and short-term funds	37,765	35,529	2,236
Deposits and placements with banks and other financial institutions	4,799	4,374	425
Financial investment portfolio	111,745	101,640	10,105
Loans, advances and financing	360,340	337,148	23,192
Other assets (including intangible assets)	58,597	55,398	3,199
Total assets	573,246	534,089	39,157
			7.3%
Liabilities			
Deposits from customers ^a	401,681	379,672	22,009
Deposits and placements of banks and other financial institutions	23,667	20,233	3,434
Other borrowings	10,458	9,307	1,151
Bonds, sukuk and debentures	18,233	13,715	4,518
Subordinated obligations	13,521	13,482	39
Other liabilities	48,217	45,092	3,125
Total liabilities	515,777	481,501	34,276
			7.1%

^a includes investments accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities

A) Total assets

As at 31 December 2019, CIMB Group's total assets rose RM39.2 billion or 7.3% higher at RM573.2 billion. The increase was underpinned by a RM23.2 billion or 6.9% growth in loans, advances and financing, and an 9.9% or RM10.1 billion increase in the financial investment portfolio. Other assets (including intangible assets) rose 5.8% or by RM3.2 billion, while cash and short-term funds were 6.3% (or RM2.2 billion) higher.

B) Total loans, advances and financing

The Group's loans, advances and financing stood at RM360.3 billion as at 31 December 2019, increasing by 6.9% YoY or RM23.2 billion. Malaysia loans grew 6.0% during the year, while loans from Indonesia and Thailand expanded 3.0% and 6.1% YoY in Rupiah and Baht-terms respectively. Singapore loans were 3.7% higher in Dollar terms in 2019. The Group's gross impaired loans ratio stood at 3.1% as at 31 December 2019 compared to 2.9% as at 31 December 2018. Consumer and Wholesale Banking loans grew 9.0% and 7.2% respectively, while Commercial Banking loans were flat YoY.

C) Other assets (including intangible assets)

The total amount of other assets increased by 5.8% YoY or RM3.2 billion to RM58.6 billion as at 31 December 2019 compared to RM55.4 billion as at 31 December 2018. The growth came from a combination of increases in derivative financial instruments, investment in joint ventures and right-of-use assets, partially offset by a decrease in reverse repurchase agreements.

D) Total liabilities

As at 31 December 2019, the Group's total liabilities stood at RM515.8 billion, an increase of 7.1% or RM34.3 billion YoY. The increase was largely driven by the RM22.0 billion or 5.8% growth in deposits from customers and a RM4.5 billion or 32.9% YoY rise in bonds, sukuk and debentures. All other segments posted positive trends with deposits and placements of banks and other financial institutions rising 17.0%, other liabilities increasing 6.9% and other borrowings climbing 12.4%.

E) Total deposits from customers

Total Group deposits from customers rose by 5.8% YoY or a RM22.0 billion increase to RM401.7 billion as at 31 December 2019. Consumer Banking posted a 8.9% YoY growth in deposits, with Wholesale deposits 4.5% higher and Commercial Banking deposits edging up 0.9% YoY. Geographically, deposit growth was strong in Malaysia and Thailand at 6.2% and 7.5% in Ringgit and Baht respectively. In local currency terms, Indonesia deposits were 2.4% higher, while Singapore deposits declined 1.9% YoY. The Group's CASA ratio improved to 34.4% as at end-2019 from 32.7% last year while overall Group net interest margin was marginally lower at 2.46% in 2019.

F) Bonds, sukuk and debentures

The total amount of bonds, sukuk and debentures rose by 32.9% YoY or RM4.5 billion to RM18.2 billion as at 31 December 2019 compared to RM13.7 billion as at 31 December 2018. The higher amount mainly arose from the issuance of USD and IDR bonds of RM3.5 billion and RM1.2 billion respectively.

Capital Management

OVERVIEW

Capital management at CIMB Group (“Group”) remains focused on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Group are designed to meet the requirements of the Group’s key constituencies i.e. shareholders, customers, regulators, external rating agencies, and others. Guided by CIMB Group’s Capital Management Framework, the objectives of capital management are as follows:

- (1) To maintain a strong and efficient capital base for the Group and its entities to (a) meet regulatory capital requirements at all times; (b) realise returns for shareholders through sustainable return on equity and stable dividend payout; and (c) withstand stressed economic and market conditions.
- (2) To allocate capital efficiently across the business units and subsidiaries to (a) support the organic growth generation

(b) take advantage of strategic acquisitions and new businesses when opportunities arise; and (c) optimise the return on capital for the Group.

- (3) To maintain capital at optimal levels to meet the requirements of other stakeholders of the Group, including rating agencies and customers through (a) liability management (b) dividend reinvestment scheme (c) deployment of capital based on risk-adjusted return on capital (RAROC) performance measurement (d) risk-weighted assets (RWA) optimisation exercise and exploring strategic divestments, if any.

The Group’s regulated banking entities have always maintained a set of internal capital targets which provide a strong buffer above the minimum regulatory requirements. The following table shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks under the Basel III framework.

Capital Ratios	Common Equity Tier 1 Capital		Tier 1 Capital		Total Capital	
	As at 31 December 2019	Minimum Regulatory Ratio	As at 31 December 2019	Minimum Regulatory Ratio	As at 31 December 2019	Minimum Regulatory Ratio
CIMB Group	12.88%	7.00%	13.99%	8.50%	16.75%	10.50%
CIMB Bank	13.03%	7.00%	14.43%	8.50%	18.72%	10.50%
CIMB Islamic	13.35%	7.00%	13.78%	8.50%	16.98%	10.50%
CIMB Investment Bank Group	61.55%	7.00%	61.55%	8.50%	61.55%	10.50%
CIMB Niaga Group*	20.20%	10.00%	20.20%	11.50%	21.50%	13.50%
CIMB Thai Group	13.05%	7.00%	13.05%	8.50%	17.95%	11.00%

* Inclusive of risk profile no 2 and capital surcharge buffer.

KEY INITIATIVES

Our goal is to continuously build capital towards the full implementation of Basel III requirements, whilst optimising its use fully. Tools that are employed to achieve this include but not limited to the following:

- (1) liability management via redemption of non Basel III compliant instruments; and issuance of new Basel III instruments;
- (2) dividend reinvestment scheme (DRS);
- (3) RWA optimisation; and
- (4) Group-wide stress testing and impact assessment.

Key capital management initiatives that were undertaken during the 2019 calendar year include:

- (1) The DRS was continued with a reinvestment rate of 66.5%, reflecting investor confidence in the Group and generating an additional RM0.9 billion of capital.
- (2) CIMB Group issued RM1.0 billion Basel III AT1 Capital Securities on 28 June 2019, and RM0.8 billion Basel III T2 Subordinated Debt on 25 November 2019.
- (3) The continuing RWA optimisation initiatives during the year, largely through active loan portfolio rebalancing, system and data enhancements and model recalibrations.

DIVIDEND POLICY

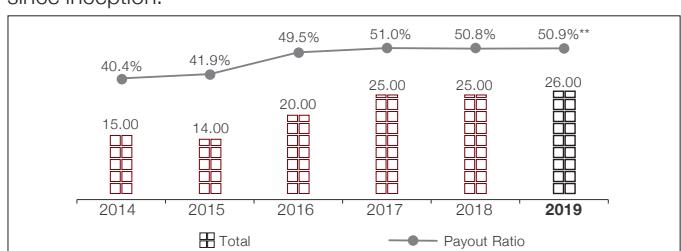
For the financial year ended 31 December 2019, the first interim single tier dividend of 14.00 sen per ordinary share, on 9,727,419,028 ordinary shares amounted to RM1,361,838,664 was approved by the Board of Directors on 31 July 2019. The dividend consisted of an

electable portion of 14.00 sen per ordinary share which shareholders could elect to reinvest in new ordinary shares in accordance with the DRS. Following the completion of the DRS, a total cash dividend of RM456,454,563 was paid on 4 November 2019.

A second interim single tier dividend of 12.00 sen per ordinary share, on 9,922,966,350 ordinary shares amounting to RM1,190,755,962 in respect of the financial year ended 2019 was approved by the Board of Directors on 30 January 2020. The second interim single tier dividend will be payable by April 2020 and is not applicable under the dividend reinvestment scheme.

DIVIDEND REINVESTMENT SCHEME

The DRS was implemented in 2013 to provide shareholders with an option to reinvest dividends into new ordinary shares of CIMB and at the same time to help preserve the Group’s capital. It was first applied to the Group’s second interim dividend for the financial year ended 31 December 2012. The dividend reinvestment rate has been encouraging, with an average rate of approximately 79.0% since inception.



* Payout ratio based on PAT excluding CPAM and CPIAM gain of RM928 million.

** Payout ratio based on BAU PAT excluding transformational cost.

Financial Calendar

28 FEBRUARY 2019	14 MARCH 2019	21 MARCH 2019	21 MARCH 2019
Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2018	Notice of book closure for single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2018	Notice of 62nd Annual General Meeting	Issuance of Annual Report for the financial year ended 31 December 2018
25 MARCH 2019	29 MARCH 2019	22 APRIL 2019	24 APRIL 2019
Date of entitlement for the single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2018	Notice of election in relation to the dividend reinvestment scheme. The scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of CIMB	62nd Annual General Meeting	Payment of the single tier interim dividend of 12.00 sen per share for the financial year ended 31 December 2018
24 APRIL 2019	29 MAY 2019	29 AUGUST 2019	24 SEPTEMBER 2019
Additional listing of 162,964,518 new ordinary shares, via the Dividend Reinvestment Scheme	Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2019	Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2019	Notice of book closure for the single tier first interim dividend of 14.00 sen per share for the financial year ending 31 December 2019
4 OCTOBER 2019	11 OCTOBER 2019	6 NOVEMBER 2019	6 NOVEMBER 2019
Date of entitlement for the single tier interim dividend of 14.00 sen per share for the financial year ending 31 December 2019	Notice of election in relation to the dividend reinvestment scheme. The scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares in CIMB	Payment of the single tier interim dividend of 14.00 sen per share for the financial year ending 31 December 2019	Additional listing of 195,547,322 new ordinary shares via the dividend reinvestment scheme
22 NOVEMBER 2019	28 FEBRUARY 2020	2020 TENTATIVE DATES	
Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2019	Announcement of the unaudited consolidated financial results for the fourth quarter ended 31 December 2019	19 MAY 2020 1Q20 Financial Results	26 AUGUST 2020 2Q20 Financial Results
		24 NOVEMBER 2020 3Q20 Financial Results	FEBRUARY 2021 4Q20 Financial Results

Statement of Directors' Responsibilities

In Relation to Financial Statements

The Directors are responsible for ensuring that the annual Audited Financial Statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the Annual Audited Financial Statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended.

The Directors consider that, in preparing the Annual Audited Financial Statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Directors' Report

for the financial year ended 31 December 2019

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	4,559,656	2,783,983
– Non-controlling interests	(104,469)	–
	4,455,187	2,783,983

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
Dividend on 9,564,454,510 ordinary shares, paid on 24 April 2019	
– single tier second interim dividend of 12.00 sen per ordinary share, consists of cash portion of 3.57 sen per ordinary shares and an electable portion of 8.43 sen per ordinary shares which was reinvested in new ordinary shares	1,147,735
In respect of the financial year ended 31 December 2019:	
Dividend on 9,727,419,028 ordinary shares, paid on 6 November 2019:	
– single tier first interim dividend of 14.00 sen per ordinary shares, consists of cash portion of 4.69 sen per ordinary shares and an electable portion of 9.31 sen per ordinary shares which was reinvested in new ordinary shares	1,361,839

The Directors have proposed a single tier second interim dividend of 12.00 sen per ordinary share on 9,922,966,350 ordinary shares amounting to RM1,191 million in respect of the financial year ended 31 December 2019. The single tier second interim dividend was approved by the Board of Directors on 30 January 2020.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2019.

RESERVES, PROVISIONS AND ALLOWANCES

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

Directors' Report

for the financial year ended 31 December 2019

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up capital by 358,511,840 shares via:

- (a) Issuance of 162,964,518 new ordinary shares arising from the DRS relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2018, as disclosed in Note 46(a) to the Financial Statements; and
- (b) Issuance of 195,547,322 new ordinary shares arising from the DRS relating to electable portion of the first interim dividend of 14.00 sen in respect of financial year ended 31 December 2019, as disclosed in Note 46(b) to the Financial Statements.

SHARE BUY-BACK AND CANCELLATION

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2019, there were 4,908 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2019 was 9,922,966,350 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 48 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

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

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

CURRENT ASSETS

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

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

Directors' Report

for the financial year ended 31 December 2019

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 Company 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 Company which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability in the Group or the Company 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 Group and the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Company, 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 Company'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 53.1 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 Company for the financial year in which this Report is made other than those disclosed in Note 53.2 to the Financial Statements.

DIRECTORS

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

Datuk Mohd Nasir Ahmad
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din
Ahmad Zulqarnain bin Che On
Afzal bin Abdul Rahim (Appointed on 31 January 2019)
Robert Neil Coombe
Teoh Su Yin
Didi Syafruddin Yahya (Appointed on 7 May 2019)
Glenn Muhammad Surya Yusuf (Retired on 23 January 2019)
Watanan Petersik (Retired on 24 January 2019)
Tongurai Limpiti (Resigned on 30 December 2019)
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz (Resigned on 9 March 2020)

In accordance with Article 81 of the Constitution, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Teoh Su Yin
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din

In accordance with Article 88 of the Constitution, the following Director will retire from the Board at the forthcoming AGM and being eligible, offer himself for re-election:

Didi Syafruddin Yahya

Directors' Report

for the financial year ended 31 December 2019

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

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

	Number of ordinary shares			
	As at 1 January/ date of appointment	Acquired/ Granted	Disposed/ Vested	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
* Dato' Lee Kok Kwan	1,355,416	38,304 ^(b)	(100,000) ^(c)	1,293,720
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	2,047,878	947,009 ^(a)	(537,077) ^{(c)(d)}	2,457,810
^ Didi Syafruddin Yahya	3,361	101 ^(a)	—	3,462

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

	Number of ordinary shares			
	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
* Datin Rosemary Yvonne Fong	88,648	—	—	88,648
^ Sarina Mahmood Merican	3,361	101 ^(a)	—	3,462

(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 disposed in open market

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

	Number of shares held			
	As at 1 January	Granted	Disposed	As at 31 December
PT Bank CIMB Niaga Tbk				
Direct interest				
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	60,031	—	—	60,031
* Dato' Lee Kok Kwan	427,305	—	—	427,305
** Teoh Su Yin	17,486	—	—	17,486

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
PT Bank CIMB Niaga Tbk				
Direct interest				
* Datin Rosemary Yvonne Fong	12,445	—	—	12,445
** Stephen John Watson Hagger	17,486	—	—	17,486

Directors' Report
for the financial year ended 31 December 2019

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

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

	Debentures held			
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	RM1,000,000	–	–	RM1,000,000
PT Bank CIMB Niaga Tbk				
– Subordinated Notes				
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 in the Company, or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 43 to the Financial Statements) by reason of a contract made by the Company 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 Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Management Equity Scheme and Equity Ownership Plan (see Note 48 to the Financial Statements) as disclosed in this Report.

SUBSIDIARIES

(a) Details of subsidiaries

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

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

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 13 to the Financial Statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are as set out in Note 40 to the Financial Statements.

Directors' Report

for the financial year ended 31 December 2019

2019 BUSINESS PLAN AND STRATEGY

2019 was a challenging year for the Group with its performance underpinned by slower economic growth across the region, sustained global trade tensions, currency gyrations and margin pressure arising from interest rate cuts in most operating jurisdictions. This softer operating environment was reflected in a weakened consumer sentiment and deceleration in economic activity as evident in the 4.3% GDP growth achieved by Malaysia in 2019. Monetary policy unpredictability brought about greater fluctuations in regional currencies over the year and brought about increased capital market activity particularly within the fixed income space. Equity markets and investment banking activity remained relatively subdued with a slowdown in corporate actions given the macro uncertainties.

The Group drew a line under its Towards 2018 ("T18") initiative and launched the Forward23 5-year strategic program in 2019. The program leverages on the foundations laid by T18 to accelerate growth in focus areas and to future-proof the Group, particularly in the areas of digital innovation and technology. Customer experience and sustainability are two key pivots that are expected to be differentiators going forward. Given the backdrop, the Group completed the disposal of 50% interest in the Malaysian stockbroking business and spent significant effort in improving operational efficiencies via automation and partnerships as well as launching a staff transformation program in Malaysia and Indonesia.

The Group posted a 2.4% year-on-year ("YoY") growth in operating income to RM17.8 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) was 6.3% higher YoY at RM12.7 billion largely driven by the 6.7% loan growth YoY partially offset by a 4bps YoY contraction in net interest margins ("NIM"). Non-interest income ("NOII") declined 6.2% YoY due to the absence of the gains from the disposal of interests in CIMB Principal Asset Management ("CPAM"), CIMB Principal Islamic Asset Management ("CPIAM") in 2018. Excluding the one-off gain, the operational NOII grew on the back of improved capital markets, Treasury & Markets trading income and stronger wealth management revenues. The Group's profit before tax ("PBT") of RM6.0 billion was 17.0% lower YoY attributed to decline in operating income, a 14.1% YoY increase in overhead expenses and 26.9% YoY increase in loan loss and other provisions. Coupled with an increase in capital adequacy, the Group generated a net return on equity ("ROE") of 8.5%.

The regional Commercial Banking PBT was 87.1% higher YoY at RM1.6 billion largely driven by the double-digit loan growth in Malaysia, stronger NOII during the year and significantly lower loan provisions owing to write-backs from MFRS9 adjustments. The PBT for regional Wholesale Banking increased 5.1% YoY at RM1.9 billion. Treasury & Markets and Investment Banking saw strong improvement from increased trading volumes and capital market activity, while Corporate Banking was lower from higher provisions. The regional Consumer PBT was 26.3% lower YoY at RM2.0 billion. The decline was attributed to the negative impact of MFRS9 accounting adjustments which resulted in the larger Malaysian Consumer operations witnessing a 31.3% lower PBT YoY, while Indonesia's Consumer PBT fell 40.2% YoY. Excluding these adjustments, the underlying operations were stronger YoY on the back of loans growth and improved NOII.

CIMB Niaga's PBT expanded by 2.1% YoY to IDR4,954 billion on the back of revenue growth, and improved cost controls, partially offset by higher loan provisions. CIMB Thai chalked a sharp 617% increase in PBT to THB1.9 billion largely due to loans growth, stronger NOII and a 48.7% YoY decline in loan provisions. CIMB Singapore's PBT increased 18.8% to RM505 million from revenue growth and lower provisions.

The Group's total gross loans was 6.7% higher YoY. Consumer Banking loans expanded 9.0% with Wholesale Banking loans rising 7.2% and Commercial Banking loans remaining flat YoY. Total Group deposits grew by 5.8% YoY with a CASA (Current Account & Savings Account) ratio of 34.4% as at end-2019 (compared to 32.7% previously) while overall NIM was marginally lower at 2.46%.

The Group's cost to income ratio rose to 55.5% compared to 49.8% in 2018, mainly due to the larger-than-normal increase in operating costs as the Group incurred additional staff transformational costs in Malaysia and Indonesia during the year. The Group's loan loss provisions increased 14.5% YoY to RM1.6 billion in 2019 while total loan loss charge stood at 0.44%. The Group's gross impairment ratio stood at 3.1% as at end-2019 from 2.9% as at end-2018, with an allowance coverage of 80.7%.

The Group announced a 55.9% dividend payout for 2019 by declaring total dividends amounting to RM2.6 billion or 26.00 sen per share. This was paid in two interim dividend payouts of 14.00 sen (with the option of either cash or via a Dividend Reinvestment Scheme ("DRS"), and paid in November 2019) and a 12.00 sen all-cash dividend to be paid by April 2020.

Directors' Report

for the financial year ended 31 December 2019

OUTLOOK FOR 2020

The Group continues to maintain a cautious stance for 2020 in view of sustained global economic headwinds, trade tensions, threat from the Covid-19 outbreak as well as potential further interest rate cuts across the region. CIMB Malaysia will sustain its prudent balance sheet growth momentum, and will continue to drive the digital agenda particularly in the areas of payments and sales enablement. Prospects for CIMB Singapore are expected to track the regional economic direction. The outlook for CIMB Thai is encouraging following the completion of its transformation program coupled with increased cost discipline. CIMB Niaga expects reasonable loan expansion with sustained focus on cost discipline and asset quality management.

RATINGS BY EXTERNAL RATING AGENCY

Details of the rating of the Company and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service (Moody's)	September 2019	1. Long-term Issuer Rating 2. Short-term Issuer Rating	Baa1 P-2	Stable
Malaysian Rating Corporation Berhad (MARC)	November 2019	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme	AA+ MARC-1 AA	Stable
RAM Rating Services Berhad (RAM)	August 2019	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM6.0 billion Conventional/Islamic Medium-term Notes Programme 4. RM3.0 billion Subordinated Notes Programme 5. RM6.0 billion Conventional Commercial Paper Programme 6. RM10.0 billion Additional Tier I Capital Securities Programme	AA1 P1 AA1 AA3 P1 A1	Stable

BOARD SHARIAH COMMITTEE

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and now as enshrined in the effective 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 operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group Holdings Berhad that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

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 CIMB Group Holdings Berhad. 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 the Islamic banking business of CIMB Group Holding Berhad 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.

Directors' Report

for the financial year ended 31 December 2019

BOARD SHARIAH COMMITTEE (CONTINUED)

The members of the Board Shariah Committee are as follows:

1. Dr. Nedham Yaqoobi
2. Dr. Shafaai bin Musa
3. Professor Dr. Yousef Abdullah Al Shubaily
4. Associate Professor Dr. Aishath Muneeza
5. Ahmed Baqar Rehman (Appointed on 1 June 2019)
6. Dr. Ahmad Sufian Che Abdullah (Appointed on 1 November 2019)
7. Professor Dr. Mohammad Hashim Kamali (Contract of appointment expired on 13 June 2019)

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

ZAKAT OBLIGATIONS

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

For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of zakat on deposits and investments received from their customers lies with their respective Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Group 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 Statements of the Group is reflective of this.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53.1 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

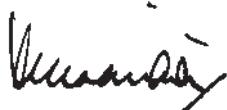
Significant events after the financial year are disclosed in Note 53.2 to the Financial Statements.

AUDITORS

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

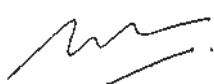
This report was approved by the Board of Directors on 10 March 2020.

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



Datuk Mohd Nasir Ahmad
Chairman

Kuala Lumpur
10 March 2020



Teoh Su Yin
Director

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Mohd Nasir Ahmad and Teoh Su Yin, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 29 to 340 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Datuk Mohd Nasir Ahmad
Chairman

Kuala Lumpur
10 March 2020

Teoh Su Yin
Director

Statutory Declaration

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

I, Khairulanwar bin Rifae, being the officer primarily responsible for the financial management of CIMB Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 29 to 340 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Khairulanwar bin Rifae

Subscribed and solemnly declared by the abovenamed Khairulanwar bin Rifae at Kuala Lumpur before me, on 10 March 2020.



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

Commissioner for Oaths

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 ("CIMB Islamic"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

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

As members of the Board Shariah Committee, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Islamic banking and finance business of CIMB Group have 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 relevant financial regulators in the relevant jurisdictions that the Group's Islamic banking and finance businesses were undertaken during the period being reported.

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

In making our independent assessment and confirmation, we have always recognised the importance of CIMB Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its Islamic banking and finance businesses.

In this regard sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; the group's assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its operations does not contradict Shariah principles.

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

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

In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators. As for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non Compliant risk. Lastly, there is also a team of internal auditors who conduct periodic Shariah audits of all the Group's Islamic banking and finance operations on a scheduled and periodic basis.

All in all, the Management of the Group is responsible and accountable to the Board to ensure that the Islamic banking and finance businesses of CIMB Group are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Group 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 (excluding PT Bank CIMB Niaga Tbk) except for the following incident of Shariah non compliance event within the Group:

Board Shariah Committee's Report

- i) Shariah Non Compliance reward was offered to CIMB Islamic customers pursuant to a marketing campaign

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the financial year ended 31 December 2019 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and
4. The zakat calculation is in compliance with Shariah principles.

We have actively monitored and overseen 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 Group. 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 Group has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Group for the financial year ended 31 December 2019 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee



Dr. Shafaai bin Musa
Chairman



Associate Professor Dr. Aishath Muneeza
Member

Kuala Lumpur
10 March 2020

Independent Auditors' Report

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the financial statements of CIMB Group Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, 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 Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 340.

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 Company 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.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group key audit matters

Key audit matters	How our audit addressed the key audit matters
<p>Expected credit losses for loans, advances and financing measured at amortised cost</p> <p>Refer to accounting policy I(i) and Notes 9, 41 and 55(a) of the financial statements.</p> <p>We focused on this area due to the size of the carrying value of loans, advances and financing, which represented 63% of total assets of the Group.</p> <p>In addition, the expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.</p> <p>The significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> Building the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model; Identification of loans, advances and financing that have experienced a significant increase in credit risk; and Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and probability weighted multiple scenarios. 	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Understood and tested the relevant controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss. Examined a sample of loans, advances and financing and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment. Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we assessed the adequacy of loan impairment allowance by examining both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also re-performed the calculations of the discounted cash flows. Assessed and tested the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9. Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> Governance over ECL model development and model refinements, including model build, model approval, model monitoring and model validation; and Data used to determine the allowances for credit losses. Assessed and considered reasonableness of forward-looking forecasts assumptions. Checked the accuracy of data and calculation of the ECL amount, on a sample basis. Involved our financial risk modelling experts and IT specialists in areas such as reviewing appropriateness of the ECL models and data reliability. <p>The assessment and conclusion on the more judgmental interpretations made by management were discussed with the Audit Committee.</p> <p>There were instances where the quantum of impairment required was different from that determined by management due to variance in the inputs used for ECL calculations purposes.</p> <p>Based on the procedures above, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.</p>

Independent Auditors' Report

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Accounting and valuation for complex financial instruments <p>Refer to accounting policy Q and Notes 55(c), 59.4.1 and 59.4.3 of the financial statements.</p> <p>We focused on this area as the accounting and valuation for certain financial instruments, particularly complex derivatives, were based on significant judgements and estimates made by the Group.</p> <p>The fair value of these complex derivatives is determined using a variety of valuation methodologies that use observable market data where possible. Where observable market data are not available, management exercised judgement in establishing fair values.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Examined a sample of complex financial instruments to understand the contractual terms of these instruments. We read and discussed with management the relevant analyses on the contractual terms and accounting treatment proposed by management, including the reasons for entering into these complex financial instruments. Checked that the accounting recognition and measurement for these complex financial instruments are consistent with the accounting standards and relevant disclosures have been made in the financial statements. Compared the key inputs used by the Group to measure the complex derivatives against observable market data. Performed an independent valuation of a sample of complex derivatives. <p>Based on the procedures performed, we did not find any material exceptions in the accounting for and estimates used in the valuation of these complex financial instruments.</p>
Assessment of the carrying value of goodwill and its impairment <p>Refer to accounting policy M(A), V and Notes 20 and 55(b) of the financial statements.</p> <p>The Group recorded goodwill of RM7,858 million as at 31 December 2019 which arose from a number of acquisitions in prior years.</p> <p>For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each cash generating unit ("CGU") with allocated goodwill based on the higher of the value-in-use ("VIU") and fair value less cost of disposal. The Group determined that the recoverable amount of all CGUs was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the goodwill resulted in this matter being identified as an area of audit focus.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Assessed that each CGU represents the smallest identifiable group of assets that generate independent cash flows based on our understanding of the business model of the Group. Compared the cash flow projections of each CGU to the approved budget for the respective CGU. Compared previous cash flow projections to actual results of each CGU to assess the reasonableness of assumptions used in the cash flow projections. Independently computed discount rates which reflect the specific risks relating to each CGU based on publicly available information. Assessed the reasonableness of the terminal growth rates based on historical results, economic outlook and industry forecasts. Independently performed a sensitivity analysis over projected cash flows, terminal growth rates and discount rates used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. <p>Based on the procedures performed, we did not find any material exceptions to the conclusions made by the Group on the impairment assessment of goodwill as at 31 December 2019.</p>

There are no key audit matters to report for the Company.

Independent Auditors' Report
to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, which we obtained prior to the date of this auditors' report, and 2019 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Company, 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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 Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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 Company 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 Company, 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 of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (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 on the Company'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 Company 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 the Company 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 Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

OTHER MATTERS

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


PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
10 March 2020


Sridharan Nair
02656/05/2020 J
Chartered Accountant

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	2(a)	37,765,092	35,528,934
Reverse repurchase agreements	3	9,014,453	11,276,089
Deposits and placements with banks and other financial institutions	2(b)	4,799,169	4,373,818
Financial investments at fair value through profit or loss	4	38,137,273	29,511,069
Debt instruments at fair value through other comprehensive income	5	33,318,413	32,276,304
Equity instruments at fair value through other comprehensive income	6	455,760	583,524
Debt instruments at amortised cost	7	39,833,491	39,269,202
Derivative financial instruments	8	11,589,897	8,634,633
Loans, advances and financing	9	360,340,100	337,148,268
Other assets	10	10,101,213	12,206,211
Tax recoverable		312,126	317,020
Deferred tax assets	11	882,623	1,052,808
Statutory deposits with central banks	12	11,499,998	8,139,164
Investment in associates	14	45,756	74,896
Investment in joint ventures	15	2,382,005	1,639,470
Property, plant and equipment	16	2,343,507	2,257,200
Right-of-use assets	17	775,842	–
Investment properties	18	17,334	–
Prepaid lease payments	19	81,428	91,686
Goodwill	20	7,857,539	7,680,096
Intangible assets	21	1,685,169	1,708,484
		573,238,188	533,768,876
Non-current assets held for sale	56	7,467	320,167
Total assets		573,245,655	534,089,043
Liabilities			
Deposits from customers	22	392,349,467	370,193,085
Investment accounts of customers	23	3,448,964	1,769,270
Deposits and placements of banks and other financial institutions	24	23,666,722	20,232,880
Repurchase agreements		14,320,131	14,279,476
Financial liabilities designated at fair value through profit or loss	25	3,650,740	5,880,707
Derivative financial instruments	8	11,337,869	8,407,981
Bills and acceptances payable		2,584,169	2,521,372
Other liabilities	26	16,740,317	15,047,292
Lease liabilities	27	711,188	–
Recourse obligation on loans and financing sold to Cagamas	28	4,503,184	6,007,447
Provision for taxation and zakat		215,429	539,823
Deferred tax liabilities	11	36,578	30,175
Bonds, Sukuk and debentures	30	18,232,710	13,715,181
Other borrowings	31	10,458,242	9,306,640
Subordinated obligations	32	13,520,869	13,482,272
		515,776,579	481,413,601
Non-current liabilities held for sale	56	–	87,471
Total liabilities		515,776,579	481,501,072

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Equity			
Capital and reserves attributable to owners of the Parent			
Ordinary share capital	33	25,843,808	24,131,750
Reserves	35	30,393,969	27,243,151
Less: Shares held under trust	36(a)	(563)	(563)
Treasury shares, at cost	36(b)	(43)	(43)
		56,237,171	51,374,295
Perpetual preference shares	34	200,000	200,000
Non-controlling interests		1,031,905	1,013,676
Total equity		57,469,076	52,587,971
Total equity and liabilities		573,245,655	534,089,043
Commitments and contingencies	51	1,146,023,486	1,129,138,654
Net assets per share attributable to owners of the Parent (RM)		5.67	5.37

Consolidated Statement of Income

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Interest income	37(a)	19,330,536	18,571,333
Interest income for financial assets at fair value through profit or loss	37(b)	913,259	667,458
Interest expense	38	(10,159,877)	(9,604,351)
Net interest income		10,083,918	9,634,440
Income from Islamic banking operations	60	3,040,663	2,610,161
Net non-interest income	39	4,671,298	5,137,367
		17,795,879	17,381,968
Overheads	40	(9,872,905)	(8,655,821)
Profit before expected credit losses		7,922,974	8,726,147
Expected credit losses on loans, advances and financing	41	(1,638,785)	(1,432,661)
Expected credit losses written back for commitments and contingencies	26(a)	12,019	7,427
Other expected credit losses made	42	(352,018)	(134,500)
		5,944,190	7,166,413
Share of results of joint ventures	15	31,401	30,678
Share of results of associates	14	(751)	3,576
Profit before taxation and zakat		5,974,840	7,200,667
Taxation and zakat	44	(1,519,653)	(1,537,314)
Profit for the financial year		4,455,187	5,663,353
Profit attributable to:			
Owners of the Parent		4,559,656	5,583,510
Non-controlling interests		(104,469)	79,843
		4,455,187	5,663,353
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic	45	46.98	59.67

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2019

	2019 RM'000	2018 RM'000
Profit for the financial year	4,455,187	5,663,353
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation	(34,295)	58,527
– Actuarial (loss)/gain	(33,250)	77,902
– Income tax effects	784	(19,190)
– Currency translation difference	(1,829)	(185)
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	421	6,171
Equity instruments at fair value through other comprehensive income	(23,981)	(8,335)
– Net (loss)/gain from change in fair value	(22,136)	13,057
– Income tax effects	(181)	(19,770)
– Currency translation difference	(1,664)	(1,622)
	(57,855)	56,363
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	472,424	(226,943)
– Net gain/(loss) from change in fair value	948,897	(221,195)
– Realised gain transferred to statement of income on disposal	(376,100)	(46,686)
– Changes in expected credit losses	1,715	(2,600)
– Income tax effects	(98,002)	43,999
– Currency translation difference	(4,086)	(461)
Net investment hedge	42,990	(19,506)
Hedging reserve – cash flow hedge	473	6,436
– Net gain from change in fair value	492	8,052
– Income tax effects	(19)	(1,616)
Deferred hedging cost	48,167	47,318
Exchange fluctuation reserve	832,609	9,068
Share of other comprehensive income/(expense) of		
– Associates	902	(8,469)
– Joint ventures	13,545	65,168
	1,411,110	(126,928)
Other comprehensive income/(expense) during the financial year, net of tax	1,353,255	(70,565)
Total comprehensive income for the financial year	5,808,442	5,592,788
Total comprehensive income attributable to:		
Owners of the Parent	5,860,814	5,546,872
Non-controlling interests	(52,372)	45,916
	5,808,442	5,592,788

Company Statement of Financial Position

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	2(a)	370,546	197,548
Debt instruments at fair value through other comprehensive income	5	2,493,362	2,467,071
Debt instruments at amortised cost	7	6,183,386	5,397,933
Other assets	10	133,440	135,486
Tax recoverable		182,089	180,853
Amount owing by subsidiaries		12	–
Investment in subsidiaries	13	32,158,313	29,833,969
Investment in associates	14	–	3,834
Property, plant and equipment	16	5,898	1,703
Investment properties	18	381	399
		41,527,427	38,218,796
Non-current assets held for sale	56	–	7,862
Total assets		41,527,427	38,226,658
Liabilities			
Other liabilities	26	3,223	2,450
Amount owing to subsidiaries		9,826	1,819
Deferred tax liabilities	11	377	374
Other borrowings	31	4,205,331	3,353,526
Subordinated obligations	32	10,265,228	9,841,811
Total liabilities		14,483,985	13,199,980
Equity			
Ordinary share capital	33	25,843,808	24,131,750
Reserves	35	1,199,677	894,971
Less: Treasury shares, at cost	36(b)	(43)	(43)
Total equity		27,043,442	25,026,678
Total equity and liabilities		41,527,427	38,226,658

Company Statement of Income

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Interest income	37(a)	425,559	339,575
Interest expense	38	(665,215)	(582,755)
Net interest expense		(239,656)	(243,180)
Net non-interest income	39	3,080,592	2,789,753
		2,840,936	2,546,573
Overheads	40	(29,675)	(35,205)
Profit before expected credit losses		2,811,261	2,511,368
Other expected credit losses	42	(22,186)	(31,477)
Profit before taxation		2,789,075	2,479,891
Taxation	44	(5,092)	(6,968)
Profit for the financial year		2,783,983	2,472,923

Company Statement of Comprehensive Income

for the financial year ended 31 December 2019

	2019 RM'000	2018 RM'000
Profit for the financial year	2,783,983	2,472,923
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	30,297	33,940
– Net gain from change in fair value	26,072	23,472
– Changes in expected credit losses	4,225	10,468
Other comprehensive income during the financial year, net of tax	30,297	33,940
Total comprehensive income for the financial year	2,814,280	2,506,863

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

The Group	Note	RM'000	Ordinary share capital	Statutory reserve	Capital reserve	Exchange fluctuation reserve	Shares held under trust	Treasury shares	Equity instruments at fair value through other comprehensive income			Share-based payment reserve	Other reserves	Regulatory reserve	Retained earnings	Total	Perpetual preference shares	Non-controlling interests	Total
									Debt instruments at fair value through other comprehensive income	Other comprehensive income	Comprehensive income								
At 1 January 2019		24,131,750	130,284	137,104	282,393	(563)	(43)	(203,294)	(207,886)	(1,292,561)	73,993	1,542,976	26,864,932	51,374,285	200,000	1,013,676	52,387,971		
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	4,555,656	4,559,556	-	(104,469)	4,455,187		
Other comprehensive income/(expense) (net of tax)		-	566	-	807,747	-	-	-	459,052	(24,113)	57,381	531	(6)	-	1,301,158	-	52,097	1,353,255	
Debt instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	459,051	-	-	-	-	-	459,051	-	13,373	472,424	
Equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	(24,113)	-	-	-	-	-	(24,113)	-	132	(23,981)	
Fair value changes on financial liabilities designated at fair value relating to own credit risk		-	-	-	-	-	-	-	-	-	-	421	-	-	-	421	-	-	421
Net investment hedge		-	-	-	-	-	-	-	-	-	-	42,990	-	-	-	42,990	-	-	42,990
Hedging reserve - cash flow hedge		-	-	-	-	-	-	-	-	-	-	473	-	-	-	473	-	-	473
Deferred hedging cost		-	-	-	-	-	-	-	-	-	-	48,167	-	-	-	48,167	-	-	48,167
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	-	-	(34,295)	-	-	-	(34,295)	-	-	(34,295)
Currency translation difference		514	-	791,923	-	-	-	-	-	-	642	938	-	-	794,071	-	38,592	822,669	
Share of other comprehensive income/(expense) of - Associates		-	-	902	-	-	-	-	1	-	(1,017)	(407)	(6)	-	-	902	-	-	902
- Joint ventures		-	52	-	14,922	-	-	-	-	-	-	-	-	-	-	13,545	-	-	13,545
Total comprehensive income/(expense) for the financial year		-	566	-	807,747	-	-	-	459,052	(24,113)	57,381	531	(6)	4,559,556	5,060,814	-	(52,372)	5,008,442	
Second interim dividend for the financial year ended 31 December 2018		46	-	-	-	-	-	-	-	-	-	-	-	-	(1,147,735)	(1,147,735)	-	(1,147,735)	
First interim dividend for the financial year ended 31 December 2019		46	-	-	-	-	-	-	-	-	-	-	-	-	(1,361,839)	(1,361,839)	-	(1,361,839)	

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

	The Group	Note	Attributable to owners of the Parent															
			Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
Non-controlling interests share of dividend			-	-	-	-	-	-	-	-	-	-	-	(15,374)	(15,374)			
Issuance of shares arising from:																		
- dividend reinvestment scheme	33	1,712,058	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,712,058	
Share-based payment expense	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,034	
Purchase of shares in relation to Equity Ownership Plan (EOP)	-	-	-	-	-	-	-	-	-	(59,272)	-	-	-	(59,272)	-	-	(59,272)	
Shares released under employee benefit schemes	-	-	-	-	-	-	-	-	-	63,964	(69,653)	-	-	(5,689)	-	-	(5,689)	
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	142,808	
Disposal of subsidiaries	-	-	-	-	-	202	-	-	-	-	-	-	202	-	-	-	202	
Dilution of net assets arising from accretion of equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(206,697)	(206,697)	-	(51,303)	(51,303)	(258,000)	
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,530)	(5,530)	(5,530)	(5,530)	
Total transactions with owners recognised directly in equity		1,712,058	-	-	202	-	-	-	-	4,692	1,381	-	(2,716,271)	(997,938)	-	70,601	(927,337)	
Transfer within reserve	-	-	-	-	(18,772)	-	-	-	-	-	-	-	18,772	-	-	-	-	
Transfer to statutory reserve	-	-	51	-	-	-	-	-	-	-	-	-	(51)	-	-	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	590,196	(590,196)	-	-	-	-	
Transfer of realised loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	74	-	-	(74)	-	-	
At 31 December 2019		25,843,808	130,901	137,104	1,071,570	(563)	(43)	170,758	(231,725)	(1,230,506)	75,905	2,133,166	28,136,738	56,237,171	200,000	1,031,935	57,460,076	

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Equity instruments at fair value through other comprehensive income			Share-based payment reserve RM'000	Other reserves RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
								Debt instruments at fair value through other comprehensive income	Other comprehensive income	Share-based payment reserve								
At 1 January 2018		22,832.26	131.155	137.104	423.263	(563)	(43)	(7,294)	(198,039)	60,002	1,519,031	23,827,575	46,431,039	200,000	1,283,234	47,914,273		
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	5,583.510	5,583.510	-	79,843	5,663,333		
Other comprehensive income/(expense) (net of tax)		-	161	-	91,056	-	-	(215,380)	(8,671)	96,936	(740)	-	-	(36,638)	-	(33,927)	(70,556)	
Debt instruments at fair value through other comprehensive income		-	-	-	-	-	-	(215,379)	-	-	-	-	-	(215,379)	-	(11,564)	(226,943)	
Equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	(8,181)	-	-	-	-	(8,181)	-	(154)	(8,335)	
Fair value changes on financial liabilities designated at fair value relating to own credit risk		-	-	-	-	-	-	-	-	6,171	-	-	-	-	6,171	-	-	6,171
Net investment hedge		-	-	-	-	-	-	-	-	(19,506)	-	-	-	-	(19,506)	-	-	(19,506)
Hedging reserve - cash flow hedge		-	-	-	-	-	-	-	-	6,436	-	-	-	-	6,436	-	-	6,436
Deferred hedging cost		-	-	-	-	-	-	-	-	47,318	-	-	-	-	47,318	-	-	47,318
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	58,527	-	-	-	-	58,527	-	-	58,527
Currency translation difference		-	161	-	31,254	-	-	-	-	(135)	(8)	-	-	-	31,277	-	-	(22,219)
Share of other comprehensive (expense)income of associates		-	-	-	(8,469)	-	-	-	-	-	-	-	-	(8,469)	-	-	(8,469)	
- Joint ventures		-	-	-	68,271	-	-	(215,380)	(8,671)	(480)	(1,935)	(737)	-	-	66,168	-	-	66,168
Total comprehensive income/(expense) for the financial year		-	161	-	91,056	-	-	-	-	96,936	(740)	-	5,583.510	5,583.512	-	45,916	5,592,788	
Second interim dividend for the financial year ended 31 December 2017	46	-	-	-	-	-	-	-	-	-	-	-	-	(1,107,065)	(1,107,065)	-	(1,107,065)	
First interim dividend for the financial year ended 31 December 2018	46	-	-	-	-	-	-	-	-	-	-	-	-	(121,753)	(121,753)	-	(121,753)	

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

	The Group	Note	Attributable to owners of the Parent															
			Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
Non-controlling interests share of dividend			-	-	-	-	-	-	-	-	-	-	-	-	(12,738)	(12,738)		
Issuance of shares arising from:																		
- dividend reinvestment scheme	33	1,948,524	-	-	-	-	-	-	-	-	-	-	1,948,524	-	-	1,948,524		
Rights issue of a subsidiary			-	-	-	-	-	-	-	-	-	-	-	-	1,845	1,845		
Share-based payment expense	48	-	-	-	-	-	-	-	-	-	80,247	-	80,247	-	-	80,247		
Purchase of shares in relation to Equity Ownership Plan (EOP)			-	-	-	-	-	-	(70,195)	-	-	-	(70,195)	-	-	(70,195)		
Shares released under employee benefit schemes			-	-	-	-	-	-	-	59,437	(61,940)	-	-	(2,503)	-	-	(2,503)	
Contributions by non-controlling interests			-	-	-	-	-	-	-	-	3,516	(12)	(3,779)	(24,951)	-	-	(24,951)	
Disposal of subsidiaries			(1,881)	-	(231,926)	-	-	-	(97)	-	-	-	-	-	(371,513)	(371,513)		
Arising from accretion of equity interests in subsidiary			-	-	-	-	-	-	-	-	-	-	6,880	6,880	-	(6,880)	-	
Non-controlling interests share of subsidiary treasury shares			-	-	-	-	-	-	-	-	-	-	-	-	(5,530)	(5,530)		
Total transactions with owners recognised directly in equity			1,948,524	(1,681)	-	(231,926)	-	-	(97)	(10,758)	14,731	(12)	(2,321,517)	(603,616)	-	(315,474)	(919,090)	
Transfer to statutory reserve			-	649	-	-	-	-	-	-	-	649	-	-	-	-		
Transfer to regulatory reserve			-	-	-	-	-	-	-	-	23,957	(23,957)	-	-	-	-		
At 31 December 2018			24,131,750	130,284	137,104	282,393	(563)	(43)	(288,294)	(207,666)	(1,292,591)	73,993	1,542,976	26,864,932	51,374,295	200,000	1,013,676	52,587,971

Company Statement of Changes in Equity

for the financial year ended 31 December 2019

The Company	Note	Non-distributable						Distributable	
		Ordinary share capital RM'000	Capital reserve RM'000	Treasury shares RM'000	Fair value reserve – debt instruments at fair value through other comprehensive income RM'000		Retained earnings RM'000	Total RM'000	
At 1 January 2019		24,131,750	55,982	(43)	71,135	767,854	25,026,678		
Profit for the financial year		-	-	-	-	2,783,983	2,783,983		
Other comprehensive income (net of tax)		-	-	-	30,297	-	30,297		
Debt instruments at fair value through other comprehensive income		-	-	-	30,297	-	30,297		
Total comprehensive income for the financial year		-	-	-	30,297	2,783,983	2,814,280		
Second interim dividend for the financial year ended 31 December 2018	46	-	-	-	-	(1,147,735)	(1,147,735)		
First interim dividend for the financial year ended 31 December 2019	46	-	-	-	-	(1,361,839)	(1,361,839)		
Issue of shares arising from: – dividend reinvestment scheme	33	1,712,058	-	-	-	-	-	1,712,058	
At 31 December 2019		25,843,808	55,982	(43)	101,432	1,042,263	27,043,442		

Company Statement of Changes in Equity

for the financial year ended 31 December 2019

The Company	Note	Non-distributable				Distributable	
		Ordinary share capital RM'000	Capital reserve RM'000	Treasury shares RM'000	Fair value reserve – debt instruments at fair value through other comprehensive income RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018		22,183,226	55,982	(43)	37,195	619,549	22,895,909
Profit for the financial year		–	–	–	–	2,472,923	2,472,923
Other comprehensive income (net of tax)		–	–	–	33,940	–	33,940
Debt instruments at fair value through other comprehensive income		–	–	–	33,940	–	33,940
Total comprehensive income for the financial year		–	–	–	33,940	2,472,923	2,506,863
Second interim dividend for the financial year ended 31 December 2017	46	–	–	–	–	(1,107,065)	(1,107,065)
First interim dividend for the financial year ended 31 December 2018	46	–	–	–	–	(1,217,553)	(1,217,553)
Issue of shares arising from: – dividend reinvestment scheme	33	1,948,524	–	–	–	–	1,948,524
At 31 December 2018		24,131,750	55,982	(43)	71,135	767,854	25,026,678

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Operating Activities			
Profit before taxation and zakat		5,974,840	7,200,667
Adjustments for:			
Accretion of discounts less amortisation of premiums	37	(196,828)	(121,986)
Amortisation of prepaid lease payments	40	10,268	10,230
Other expected credit losses	42	352,018	134,500
Expected credit losses on loans, advances and financing	41	2,230,886	2,040,919
Expected credit losses written back for commitments and contingencies	26(a)	(12,019)	(7,427)
Amortisation of intangible assets	40	306,332	356,587
Depreciation of property, plant and equipment	40	288,971	296,558
Depreciation of right-of-use assets	40	238,960	—
Dividends from financial investments at fair value through profit or loss	39	(63,038)	(53,512)
Dividends from debt instruments at fair value through other comprehensive income	39	—	(16)
Dividends from equity instruments at fair value through other comprehensive income	39	(4,882)	(4,456)
Gain on disposal of associates and joint ventures	39	(15,985)	(2,693)
(Gain)/loss on deemed disposal/disposal of interest in equities business/subsidiaries	39	(235,828)	103,542
Gain on disposal of property, plant and equipment/assets held for sale	39	(19,274)	(20,785)
Gain on remeasurement of equity interest retained as joint venture	39	—	(1,192,262)
(Gain)/loss on sale of financial investments at fair value through profit or loss	39	(205,303)	637,363
Gain on sale of debt instruments at fair value through other comprehensive income	39	(283,011)	(38,448)
Loss on redemption of debt instruments at amortised cost	39	—	811
Gain on disposal of loans, advances and financing	39	(178,151)	—
Gain on sale of derivative financial instruments	39	(963,205)	(1,339,889)
(Gain)/loss on disposal of foreclosed properties	39	(6,195)	70,267
Interest expense on subordinated obligations	38	675,251	712,401
Interest expense on bonds, Sukuk and debentures	38	559,027	557,833
Interest expense on bonds other borrowings	38	355,051	335,557
Net loss arising from hedging activities	39	31,870	14,269
Property, plant and equipment written off	40	7,614	2,946
Intangible assets written off	40	5,873	—
Share-based payment expense	48	71,034	68,620
Share of results of associates	14	751	(3,576)
Share of results of joint ventures	15	(31,401)	(30,678)
Unrealised loss on financial liabilities designated at fair value through profit or loss	39	367,133	162,587
Unrealised (gain)/loss on foreign exchange	39	(130,018)	169,925
Unrealised loss/(gain) on revaluation of derivative financial instruments	39	372,871	(544,997)
Unrealised gain on revaluation of financial investments at fair value through profit or loss	39	(653,123)	(106,031)
Unrealised loss from loans, advances and financing at fair value through profit or loss	39	1,626	—
		2,877,275	2,208,159
		8,852,115	9,408,826
Decrease/(increase) in operating assets			
Reverse repurchase agreements		2,261,636	(4,805,083)
Deposits and placements with banks and other financial institutions		(428,485)	(613,314)
Financial investments at fair value through profit or loss		(7,781,891)	(6,485,186)
Right-of-use assets		(140,788)	—
Loans, advances and financing		(26,174,449)	(24,832,968)
Other assets		1,605,057	(390,538)
Derivative financial instruments		785,561	1,265,560
Statutory deposits with central banks		(3,360,834)	491,291
		(33,234,193)	(35,370,238)

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		22,158,394	21,675,578
Investment accounts of customers		1,679,694	861,507
Deposits and placements of banks and other financial institutions		3,433,842	481,304
Financial liabilities designated at fair value through profit or loss		(2,597,100)	944,680
Repurchase agreements		40,655	8,157,203
Bills and acceptances payable		62,797	(655,810)
Lease liabilities		153,067	–
Other liabilities		2,061,153	(2,069,361)
		26,992,502	29,395,101
Cash flows generated from operations		2,610,424	3,433,689
Taxation paid		(1,748,167)	(1,656,679)
Net cash flows generated from operating activities		862,257	1,777,010
Investing Activities			
Dividend from an associate	14	3,417	6,093
Dividend from joint venture	15	54,000	40,643
Dividends from financial investments at fair value through profit or loss	39	63,038	53,512
Dividends from debt instruments at fair value through other comprehensive income	39	–	16
Dividends from equity instruments at fair value through other comprehensive income	39	4,882	4,456
Investment in associates	14	(17,766)	(9,683)
Investment in joint ventures	15	(751,589)	–
Net proceed/(purchase) of debt instruments at fair value through other comprehensive income		248,351	(2,454,499)
Net proceed of equity instruments at fair value through other comprehensive income		79,717	121,791
Net purchase of debt instruments at amortised cost		(119,322)	(2,599,004)
Net cash outflow from disposal of interest in subsidiaries	57	–	(210,313)
Net cash outflow from disposal of joint venture		–	(4,500)
Proceeds from disposal of equities business		430,760	–
Proceeds from disposal of interest in associate		59,558	–
Proceeds from disposal of loans, advances and financing		287,774	–
Proceeds from disposal of property, plant and equipment/asset held for sale		57,697	185,313
Purchase of property, plant and equipment	16	(611,350)	(922,047)
Proceeds from disposal of intangible assets		14,198	25,000
Purchase of intangible assets	21	(345,868)	(129,047)
Net cash flows used in investing activities		(542,503)	(5,892,269)

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Financing Activities			
Acquisition of additional interest in subsidiary from non-controlling interests		(258,000)	–
Contribution from non-controlling interests		142,808	79,392
Dividends paid to non-controlling interests		(15,374)	(12,798)
Dividends paid to shareholders	46	(797,515)	(376,094)
Interest paid on bonds, Sukuk and debentures	(i)	(427,715)	(665,730)
Interest paid on commercial papers and medium term notes	(i)	(6,602)	(13,710)
Interest paid on subordinated obligations	(i)	(634,321)	(652,973)
Interest paid on term loan facility and other borrowings	(i)	(322,872)	(317,327)
Interest paid on recourse loans sold to Cagamas	(i)	(218,508)	(211,350)
Proceeds of commercial papers and medium term notes	(i)	1,526,470	350,000
Proceeds from issuance of bonds, Sukuk and debentures	(i)	6,024,052	1,967,317
Proceeds from issuance of subordinated obligations	(i)	1,928,391	3,011,688
Proceeds from recourse loans sold to Cagamas	(i)	–	1,930,858
Proceeds from revolving credit and overdraft	(i)	–	21,000
Proceeds from term loan facility and other borrowings	(i)	1,651,102	2,829,380
Repayment of lease obligation	(i)	(238,100)	–
Redemption of bonds, Sukuk and debentures	(i)	(1,976,523)	(2,894,386)
Repayment of commercial papers and medium term notes	(i)	(902,098)	(350,816)
Repayment of recourse loans sold to Cagamas	(i)	(1,499,996)	(1,129,997)
Repayment of revolving credit and overdraft	(i)	–	(21,315)
Repayment of subordinated obligations	(i)	(1,949,276)	(2,050,000)
Repayment from term loan facility and other borrowings	(i)	(840,473)	(3,321,123)
Net cash flows generated from/(used in) financing activities		1,185,450	(1,827,984)
Net increase/(decrease) in cash and short-term funds during the financial year		1,505,204	(5,943,243)
Effects of exchange rate changes		730,954	(193,382)
Cash and short-term funds at beginning of the financial year		35,528,934	41,667,843
Cash and cash equivalent for asset classified as held for sale		–	(2,284)
Cash and short-term funds at end of the financial year	2(a)	37,765,092	35,528,934
Statutory deposits with Bank Indonesia*		–	(2,984,851)
Monies held in trust		(157,327)	(142,347)
Cash and cash equivalents at end of the financial year		37,607,765	32,401,736

* This represent non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation which is not readily available for use by the Group. In 2019, statutory deposits maintained with Bank Indonesia is presented in Statutory deposits with central banks.

Company Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Operating Activities			
Profit before taxation		2,789,075	2,479,891
Adjustments for:			
Depreciation of property, plant and equipment	40	3,415	104
Depreciation of investment properties	40	18	18
Dividends from subsidiaries	39	(3,079,584)	(3,318,627)
Gain on disposal of property, plant and equipment/asset held for sale	39	(708)	–
Interest expense on term loan		112,635	118,453
Interest expense on commercial papers and medium term notes		33,518	14,566
Interest expense on subordinated obligations	38	519,062	449,735
Interest income from debt instruments at fair value through other comprehensive income and debt instruments at amortised cost		(407,287)	(311,350)
Loss on disposal of a subsidiary	39	–	528,670
Other expected credit losses	41	22,186	31,477
Unrealised (gain)/loss on foreign exchange		(7)	902
		(2,796,752)	(2,486,052)
		(7,677)	(6,161)
Decrease/(increase) in operating assets			
Repayment from subsidiaries		7,995	1,819
Other assets		135,816	(990,072)
		143,811	(988,253)
Decrease in operating liabilities			
Other liabilities		(33,618)	(2,466)
		(33,618)	(2,466)
Cash flows generated from/(used in) operations		102,516	(996,880)
Taxation paid		(6,325)	(78,565)
Net cash flows generated from/(used in) operating activities		96,191	(1,075,445)
Investing Activities			
Acquisition of additional interest in subsidiaries		(2,320,510)	(2,781,521)
Dividends from subsidiaries		3,079,584	3,318,627
Proceeds from disposal of property, plant and equipment/asset held for sale	39	965	–
Proceeds from disposal of a subsidiary		–	452,335
Net purchase of debt instruments at amortised cost		(530,125)	(1,679,684)
Purchase of property, plant and equipment	16	–	(690)
Net cash flows generated from/(used in) investing activities		229,914	(690,933)
Financing Activities			
Dividends paid to shareholders	46	(797,515)	(376,094)
Interest paid on commercial papers and medium term notes	(i)	(6,602)	(13,711)
Interest paid on term loan	(i)	(109,447)	(115,675)
Interest paid on subordinated obligations	(i)	(515,644)	(412,481)
Repayment of term loan facility	(i)	–	(2,000,000)
Proceeds from issuance of term loan facility	(i)	–	2,000,000
Proceeds from commercial papers and medium term notes	(i)	1,526,470	350,000

Company Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Financing Activities (Continued)			
Proceeds from issuance of subordinated obligations	(i)	1,831,513	2,900,000
Proceeds from issuance of revolving credit facility	(i)	200,492	–
Repayment of revolving credit facility	(i)	–	(200,106)
Repayment of commercial papers and medium term notes	(i)	(902,098)	(350,816)
Repayment of subordinated obligations	(i)	(1,380,276)	–
Net cash flows (used in)/generated from financing activities		(153,107)	1,781,117
Net increase in cash and cash equivalents during the financial year		172,998	14,739
Cash and cash equivalents at beginning of the financial year		197,548	182,809
Cash and cash equivalents at end of the financial year	2(a)	370,546	197,548

(i) An analysis of changes in liabilities arising from financing activities is as follows:

	The Group						The Company				
	Recourse obligation on loans and financing sold to Cagamas			Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Lease liabilities	Total	Other borrowings	Subordinated obligations	Total
	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 2019	6,007,447	13,715,181	9,306,640	13,482,272	–	42,511,540	3,353,526	9,841,811	13,195,337		
Effect of adopting MFRS 16	–	–	–	–	796,221	796,221	–	–	–	–	–
At 1 January 2019, as restated	6,007,447	13,715,181	9,306,640	13,482,272	796,221	43,307,761	3,353,526	9,841,811	13,195,337		
Proceeds from issuance	–	6,024,052	3,177,572	1,928,391	–	11,130,015	1,726,962	1,831,513	3,558,475		
Repayment and redemption	(1,499,996)	(1,976,523)	(1,742,571)	(1,949,276)	(238,100)	(7,406,466)	(902,098)	(1,380,276)	(2,282,374)		
Interest paid	(218,508)	(427,715)	(329,474)	(634,321)	–	(1,610,018)	(116,049)	(515,643)	(631,692)		
Exchange fluctuation	–	14,322	(281,328)	(23,347)	–	(290,353)	–	–	–		
Other non cash movement	214,241	883,393	327,403	717,150	153,067	2,295,254	142,990	487,823	630,813		
At 31 December 2019	4,503,184	18,232,710	10,458,242	13,520,869	711,188	47,426,193	4,205,331	10,265,228	14,470,559		

	The Group						The Company			
	Recourse obligation on loans and financing sold to Cagamas			Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Total	Other borrowings	Subordinated obligations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	5,195,248	14,895,625	10,057,295	12,532,965	42,681,133	3,553,113	6,904,556	10,457,669		
Proceeds from issuance	1,930,858	1,967,317	3,200,380	3,011,688	10,110,243	2,350,000	2,900,000	5,250,000		
Repayment and redemption	(1,129,997)	(2,894,386)	(3,693,254)	(2,050,000)	(9,767,637)	(2,550,922)	–	(2,550,922)		
Interest paid	(211,350)	(665,730)	(331,037)	(652,973)	(1,861,090)	(129,386)	(412,481)	(541,867)		
Exchange fluctuation	–	(32,547)	(256,288)	(76,070)	(364,905)	–	–	–		
Other non cash movement	222,688	444,902	329,544	716,662	1,713,796	130,721	449,736	580,457		
At 31 December 2018	6,007,447	13,715,181	9,306,640	13,482,272	42,511,540	3,353,526	9,841,811	13,195,337		

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

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

A BASIS OF PREPARATION

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

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

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the 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 Company'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 55.

(A) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATION THAT ARE EFFECTIVE AND APPLICABLE TO THE GROUP AND THE COMPANY

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2019 are as follows:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 119 "Plan Amendment, Curtailment or Settlement"
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"

The Group has adopted MFRS 16 for the first time in the 2019 Financial Statements, which resulted in changes in accounting policies. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

The impact of adoption of MFRS 16 of the Group is summarised in Note 58.

Other than that, the adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

A BASIS OF PREPARATION (CONTINUED)

(B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE

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

(i) Financial year beginning on/after 1 January 2020

- Amendments to MFRS 3 “Definition of a Business” (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term ‘outputs’ is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as ‘concentration test’ that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

- Amendments to MFRS 101 and MFRS 108 clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of ‘material’ has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

B ECONOMIC ENTITIES IN THE GROUP

(A) SUBSIDIARIES

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

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.

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

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

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

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised. The acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination between entities under common control occurred.

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(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

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

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 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(A) SUBSIDIARIES (CONTINUED)

All material transactions, balances and unrealised gains on transactions between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

(B) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

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

(C) DISPOSAL OF SUBSIDIARIES

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

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

(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 using 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 results of joint ventures' in the statement of income.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(D) JOINT ARRANGEMENTS (CONTINUED)

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.

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 of the associate 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.

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 results of associates' in the statement of income.

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 of an 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(E) ASSOCIATES (CONTINUED)

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 Company'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 Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

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

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest/profit income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit 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/profit rate, but not future credit losses.

Interest/profit income is calculated by applying effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest/profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

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

D RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. 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. From 1 January 2018, the services are recognised as income based on performance obligations satisfied.

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

Fees from advisory and corporate finance activities are recognised after fulfilling each of the performance obligations.

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

Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

E FINANCIAL ASSETS

(A) CLASSIFICATION

The Group and the Company classify their financial assets into the following measurement categories:

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

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

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

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

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

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

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

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

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

(B) RECOGNITION AND INITIAL MEASUREMENT

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

E FINANCIAL ASSETS (CONTINUED)

(C) SUBSEQUENT MEASUREMENT

Debt instruments

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

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest/finance income using the effective interest/profit rate method.

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

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

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within non-interest income in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial investments at fair value through profit or loss are recognised in non-interest income in the statement of income as applicable.

(D) RECLASSIFICATION OF FINANCIAL ASSETS

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

F FINANCIAL LIABILITIES

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

(A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

The Group and the Company may designate financial liabilities at fair value through profit or loss 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 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 liabilities 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 liabilities 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 Company enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when 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.

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

F FINANCIAL LIABILITIES (CONTINUED)

(A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

(B) FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, sundry creditors, collateral pledged for derivative transactions, bonds, Sukuk and debentures, other borrowings, subordinated notes, lease liabilities and recourse obligations on loans and financing sold to Cagamas.

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Company 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 Company under standard repurchase agreements transactions is not derecognised because the Group and the Company retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H OFFSETTING FINANCIAL INSTRUMENTS

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

I IMPAIRMENT OF FINANCIAL ASSETS

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

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

The Group and the Company use general 3-stage approach for financial assets accounted for at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts which reflect their credit risk and how the ECL is determined for each of those categories.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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

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

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

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

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

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

- (ii) Other assets

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

J SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group 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 had sold from its 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

K PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings on freehold land	20 to 40 years
Buildings on leasehold land 50 years or more	40-50 years or over the remaining period of the lease, whichever is shorter
Leasehold land	40-50 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land less than 50 years	40-50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	
– office equipment	3-10 years
– furniture and fixtures	5-10 years
Renovations	5-19 years
Computer equipment and hardware	
– servers and hardware	3-7 years
– ATM machine	5-10 years
Computer equipment and software under lease	7 years or over the period of the lease, whichever is shorter
Motor vehicles	5 to 8 years
General plant and machinery	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.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets presented under Property, plant and equipment and Prepaid lease payments are right-of-use assets within the scope of MFRS 16. See Note N for the accounting policies on right-of-use assets.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

L INVESTMENT PROPERTIES

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

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line basis over their estimated useful lives of 33.3 years.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement 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.

At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

Investment properties of the Group 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 uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statements of income as part of other income.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

M INTANGIBLE ASSETS

(A) GOODWILL

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

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it 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 include customer relationships, core deposits, computer software and license and club debentures. 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, when it is probable that future economic benefits attributable to the assets will flow to the Group and the Company. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

M INTANGIBLE ASSETS (CONTINUED)

(B) OTHER INTANGIBLE ASSETS (CONTINUED)

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 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.

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

Customer relationships:

– Credit card	12 years
Core deposits	8 – 20 years
Computer software	3 – 15 years

N LEASES – THE GROUP AND THE COMPANY AS LESSEE

(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 Company 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 statements of income on a straight line basis over the period of the lease.

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

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

N LEASES – THE GROUP AND THE COMPANY AS LESSEE (CONTINUED)

(B) OPERATING LEASE (CONTINUED)

Accounting policies applied from 1 January 2019 (Continued)

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, an incremental borrowing rate is used in determining the discount rate which assumes the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented under net interest income in the statement of income.

Short term leases and leases of low value assets

The Group elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD5,000) or below. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

O LEASES – THE GROUP AND THE COMPANY AS LESSOR

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(A) FINANCE LEASE

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(B) OPERATING LEASE

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

P BILLS AND ACCEPTANCES PAYABLE

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

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities that are classified as Level 3 fair value hierarchy. 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 Company recognise the fair value of derivatives in the statement of income immediately.

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 8.

(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 over the period to maturity based on recalculated effective interest rate method. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

(B) CASH FLOW HEDGE

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

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

(C) NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. When forward contracts are used to hedge net investment in foreign operation, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The change in the forward element of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

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

R CURRENCY TRANSLATIONS**(A) FUNCTIONAL AND PRESENTATION CURRENCY**

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

R 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 or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

(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 statements 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 financial 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.

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.

S INCOME AND DEFERRED TAXES

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

S INCOME AND DEFERRED TAXES (CONTINUED)

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

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

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

T 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 contractual arrangement of the particular instrument.

(B) SHARE ISSUE COSTS

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

(C) DIVIDENDS

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

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(D) REPURCHASE, DISPOSAL AND REISSUE OF SHARE CAPITAL (TREASURY SHARES)

Where any company within the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

U EMPLOYEE BENEFITS**(A) SHORT-TERM EMPLOYEE BENEFITS**

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

U EMPLOYEE BENEFITS (CONTINUED)

(B) POST EMPLOYMENT BENEFITS

The Group and the Company have various post employment benefit schemes. These benefits 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 Company 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 employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to defined contribution plans are charged to the statement of income. Once the contributions have been paid, the Group and the Company 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.

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

U EMPLOYEE BENEFITS (CONTINUED)

(E) SHARE-BASED COMPENSATION BENEFITS

Employee Ownership Plan (“EOP”)

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

V 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 purposes 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 statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

W FORECLOSED ASSETS

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

X PROVISIONS

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

- (i) the Group and the Company 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2019

Y FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group and the Company 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. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Any increase in the liability relating to guarantees is reported in the statement of income within ECL for commitments and contingencies.

Z CASH AND CASH EQUIVALENTS

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

AA 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 Executive 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.

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. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's Financial Statements but disclosed where inflows of economic benefits are probable, but not virtually certain.

Contingent liabilities, which do not include financial guarantee contracts, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

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

AC 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 cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AD TRUST ACTIVITIES

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

2(a) CASH AND SHORT-TERM FUNDS

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions		9,815,072	11,172,227	6,943	6,777
Money at call and deposit placements maturing within one month		27,958,637	24,361,029	363,603	190,771
		37,773,709	35,533,256	370,546	197,548
Less: Expected credit losses	2(c)	(8,617)	(4,322)	–	–
		37,765,092	35,528,934	370,546	197,548

Included in the Group's cash and short-term funds are:

- (i) Non-interest bearing statutory deposits of a foreign subsidiary of RM2,984,851,000 in 2018, maintained with Bank Indonesia in compliance with their applicable legislation. In 2019, statutory deposits maintained with Bank Indonesia is presented in "Statutory deposits with central banks".
- (ii) Monies held in trust in relation to the Group's stockbroking business and unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised:

	The Group	
	2019 RM'000	2018 RM'000
Money held in trust for unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised	157,327	115,953
Remisiers' trust balances	–	26,394
	157,327	142,347

Notes to the Financial Statements

for the financial year ended 31 December 2019

2(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

		The Group	
	Note	2019 RM'000	2018 RM'000
Licensed banks		2,340,000	2,354,708
Licensed investment banks		384,895	433,148
Bank Negara Malaysia and other central banks		2,024,352	1,587,240
Other financial institutions		50,100	—
		4,799,347	4,375,096
Less: Expected credit losses	2(c)	(178)	(1,278)
		4,799,169	4,373,818

Included in deposits and placements with banks and other financial institutions are monies held in trust in relation to the Group's unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised of RM579,435,000 (2018: RM459,761,000).

2(c) EXPECTED CREDIT LOSSES MOVEMENT

Expected credit losses movement for money at call and deposits and placements with banks and other financial institutions:

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	2,716	—	2,884	5,600
Total charge to Income Statement:	3,134	—	—	3,134
New financial assets originated	7,442	—	—	7,442
Financial assets that have been derecognised	(2,823)	—	—	(2,823)
Change in credit risk	(1,485)	—	—	(1,485)
Exchange fluctuation	72	—	(11)	61
At 31 December 2019	5,922	—	2,873	8,795
At 1 January 2018	1,648	—	2,844	4,492
Total charge to Income Statement:	981	—	—	981
New financial assets originated	4,880	—	—	4,880
Financial assets that have been derecognised	(2,149)	—	—	(2,149)
Change in credit risk	(1,750)	—	—	(1,750)
Exchange fluctuation	87	—	40	127
At 31 December 2018	2,716	—	2,884	5,600

As at 31 December 2019, the gross exposures of money at call that are credit impaired is RM2,873,000 (2018: RM2,884,000).

Notes to the Financial Statements

for the financial year ended 31 December 2019

3 REVERSE REPURCHASE AGREEMENTS

	The Group	
	2019 RM'000	2018 RM'000
Reverse repurchase agreements		
– at amortised cost	9,014,453	10,775,955
– at fair value through profit or loss	–	500,134
	9,014,453	11,276,089

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2019 RM'000	2018 RM'000
Money market instruments:		
Unquoted		
Malaysian Government Securities	1,460,392	1,856,675
Cagamas bonds	686,798	626,157
Khazanah bonds	4,493	4,395
Malaysian Government treasury bills	482,267	9,967
Bank Negara Malaysia monetary notes	5,506,911	738,413
Negotiable instruments of deposit	5,018,451	7,663,918
Other Government securities	5,968,401	4,527,434
Government Investment Issues	1,924,283	237,414
Other Government treasury bills	6,911,837	5,667,495
Commercial papers	1,793,489	1,139,868
Bankers' acceptance	–	102,325
Promissory Notes	414,063	413,965
	30,171,385	22,988,026
Quoted securities:		
<i>In Malaysia:</i>		
Shares	741,166	340,872
<i>Outside Malaysia:</i>		
Shares	116,414	59,114
	857,580	399,986
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bond and Sukuk	1,555,599	2,626,873
Shares	882,496	860,454
Unit trusts	100,209	10,410
<i>Outside Malaysia:</i>		
Corporate bond	3,660,524	1,752,278
Private equity and unit trusts funds	300,603	398,925
Other Government bonds	608,877	474,117
	7,108,308	6,123,057
	38,137,273	29,511,069

Notes to the Financial Statements

for the financial year ended 31 December 2019

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value				
Money market instruments:				
Unquoted				
Malaysian Government Securities	295,061	748,002	-	-
Cagamas bonds	302,629	280,390	-	-
Khazanah bonds	-	41,185	-	-
Negotiable instruments of deposit	321,570	448,425	-	-
Other Government securities	3,525,035	3,585,795	-	-
Government investment Issues	1,538,791	1,146,627	-	-
Other Government treasury bills	115,609	105,406	-	-
Commercial Papers	226,453	24,271	-	-
	6,325,148	6,380,101	-	-
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bond and Sukuk	15,146,955	13,270,963	2,493,362	2,467,071
<i>Outside Malaysia:</i>				
Corporate bond and Sukuk	8,206,057	8,571,418	-	-
Bank Indonesia certificates	297,364	423,805	-	-
Other Government bonds	3,342,888	3,630,016	-	-
Unit trusts	1	1	-	-
	26,993,265	25,896,203	2,493,362	2,467,071
	33,318,413	32,276,304	2,493,362	2,467,071

Securities and money market instruments amounting to RM4,666 million (2018: RM4,373 million) invested by asset management companies on behalf of the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

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

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	23,219	2,002	30,306	55,527
Changes in expected credit losses due to transfer within stages:	115,139	(115,139)	–	–
Transferred to Stage 1	115,427	(115,427)	–	–
Transferred to Stage 2	(288)	288	–	–
Total charge to Income Statement:	(111,050)	113,314	(549)	1,715
New financial assets purchased	50,724	–	–	50,724
Financial assets that have been derecognised	(6,378)	–	(549)	(6,927)
Change in credit risk	(155,396)	113,314	–	(42,082)
Write-offs	–	–	(8,727)	(8,727)
Exchange fluctuation	139	2	–	141
At 31 December 2019	27,447	179	21,030	48,656
At 1 January 2018	26,790	4,143	133,306	164,239
Changes in expected credit losses due to transfer within stages:	17,194	(17,194)	–	–
Transferred to Stage 1	17,276	(17,276)	–	–
Transferred to Stage 2	(82)	82	–	–
Total charge to Income Statement:	(20,550)	15,056	2,894	(2,600)
New financial assets purchased	51,355	66	–	51,421
Financial assets that have been derecognised	(8,190)	(4,536)	–	(12,726)
Change in credit risk	(63,715)	19,526	2,894	(41,295)
Write-offs	–	–	(65,679)	(65,679)
Exchange fluctuation	(215)	(3)	88	(130)
Other movements	–	–	(40,303)	(40,303)
At 31 December 2018	23,219	2,002	30,306	55,527

Notes to the Financial Statements

for the financial year ended 31 December 2019

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The Company					
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000	
At 1 January 2019	21,044	–	–	21,044	
Total charge to Income Statement:	4,225	–	–	4,225	
Change in credit risk	4,225	–	–	4,225	
At 31 December 2019	25,269	–	–	25,269	
At 1 January 2018	10,576	–	–	10,576	
Total charge to Income Statement:	10,468	–	–	10,468	
New financial assets purchased	8,526	–	–	8,526	
Change in credit risk	1,942	–	–	1,942	
At 31 December 2018	21,044	–	–	21,044	

Gross carrying amount movement for debt instruments at fair value through other comprehensive income:

The Group		
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	30,306	30,306
Write-offs	(8,727)	(8,727)
Financial assets that have been derecognised	(549)	(549)
At 31 December 2019	21,030	21,030
At 1 January 2018	140,715	140,715
Write-offs	(65,679)	(65,679)
Financial assets that have been derecognised	(44,783)	(44,783)
Exchange fluctuation	53	53
At 31 December 2018	30,306	30,306

Notes to the Financial Statements

for the financial year ended 31 December 2019

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES**

2019:

Stage 1 expected credit losses ("ECL") decreased by RM111 million for the Group during the financial year, mainly due to derecognition of gross carrying amounts ("GCA") for debt instruments at fair value through other comprehensive income from disposal, lower GCA from partial disposal and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from new financial assets purchased.

Stage 2 ECL increased by RM113 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

The write-off of debt instruments at fair value through other comprehensive income with a total GCA of RM9 million, resulted in the reduction of the Stage 3 ECL by the same amount.

2018:

Stage 1 expected credit losses ("ECL") decreased by RM21 million for the Group during the financial year, mainly due to derecognition of gross carrying amounts ("GCA") for debt instruments at fair value through other comprehensive income from disposal, lower GCA from partial disposal and lower ECL for GCA transferred from Stage 2 to Stage 1.

Stage 2 ECL increased by RM15 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

The write-off of debt instruments at fair value through other comprehensive income with a total GCA of RM66 million, resulted in the reduction of the Stage 3 ECL by the same amount.

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group	
	2019 RM'000	2018 RM'000
Quoted securities		
<i>In Malaysia</i>		
Shares	39,934	39,580
<i>Outside Malaysia</i>		
Shares	1,988	2,350
Unit trust	6,761	5,376
	48,683	47,306
Unquoted securities		
<i>In Malaysia</i>		
Shares	252,032	253,883
Property funds	182	178
Perpetual corporate bonds	76,432	177,034
<i>Outside Malaysia</i>		
Shares	10,998	6,243
Private equity funds and unit trusts funds	67,433	98,880
	407,077	536,218
	455,760	583,524

Notes to the Financial Statements

for the financial year ended 31 December 2019

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Equity investments at fair value through other comprehensive income comprise of the following individual investments:

	The Group	
	2019 RM'000	2018 RM'000
Quoted securities		
Compact Metal Industries Ltd	59	58
Premier Products Limited	1,928	2,290
Sub Sri Thai Property Fund	6,762	5,377
Tune Protect Group Berhad	39,934	39,581
	48,683	47,306
Unquoted securities		
Tabung Pemulihan Perumahan Terbengkalai	80,997	80,997
Swift	2,383	2,383
Financial Park (Labuan) Sdn Bhd	163,792	164,111
Global Maritime Ventures Bhd	3,615	4,463
Perbadanan Nasional Berhad	3,564	3,672
Redcliff Enterprise Overseas Ltd, BVI	19,641	43,392
Northstar Equity Partner III Limited	47,793	55,489
Mah Sing Group Berhad – Perpetual bonds	76,432	76,571
Aeon Credit Service (M) Berhad – Perpetual bonds	(a) –	100,463
Others	(b) 8,860	4,677
	407,077	536,218
Total	455,760	583,524

- (a) During the financial year, the issuer has redeemed the perpetual bond at par value with no gain no loss from the redemption. The fair value of the bond prior to redemption is RM103,250,000.
- (b) Included in others are unquoted equity instruments at fair value through other comprehensive income involved mainly in financial institution and manufacturing sectors.

Notes to the Financial Statements

for the financial year ended 31 December 2019

7 DEBT INSTRUMENTS AT AMORTISED COST

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments:				
Unquoted				
Malaysian Government securities	3,542,926	3,188,569	—	—
Cagamas bonds	207,203	242,008	—	—
Other Government treasury bills	1,603,163	2,263,502	—	—
Other Government securities	1,853,422	1,746,272	—	—
Malaysian Government investment issue	8,676,235	8,492,547	—	—
Khazanah bonds	312,269	364,199	—	—
Commercial papers	172,819	—	—	—
	16,368,037	16,297,097	—	—
Unquoted securities				
<i>In Malaysia</i>				
Corporate bond and Sukuk	17,506,206	16,865,348	6,248,910	5,445,496
<i>Outside Malaysia</i>				
Corporate bond and Sukuk	2,938,318	3,211,629	—	—
Bank Indonesia certificates	232,611	169,210	—	—
Other Government bonds	2,689,333	2,702,917		
	23,366,468	22,949,104	6,248,910	5,445,496
Total	39,734,505	39,246,201	6,248,910	5,445,496
Amortisation of premium, net of accretion of discount	175,838	143,738	—	—
Less: Expected credit losses	(76,852)	(120,737)	(65,524)	(47,563)
	39,833,491	39,269,202	6,183,386	5,397,933

Securities and money market instruments amounting to RM972 million (2018: RM978 million) invested by asset management companies on behalf of the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	9,115	100,148	11,474	120,737
Changes in expected credit losses due to transfer within stages:				
Transferred to Stage 1	72,604	(72,604)	–	–
Transferred to Stage 2	72,652	(72,652)	–	–
	(48)	48	–	–
Total charge to Income Statement:	(72,362)	27,811	–	(44,551)
New financial assets purchased	11,989	–	–	11,989
Financial assets that have been derecognised	(899)	–	–	(899)
Change in credit risk	(83,452)	27,811	–	(55,641)
Write-offs	–	–	(10)	(10)
Exchange fluctuation	527	–	149	676
At 31 December 2019	9,884	55,355	11,613	76,852
At 1 January 2018	11,691	9,876	11,664	33,231
Changes in expected credit losses due to transfer within stages:	(2,921)	2,921	–	–
Transferred to Stage 2	(2,921)	2,921	–	–
Total charge to Income Statement:	442	87,351	–	87,793
New financial assets purchased	22,842	–	–	22,842
Financial assets that have been derecognised	(374)	(11,673)	–	(12,047)
Change in credit risk	(22,026)	99,024	–	76,998
Exchange fluctuation	(97)	–	(190)	(287)
At 31 December 2018	9,115	100,148	11,474	120,737

Notes to the Financial Statements

for the financial year ended 31 December 2019

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

The Company				
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	47,563	–	–	47,563
Total charge to Income Statement:	17,961	–	–	17,961
New financial assets purchased	8,465	–	–	8,465
Change in credit risk	9,496	–	–	9,496
At 31 December 2019	65,524	–	–	65,524
At 1 January 2018	26,554	–	–	26,554
Total charge to Income Statement:	21,009	–	–	21,009
New financial assets purchased	15,644	–	–	15,644
Change in credit risk	5,365	–	–	5,365
At 31 December 2018	47,563	–	–	47,563

Gross carrying amount movement for debt instruments at amortised cost:

The Group		
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	11,474	11,474
Write-offs	(10)	(10)
Foreign exchange differences	149	149
At 31 December 2019	11,613	11,613
At 1 January 2018	11,664	11,664
Foreign exchange differences	(190)	(190)
At 31 December 2018	11,474	11,474

Notes to the Financial Statements

for the financial year ended 31 December 2019

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

2019:

The net ECL written back during the year for the Group of RM45 million is mainly from Stage 1 ECL as a result of GCA transferred from Stage 2 to Stage 1.

The net ECL charged during the year for the Company of RM18 million is in line with higher GCA of debt instruments at amortised cost during the year.

2018:

The net ECL charged during the year for the Group of RM88 million is mainly from Stage 2 ECL as a result of GCA transferred from Stage 1 to Stage 2.

The net ECL charged during the year for the Company of RM21 million is in line with higher GCA of debt instruments at amortised cost purchased during the year.

8 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
2019			
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	40,445,081	354,824	(696,350)
– Less than 1 year	36,666,004	261,005	(496,778)
– 1 year to 3 years	2,712,791	82,223	(135,881)
– More than 3 years	1,066,286	11,596	(63,691)
Currency swaps	296,071,579	1,945,889	(2,023,141)
– Less than 1 year	293,865,873	1,854,836	(2,008,037)
– 1 year to 3 years	1,688,758	83,946	(14,352)
– More than 3 years	516,948	7,107	(752)
Currency spots	3,617,282	4,590	(3,106)
– Less than 1 year	3,617,282	4,590	(3,106)
Currency options	18,947,292	446,272	(467,103)
– Less than 1 year	14,127,004	269,414	(307,265)
– 1 year to 3 years	2,552,870	100,977	(115,430)
– More than 3 years	2,267,418	75,881	(44,408)
Cross currency interest rate swaps	91,965,111	3,526,740	(3,031,420)
– Less than 1 year	26,457,607	810,788	(467,973)
– 1 year to 3 years	27,623,201	1,041,868	(988,254)
– More than 3 years	37,884,303	1,674,084	(1,575,193)
	451,046,345	6,278,315	(6,221,120)

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2019	The Group		
		Principal amount RM'000	Assets RM'000	Fair values Liabilities RM'000
Trading derivatives (Continued)				
Interest rate derivatives				
Interest rate swaps		507,812,812	4,287,289	(3,617,370)
– Less than 1 year		196,238,964	349,197	(386,615)
– 1 year to 3 years		173,707,204	865,040	(792,835)
– More than 3 years		137,866,644	3,073,052	(2,437,920)
Interest rate futures		12,345,172	17,595	(9,983)
– Less than 1 year		9,717,090	15,279	(9,464)
– 1 year to 3 years		2,628,082	2,316	(519)
Interest rate options		7,198	–	(10)
– 1 year to 3 years		7,198	–	(10)
		520,165,182	4,304,884	(3,627,363)
Equity related derivatives				
Equity futures		21,104	1	(147)
– Less than 1 year		21,104	1	(147)
Index futures		34,142	129	(171)
– Less than 1 year		34,142	129	(171)
Equity options		4,664,459	88,659	(64,297)
– Less than 1 year		3,704,855	69,240	(56,141)
– 1 year to 3 years		953,175	19,387	(8,156)
– More than 3 years		6,429	32	–
Equity swaps		60,005	134	(120)
– Less than 1 year		6,112	21	–
– More than 3 years		53,893	113	(120)
		4,779,710	88,923	(64,735)
Commodity related derivatives				
Commodity options		2,423,695	50,808	(53,910)
– Less than 1 year		2,423,695	50,808	(53,910)
Commodity swaps		3,212,256	324,152	(151,105)
– Less than 1 year		2,892,771	279,017	(100,212)
– 1 year to 3 years		319,485	45,135	(50,893)
Commodity futures		1,390,973	43,226	(23,950)
– Less than 1 year		1,390,973	43,226	(23,950)
		7,026,924	418,186	(228,965)
Credit related contract				
Credit default swaps		3,751,313	50,456	(55,761)
– Less than 1 year		87,011	195	(178)
– 1 year to 3 years		396,462	4,876	(56)
– More than 3 years		3,267,840	45,385	(55,527)
Total return swaps		333,250	1,018	(1,893)
– Less than 1 year		306,975	1,015	–
– 1 year to 3 years		5,525	3	(408)
– More than 3 years		20,750	–	(1,485)
		4,084,563	51,474	(57,654)

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2019	The Group		
	Principal amount RM'000	Assets RM'000	Fair values Liabilities RM'000
Trading derivatives (Continued)			
Bond contract			
Bond forward	2,742,108	1,113	(515,868)
– Less than 1 year	782,049	–	(134,232)
– 1 year to 3 years	1,527,055	–	(329,249)
– More than 3 years	433,004	1,113	(52,387)
Hedging derivatives			
Interest rate swaps	26,102,207	279,002	(333,165)
– Less than 1 year	4,360,240	11,792	(20,727)
– 1 year to 3 years	11,259,469	127,976	(49,691)
– More than 3 years	10,482,498	139,234	(262,747)
Currency swaps	5,679,660	120,957	(50,498)
– Less than 1 year	5,679,660	120,957	(50,498)
Cross currency interest rate swaps	4,719,976	47,043	(238,501)
– 1 year to 3 years	1,901,011	10,686	(112,513)
– More than 3 years	2,818,965	36,357	(125,988)
Total derivative assets/(liabilities)	1,026,346,675	11,589,897	(11,337,869)

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2018	The Group			
		Principal amount RM'000	Assets RM'000	Fair values Liabilities RM'000	
Trading derivatives					
Foreign exchange derivatives					
Currency forwards		32,410,589	375,275	(529,427)	
– Less than 1 year		26,968,963	281,823	(260,250)	
– 1 year to 3 years		4,415,657	79,877	(164,953)	
– More than 3 years		1,025,969	13,575	(104,224)	
Currency swaps		279,996,654	1,503,473	(1,819,805)	
– Less than 1 year		276,985,421	1,424,731	(1,788,378)	
– 1 year to 3 years		2,854,537	67,156	(30,522)	
– More than 3 years		156,696	11,586	(905)	
Currency spots		4,004,111	5,776	(6,016)	
– Less than 1 year		4,004,111	5,776	(6,016)	
Currency options		12,456,562	419,240	(433,734)	
– Less than 1 year		9,104,317	185,558	(170,910)	
– 1 year to 3 years		2,736,327	174,745	(178,561)	
– More than 3 years		615,918	58,937	(84,263)	
Cross currency interest rate swaps		85,114,582	2,429,794	(1,943,583)	
– Less than 1 year		26,438,087	347,172	(255,034)	
– 1 year to 3 years		23,217,050	1,001,825	(767,547)	
– More than 3 years		35,459,445	1,080,797	(921,002)	
		413,982,498	4,733,558	(4,732,565)	
Interest rate derivatives					
Interest rate swaps		528,255,573	2,458,109	(1,794,708)	
– Less than 1 year		208,742,046	216,630	(239,831)	
– 1 year to 3 years		180,588,234	715,907	(584,630)	
– More than 3 years		138,925,293	1,525,572	(970,247)	
Interest rate futures		8,397,529	6,009	(21,679)	
– Less than 1 year		6,002,038	5,776	(21,121)	
– 1 year to 3 years		2,395,491	233	(558)	
Interest rate options		771,502	3	(13,457)	
– Less than 1 year		637,913	–	(10,938)	
– 1 year to 3 years		7,263	3	(4)	
– More than 3 years		126,326	–	(2,515)	
		537,424,604	2,464,121	(1,829,844)	

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2018	The Group		
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (Continued)			
<u>Equity related derivatives</u>			
Equity futures	48,300	26	(332)
– Less than 1 year	48,300	26	(332)
Index futures	10,904	56	(12)
– Less than 1 year	10,904	56	(12)
Equity options	5,697,423	225,269	(139,908)
– Less than 1 year	4,773,919	168,853	(133,720)
– 1 year to 3 years	834,086	56,416	(6,188)
– More than 3 years	89,418	–	–
Equity swaps	2,987,106	1,116	(6,767)
– Less than 1 year	7,011	–	(6,669)
– 1 year to 3 years	2,140,897	565	–
– More than 3 years	839,198	551	(98)
	8,743,733	226,467	(147,019)
<u>Commodity related derivatives</u>			
Commodity options	5,515,624	227,863	(213,889)
– Less than 1 year	5,468,720	227,855	(213,881)
– 1 year to 3 years	46,904	8	(8)
Commodity swaps	3,330,619	818,476	(266,305)
– Less than 1 year	2,417,016	289,239	(224,109)
– 1 year to 3 years	913,603	529,237	(42,196)
Commodity futures	3,705,140	10,981	(487,983)
– Less than 1 year	3,705,140	10,981	(487,983)
	12,551,383	1,057,320	(968,177)
<u>Credit related contract</u>			
Credit default swaps	2,962,199	30,284	(13,569)
– Less than 1 year	197,015	741	(430)
– 1 year to 3 years	588,687	10,568	(307)
– More than 3 years	2,176,497	18,975	(12,832)
Total return swaps	507,196	4,442	(4,297)
– Less than 1 year	221,801	1,581	–
– 1 year to 3 years	5,525	–	(521)
– More than 3 years	279,870	2,861	(3,776)
	3,469,395	34,726	(17,866)

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2018	The Group		
		Principal amount RM'000	Assets RM'000	Fair values Liabilities RM'000
Trading derivatives (Continued)				
Bond contract				
Bond forward		2,474,820	6,791	(49,080)
– Less than 1 year		598,899	1,052	(13,002)
– 1 year to 3 years		1,118,794	2,089	(23,543)
– More than 3 years		757,127	3,650	(12,535)
Hedging derivatives				
Interest rate swaps		26,632,750	83,067	(331,708)
– Less than 1 year		2,018,786	566	(23,323)
– 1 year to 3 years		8,408,787	34,338	(40,527)
– More than 3 years		16,205,177	48,163	(267,858)
Currency swaps		4,713,524	10,550	(14,250)
– Less than 1 year		4,713,524	10,550	(14,250)
Cross currency interest rate swaps		5,065,485	18,033	(317,472)
– Less than 1 year		1,851,258	239	(205,787)
– 1 year to 3 years		1,607,773	–	(66,911)
– More than 3 years		1,606,454	17,794	(44,774)
Total derivative assets/(liabilities)		36,411,759	111,650	(663,430)
		1,015,058,192	8,634,633	(8,407,981)

(I) FAIR VALUE HEDGES

The Group uses interest rate swaps to hedge its exposure to changes in the fair value of fixed rate loans, fixed rate subordinated obligations, fixed rate negotiable instruments of deposits issued, bills and acceptance payables, fixed rate bonds, fixed rate senior bond and debentures issued in respect of benchmark interest rates (i.e. KLIBOR, HIBOR, SOR & USD LIBOR).

The Group uses cross currency interest rate swap to hedge foreign currency risk from the issuance of senior bond and debentures issued denominated in foreign currencies. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange fixed interest payments in foreign currencies for floating interest payment in MYR.

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

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

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

- The effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap and cross currency swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities and reset dates of the interest rate swaps and the fixed rate bonds or liabilities.

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

31 December 2019	The Group				
	Maturity				
	Less than 1 month	1-3 months	More than 3 months to less than 1 year	1-5 years	More than 5 years
Interest rate risk					
Interest rate swaps (MYR)					
Nominal amount (RM'000)	–	–	4,330,430	9,345,438	2,945,000
Average fixed interest rate	–	–	4.41%	4.07%	4.30%
Interest rate swaps (SGD)					
Nominal amount (RM'000)	–	82,860	221,975	545,814	687,969
Average fixed interest rate	–	1.76%	2.28%	1.92%	2.22%
Interest rate swaps (USD)					
Nominal amount (RM'000)	–	–	306,975	2,890,495	2,658,876
Average fixed interest rate	–	–	1.89%	2.34%	2.50%
Interest rate swaps (IDR)					
Nominal amount (RM'000)	–	–	–	212,982	–
Average fixed interest rate	–	–	–	8.08%	–
Foreign currency risk					
Cross currency interest rate swaps (HKD:MYR)					
Nominal amount (RM'000)	–	–	–	564,486	–
Average HKD:MYR exchange rate	–	–	–	0.54	–
Average fixed interest rate	–	–	–	2.33%	–

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(I) FAIR VALUE HEDGES (CONTINUED)**

The Group uses the following items as hedging instruments in fair value hedges: (Continued)

31 December 2018	The Group				
	Maturity				
	Less than 1 month	1-3 months	to less than 1 year	1-5 years	More than 5 years
Interest rate risk					
Interest rate swaps (MYR)					
Nominal amount (RM'000)	–	–	1,475,000	11,452,268	5,130,250
Average fixed interest rate	–	–	4.08%	4.22%	4.33%
Interest rate swaps (HKD)					
Nominal amount (RM'000)	–	–	343,403	–	–
Average fixed interest rate	–	–	2.47%	–	–
Interest rate swaps (SGD)					
Nominal amount (RM'000)	–	–	200,384	481,225	712,728
Average fixed interest rate	–	–	2.05%	2.07%	2.41%
Interest rate swaps (USD)					
Nominal amount (RM'000)	–	–	–	2,710,258	2,851,031
Average fixed interest rate	–	–	–	2.62%	2.72%
Interest rate swaps (IDR)					
Nominal amount (RM'000)	–	–	–	121,233	–
Average fixed interest rate	–	–	–	8.45%	–
Foreign currency risk					
Cross currency interest rate swaps (AUD:MYR)					
Nominal amount (RM'000)	–	–	292,335	–	–
Average AUD:MYR exchange rate	–	–	2.92	–	–
Average fixed interest rate	–	–	4.38%	–	–
Cross currency interest rate swaps (CNH:MYR)					
Nominal amount (RM'000)	–	–	156,407	–	–
Average CNH:MYR exchange rate	–	–	0.61	–	–
Average fixed interest rate	–	–	4.08%	–	–
Cross currency interest rate swaps (HKD:MYR)					
Nominal amount (RM'000)	–	–	491,330	461,744	–
Average HKD:MYR exchange rate	–	–	0.43	0.56	–
Average fixed interest rate	–	–	2.58%	2.31%	–

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

	The Group					
	Nominal amount RM'000	Fair values*		Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	
31 December 2019		Assets RM'000	Liabilities RM'000		Hedge ineffectiveness RM'000	Profit or loss RM'000
Interest rate risk						
Interest rate swaps (HKD)	–	–	–	1,746	(8,258)	
Interest rate swaps (MYR)	16,620,868	175,147	(132,768)	94,317	(8,346)	
Interest rate swaps (SGD)	1,538,618	468	(42,377)	(22,596)	(1,180)	
Interest rate swaps (USD)	5,856,346	57,184	(108,834)	76,871	6,489	
Interest rate swaps (IDR)	212,982	–	(8,621)	(5,748)	349	
Foreign currency risk						
Cross currency interest rate swaps (AUD:MYR)	–	–	–	(29,656)	(22,676)	
Cross currency interest rate swaps (CNH:MYR)	–	–	–	(96)	(4,708)	
Cross currency interest rate swaps (HKD:MYR)	564,486	–	(29,269)	15,107	73	
31 December 2018						
Interest rate risk						
Interest rate swaps (EUR)	–	–	–	300	(724)	
Interest rate swaps (HKD)	343,403	–	(1,515)	(974)	2,233	
Interest rate swaps (MYR)	18,057,518	51,706	(132,522)	48,977	(17,070)	
Interest rate swaps (SGD)	1,394,337	2,312	(20,882)	(730)	213	
Interest rate swaps (USD)	5,561,288	29,049	(171,435)	(58,828)	4,362	
Interest rate swaps (IDR)	121,233	–	(2,308)	(2,245)	(6)	
Foreign currency risk						
Cross currency interest rate swaps (AUD:MYR)	292,335	5,834	–	(33,889)	(2,249)	
Cross currency interest rate swaps (CNH:MYR)	156,407	1,633	(462)	(4,712)	(907)	
Cross currency interest rate swaps (EUR:USD)	–	–	–	(1,553)	(1,553)	
Cross currency interest rate swaps (HKD:MYR)	953,074	93,629	(28,909)	12,007	4,486	

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness are recognised in the “Net non-interest income” in the statement of income.

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(I) FAIR VALUE HEDGES (CONTINUED)**

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

The Group

31 December 2019	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item				Line item in the Statement of Financial Position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness RM'000	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
	Carrying amount	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		
Hedged items							
MYR fixed rate loans	1,920,779	-	7,857	(224)	Loans, advances and financing	(26,639)	1,449
USD fixed rate loans	184,054	-	1,746	(951)	Loans, advances and financing	4,960	-
MYR fixed rate liabilities	-	(102,175)	-	(700)	Deposits and placement of bank and other financial institutions	(296)	-
MYR fixed rate liabilities	-	(885,464)	-	(41,282)	Recourse obligation on loans and financing sold to Cagamas	(21,496)	-
MYR fixed rate liabilities	-	(6,711,796)	281	(60,982)	Subordinated obligations	(43,596)	(4,048)
AUD fixed rate bonds	-	-	-	-	Bonds, Sukuk and debentures	6,980	-
CNH fixed rate bonds	-	-	-	-	Bonds, Sukuk and debentures	(4,612)	-
HKD fixed rate bonds	-	(561,884)	40,828	-	Bonds, Sukuk and debentures	(25,038)	-
MYR fixed rate bonds	-	(3,765,035)	-	(66,798)	Bonds, Sukuk and debentures	(85,112)	-
USD fixed rate bonds	-	(3,011,865)	22,251	(14,988)	Bonds, Sukuk and debentures	(180,460)	1,000
MYR fixed rate bonds	3,644,870	-	125,084	(1,236)	Debt instruments at fair value through other comprehensive income	74,476	(610)
SGD fixed rate bonds	1,539,881	-	39,303	(2,138)	Debt instruments at fair value through other comprehensive income	21,416	(1,541)
USD fixed rate bonds	2,802,585	-	95,596	(4,606)	Debt instruments at fair value through other comprehensive income	105,118	-
IDR fixed rate bonds	212,982	-	8,416	-	Debt instruments at fair value through other comprehensive income	6,097	-

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

The amounts relating to items designated as hedged items were as follows: (Continued)

The Group

31 December 2018	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item				Line item in the Statement of Financial Position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness RM'000	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
	Carrying amount	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		
Hedged items							
EUR fixed rate loans	-	-	-	-	Loans, advances and financing	(1,024)	-
MYR fixed rate loans	3,339,947	-	35,718	(1,446)	Loans, advances and financing	(53,440)	5,002
USD fixed rate loans	213,743	-	44	(4,211)	Loans, advances and financing	(1,910)	-
MYR fixed rate liabilities	-	(101,887)	-	(404)	Deposits and placement of bank and other financial institutions	28	-
MYR fixed rate liabilities	-	(863,991)	-	(19,786)	Recourse obligation on loans and financing sold to Cagamas	2,315	-
MYR fixed rate liabilities	-	(6,671,400)	11,976	(29,081)	Subordinated obligations	(6,412)	(7,975)
AUD fixed rate bonds	-	(295,696)	-	(1,765)	Bonds, Sukuk and debentures	31,640	-
CNH fixed rate bonds	-	(154,843)	6,336	-	Bonds, Sukuk and debentures	3,805	-
HKD fixed rate bonds	-	(1,269,932)	47,535	(76,014)	Bonds, Sukuk and debentures	(4,314)	-
MYR fixed rate bonds	-	(3,754,126)	18,387	(73)	Bonds, Sukuk and debentures	(8,353)	-
SGD fixed rate bonds	-	-	-	-	Bonds, Sukuk and debentures	526	-
USD fixed rate bonds	-	(2,795,765)	187,723	-	Bonds, Sukuk and debentures	89,823	1,447
MYR fixed rate bonds	3,581,887	-	54,388	(1,842)	Debt instruments at fair value through other comprehensive income	(184)	(970)
SGD fixed rate bonds	1,376,734	-	19,909	(4,260)	Debt instruments at fair value through other comprehensive income	417	(728)
USD fixed rate bonds	2,380,143	-	23,722	(25,045)	Debt instruments at fair value through other comprehensive income	(24,727)	(489)
IDR fixed rate bonds	121,233	-	2,240	-	Debt instruments at fair value through other comprehensive income	2,240	-

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(II) NET INVESTMENT HEDGE**

The Group uses non-derivative financial liability and currency swaps to hedge the foreign exchange rate exposure arising from net investment in foreign operations that have a different functional currency from the Group. The Group has investment in foreign operations which is consolidated in its financial statements and whose functional currencies are GBP, HKD, SGD and USD.

The risk arises from the fluctuation in spot exchange rates between the functional currency of the foreign operations and the Group's functional currency. The hedged risk is the risk of weakening foreign currencies against MYR that will result in reduction in the carrying amount of the Group's net investment in foreign operations.

The Group assesses effectiveness by comparing past changes in the carrying amount of the financial liability that attributable to a change in the spot rate (the offset method). The Group only designates the spot element of the forward foreign exchange contract. Changes in the fair value of the hedging instrument attributable to changes in forward points and the effect of discounting are recognised in profit and loss account which does not included in the hedge effectiveness assessment.

The Group establishes the hedging ratio by matching the notional of the forward contracts with the designated net assets of the foreign operation. There is no ineffectiveness arises from hedge of net investment in foreign operations. The foreign currency risk component is determined as the change in the carrying amount of net assets of the foreign operations arising solely from changes in spot foreign currency exchange rates.

The Group uses the following items as hedging instruments in net investment hedges:

31 December 2019	The Group				
	Maturity				
	Less than 1 month	1-3 months	to less than 1 year	1-5 years	More than 5 years
Fixed rate bond (USD)					
Nominal amount (RM'000)	-	-	-	1,227,900	-
Average USD:MYR exchange rate	-	-	-	4.141	-
Currency swaps (GBP:MYR)					
Nominal amount (RM'000)	-	102,065	16,116	-	-
Average GBP: MYR exchange rate	-	5.127	5.387	-	-
Currency swaps (HKD:MYR)					
Nominal amount (RM'000)	-	83,569	87,248	-	-
Average HKD:MYR exchange rate	-	0.540	0.535	-	-
Currency swaps (SGD:MYR)					
Nominal amount (RM'000)	462,518	624,775	1,254,084	-	-
Average SGD:MYR exchange rate	3.008	3.075	3.054	-	-
Currency swaps (USD:MYR)					
Nominal amount (RM'000)	1,064,180	613,950	1,371,155	-	-
Average USD:MYR exchange rate	4.154	4.230	4.200	-	-

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(II) NET INVESTMENT HEDGE (CONTINUED)

The Group uses the following items as hedging instruments in net investment hedges: (Continued)

31 December 2018	The Group					
	Maturity					
	Less than 1 month	1-3 months	to less than 1 year	1-5 years	More than 5 years	
Fixed rate bond (USD)						
Nominal amount (RM'000)	–	–	–	1,241,250		–
Average USD:MYR exchange rate	–	–	–	4.037		–
Currency swaps (GBP:MYR)						
Nominal amount (RM'000)	89,645	–	10,546	–		–
Average GBP: MYR exchange rate	5.246	–	5.496	–		–
Currency swaps (HKD:MYR)						
Nominal amount (RM'000)	–	117,814	8,453	–		–
Average HKD:MYR exchange rate	–	0.531	0.530	–		–
Currency swaps (SGD:MYR)						
Nominal amount (RM'000)	683,430	1,356,841	24,289	–		–
Average SGD:MYR exchange rate	2.998	3.033	3.059	–		–
Currency swaps (USD:MYR)						
Nominal amount (RM'000)	57,925	910,250	1,454,331	–		–
Average USD:MYR exchange rate	4.146	4.136	4.155	–		–

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

31 December 2019	The Group					
	Nominal amount RM'000	Fair values*		Changes in fair value used for calculating hedge ineffectiveness RM'000		Hedge ineffectiveness recognised in profit or loss** RM'000
		Assets RM'000	Liabilities RM'000			
Foreign exchange risk						
Fixed rate bonds (USD)	1,227,900	–	–	13,350	(13,350)	–
Currency swaps (GBP:MYR)	118,181	2,757	(6,929)	(2,289)	2,289	–
Currency swaps (HKD:MYR)	170,817	4,567	(989)	771	(771)	–
Currency swaps (SGD:MYR)	2,341,377	47,537	(42,580)	(3,444)	3,444	–
Currency swaps (USD:MYR)	3,049,285	66,096	–	34,602	(34,602)	–
31 December 2018						
Foreign exchange risk						
Fixed rate bonds (USD)	1,241,250	–	–	(24,900)	24,900	–
Currency swaps (GBP:MYR)	100,192	652	(632)	3,637	(3,637)	–
Currency swaps (HKD:MYR)	126,267	668	(119)	(2,511)	2,511	–
Currency swaps (SGD:MYR)	2,064,559	2,978	(11,019)	(2,354)	2,354	–
Currency swaps (USD:MYR)	2,422,506	6,252	(2,480)	(48,864)	48,864	–

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness and reclassification from the "net investment hedge reserve" to profit or loss are recognised in the "Net non-interest income" in the statement of income.

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for the financial year ended 31 December 2019

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(II) NET INVESTMENT HEDGE (CONTINUED)**

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

The Group			
31 December 2019	Change in value used for calculating hedge ineffectiveness RM'000	Net investment hedge reserve RM'000	Balance remaining in the net investment hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
GBP net investment	2,289	(2,047)	–
HKD net investment	(771)	22,877	–
SGD net investment	3,444	191,154	–
USD net investment	(47,952)	517,060	–
31 December 2018			
GBP net investment	(3,637)	(4,336)	–
HKD net investment	2,511	23,648	–
SGD net investment	2,354	187,710	–
USD net investment	73,764	565,011	–

(III) CASH FLOWS HEDGE

The Group uses cross currency swaps and interest rate swaps to hedge the foreign currency risks (mainly USD) from floating rate inter branch lending denominated in USD. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange floating rate payments in USD for floating rate payments in MYR and it is determined as the change in cash flows of the USD inter branch lending arising solely from changes in USD.

The effectiveness is assessed by comparing the changes in fair value of the cross currency swap with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follow:

- Differences in timing of cash flows between hedged item and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument and
- Counterparty credit risk which impacts the fair value of cross currency swaps but not the hedged items.

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(III) CASH FLOWS HEDGE (CONTINUED)

The Group uses the following items as hedging instruments in cash flow hedges:

31 December 2019	The Group				
	Maturity				
	Less than 1 month	1-3 months	More than 3 months to less than 1 year	1-5 years	More than 5 years
Interest rate risk					
Interest rate swaps					
Nominal amount (RM'000)	–	–	–	336,144	–
Average fixed interest rate	–	–	–	2.00%	–
Foreign exchange risk					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	–	–	–	564,834	–
Average USD-MYR exchange rate	–	–	–	4.242	–
31 December 2018					
Interest rate risk					
Interest rate swaps					
Nominal amount (RM'000)	–	–	–	312,192	–
Average fixed interest rate	–	–	–	2.00%	–
Interest rate/foreign exchange risk					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	–	–	1,036,179	464,708	–
Average USD-MYR exchange rate	–	–	3.567	4.349	–
Cross currency interest rate swaps (USD:THB)					
Nominal amount (RM'000)	–	–	–	–	802,176
Average USD-THB exchange rate	–	–	–	–	32.322

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(III) CASH FLOWS HEDGE (CONTINUED)**

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

	The Group						
	Fair values*			Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000
	Nominal amount RM'000	Assets RM'000	Liabilities RM'000				
31 December 2019							
Interest rate risk							
Interest rate swaps	336,144	5,639	-	(7,875)	7,875	-	-
Foreign exchange risk							
Cross currency interest rate swaps (USD:MYR)	564,834	31,283	-	5,312	(1,074)	7,075	7,075
31 December 2018							
Interest rate risk							
Interest rate swaps	312,192	-	(3,046)	2,709	(2,709)	-	-
Foreign exchange risk							
Cross currency interest rate swaps (USD:MYR)	1,500,888	24,990	(188,788)	(29,231)	435	(1,287)	(1,287)
Cross currency interest rate swaps (USD:THB)	802,176	1,153	(16,114)	377	(377)	-	-

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness and reclassification from the "Hedging reserve – cash flows hedge" to profit or loss are recognised in the "Net non-interest income" in the statement of income.

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

	The Group			
	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
31 December 2019				
Interest rate/foreign exchange risk				
USD floating rate loans	Loans, advances and financing	11,031	(562)	-
Credit-linked Notes	Bills and acceptances payable	(7,427)	5,165	-
31 December 2018				
Interest rate/foreign exchange risk				
USD floating rate loans	Loans, advances and financing	31,837	(3,936)	-
Credit-linked Notes	Bills and acceptances payable	(806)	11,694	-

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(IV) RECONCILIATION OF COMPONENTS OF EQUITY

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	The Group	
	Net investment hedge RM'000	Cash flows hedge RM'000
At 1 January 2019	(1,164,753)	6,097
Effective portion of changes in fair value:		
– Interest rate risk	–	7,875
– Interest rate/USD foreign currency risk	–	(14,458)
Net amount reclassified to profit or loss:		
– Interest rate/USD foreign currency risk	–	7,075
Net gain on hedge of net investment in foreign operations:		
– GBP currency swaps	(2,289)	–
– HKD currency swaps	771	–
– SGD currency swaps	(3,444)	–
– USD currency swaps	47,952	–
Cost of hedging	48,167	–
Income tax effects	–	(19)
Exchange fluctuation	–	642
Share of joint venture	144	–
At 31 December 2019	(1,073,452)	7,212
At 1 January 2018	(1,190,283)	(205)
Effective portion of changes in fair value:		
– Interest rate risk	–	(2,709)
– Interest rate/USD foreign currency risk	–	14,016
Net amount reclassified to profit or loss:		
– Interest rate/USD foreign currency risk	–	(1,287)
Net gain on hedge of net investment in foreign operations:		
– GBP currency swaps	3,637	–
– HKD currency swaps	(2,511)	–
– SGD currency swaps	(2,354)	–
– USD currency swaps	(73,764)	–
Cost of hedging	47,318	–
Income tax effects	–	(3,479)
Exchange fluctuation	–	(239)
Disposal of a subsidiary	55,484	–
Share of joint venture	(2,280)	–
At 31 December 2018	(1,164,753)	6,097

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9 LOANS, ADVANCES AND FINANCING**(I) BY TYPE:**

	The Group	
	2019 RM'000	2018 RM'000
At amortised cost		
Overdrafts	5,616,337	5,315,592
Term loans/financing		
– Housing loans/financing	106,700,354	95,812,651
– Syndicated term loans	15,933,611	17,141,144
– Hire purchase receivables	23,619,588	20,818,624
– Lease receivables	221,544	166,102
– Factoring receivables	4,379	12,898
– Other term loans/financing	150,679,676	143,246,139
Bills receivable	9,640,557	8,198,220
Trust receipts	1,723,214	2,028,200
Claims on customers under acceptance credits	4,849,992	5,212,364
Staff loans [of which RM6,680,170 (2018: RM6,367,622) are loans to Directors (including Directors of subsidiaries)]	1,516,800	1,464,094
Credit card receivables	9,830,984	9,462,104
Revolving credits	37,974,859	35,893,597
Share margin financing	74,873	715,119
Gross loans, advances and financing	368,386,768	345,486,848
Fair value changes arising from fair value hedge	8,428	30,104
	368,395,196	345,516,952
Less:		
– Expected credit losses	(9,159,831)	(9,172,365)
Net loans, advances and financing at amortised cost	359,235,365	336,344,587
At fair value through profit or loss		
Term loans/financing		
– Syndicated term loan	1,104,735	803,501
– Other term loans/financing	–	180
Gross loans, advances and financing at fair value through profit or loss	1,104,735	803,681
Total net loans, advances and financing	360,340,100	337,148,268
Total gross loans, advances and financing:		
– At amortised cost	368,386,768	345,486,848
– At fair value through profit or loss	1,104,735	803,681
	369,491,503	346,290,529

Notes to the Financial Statements

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(I) BY TYPE: (CONTINUED)

- (a) Included in the Group's loans, advances and financing balances are RM28,568,000 (2018: RM34,633,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of RM2,082,954,000 (2018: RM3,492,615,000) loans, advances and financing using interest rate swaps.
- (c) Included in the loans, advances and financing of the Group at 31 December 2019 is financing which is disclosed as "Restricted Agency Investment Account" ("RAIA") in the financial statements of CIMB Islamic amounting to RM6,231,742,000 (2018: RM5,530,998,000). RAIA arrangement is with CIMB Bank's wholly owned subsidiary, CIMB Islamic, and the contract is based on the Wakalah principle where CIMB Bank solely provide the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and expected credit losses arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group.

(II) BY TYPE OF CUSTOMER:

	The Group	
	2019 RM'000	2018 RM'000
Domestic banking financial institutions	235,071	44,287
Domestic non-bank financial institutions		
– Stockbroking companies	11,158	162
– Others	5,112,261	4,305,076
Domestic business enterprises		
– Small medium enterprises	50,626,877	49,648,698
– Others	67,513,024	62,330,354
Government and statutory bodies	8,282,375	10,188,407
Individuals	186,024,831	170,414,963
Other domestic entities	10,573,517	8,804,883
Foreign entities	41,112,389	40,553,699
Gross loans, advances and financing	369,491,503	346,290,529

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)**(III) BY INTEREST/PROFIT RATE SENSITIVITY:**

	The Group	
	2019 RM'000	2018 RM'000
Fixed rate		
– Housing loans	2,312,496	2,824,425
– Hire-purchase receivables	17,446,300	14,158,936
– Other fixed rate loans	37,225,079	37,936,768
Variable rate		
– BLR plus	138,649,711	139,167,886
– Cost plus	57,389,592	53,493,540
– Other variable rates	116,468,325	98,708,974
Gross loans, advances and financing	369,491,503	346,290,529

(IV) BY ECONOMIC PURPOSES:

	The Group	
	2019 RM'000	2018 RM'000
Personal use	20,449,002	17,262,248
Credit card	9,830,984	9,462,104
Purchase of consumer durables	92,706	79,705
Construction	15,438,083	13,970,730
Residential property (Housing)	107,330,786	98,067,579
Non-residential property	29,210,702	27,477,657
Purchase of fixed assets other than land and building	15,644,141	13,994,503
Mergers and acquisitions	2,718,911	2,648,296
Purchase of securities	25,835,806	25,756,162
Purchase of transport vehicles	23,898,884	21,898,596
Working capital	85,646,730	86,861,644
Other purpose	33,394,768	28,811,305
Gross loans, advances and financing	369,491,503	346,290,529

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(V) BY GEOGRAPHICAL DISTRIBUTION:

	The Group	
	2019 RM'000	2018 RM'000
Malaysia	220,789,619	207,395,558
Indonesia	61,368,318	58,370,263
Thailand	37,432,449	31,453,674
Singapore	29,577,312	29,485,975
United Kingdom	4,427,631	4,866,634
Hong Kong	1,418,757	2,287,259
China	3,832,132	3,766,611
Other countries	10,645,285	8,664,555
Gross loans, advances and financing	369,491,503	346,290,529

(VI) BY RESIDUAL CONTRACTUAL MATURITY:

	The Group	
	2019 RM'000	2018 RM'000
Within one year	93,505,979	100,548,785
One year to less than three years	30,859,641	25,779,218
Three years to less than five years	34,417,884	33,324,101
Five years and more	210,707,999	186,638,425
Gross loans, advances and financing	369,491,503	346,290,529

(VII) BY ECONOMIC SECTOR

	The Group	
	2019 RM'000	2018 RM'000
Primary agriculture	13,121,135	12,116,038
Mining and quarrying	6,297,286	7,284,772
Manufacturing	29,015,451	24,520,102
Electricity, gas and water supply	5,998,603	5,714,682
Construction	13,582,106	14,610,895
Transport, storage and communications	10,360,957	11,521,589
Education, health and others	16,254,329	15,424,718
Wholesale and retail trade, and restaurants and hotels	30,552,748	29,988,840
Finance, insurance/takaful, real estate and business activities	51,040,767	46,882,321
Household	174,978,092	161,798,791
Others	18,290,029	16,427,781
Gross loans, advances and financing	369,491,503	346,290,529

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)**(VIII) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC PURPOSE:**

	The Group	
	2019 RM'000	2018 RM'000
Personal use	457,443	412,999
Credit card	147,712	151,609
Purchase of consumer durables	1,017	715
Construction	1,481,518	1,518,618
Residential property (Housing)	1,895,947	1,488,236
Non-residential property	402,209	305,923
Purchase of fixed assets other than land and building	1,017,105	647,471
Mergers and acquisitions	50,833	51,242
Purchase of securities	126,078	136,610
Purchase of transport vehicles	239,419	221,504
Working capital	4,555,951	4,158,030
Other purpose	968,616	983,756
Gross credit impaired loans, advances and financing	11,343,848	10,076,713

(IX) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHICAL DISTRIBUTION:

	The Group	
	2019 RM'000	2018 RM'000
Malaysia	4,600,622	3,622,639
Indonesia	3,475,766	3,176,570
Thailand	2,209,126	2,323,355
Singapore	848,895	676,323
United Kingdom	8,967	8,462
China	158	16,051
Other countries	200,314	253,313
Gross credit impaired loans, advances and financing	11,343,848	10,076,713

(X) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC SECTOR

	The Group	
	2019 RM'000	2018 RM'000
Primary agriculture	254,633	173,272
Mining and quarrying	1,263,292	1,554,409
Manufacturing	2,590,026	1,746,217
Electricity, gas and water supply	273,370	54,667
Construction	255,427	278,582
Transport, storage and communications	1,078,941	1,152,509
Education, health and others	455,821	199,830
Wholesale and retail trade, and restaurants and hotels	1,573,334	1,702,513
Finance, insurance/takaful, real estate and business activities	635,650	760,464
Household	2,671,744	2,149,216
Others	291,610	305,034
Gross credit impaired loans, advances and financing	11,343,848	10,076,713

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING ARE AS FOLLOWS:

	The Group				
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired	Total RM'000
Loans, advances and financing at amortised cost					
At 1 January 2019	2,407,561	1,218,564	5,543,688	2,552	9,172,365
Changes in expected credit losses due to transfer within stages:					
Transferred to Stage 1	685,324	(500,176)	(185,148)	–	–
Transferred to Stage 2	1,171,767	(953,247)	(218,520)	–	–
Transferred to Stage 3	(478,437)	954,464	(476,027)	–	–
	(8,006)	(501,393)	509,399	–	–
Total charge to Income Statement:	(1,161,037)	1,041,943	2,338,775	–	2,219,681
New financial assets originated	1,910,413	531,331	194,989	–	2,636,733
Financial assets that have been derecognised	(1,444,711)	(783,164)	–	–	(2,227,875)
Writeback in respect of full recoveries	–	–	(290,128)	–	(290,128)
Change in credit risk	(1,626,739)	1,293,776	2,433,914	–	2,100,951
Write-offs	(1,269)	(2,616)	(2,337,556)	–	(2,341,441)
Exchange fluctuation	(23,803)	56,358	77,514	196	110,265
Other movements	(1,053)	519	(505)	–	(1,039)
At 31 December 2019	1,905,723	1,814,592	5,436,768	2,748	9,159,831
At 1 January 2018					
Changes in expected credit losses due to transfer within stages:	2,595,298	1,271,097	6,063,509	7,561	9,937,465
Transferred to Stage 1	985,923	(829,533)	(156,390)	–	–
Transferred to Stage 2	1,437,380	(1,116,539)	(320,841)	–	–
Transferred to Stage 3	(391,963)	753,896	(361,933)	–	–
	(59,494)	(466,890)	526,384	–	–
Total charge to Income Statement:	(775,864)	793,187	2,008,486	(3,121)	2,022,688
New financial assets originated	1,257,216	235,185	99,833	–	1,592,234
Financial assets that have been derecognised	(915,501)	(384,548)	–	–	(1,300,049)
Writeback in respect of full recoveries	–	–	(211,584)	–	(211,584)
Change in credit risk	(1,117,579)	942,550	2,120,237	(3,121)	1,942,087
Write-offs	(2,072)	(84,261)	(2,399,383)	(2,011)	(2,487,727)
Exchange fluctuation	(395,787)	56,614	173,624	123	(165,426)
Other movements	63	11,460	(146,158)	–	(134,635)
At 31 December 2018	2,407,561	1,218,564	5,543,688	2,552	9,172,365

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)**(XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING**

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

	The Group		
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
At 1 January 2019	10,069,160	7,553	10,076,713
Transfer within stages	2,498,105	–	2,498,105
New financial assets originated	1,133,204	–	1,133,204
Write-offs	(2,337,556)	–	(2,337,556)
Amount fully recovered	(1,150,055)	–	(1,150,055)
Other changes in loans, advances and financing	624,877	(108)	624,769
Exchange fluctuation	498,089	579	498,668
At 31 December 2019	11,335,824	8,024	11,343,848
At 1 January 2018	11,107,938	9,431	11,117,369
Transfer within stages	2,194,585	–	2,194,585
New financial assets originated	327,069	–	327,069
Write-offs	(2,408,081)	(2,011)	(2,410,092)
Amount fully recovered	(596,876)	–	(596,876)
Other changes in loans, advances and financing	(347,292)	(101)	(347,393)
Exchange fluctuation	(208,183)	234	(207,949)
At 31 December 2018	10,069,160	7,553	10,076,713
Ratio of credit impaired loans to total loans, advances and financing			
		2019	2018
		3.07%	2.91%

Notes to the Financial Statements

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(XIII) IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

2019:

Stage 1 ECL decreased by RM1,161 million during the financial year mainly due to derecognition of GCA for loans, advances and financing from full settlement and write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from Stage 2 to Stage 1.

Stage 2 ECL increased by RM1,042 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

Stage 3 ECL increased by RM2,339 million for the Group mainly due to higher ECL for GCA transferred from Stage 1 and 2 to Stage 3.

The write-off loans with a total GCA of RM2,338 million for the Group resulted in the reduction of Stage 3 ECL.

2018:

Stage 1 ECL decreased by RM776 million during the financial year mainly due to derecognition of GCA for loans, advances and financing from full settlement and write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from Stage 2 to Stage 1.

Stage 2 ECL increased by RM793 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

Stage 3 ECL increased by RM2,008 million for the Group mainly due to higher ECL for GCA transferred from Stage 1 and 2 to Stage 3.

The write-off loans with a total GCA of RM2,410 million for the Group resulted in the reduction of Stage 3 ECL.

10 OTHER ASSETS

		The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due from brokers and clients net of expected credit losses of RMNil (2018: RM7,502,880)	(a)	69,261	524,649	—	—
Other debtors net of expected credit losses of RM110,147,298 (2018: RM53,142,977), deposits and prepayments	(b)	4,352,266 1,018,852	6,648,849 1,187,605	133,440 —	135,486 —
Structured financing					
Foreclosed assets net of allowance for impairment losses of RM68,122,155 (2018: RM69,434,457)	(c)	150,558	172,382	—	—
Collateral pledged for derivative transactions		3,086,528	2,511,732	—	—
Due from joint ventures	(d)	1,324,765	1,004,758	—	—
Deferred consideration		98,983	156,236	—	—
		10,101,213	12,206,211	133,440	135,486

Notes to the Financial Statements

for the financial year ended 31 December 2019

10 OTHER ASSETS (CONTINUED)

- (a) Movements of expected credit losses on amount due from brokers and clients using simplified approach are as follows:

	The Group	
	2019 RM'000	2018 RM'000
At 1 January	7,503	6,332
Expected credit losses (written back)/made during the financial year	(222)	1,264
Write off	–	(93)
Disposal of equity business	(7,281)	–
At 31 December	–	7,503

- (b) Movements of expected credit losses on other debtors using simplified approach are as follows:

	The Group	
	2019 RM'000	2018 RM'000
At 1 January	53,143	47,492
Expected credit losses (written back)/made during the financial year	(801)	22,078
Write off	(14,683)	(9,484)
Reclassification to non-current asset held for sale	–	(2,570)
Disposal of subsidiaries	–	(12)
Exchange fluctuation	72,488	(4,361)
At 31 December	110,147	53,143

- (c) Foreclosed assets 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 2019. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Movements of allowance for impairment losses on foreclosed assets are as follows:

	The Group	
	2019 RM'000	2018 RM'000
At 1 January	69,434	51,625
Net allowance made during the financial year	121,557	25,484
Recoveries	4,424	8,470
Disposal during the financial year	(126,760)	(5,841)
Exchange fluctuation	(533)	(10,304)
At 31 December	68,122	69,434

- (d) These comprises hire-purchase receivables belonging to Proton Commerce Sdn. Bhd. ("PCSB") that were de-recognised from the Group'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 derecognised hire-purchase receivables are regarded as amount due from joint venture.

Notes to the Financial Statements

for the financial year ended 31 December 2019

11 DEFERRED TAXATION

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	882,623	1,052,808	—	—
Deferred tax liabilities	(36,578)	(30,175)	(377)	(374)
	846,045	1,022,633	(377)	(374)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets (before offsetting)				
Expected credit losses	641,086	749,295	—	—
Fair value reserve – Debt instruments at fair value through other comprehensive income	—	79,553	—	—
Unutilised tax losses	65,815	17,024	—	—
Post employment benefits obligations	87,151	82,173	—	—
Provision for expenses	297,312	295,198	—	—
Property, plant and equipment	33,918	23,487	—	—
EOP reserves	11,091	11,576	—	—
Lease liabilities	166,899	—	—	—
Other temporary differences	—	22,959	—	—
	1,303,272	1,281,265	—	—
Offsetting	(420,649)	(228,457)	—	—
Deferred tax assets (after offsetting)	882,623	1,052,808	—	—
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(98,753)	(75,572)	(377)	(374)
Right-of-use assets	(143,655)	—	—	—
Fair value reserve – Debt instruments at fair value through other comprehensive income	(13,191)	—	—	—
Fair value reserve – Equity instruments at fair value through other comprehensive income	(32,580)	(32,399)	—	—
Intangible assets	(38,125)	(118,848)	—	—
Cash flow hedge	(1,752)	(1,574)	—	—
Other temporary differences	(129,171)	(30,239)	—	—
	(457,227)	(258,632)	(377)	(374)
Offsetting	420,649	228,457	—	—
Deferred tax liabilities (after offsetting)	(36,578)	(30,175)	(377)	(374)

Notes to the Financial Statements

for the financial year ended 31 December 2019

11 DEFERRED TAXATION (CONTINUED)

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

	Fair value reserve						Post employment benefit obligations RM'000	Total RM'000
	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000		
Deferred tax assets/(liabilities)								
At 1 January 2019	749,295	(52,085)	79,553	(32,399)	-	21,320	(118,848)	295,198
Effect of adopting MFRS 16	-	-	-	-	(102,403)	-	-	(1,574)
At 1 January 2019, as restated	749,295	(52,085)	79,553	(32,399)	(102,403)	21,320	(118,848)	295,198
Credited/(charged) to statements of income	44	90,380	3,228	780	-	38,613	86,099	1,104
(Under)/over provision in prior year		(216,281)	(13,394)	-	-	2,714	(5,376)	(1,900)
Transferred to equity	-	-	(94,569)	(181)	-	-	-	-
Exchange difference	17,712	(2,584)	1,045	-	135	(716)	-	2,910
At 31 December 2019	641,086	(64,835)	(13,191)	(32,580)	(143,655)	(52,265)	(38,125)	297,312
Fair value reserve								
	Fair value reserve							
	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Other comprehensive income RM'000	Intangible assets RM'000	Provision for expenses RM'000		Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)								
At 1 January 2018	524,512	(75,052)	41,218	(12,620)	21,476	(145,059)	321,523	6
Credited/(charged) to statements of income	44	240,922	28,167	(986)	-	(11,826)	28,397	571
(Under)/over provision in prior year		(266)	(9,811)	-	-	9,099	(1,001)	271,053
Transferred to equity	-	-	-	40,570	(19,770)	-	(1,616)	(2,165)
Disposal of subsidiaries	-	-	1,286	-	-	(292)	-	(6)
Exchange difference	(15,873)	3,313	(1,249)	(9)	2,786	-	(9,572)	(9,354)
Reclassified to non-current assets held for sale	-	12	-	-	(123)	-	(3,345)	(13,447)
At 31 December 2018	749,295	(52,085)	79,553	(32,399)	21,320	(118,848)	295,198	(1,574)

Notes to the Financial Statements

for the financial year ended 31 December 2019

11 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows (Continued):

The Company	Note	Accelerated tax depreciation	Total
		RM'000	RM'000
Deferred tax liabilities			
At 1 January 2019		(374)	(374)
Charged to statements of income	44	(3)	(3)
At 31 December 2019		(377)	(377)
At 1 January 2018			
Charged to statements of income	44	(13)	(13)
At 31 December 2018		(374)	(374)

12 STATUTORY DEPOSITS WITH CENTRAL BANKS

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

13 INVESTMENT IN SUBSIDIARIES

	The Company	
	2019 RM'000	2018 RM'000
Ordinary shares	12,975,807	10,651,463
Redeemable preference shares*	19,183,781	19,183,781
	32,159,588	29,835,244
Less: Allowance for impairment loss of a subsidiary	(1,275)	(1,275)
	32,158,313	29,833,969

* Classified as cost of investment in subsidiaries due to the terms of the instruments

Notes to the Financial Statements

for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES:**

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held	
		2019 %	2018 %
CIMB Berhad	Investment holding	100	100
CIMB Group Sdn. Bhd.	Investment holding	100	100
Commerce MGI Sdn. Bhd.	Dormant	51	51
CIMB Active Ventures Sdn. Bhd. (formerly known as Commerce Asset Realty Sdn. Bhd.)	Providing IT support and business process insourcing services	100	100
iCIMB (MSC) Sdn. Bhd.	Provision of management and outsourcing services	100	100
SBB Berhad	Dormant	100	100
CIMB Foundation [≈]	Charitable foundation	—	—
Premier Fidelity Sdn. Bhd.	Promoting, arranging and managing all kinds of sports and entertainment events of the Group	100	100
SP Charitable Trust Fund ^{≈#}	Special purpose vehicle	—	—
SP Charitable Trust Fund 2 ^{≈#}	Special purpose vehicle	—	—

≈ Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company

Audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

In 2018, TnG was an associate in the Company with 20% shareholding, and was consolidated at the Group by virtue of the effective shareholding of 52.2%. With effect from 21 August 2019, TnG is a subsidiary of the Group and the Company. Refer Note 53.1(d).

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by the Company		Indirectly by the Company	
		2019 %	2018 %	2019 %	2018 %
The direct subsidiary of the Company is:					
Touch 'n Go Sdn. Bhd. ("TnG")	Establishment, operation and management of an electronic collection system for toll and transport operators	81.2	20	18.8	32.2

The subsidiaries held through CIMB Berhad are:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Berhad		Indirectly by the Company	
		2019 %	2018 %	2019 %	2018 %
CIMB Islamic Trustee Berhad	Trustee services	20	20	100	100
CIMB Commerce Trustee Berhad	Trustee services	20	20	100	100

Notes to the Financial Statements

for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)

The subsidiaries held through CIMB Group Sdn. Bhd. ("CIMBG") are:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	99.9	99.9	—	—
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	100	100	—	—
PT Bank CIMB Niaga Tbk ⁺ (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	91.5	91.5	1.0	1.0
PT Commerce Kapital [#] (Incorporated in the Republic of Indonesia)	Investment holding	99.0	99.0	1.0	1.0
CIMB SI Sdn. Bhd.	Trading in securities and direct principal investments	100	100	—	—
CIMB SI 1 Sdn. Bhd.	Investment holding	—	—	100	100
CIMB SI II Sdn. Bhd.	Investment holding	100	100	—	—
CIMB Private Equity Sdn. Bhd.	Investment holding	100	100	—	—
CIMB Asia Security (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	—	—	100	100
CIMB Real Estate Sdn. Bhd.	Real estate investment	100	100	—	—
CIMB-Mapletree Management Sdn. Bhd. ^{^^}	Real estate fund management	—	—	60	60
Sathorn Asset Management Company Limited ⁺ (Incorporated in the Kingdom of Thailand)	Asset Management	—	—	99.9	99.9
i-Wealth Advisors Sdn. Bhd. ^{^^}	Provision of management services and distribution of products and services	60	60	—	—
CIMB Strategic Assets Sdn. Bhd.	Investment holding	100	100	—	—
CIMB Private Equity Advisors Sdn. Bhd.	Investment advisory	100	100	—	—
CGS-CIMB Holdings Sdn Bhd*	Investment holding	—	100	—	—
CGS-CIMB Securities Sdn Bhd* (formerly known as Jupiter Securities Sdn Bhd)	Securities and stock broking	—	—	—	100
CGS-CIMB Capital Sdn Bhd* (formerly known as Jupiter Equities Sdn Bhd)	Money lending but not commence operations	—	—	—	100
CGS-CIMB Nominees (Tempatan) Sdn Bhd* (formerly known as JS Nominees (Tempatan) Sdn Bhd)	Nominee services	—	—	—	100

Notes to the Financial Statements

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)**

The subsidiaries held through CIMBG are (Continued):

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMBG 2019 %	2018 %	Through CIMBG's subsidiary company 2019 %	2018 %
CGS-CIMB Nominees (Asing) Sdn Bhd*	Nominee services	-	-	-	100
(formerly known as JS Nominees (Asing) Sdn Bhd)					
CGS-CIMB Research Sdn Bhd*	Investment advisory	-	-	-	100
(formerly known as Jupiter Research Sdn Bhd)					
CIG Berhad	Insurance holding company	100	100	-	-
Commerce Asset Ventures Sdn. Bhd. ("CAV")	Investment holding company	100	100	-	-
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	100	100	-	-
Commerce Technology Ventures Sdn. Bhd.^	Investment holding	-	-	-	100
Commerce Agro Ventures Sdn. Bhd.^	Investment holding	-	-	-	33.3
Tetap Fajar Sdn. Bhd.^	Investment holding	-	-	-	33.3
TNG Digital Sdn Bhd	Issuer of electronic money (e-money)	-	-	51.0	51.0
Commerce KNB Agro Teroka Sdn. Bhd.^	Investment holding	-	-	-	33.3
Kota Bumimas Sdn. Bhd.^	Investment holding	-	-	-	33.3
Jernih Hartamas Sdn. Bhd.^	Investment holding	-	-	-	33.3
Limpahan Suria Sdn. Bhd.^	Investment holding	-	-	-	33.3
Lot A Sentral Sdn. Bhd.	Property investment	-	-	100	100
CIMB (Hong Kong) Limited ⁺⁺ (formerly known as CIMB Securities (HK) Nominees Ltd) (Incorporated in Hong Kong)	Nominee services	100	100	-	-
CIMB Southeast Asia Research Sdn. Bhd. (CARI)	Public advocacy through research, publication and events	100	100	-	-
PT CIMB ASEAN Research ^{#^} (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events	-	-	100	100
PT Synergy Dharma Nayaga~ (Incorporated in the Republic of Indonesia)	Management consultancy	-	-	100	100
CIMB Investment Bank (Private) Limited ⁺ (Incorporated in Sri Lanka)	Stock and share broking	45	45	-	-

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)

The subsidiaries held through CIMBG are (Continued):

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
CIMB Capital Markets (Australia) PTY Ltd+ (Incorporated in Australia)	Equity capital markets business	100	100	-	-
Caldium Advisors India Private Limited ^{+^} (formerly known as CIMB Corporate Finance (India) Private Limited) (Incorporated in India)	Corporate finance and advisory services	-	100	-	-
CSI Investment Limited ⁺ (Incorporated in British Virgin Island)	Investment holding	100	100	-	-
MinorCap Pte. Ltd. ⁺ (Incorporated in the Republic of Singapore)	Dormant	-	-	100	100
Southeast Asia Special Asset Vehicle Limited	Special purpose vehicle	-	-	100	100
CIMB Bancom Capital Corporation	Investment banking	60	60	-	-

Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT

[^] Disposed/striked off/liquidated during the financial year

^{^^} Under strike off/liquidation process

* Became joint venture of the Group during the financial year

~ Not being audited

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)**

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment Bank's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
CIMB Holdings Sdn. Bhd.	Investment holding	100	100	—	—
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	—	—
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	—	—
CIMB EOP Management Sdn. Bhd.	Nominee services	100	100	—	—
CGS-CIMB Futures Sdn Bhd*	Futures broking (formerly known as CIMB Futures Sdn. Bhd.)	—	100	—	—
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	—	—
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	—	—
CIMB Commerce Trustee Berhad	Trustee services	—	—	20	20
CIMB Islamic Trustee Berhad	Trustee services	—	—	20	20

* Became joint venture of the Group during the financial year

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

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	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 Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on the business of a Labuan bank	100	100	—	—
Mutiara Aset Berhad^	Financial services	—	100	—	—
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	100	100	—	—
CIMB Group Nominees Sdn. Bhd.	Providing of nominee services	100	100	—	—
CIMB Group Nominees (Tempatan) Sdn Bhd	Providing of nominee services	100	100	—	—
CIMB Group Nominees (Asing) Sdn. Bhd.	Providing of nominee services	100	100	—	—

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
CIMB Islamic Bank Berhad	Islamic Banking and related financial services	100	100	—	—
CIMB Trust Ltd. (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	—	—
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	—	—	100	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	—	—	100	100
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	—	—	100	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of nominee services	—	—	100	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	100	100	—	—
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	100	100	—	—
SBB Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	100	100	—	—
CIMB Nominees (S) Pte. Ltd.+^ (Incorporated in the Republic of Singapore)	Provision of nominee services	100	100	—	—
SFB Auto Berhad	Financial services	100	100	—	—
CIMB Bank (Vietnam) Limited+ (Incorporated in Vietnam)	Banking activities	100	100	—	—
CIMB Bank PLC+ (Incorporated in Cambodia)	Commercial banking and related financial 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	—	—
SFB Development Sdn. Bhd.	Property investment	100	100	—	—
SIBB Berhad	Investment dealing	80	80	—	—
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	—	—	80	80
Commerce Returns Berhad+^	Investment holding	100	100	—	—
CIMB Thai Bank Public Company Limited+ (Incorporated in the Kingdom of Thailand)	Commercial banking	94.8	94.8	—	—

Notes to the Financial Statements

for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)**

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
		2019 %	2018 %	2019 %	2018 %
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	-	-	-	-

** Consolidation of the silo of Merdeka Kapital Berhad

In 2011, CIMB 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, CIMB Bank has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed in 2016.

On 31 March 2018, the Bank obtained new funding through securitisation of its hire purchase receivables to MKB.

*** Consolidation of the silo of Ziya Capital Bhd

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

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.

^ Strike off/liquidated during the financial year

^^ Under strike off/liquidation process

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

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) INFORMATION ABOUT PRINCIPAL SUBSIDIARIES: (CONTINUED)

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held	
		2019 %	2018 %
PT CIMB Auto Finance ⁺ (Incorporated in the Republic of Indonesia)	Financing services	99.9	99.9
PT CIMB Niaga Sekuritas [#] (Incorporated in the Republic of Indonesia)	Capital market business	99.0	99.0

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

Name of Subsidiary	Principal activities	Percentage of equity held	
		2019 %	2018 %
CT Coll Co. Ltd. ⁺ (Incorporated in the Kingdom of Thailand)	Services of debt collection and debt restructuring	99.9	99.9
CIMB Thai Auto Company Ltd ⁺ (Incorporated in the Kingdom of Thailand)	Hire purchase sale & leaseback and financial lease	99.9	99.9
Worldlease Co. Ltd. ⁺ (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	99.9	99.9

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.

Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

The subsidiary held through TnG is:

Name of Subsidiary	Principal activities	Percentage of equity held	
		2019 %	2018 %
TNG Digital Sdn Bhd	Issuer of electronic money (e-money)	51.0	51.0

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(b) 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/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2019 %	2018 %	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CIMB Thai Bank Public Company Limited Group (Incorporated in the Kingdom of Thailand)	5.2	5.2	18,802	14,935	285,514	248,307
PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia)	7.5	7.5	57,715	77,457	679,073	628,421
TnG Group*	-	47.8	(155,576)	(33,538)	45,382	124,159
Individually immaterial subsidiaries with non-controlling interests					21,936	12,789
					1,031,905	1,013,676

* As at 31 December 2019, Touch'n Go Sdn. Bhd. is fully owned by CIMB Group. Refer 13(c)(i).

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.

(RM'000)	CIMB Thai Bank Public Company Limited Group		PT Bank CIMB Niaga Tbk Group		TnG Group	
	2019	2018	2019	2018	2019	2018
Total assets	54,101,986	45,457,405	78,935,285	74,537,093	1,097,698	943,493
Total liabilities	(48,519,735)	(40,634,692)	(68,399,859)	(65,010,538)	(902,851)	(739,336)
Net assets	5,582,251	4,822,713	10,535,426	9,526,555	194,847	204,157
Equity attributable to owners of the Company	(5,582,251)	(4,822,713)	(10,530,921)	(9,526,272)	(149,465)	(147,346)
Non-controlling interests ("NCI")	-	-	(4,505)	(283)	(45,382)	(56,811)
Revenue	2,024,045	1,659,388	4,770,183	4,324,068	121,873	125,862
Profit/(loss) before taxation	465,013	348,019	1,040,880	1,420,348	(264,958)	(35,593)
Taxation	(101,346)	(92,723)	(280,762)	(387,219)	(7,471)	(8,934)
Other comprehensive income/(expense)	398,228	97,821	450,346	(458,629)	-	-
Total comprehensive income/(expense)	761,895	353,117	1,210,464	574,500	(272,429)	(44,527)
Net cash (used in)/generated from operating activities	(3,118,358)	2,369,890	975,090	364,227	(31,511)	59,535
Net cash generated from/(used in) investing activities	2,218,879	(4,382,732)	511,583	(386,425)	(101,079)	(34,857)
Net cash generated from/(used in) financing activities	899,957	1,959,977	327,701	(1,494,546)	263,118	79,380
Net increase/(decrease) in cash and cash equivalents	478	(52,865)	1,814,374	(1,516,744)	130,528	104,058
Profit allocated to NCI of the Group	18,802	14,935	57,715	77,457	(155,576)	(33,538)
Dividends paid to NCI of the Group	-	-	15,353	12,776	-	-

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) EFFECT OF CHANGE IN OWNERSHIP INTEREST IN SUBSIDIARY THAT DO NOT RESULT IN LOSS OF CONTROL

- (i) On 25 April 2019, Touch N' Go Sdn Bhd ("TnG"), a subsidiary of CIMBGH, proposed increase of its share via an issuance and allotment of ordinary shares in two tranches to the shareholders of TnG proportionate to their shareholdings ("Capital Call").

CIMBGH fully subscribed to the first tranche of the Capital Call on 17 May 2019 which included the subscription of excess shares not taken up by the other TnG shareholders. Subsequent to the completion of the first tranche of the Capital Call, the Group's effective shareholding in TnG increased from 52.22% to 66.58%.

On 26 July 2019, CIMBGH entered into a Sales & Purchase Agreement to purchase 19.43% of TnG shares from MTD Equity Sdn Bhd ("MTD"). Subsequent to the completion of the acquisition on 21 August 2019, the Group's effective shareholding in TnG increased from 66.58% to 86.01%.

On 24 October 2019, CIMBGH entered into a Share Purchase Agreement to purchase 13.99% of TnG shares from PLUS Malaysia Berhad ("PLUS"). The transaction was completed on the same day, resulting in TnG being a wholly owned subsidiary of the Group.

On 29 October 2019, CIMBGH had fully subscribed to the second tranche of the Capital Call.

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

	2019 RM'000
Carrying amount of non-controlling interests acquired	62,372
Consideration paid to non-controlling interests	(258,000)
Excess of consideration paid recognised in equity attributable to owners of the Group	(195,628)

- (ii) On 4 September 2018, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB3,951,569,703 via a proposed 3-for-20 rights offering of 4,542,034,141 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB0.87 per share. The exercise was completed on 19 October 2018 and CIMB Thai Bank successfully raised a total capital of approximately THB4.0 billion.

Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank has increased from 94.11% to 94.83% due to the full subscription to its allotment of shares and the subscription of excess shares which were not taken up by the minority shareholders.

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

	2018 RM'000
Carrying amount of non-controlling interests deemed acquired	504,948
Consideration paid to non-controlling interests	(498,068)
Excess of consideration received in equity attributable to owners of the Group	6,880

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for the financial year ended 31 December 2019

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) UNCONSOLIDATED STRUCTURED ENTITY

(i) Nature, purpose and extent of the Group's interest in unconsolidated structured entity

Investment Purposes

1) Investment Vehicle

CIMB Bank's involvement in unconsolidated structure entity ("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 cash flows 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 cash flows 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 cash flows.

During the financial year, CIMB Bank has disposed the USE to a third party.

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

The following table shows the carrying amount of the Group's interest recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from the interest. It also provides an indication of the size of the structured entity.

	Carrying amount as at	
	31 December 2019	31 December 2018
	Investment Vehicle RM'000	Investment Vehicle RM'000
Equity instruments at fair value through other comprehensive income	—	77,421
Total assets	—	77,421
	Investment Vehicle RM'000	Investment Vehicle RM'000
Assets size of structured entity*	—	3,966,507

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

(iii) Income from structured entity

Income recognised in the statements of income for the financial year ended

	31 December 2019		31 December 2018	
	Dividend income RM'000	Total RM'000	Dividend income RM'000	Total RM'000
Investment Vehicle	—	—	976	976
	—	—	976	976

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14 INVESTMENT IN ASSOCIATES

	The Group	
	2019 RM'000	2018 RM'000
At 1 January	74,896	76,199
Share of (loss)/profit for the financial year	(751)	3,576
Additional investment in associates	17,766	9,683
Share of other comprehensive income/(expense) for the financial year	902	(8,469)
Disposal of associates	(43,640)	–
Dividend payment	(3,417)	(6,093)
At 31 December	45,756	74,896
The Company		
	2019 RM'000	2018 RM'000
	–	3,834
Unquoted shares, at cost	–	3,834

(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 associates.

The direct associate of the Company is:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
Touch 'n Go Sdn. Bhd. ("TnG")*	Establishment, operation and management of an electronic collection system for toll and transport operators	–	20

* In 2018, TnG was an associate in the Company with 20% shareholding, and was consolidated at the Group by virtue of the effective shareholding of 52.2%. With effect from 21 August 2019, TnG is a subsidiary of the Group and the Company. Refer Note 53.1(d).

The associates held through CAV's subsidiary, Commerce KNB Agro Teroka Sdn. Bhd. are:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
Manjung Aquatic Sdn. Bhd.^	Dealer in business of merchant and dealer in marine products and its by products	–	16.3
Dragon Power Plantations Sdn. Bhd.^	Growing and selling vegetables of all kinds and descriptions	–	13.3
PS Fresh Sdn. Bhd.^	Distribution of farm products	–	10.0

^ Liquidated during the financial year

Notes to the Financial Statements

for the financial year ended 31 December 2019

14 INVESTMENT IN ASSOCIATES (CONTINUED)**(a) Information about associates: (Continued)**

The associate held through CIMB Group's subsidiary, CIG Berhad is:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
CIMB Howden Insurance Brokers Sdn. Bhd. ("CHIB") (formerly known as CIMB Insurance Brokers Sdn. Bhd.) [@]	Insurance broking	-	51

- @ With effect from 30 December 2014, due to the change of the Board of Directors following the disposal of 49% stake to a third party, the Group has lost control over CHIB. Therefore, CHIB has ceased to be a subsidiary and is classified as an associate of the Group as at 31 December 2014.

With effect from 31 January 2019, CHIB ceased to be an associate of CIG Berhad and the Group with the disposal of its entire 51% stake. Refer Note 53.1(b).

The associates held through CIMBG's subsidiary, CIMB Private Equity Sdn Bhd is:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
Mezzanine Holdings Sdn. Bhd. [^]	Investment holding	-	18.5

The associates held through CIMBG's subsidiary, CIMB Real Estate Sdn Bhd are:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
CMREF 1 Sdn. Bhd. ^{^^}	Investment holding	24.9	24.9
Project Asia City Sdn. Bhd. ^{^^}	Property investment and management	24.9	24.9

^ Liquidated during the financial year

^^ Under liquidation process

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for the financial year ended 31 December 2019

14 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates: (Continued)

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

Name of Associates	Principal activities	Percentage of equity held	
		2019 %	2018 %
Capital Advisors Partners Asia Sdn. Bhd.	Investment advisory services	40.0	40.0
Capital Advisors Partners Asia Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment advisory services	40.0	40.0
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	40.0	40.0
Capasia Asean Infrastructure Fund III (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	General Partner of The CapAsia Asean Infrastructure Fund III L.P	40.0	40.0
PT Cap Asia Indonesia (Incorporated in the Republic of Indonesia)	Business management consultancy services	40.0	40.0
AIGF Sponsor LP	Investment holding	26.3	26.3

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

CIMB Howden Insurance Brokers Sdn. Bhd.	
	2018 RM'000
Total assets	121,767
Total liabilities	(94,808)
Net assets	26,959
Revenue	35,220
Profit for the financial year/Total comprehensive income for the financial year	11,022
Dividends paid by the associate during the financial year	6,958

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14 INVESTMENT 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:

	CIMB Howden Insurance Brokers Sdn. Bhd.	2018 RM'000
At 1 January		22,895
Profit for the financial year		11,022
Dividend paid		(6,958)
At 31 December		26,959
Interest in associate (%)		51.0%
Interest in associate		12,171
Goodwill		765
Remeasurement gain		30,987
Carrying value		43,923

- (d) Aggregate information of associates that are not individually material:

	2019 RM'000	2018 RM'000
The Group's share of loss for the financial year	(751)	(2,045)
The Group's share of other comprehensive (expense)/income for the financial year	902	(8,469)
The Group's share of total comprehensive income/(expense) for the financial year	151	(10,514)
Aggregate carrying amount of the Group's interest in these associates	45,756	30,973

15 INVESTMENT IN JOINT VENTURES

	The Group	
	2019 RM'000	2018 RM'000
At 1 January	1,639,470	183,731
Share of profit for the financial year	31,401	30,678
Share of other comprehensive income for the financial year	13,545	65,168
Acquisition of joint venture	751,589	–
Equity interest retained as joint ventures (Note 57)	–	1,402,869
Disposal of joint ventures	–	(2,333)
Dividend payment	(54,000)	(40,643)
At 31 December	2,382,005	1,639,470

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15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of joint ventures

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

Name of Joint Ventures	Principal activities	Percentage of equity held through subsidiary company	
		2019 %	2018 %
Proton Commerce Sdn. Bhd.	Development management and marketing of hire purchase or leasing facilities in respect of the purchase or use of Proton and other vehicles	50	50
Principal Islamic Asset Management Sdn. Bhd. (formerly known as CIMB-Principal Islamic Asset Management Sdn. Bhd.)	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	40	40
CIMB-MC Capital Ltd. (Incorporated in the Cayman Islands)	Investment holding	50	50
AIGF Advisors Pte. Ltd. (formerly known as CIMB Capital Pte. Ltd.) (Incorporated in the Republic of Singapore)	Investment advisory services	50	50
AIGF Management Company Ltd. (Incorporated in the Cayman Islands)	General Partner	45	45
CGS-CIMB Securities International Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment holding	50	50
CGS-CIMB Securities (Singapore) Pte. Ltd. (Incorporated in the Republic of Singapore)	Stock and sharebroking	50	50
CGS-CIMB Securities (UK) Ltd. (Incorporated in the United Kingdom)	Securities related business	50	50
CGS-CIMB Securities (USA) Inc. (Incorporated in the United States of America)	Securities related business	50	50
PT CGS-CIMB Sekuritas Indonesia (Incorporated in the Republic of Indonesia)	Stockbroking	50	50
PT CGS-Konsultan Manajemen	Management consultant	50	50
PT CGS-CIMB Futures Indonesia (Incorporated in Indonesia)	Trading commodity future	50	50
CGS-CIMB Capital Pte Ltd (Incorporated in the Republic of Singapore)	Providing financing services	50	50
CGS-CIMB Securities (Hong Kong) Limited (Incorporated in Hong Kong)	Securities broking, dealing and trading	50	50
CGS-CIMB Securities (India) Private Limited (Incorporated in India)	Stock and share broking	50	50
CGS-CIMB Research Pte. Ltd. (Incorporated in the Republic of Singapore)	Research and advisory	50	50
CGS-CIMB Securities (Mauritius) Ltd. (Incorporated in Mauritius)	Dormant	50	-

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15 INVESTMENT IN JOINT VENTURES (CONTINUED)**(a) Details of joint ventures (Continued)**

Name of Joint Ventures	Principal activities	Percentage of equity held through subsidiary company	
		2019 %	2018 %
CGS-CIMB Securities (Thailand) Co. Ltd.	Stock and share broking	50	50
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	Establishment and management of unit trust fund and fund management business	40	40
Principal Asset Management Company Limited (formerly known as CIMB-Principal Asset Management Company Limited) (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	40	40
PT Principal Asset Management (formerly known as PT CIMB-Principal Asset Management) (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	39.6	39.6
Principal Asset Management (S) Pte. Ltd. (formerly known as CIMB Principal Asset Management (S) Pte. Ltd.) (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	40	40
Finansa Asset Management Ltd^ (Incorporated in the Kingdom of Thailand)	Private fund management and mutual fund management	—	40
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	40	40
CGS-CIMB Holdings Sdn Bhd*	Investment holding	50	—
CGS-CIMB Securities Sdn Bhd* (formerly known as Jupiter Securities Sdn Bhd)	Securities and stock broking	50	—
CGS-CIMB Capital Sdn Bhd* (formerly known as Jupiter Equities Sdn Bhd)	Money lending but not commence operations	50	—
CGS-CIMB Nominees (Tempatan) Sdn Bhd* (formerly known as JS Nominees (Tempatan) Sdn Bhd)	Nominee services	50	—
CGS-CIMB Nominees (Asing) Sdn Bhd* (formerly known as JS Nominees (Asing) Sdn Bhd)	Nominee services	50	—
CGS-CIMB Research Sdn Bhd* (formerly known as Jupiter Research Sdn Bhd)	Investment advisory	50	—
CGS-CIMB Futures Sdn Bhd* (formerly known as CIMB Futures Sdn. Bhd.)	Futures broking	50	—

^ Liquidated during the financial year

* Became joint venture during the financial year

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15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(b) Details of material joint venture:

Proton Commerce Sdn. Bhd.

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 CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

CIMB-Principal Asset Management Bhd ("CPAM")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CPAM to PIA ("Proposed Divestment"). On 25 May 2018, the proposed divestment was completed, and CPAM ceased to be a subsidiary of the Group.

CGS-CIMB Securities International Pte. Ltd. (formerly known as CIMB Securities International Pte. Ltd.) ("CSI")

On 17 October 2016, CIMBG, a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal"). The Proposed Disposal is completed on 18 January 2018.

CGS-CIMB Holdings Sdn Bhd

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV HoldCo") entered into a Share Subscription Agreement in connection with the subscription of new shares in the Malaysia JV Entity by CIMBG and CGI ("Proposed MY Share Subscription"). At completion, CIMBG and CGI will be 50:50 shareholders in Malaysia JV HoldCo. Following the signing of the Share Subscription Agreement, the parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group, including 100% interest in CIMB Futures Sdn Bhd, to Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of Malaysia JV HoldCo and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration for the Proposed Business Transfer will be satisfied in cash, and is subject to completion audit adjustment, if any.

On 9 May 2019, the Group announced that the High Court of Malaya has granted the necessary court orders for the Proposed Business Transfer with effective from 1 July 2019.

On 28 June 2019, the Group announced the completion of the Proposed MY Share Subscription. The proceeds from the subscription was utilised to satisfy the purchase consideration in connection with the Proposed Business Transfer, which was effective on 1 July 2019. This new JV was rebranded as "CGS-CIMB Securities" on the effective date. Refer Note 53.1(a).

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15 INVESTMENT IN JOINT VENTURES (CONTINUED)

- (c) 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		CPAM		CGS-CIMB Securities International Pte. Ltd.		CGS-CIMB Holdings Grp
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000
Non-current assets	1,507,276	1,275,906	476,091	462,331	93,952	100,945	474,274
Current assets	512,535	545,817	1,095,555	918,441	7,798,615	4,882,047	2,427,205
Current liabilities (non-trade)	(1,663,865)	(1,475,519)	(643,926)	(444,910)	(5,227,139)	(2,844,919)	(1,410,385)
Non-current liabilities (non-trade)	(5,147)	(2,477)	(7,316)	-	(1,882,399)	(1,347,364)	-
Net assets	350,799	343,727	920,404	935,862	783,029	790,709	1,491,094
The above amounts of assets and liabilities include the following:							
Cash and cash equivalents	2,205	8,969	543,321	552	1,028,500	685,718	675,297
Revenue	63,980	74,656	353,159	234,074	571,409	520,419	91,274
Profit/(loss) for the financial year	7,072	4,352	110,363	89,095	(29,329)	(18,486)	(12,084)
Other comprehensive income for the financial year	-	-	4,180	2,497	23,763	128,494	-
Total comprehensive income/(expense) for the financial year	7,072	4,352	114,543	91,592	(5,566)	110,008	(12,084)
The above profit for the financial year include the following:							
Interest income	63,824	65,653	6,390	4,409	285,910	204,417	34,024
Interest expense	(34,013)	(40,132)	(371)	(1)	(147,974)	(91,196)	-
Taxation	(1,310)	(1,792)	(21,506)	(16,467)	(12,766)	(18,016)	(3,593)

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15 INVESTMENT IN JOINT VENTURES (CONTINUED)

- (d) 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		CPAM		CGS-CIMB Securities International Pte. Ltd.		CGS-CIMB Holdings Grp
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000
At 1 January	343,727	339,375	2,242,948	–	1,114,663	–	–
Additions during the year	–	–	–	2,251,356	–	1,004,655	1,503,178
Profit/(loss) for the financial year	7,072	4,352	110,363	89,095	(29,329)	(18,486)	(12,084)
Other comprehensive income	–	–	4,180	2,497	23,763	128,494	–
Dividend payment	–	–	(130,000)	(100,000)	–	–	–
	350,799	343,727	2,227,491	2,242,948	1,109,097	1,114,663	1,491,094
Fair value adjustments and effect of change from subsidiaries to joint ventures			(1,307,086)	(1,307,086)	(326,070)	(323,954)	–
At 31 December	350,799	343,727	920,405	935,862	783,027	790,709	1,491,094
Interest in joint venture (%)	50%	50%	40%	40%	50%	50%	50%
Interest in joint venture	175,400	171,864	890,996	897,179	554,549	557,332	745,547

- (e) Aggregate information of joint ventures that are not individually material:

	2019 RM'000	2018 RM'000
The Group's share of profit for the financial year	23,478	19,926
The Group's share of other comprehensive income for the financial year	828	422
The Group's share of total comprehensive income for the financial year	24,306	20,348
Aggregate carrying amount of the Group's interest in these joint ventures	15,513	13,095

Notes to the Financial Statements

for the financial year ended 31 December 2019

16 PROPERTY, PLANT AND EQUIPMENT

The Group 2019	Note	Buildings										Computer equipment and software under lease	Motor vehicles RM'000	Total RM'000
		Freehold land RM'000	Leasehold land 50 years or more*	Leasehold land less than 50 years*	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more*	Buildings on leasehold land less than 50 years*	Renovations, office furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'0000				
Cost														
At 1 January		253,443	30,595	1,804	1,311,410	58,476	43,920	2,069,243	1,216,511	59,144	90,207	5,134,753		
Additions		6,319	227	-	28,985	319	99	505,584	65,706	-	4,111	611,350		
Disposals/Written off		(3,719)	(218)	-	(20,046)	(414)	(5,348)	(365,812)	(105,661)	(201)	(24,789)	(526,208)		
Transfer/ reclassifications		-	1,804	(1,804)	1,469	(1,469)	1,655	66,064	(47,394)	(20,325)	-	-		
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(223,996)	17,496	-	-	(206,500)		
Reclassified investment properties		(18,609)	-	-	(7,135)	-	-	-	-	-	-	(25,744)		
Reclassified from/(to) non-current assets held for sale		1,165	439	-	(4,585)	14,334	-	-	-	-	-	11,353		
Exchange fluctuation		8,649	-	-	25,933	274	2,998	49,106	16,139	-	2,272	105,371		
At 31 December		247,248	32,847	-	1,336,031	71,520	43,324	2,100,189	1,162,797	38,618	71,801	5,104,375		
Accumulated depreciation and impairment loss														
At 1 January		7,069	8,391	1,004	394,016	15,715	32,950	1,365,444	925,157	57,786	70,021	2,877,553		
Charge for the financial year		-	422	-	35,692	4,339	5,512	135,349	100,068	447	7,142	288,971		
Disposals/Written off		-	(111)	-	(5,221)	(267)	(3,683)	(343,181)	(92,669)	(201)	(24,087)	(469,420)		
Transfer/ reclassifications		-	1,004	(1,004)	(1,442)	(2,086)	1,315	(5,737)	27,491	(19,426)	-	115		
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(20)	1,575	-	-	1,555		
Reclassified to investment properties		(6,079)	-	-	(2,331)	-	-	-	-	-	-	(8,410)		
Reclassified from non-current assets held for sale		-	183	-	863	6,974	-	-	-	-	-	8,020		
Exchange fluctuation		542	-	-	15,270	73	2,083	28,856	14,193	-	1,467	62,484		
At 31 December		1,532	9,889	-	436,847	24,748	38,177	1,180,711	975,815	38,606	54,543	2,760,868		
Net book value at 31 December 2019		245,716	22,958	-	899,184	46,772	5,147	919,478	186,982	12	17,258	2,343,507		

* These are the rights-of-use assets within the scope of MFRS 16

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM85,830,341 for the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2018	Note	Buildings										Computer equipment and software under lease	Motor vehicles RM'000	Total RM'000
		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 furniture and fixtures RM'000	Computer equipment and hardware RM'000					
Cost														
At 1 January		190,755	24,646	1,804	1,222,546	43,297	39,039	1,881,987	1,214,009	69,505	116,775	4,804,363		
Additions		67,863	6,616	-	123,988	28,036	5,704	632,883	46,392	545	10,020	922,047		
Reclassified to non-current assets held for sale	56	-	(24)	-	(16,704)	(12,334)	-	(24,714)	(16,992)	-	(1,115)	(71,883)		
Disposals/Written off		(560)	(643)	-	(7,946)	-	(1,677)	(82,670)	(171,707)	(10)	(35,917)	(301,130)		
Transfer/ reclassifications		-	-	-	-	-	-	(123,609)	134,469	(10,860)	-	-		
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(166,197)	5,893	-	-	(160,304)		
Exchange fluctuation		(4,615)	-	-	(10,474)	(523)	854	(48,437)	4,447	(36)	444	(58,340)		
At 31 December		253,443	30,595	1,804	1,311,410	58,476	43,920	2,069,243	1,216,511	59,144	90,207	5,134,753		
Accumulated depreciation and impairment loss														
At 1 January		6,898	8,045	1,004	375,824	26,636	25,940	1,344,155	882,281	56,140	85,794	2,812,717		
Charge for the financial year		-	701	-	35,296	1,226	8,428	126,801	100,475	4,969	18,662	296,558		
Disposals/Written off		-	(331)	-	(3,709)	-	(2,077)	(68,103)	(46,635)	(10)	(33,575)	(154,440)		
Transfer/ reclassifications		-	-	-	1,285	-	-	2,628	-	(2,628)	-	1,285		
Reclassified to intangible assets	21	-	-	-	-	-	-	-	-	-	(650)	-	(650)	
Reclassified to non-current assets held for sale	56	-	(24)	-	(7,441)	(12,021)	-	(17,322)	(15,376)	-	(1,098)	(53,282)		
Exchange fluctuation		171	-	-	(7,239)	(126)	659	(22,715)	4,412	(35)	238	(24,635)		
At 31 December		7,069	8,391	1,004	394,016	15,715	32,950	1,365,444	925,157	57,786	70,021	2,877,553		
Net book value at 31 December 2018		246,374	22,204	800	917,394	42,761	10,970	703,799	291,354	1,358	20,186	2,257,200		

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM81,899,907 for the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2019	Leasehold land 50 years or more* RM'000	Buildings on leasehold land 50 years or more* RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January	648	864	1,095	6	2,216	4,829
Disposals	(218)	(414)	(316)	–	–	(948)
Reclassified from non-current assets held for sale	439	14,709	–	–	–	15,148
At 31 December	869	15,159	779	6	2,216	19,029
Accumulated depreciation						
At 1 January	109	705	812	6	1,494	3,126
Charge for the financial year	72	3,170	35	–	138	3,415
Disposals	(111)	(267)	(313)	–	–	(691)
Reclassified from non-current assets held for sale	183	7,098	–	–	–	7,281
At 31 December	253	10,706	534	6	1,632	13,131
Net book value at 31 December 2019	616	4,453	245	–	584	5,898

* These are the rights-of-use assets within the scope of MFRS 16

The Company 2018	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January	648	864	1,095	6	1,526	4,139
Additions	–	–	–	–	690	690
At 31 December	648	864	1,095	6	2,216	4,829
Accumulated depreciation						
At 1 January	103	692	777	6	1,444	3,022
Charge for the financial year	6	13	35	–	50	104
At 31 December	109	705	812	6	1,494	3,126
Net book value at 31 December 2018	539	159	283	–	722	1,703

Notes to the Financial Statements

for the financial year ended 31 December 2019

17 RIGHT-OF-USE ASSETS

Carrying amount of Right-of-use assets by class of underlying assets are as follows:

	2019 RM'000
Buildings	725,677
Computer equipment	50,147
Motor vehicles	18
	775,842

Additions to the right-of-use assets during the financial year is RM144,108,000. Depreciation charge during the financial year for buildings, computer equipment and motor vehicles right-of-use assets are RM221,248,000, RM17,634,000 and RM78,000 respectively.

At 31 December 2019, the short-term leases expense, low-value leases expense and variable lease payments expenses that are not included in lease liabilities are RM65,097,000, RM7,450,000 and RM12,048,000 respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2019

18 INVESTMENT PROPERTIES

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
Fair value at 31 December 2019	12,530	4,804	17,334
<hr/>			
The Company 2019	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
Cost			
At 1 January/31 December	235	561	796
<hr/>			
Accumulated depreciation			
At 1 January	–	397	397
Charge for the financial year	–	18	18
At 31 December	–	415	415
Net book value at 31 December 2019	235	146	381
Fair value as at 31 December 2019	1,350	1,350	2,700
<hr/>			
2018			
Cost			
At 1 January/31 December	235	561	796
<hr/>			
Accumulated depreciation			
At 1 January	–	379	379
Charge for the financial year	–	18	18
At 31 December	–	397	397
Net book value at 31 December 2018	235	164	399
Fair value as at 31 December 2018	1,460	1,240	2,700

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

Notes to the Financial Statements
for the financial year ended 31 December 2019

19 PREPAID LEASE PAYMENTS

The Group 2019	Leasehold land less than 50 years*	Total RM'000
Cost		
At 1 January	286,774	286,774
Exchange fluctuation	199	199
At 31 December	286,973	286,973
Amortisation and impairment loss		
At 1 January	195,088	195,088
Amortisation during the financial year	10,268	10,268
Exchange fluctuation	189	189
At 31 December	205,545	205,545
Net book value at 31 December 2019	81,428	81,428

* This is the rights-of-use assets within the scope of MFRS 16

Notes to the Financial Statements

for the financial year ended 31 December 2019

19 PREPAID LEASE PAYMENTS (CONTINUED)

The Group 2018	Leasehold land less than 50 years RM'000	Total RM'000
Cost		
At 1 January	286,730	286,730
Disposals/write-off	(19)	(19)
Exchange fluctuation	63	63
At 31 December	286,774	286,774
Amortisation and impairment loss		
At 1 January	184,817	184,817
Amortisation during the financial year	10,230	10,230
Disposals/write-off	(19)	(19)
Exchange fluctuation	60	60
At 31 December	195,088	195,088
Net book value at 31 December 2018	91,686	91,686

Future amortisation of prepaid land lease is as follows:

Leasehold land less than 50 years	2019 RM'000	2018 RM'000
The Group		
– Not later than one year	10,268	10,230
– Later than one year and not later than five years	41,072	40,920
– More than five years	30,088	40,536
	81,428	91,686

Notes to the Financial Statements

for the financial year ended 31 December 2019

20 GOODWILL

	The Group	
	2019 RM'000	2018 RM'000
Cost		
At 1 January	7,680,096	8,420,710
Disposal of subsidiaries	–	(290,506)
Reclassified to non-current assets held for sale	–	(395,465)
Exchange fluctuation	177,443	(54,643)
At 31 December	7,857,539	7,680,096
Impairment		
At 1 January	–	(194,965)
Reclassified to non-current assets held for sale	–	194,965
At 31 December	–	–
Net book value at 31 December	7,857,539	7,680,096
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:		
CGU	2019 RM'000	2018 RM'000
Consumer Banking		
Retail Finance Services	1,262,272	1,262,272
Islamic Banking	136,000	136,000
Group Cards	425,803	425,803
Commercial Banking	911,000	911,000
Wholesale Banking		
Corporate Banking	419,000	419,000
Treasury	537,000	537,000
Foreign Banking Operations		
Indonesia	2,578,349	2,578,349
Thailand	1,199,277	1,199,277
Others		
Touch 'n Go	51,082	51,082
Exchange fluctuation	337,756	160,313
	7,857,539	7,680,096

Notes to the Financial Statements

for the financial year ended 31 December 2019

20 GOODWILL (CONTINUED)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2020 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 the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. 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 estimated terminal growth rates and discount rates used for value-in-use calculations are as follows:

	2019	2018		
	Terminal Growth rate	Discount rate	Terminal Growth rate	Discount rate
Retail Finance Services	4.22%	7.50%	4.27%	8.90%
Islamic Banking	4.22%	7.50%	4.27%	8.90%
Group Cards	4.22%	7.50%	4.27%	8.90%
Commercial Banking	4.22%	7.50%	4.27%	8.90%
Corporate Banking	4.22%	7.50%	4.27%	8.90%
Treasury	4.22%	7.50%	4.27%	8.90%
Foreign banking operations				
– Indonesia	2.00%	12.95%	2.00%	13.23%
– Thailand	2.00%	6.80%	2.00%	6.17%
Others – TnG	4.22%	7.50%	4.27%	8.90%

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 other than the Corporate Banking CGU.

If the growth rate used in the value-in-use calculation for Corporate Banking CGU had been 1% lower than management's estimates as at 31 December 2019, the Group would have recognised impairment of goodwill of RM111.1 million.

If the estimated discount rate used to determine the pre-tax discount rate had been 1% higher than management's estimates, the Group would have recognised impairment of goodwill of RM523.4 million.

Impairment charge

There was no impairment charge for the financial year ended 31 December 2019 and 31 December 2018.

Notes to the Financial Statements

for the financial year ended 31 December 2019

21 INTANGIBLE ASSETS

The Group 2019	Note	Customer relationship RM'000	Core deposits RM'000	Computer software RM'000	License fee RM'000	Total RM'000
Cost						
At 1 January		211,998	1,348,558	3,517,896	370	5,078,822
Additions during the financial year		–	–	345,868	–	345,868
Disposals/write off during the financial year		–	–	(70,436)	–	(70,436)
Net reclassification from property, plant and equipment	16	–	–	206,500	–	206,500
Exchange fluctuation		84	–	40,075	28	40,187
At 31 December		212,082	1,348,558	4,039,903	398	5,600,941
Accumulated amortisation and impairment						
At 1 January		211,998	1,046,673	2,111,297	370	3,370,338
Amortisation during the financial year		–	30,699	275,633	–	306,332
Impairment during the financial year		–	271,186	–	–	271,186
Disposals/write off during the financial year		–	–	(56,238)	–	(56,238)
Net reclassification to property, plant and equipment	16	–	–	(1,555)	–	(1,555)
Exchange fluctuation		84	–	25,597	28	25,709
At 31 December		212,082	1,348,558	2,354,734	398	3,915,772
Net book value at 31 December 2019		–	–	1,685,169	–	1,685,169

Notes to the Financial Statements

for the financial year ended 31 December 2019

21 INTANGIBLE ASSETS (CONTINUED)

The Group 2018	Note	Customer relationship RM'000	Core deposits RM'000	Computer software RM'000	License and club debentures RM'000	Total RM'000
Cost						
At 1 January		211,980	1,348,558	3,310,508	3,040	4,874,086
Additions during the financial year		–	–	129,047	–	129,047
Disposals/write off during the financial year		–	–	(55,346)	(2,494)	(57,840)
Reclassified from property, plant and equipment	16	–	–	160,304	–	160,304
Exchange fluctuation		18	–	(26,617)	(176)	(26,775)
At 31 December		211,998	1,348,558	3,517,896	370	5,078,822
Accumulated amortisation and impairment						
At 1 January		207,517	976,947	1,868,471	782	3,053,717
Amortisation during the financial year		4,464	69,726	282,397	–	356,587
Disposals/write off during the financial year		–	–	(32,607)	(235)	(32,842)
Reclassified from property, plant and equipment	16	–	–	650	–	650
Exchange fluctuation		17	–	(7,614)	(177)	(7,774)
At 31 December		211,998	1,046,673	2,111,297	370	3,370,338
Net book value at 31 December 2018		–	301,885	1,406,599	–	1,708,484

The above intangible assets include software under construction at cost of RM304,759,663 (2018: RM202,120,699).

The valuation of customer relationship 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 credit card, revolving credit, overdraft and trade finance loan 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%, 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 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 period of the intangible assets with finite life is as follows:

Computer software	1 – 15 years
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Impairment charge

During the financial year ended 31 December 2019, the Group has made impairment of RM271.2 million for the remaining intangible assets in relation to core deposits. The impairment was made as a result of acceleration in the attrition rate for these core deposits, which led to deterioration in the overall recoverable amount for the core deposits. The Group applied the value in use method to derive the recoverable amount for the core deposits. The discount rate used to determine the recoverable amount is 11.9%.

Notes to the Financial Statements

for the financial year ended 31 December 2019

22 DEPOSITS FROM CUSTOMERS

- (i) By type of deposit

	The Group	
	2019 RM'000	2018 RM'000
Demand deposits	86,750,438	79,085,839
Savings deposits	50,899,104	44,720,070
Fixed deposits	180,046,303	165,742,429
Negotiable instruments of deposit	116,121	304,083
Others	74,537,501	80,340,664
	392,349,467	370,193,085

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

	The Group	
	2019 RM'000	2018 RM'000
Due within six months	147,756,119	133,532,948
Six months to one year	30,201,941	30,374,069
One year to three years	2,111,227	2,025,308
Three years to five years	93,137	114,122
More than five years	–	65
	180,162,424	166,046,512

- (ii) By type of customer

	The Group	
	2019 RM'000	2018 RM'000
Government and statutory bodies	11,939,258	10,566,326
Business enterprises	131,117,482	138,181,711
Individuals	183,864,980	164,157,280
Others	65,427,747	57,287,768
	392,349,467	370,193,085

23 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group		
	Note	2019 RM'000	2018 RM'000
Unrestricted investment accounts	60(q)	3,448,964	1,769,270

Notes to the Financial Statements

for the financial year ended 31 December 2019

24 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2019 RM'000	2018 RM'000
Licensed banks	20,678,566	17,163,634
Licensed finance companies	747,051	993,543
Licensed investment banks	237,091	157,684
Bank Negara Malaysia	5,423	292
Other financial institutions	1,998,591	1,917,727
	23,666,722	20,232,880

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

	The Group	
	2019 RM'000	2018 RM'000
Due within six months	23,133,281	19,489,750
Six months to one year	432,333	641,868
One year to three years	101,108	101,262
	23,666,722	20,232,880

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM100,000,000 (2018: RM100,000,000) using interest rate swaps.

25 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2019 RM'000	2018 RM'000
Deposits from customers – structured investments	299,930	1,355,488
Debentures	1,534	1,873,520
Bills payable	3,349,276	2,651,699
	3,650,740	5,880,707

The Group has issued structured investments, bills payables and debentures, and have designated them at fair value in accordance with MFRS 9. 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 financial liabilities designated at fair value through profit or loss of the Group as at 31 December 2019 were RM27,583,000 (2018: RM147,262,000) lower than the contractual amount at maturity for the structured investments, RM20,000 higher (2018: RM31,214,000 lower) than the contractual amount at maturity for the debentures and RM643,889,000 (2018: RM377,634,000) higher than the contractual amount at maturity for the bills payable.

Notes to the Financial Statements

for the financial year ended 31 December 2019

26 OTHER LIABILITIES

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due to brokers and clients		61,062	475,959	—	—
Expenditure payable		2,606,502	2,310,996	2,405	2,381
Provision for legal claims		65,840	60,062	—	—
Sundry creditors		2,640,224	1,221,327	818	—
Structured deposits		6,366,281	7,055,128	—	—
Expected credit losses for loan commitments and financial guarantee contracts	(a)	498,392	502,337	—	—
Post employment benefit obligations	29	491,269	358,740	—	—
Credit card expenditure payable		277,591	263,934	—	—
Collateral pledged for derivative transactions		2,272,687	1,307,759	—	—
Collateral for securities lending		—	85,213	—	—
Prepayment		622,579	528,138	—	—
Others		837,890	877,699	—	69
		16,740,317	15,047,292	3,223	2,450

Notes to the Financial Statements

for the financial year ended 31 December 2019

26 OTHER LIABILITIES (CONTINUED)

- (a) The movements in the expected credit losses for loan commitments and financial guarantee contracts are as follows:

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	333,672	58,862	109,803	502,337
Changes in expected credit losses due to transfer within stages:	100,843	(93,492)	(7,351)	–
Transferred to Stage 1	127,298	(110,156)	(17,142)	–
Transferred to Stage 2	(18,790)	32,344	(13,554)	–
Transferred to Stage 3	(7,665)	(15,680)	23,345	–
Total charge to Income Statement:	(126,232)	76,991	37,222	(12,019)
New exposures	333,698	6,071	4,699	344,468
Exposures derecognised or matured	(116,895)	(15,525)	(27,609)	(160,029)
Change in credit risk	(343,035)	86,445	60,132	(196,458)
Exchange fluctuation	1,806	485	5,802	8,093
Other movements	(5,403)	200	5,184	(19)
At 31 December 2019	304,686	43,046	150,660	498,392

Notes to the Financial Statements

for the financial year ended 31 December 2019

26 OTHER LIABILITIES (CONTINUED)

- (a) The movements in the expected credit losses for loan commitments and financial guarantee contracts are as follows: (Continued)

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	320,175	77,738	112,512	510,425
Changes in expected credit losses due to transfer within stages:	121,101	(97,802)	(23,299)	-
Transferred to Stage 1	133,076	(110,689)	(22,387)	-
Transferred to Stage 2	(11,618)	20,079	(8,461)	-
Transferred to Stage 3	(357)	(7,192)	7,549	-
Total charge to Income Statement:	(107,272)	80,678	19,167	(7,427)
New exposures	149,897	2,107	1,128	153,132
Exposures derecognised or matured	(74,537)	(45,286)	(9,812)	(129,635)
Change in credit risk	(182,632)	123,857	27,851	(30,924)
Exchange fluctuation	(233)	(2,024)	1,338	(919)
Other movements	(99)	272	85	258
At 31 December 2018	333,672	58,862	109,803	502,337

As at 31 December 2019, the gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM228,338,000 (2018: RM174,597,000).

Notes to the Financial Statements

for the financial year ended 31 December 2019

27 LEASE LIABILITIES

	The Group
	2019 RM'000
Buildings	648,181
Computer equipment	62,988
Motor vehicles	19
	711,188

28 RE COURSE 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 Group. Under these agreements, the Group undertakes 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.

29 POST EMPLOYMENT BENEFIT OBLIGATIONS

	The Group	
	2019 RM'000	2018 RM'000
	Note	
Defined contribution plan – EPF	(a) 56,805	36,860
Defined benefit plans	(b) 434,464	321,880
	491,269	358,740

(a) 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 has no further payment obligations.

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Indonesia and Thailand under Labor Law of respectively countries, the assets of which are held in separate trustee-administered funds that are governed by local authorities and practice in each country. The plan calls for benefits to be paid to eligible employee at retirement or when the employees resign. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefits payments are from trustee-administrated funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due.

The latest actuarial valuations of the plans in Indonesia and Thailand were carried out in 2019.

Notes to the Financial Statements

for the financial year ended 31 December 2019

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The amount recognised in the statements of financial position in respect of defined benefit plans is as follows:

	The Group	
	2019 RM'000	2018 RM'000
Present value of funded obligations	419,763	406,831
Fair value of plan assets	(239,421)	(266,783)
Status of funded plan	180,342	140,048
Present value of unfunded obligations	254,122	181,832
Status of defined benefit pension plans	434,464	321,880
Liability in statement of financial position	434,464	321,880

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

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2019	588,663	(266,783)	321,880
Current service costs	41,583	–	41,583
Underprovision in prior year	18,342	–	18,342
Interest expense/(income)	47,505	(21,261)	26,244
Components of defined benefits costs recognised in statement of income	107,430	(21,261)	86,169
Remeasurement:			
– Return on plan assets, excluding amounts included in interest expense	–	(2,589)	(2,589)
– Loss from changes in demographic assumptions	(8,834)	–	(8,834)
– Gain from changes in financial assumptions	41,650	–	41,650
– Experience gains	(30)	–	(30)
Components of defined benefits costs recognised in statement of comprehensive expense/(income)	32,786	(2,589)	30,197
Exchange fluctuation	28,446	(8,262)	20,184
Contributions:			
– Employer contributions	–	(1,555)	(1,555)
– Plan participant	–	(3,873)	(3,873)
Payments from plans – benefits paid	(83,440)	64,902	(18,538)
At 31 December 2019	673,885	(239,421)	434,464

Notes to the Financial Statements

for the financial year ended 31 December 2019

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)**(b) Defined benefit plans (Continued)**

The movements in the defined benefit obligation over the financial year are as follows (Continued):

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2018	698,000	(262,913)	435,087
Current service costs	153,783	–	153,783
Over provision in prior year	(438)	–	(438)
Interest expense/(income)	39,058	(18,159)	20,899
Disposal of a subsidiary	(3,211)	–	(3,211)
Components of defined benefits costs recognised in statement of income	189,192	(18,159)	171,033
Remeasurement:			
– Return on plan assets, excluding amounts included in interest expense	–	15,174	15,174
– Gain from changes in financial assumptions	(101,303)	–	(101,303)
– Experience gains	(9,161)	–	(9,161)
Components of defined benefits costs recognised in statement of comprehensive (income)/expense	(110,464)	15,174	(95,290)
Exchange fluctuation	(18,579)	11,231	(7,348)
Contributions:			
– Employer contributions	–	(1,604)	(1,604)
– Plan participant	–	(40,337)	(40,337)
Payments from plans – benefits paid	(169,486)	29,825	(139,661)
At 31 December 2018	588,663	(266,783)	321,880

Notes to the Financial Statements

for the financial year ended 31 December 2019

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

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

The Group	2019		2018	
	Thailand %	Indonesia %	Thailand %	Indonesia %
Discount rates	1.50	7.80	2.75	8.30
Expected return on plan assets	N/A	7.80	N/A	8.30
Future salary increases	6.00	6.00	5.00	6.00
Rate of price inflation – other fixed allowance	1.75	N/A	1.75	N/A

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

	← Impact on defined benefit obligation →		
	Change in assumption	Decrease in assumption	Increase in assumption
2019			
Discount rates	0.5% – 1.0%	Decreased by 8.5%	Increased by 8.5%
Expected return on plan assets	1.0%	Decreased by 0.4%	Increased by 0.4%
Future salary increases	1.0%	Increased by 11.7%	Decreased by 11.3%
2018			
Discount rates	0.5% – 1.0%	Decreased by 12.8%	Increased by 2.6%
Expected return on plan assets	1.0%	Decreased by 0.5%	Increased by 0.5%
Future salary increases	1.0%	Increased by 4.8%	Decreased by 14.8%

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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)**(b) Defined benefit plans (Continued)**

The Group's plan assets are comprised as follows:

The Group	2019			2018		
	Quoted RM'000	Unquoted RM'000	Total RM'000	Quoted RM'000	Unquoted RM'000	Total RM'000
Equity instruments (by geography)						
Indonesia	29,151	44,564	73,715	39,437	–	39,437
Debt instruments (by type)						
Government bonds	52,787	–	52,787	56,248	–	56,248
Corporate bonds (investment grade)	12,787	–	12,787	13,914	–	13,914
Cash and cash equivalent	–	58,534	58,534	–	117,721	117,721
Mutual funds	33,167	–	33,167	35,859	–	35,859
Others	–	8,431	8,431	–	3,604	3,604
	127,892	111,529	239,421	145,458	121,325	266,783

The expected contribution to post employment benefits plan for the financial year ending 31 December 2020 is RM29,988,000 to the Group.

The weighted average duration of the defined benefit obligation is 11.0 years (2018: 11.0 years).

Expected maturity analysis of undiscounted defined benefits plans:

	Less than a year RM'000	Between 1-2 years RM'000	Between 2-5 years RM'000	Over 5 years RM'000	Total RM'000
2019					
Defined benefits plan	56,457	28,077	150,643	1,616,790	1,851,967
2018					
Defined benefits plan	34,473	30,625	108,412	1,699,349	1,872,859

Notes to the Financial Statements

for the financial year ended 31 December 2019

30 BONDS, SUKUK AND DEBENTURES

	The Group	2019 RM'000	2018 RM'000
HKD300 million notes (2014/2019)	(a)	-	129,078
HKD150 million notes (2014/2019)	(b)	-	79,467
AUD100 million notes (2014/2019)	(c)	-	292,574
HKD1,130 million notes (2014/2019)	(d)	-	537,678
USD313 million notes (2015/2045; callable in 2020)	(e)	1,572,815	1,521,448
CNY130 million notes (2016/2019)	(f)	-	82,425
CNY130 million notes (2016/2019)	(g)	-	78,754
Ziya Capital Berhad Sukuk (2016/2021)	(h)	266,222	358,265
IDR1,000,000 million bonds (Series A: 2016/2017; Series B: 2016/2019; Series C: 2016/2021)	(i)	54,214	163,921
USD15 million bonds (2017/2022)	(j)	61,507	62,204
USD600 million notes (2017/2020)	(k)	2,458,740	2,486,212
USD500 million bonds (2017/2022)	(l)	2,066,162	2,088,626
USD2.65 million bonds (2017/2022)	(m)	-	5,716
Merdeka Kapital (2017/2024)	(n)	691,877	756,398
THB2.0 billion Debenture (2017/2020)	(o)	275,394	255,771
HKD874 million notes (2017/2021)	(p)	495,342	495,231
RM1.0 billion notes (2017/2022)	(q)	1,005,304	1,005,184
RM1.2 billion notes (2017/2024)	(q)	1,206,654	1,206,503
RM800 million notes (2017/2027)	(q)	804,533	804,430
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(r)	356,165	344,910
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(s)	447,706	433,549
THB Structured debentures	(t)	1,054,351	129,769
IDR1,021,000 million bonds (Series A: 2018/2019; Series B: 2018/2021; Series C: 2018/2023)	(u)	75,248	291,764
IDR1,000,000 million Sukuk (Series A: 2018/2019; Series B: 2018/2021)	(v)	166,233	287,508
USD88 million bonds (2019/2024)	(w)	360,542	-
HKD700 million bonds (2019/2020)	(x)	373,343	-
USD30 million notes (2019/2024)	(y)	123,535	-
HKD200 million notes (2019/2024)	(z)	107,370	-
USD20 million notes (2019/2024)	(aa)	82,006	-
USD680 million notes (2019/2024)	(ab)	2,801,372	-
USD40 million notes (2019/2022)	(ac)	164,252	-
IDR2,000,000 million Sukuk (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024)	(ad)	593,539	-
IDR1,823,000 million bonds (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024)	(ae)	536,919	-
IDR83,000 million notes (2019/2024)	(af)	22,789	-
		18,224,134	13,897,385
Fair value changes arising from fair value hedges		8,576	(182,204)
		18,232,710	13,715,181

Notes to the Financial Statements

for the financial year ended 31 December 2019

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(a) HKD300 million notes

On 14 May 2014, CIMB Bank issued HKD300 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. It bears a fixed coupon rate of 2.70% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign currency risk of the HKD300 million notes using cross currency interest rate swaps.

On 14 May 2019, CIMB Bank redeemed its HKD300 million 5-year senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(b) HKD150 million notes

On 21 August 2014, CIMB Bank issued HKD150 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. It bears a fixed coupon rate of 2.47% per annum payable annually in arrears.

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

On 21 August 2019, CIMB Bank redeemed its HKD150 million 5-year senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(c) AUD100 million notes

On 25 September 2014, CIMB Bank issued AUD100 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. It bears a coupon rate of 4.375% per annum payable annually in arrears.

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

On 25 September 2019, CIMB Bank redeemed its AUD100 million 5-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(d) HKD1,130 million notes

On 20 November 2014, CIMB 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 bear a coupon rate of 2.46% per annum payable quarterly in arrears.

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

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

On 20 November 2019, CIMB Bank redeemed its HKD1,130 million 5-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(e) USD313 million notes

On 5 May 2015, CIMB Bank issued USD313 million 30-year 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.

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

(f) CNY130 million notes

On 18 May 2016, CIMB Bank issued CNY130 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 bears a coupon rate of 4.20% per annum payable annually.

CIMB 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.

On 18 May 2019, CIMB Bank redeemed its CNY130 million 3-year senior fixed rate notes issued under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014.

(g) CNY130 million notes

On 20 July 2016, CIMB 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 bears a coupon rate of 3.95% per annum payable annually.

CIMB 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.

On 20 July 2019, CIMB Bank redeemed its CNY130 million 3-year senior fixed rate notes issued under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014.

(h) Ziya Capital Berhad Sukuk

On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued a RM630 million Sukuk that bears a profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021.

Ziya is a special purpose vehicle set up to undertake multi securitisation transactions. During the financial year, RM92 million was partially redeemed (2018: RM104 million).

Notes to the Financial Statements

for the financial year ended 31 December 2019

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(i) IDR1,000,000 million bonds

On 3 November 2016, CIMB Niaga issued unsecured IDR1,000,000 million bonds. The bonds are divided into three series:

(i) Series A Bond

The nominal value of the bonds amounted to IDR432,000 million with a tenor of 1 year which has matured on 13 November 2017. It bears fixed interest rate of 7.25% per annum.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR386,000 million with a tenor of 3 years which has matured on 3 November 2019. It bears fixed interest rate of 8.00% per annum.

(iii) Series C Bond

The nominal value of the bonds amounted to IDR182,000 million with a tenor of 5 years which will mature on 3 November 2021. It bears fixed interest rate of 8.25% per annum.

(j) USD15 million bonds

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

(k) USD600 million bonds

On 15 March 2017, CIMB Bank issued USD600 million 3-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 the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly.

(l) USD500 million bonds

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

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

(m) USD2.65 million bonds

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

On 13 March 2019, CIMB Bank has redeemed its USD2.65 million CLN issued under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme established on 12 May 2014.

(n) Merdeka Kapital

On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, there is a partial redemption of the MTN amounting to RM74.4 million (2018: RM74.4 million).

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

(o) THB2.0 billion Debenture

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

(p) HKD874 million notes

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

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

Notes to the Financial Statements

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30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(q) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes

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

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

(r) IDR 2,000,000 million bonds

On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively.

On 3 September 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR802,000 million.

(s) IDR2,000,000 million bonds

On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively.

On 12 November 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR500,000 million.

(t) Structured debentures

CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature within 3 years from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.

(u) IDR1,021,000 million bonds

On 20 September 2018, CIMB Niaga issued IDR1,021,000 million bonds. The bonds are divided into three series. Nominal value of 1-year Series A Bond, 3-year Series B Bond and

5-year Series C Bond amounted to IDR766,000 million, IDR137,000 million and IDR118,000 million respectively, with fixed interest rate of 7.50%, 8.50% and 8.80% per annum respectively.

On 30 September 2019, CIMB Niaga redeemed its 1-year Series A Bond amounted to IDR766,000 million.

(v) IDR1,000,000 million Sukuk

On 15 November 2018, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk is divided into two series. Nominal value of 1-year Series A Sukuk and 3-year Series B Sukuk amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively.

On 25 November 2019, CIMB Niaga redeemed its 1-year Series A Sukuk amounted to IDR441,000 million.

(w) USD88 million bonds

On 19 March 2019, CIMB Bank issued USD88 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-months LIBOR + 0.85% per annum payable quarterly, will mature on 19 March 2024.

(x) HKD700 million bonds

On 4 April 2019, CIMB Bank, acting through its Hong Kong branch, issued HKD700 million 1-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 1.98% per annum payable annually, will mature on 4 April 2020 (subject to adjustment in accordance with the modified following business day convention).

(y) USD30 million bonds

On 15 April 2019, CIMB Bank, acting through its Labuan Offshore Branch, issued USD30 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-months LIBOR + 0.80% per annum payable quarterly, will mature on 15 April 2024 (subject to adjustment in accordance with the modified following business day convention).

(z) HKD200 million bonds

On 12 July 2019, CIMB Bank issued HKD200 million of a 5-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 2.35% per annum payable annually in arrears, will mature on 12 July 2024.

Notes to the Financial Statements

for the financial year ended 31 December 2019

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(aa) USD20 million bonds

On 8 August 2019, CIMB Bank issued USD20 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-months LIBOR + 0.73% per annum payable quarterly, will mature on 8 August 2024.

(ab) USD680 million bonds

On 9 October 2019, CIMB Bank issued USD680 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-months LIBOR + 0.78% per annum payable quarterly, will mature on the interest payment date falling in or nearest to 9 October 2024.

(ac) USD40 million bonds

On 15 November 2019, CIMB Bank issued USD40 million 3-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-months LIBOR + 0.58% per annum payable quarterly, will mature on the interest payment date falling in or nearest to 15 November 2022.

(ad) IDR2,000,000 million Sukuk

On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

(ae) IDR1,823,000 million bonds

On 19 December 2019, CIMB Niaga issued IDR1,823,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR276,000 million, IDR1,066,000 million, and IDR481,000 million respectively, with fixed interest rate of 6.50%, 7.55% and 7.80% per annum respectively.

(af) IDR83,000 million notes

On 19 December 2019, CIMB Niaga issued IDR83,000 million bonds with fixed interest rate of 8.05% per annum and maturity date of 19 December 2024.

Notes to the Financial Statements

for the financial year ended 31 December 2019

31 OTHER BORROWINGS

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Commercial Papers/Medium Term Notes	(a)	1,002,144	350,856	1,002,144	350,856
Term loan	(b)	8,648,849	8,356,691	3,002,695	3,002,670
Others	(c)	807,249	599,093	200,492	—
		10,458,242	9,306,640	4,205,331	3,353,526

(a) MTNs of the Company

The Conventional Commercial Papers ("CPs"), Islamic Commercial Papers ("iCPs"), Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company.

The CPs and iCPs are unsecured. The aggregate outstanding nominal value of the CPs and iCPs at any point in time shall not exceed RM6 billion.

The MTNs and iMTNs are unsecured. The aggregate outstanding nominal value of the MTN and iMTN at any point in time shall not exceed RM6 billion.

On 9 June 2017, the Company issued RM350 million MTNs. The MTNs carry an interest rate of 4.05% per annum payable semi-annually in arrears. On 11 June 2018, the Company redeemed its RM350 million MTNs.

On 11 June 2018, the Company issued RM350 million MTNs. The MTNs carry an interest rate of 4.25% per annum payable semi-annually in arrears. On 12 June 2019, the Company redeemed its RM350 million MTNs.

On 10 May 2019, the Company issued RM550 million 3-month CPs under its Conventional Commercial Papers Programme. The CPs bear a discount rate of 3.76%. The Company redeemed the RM550 million Conventional CPs on 9 August 2019.

On 12 June 2019, the Company issued RM250 million 1-year MTN which will mature on 12 June 2020 and RM750 million 3-year iMTN which will mature on 10 June 2022. The MTN and iMTN carry interest rate of 3.80% and 3.95% per annum respectively, payable semi-annually in arrears.

Notes to the Financial Statements

for the financial year ended 31 December 2019

31 OTHER BORROWINGS (CONTINUED)

(b) Term loans of the Company

In 2009, the Company secured an unsecured term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan was repaid in full on 26 June 2018. It bears a floating interest rate of 3.85% per annum in 2018.

In 2015, the Company secured an unsecured term loan amounting RM1.0 billion to refinance its existing borrowings. The term loan was repaid in full on 14 December 2018. It bears a floating interest rate of 3.93% per annum in 2018. The term loan was partially drawn down up to RM700 million as of 31 December 2015 and the remaining RM300 million was drawn down in February 2016.

In 2017, the Company secured an unsecured term loan amounting RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full on 27 October 2022. It bears a floating interest rate of 3.63% (2018: 3.87%) per annum. The term loan was drawn down in October 2017.

In 2018, the Company secured an unsecured term loan amounting RM2.0 billion to refinance its existing borrowings. The term loan is repayable in full on 26 June 2023 and 21 December 2023 respectively. They bear floating interest rates of 3.65% each per annum (2018: 3.89% and 3.93% respectively). The term loan was drawn down in June and December 2018 respectively.

Term loans of the Group

Included in term loans of the Group are term loans of RM5,646,154,000 (2018: RM5,258,491,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 2 January 2020 (2018: 29 March 2019) being the earliest to mature and 4 November 2022 (2018: 26 August 2022) being the latest to mature. Interest rates charged are between 2.31% to 5.00% per annum (2018: 3.25% to 3.63% per annum).

- (c) In 2015, the Company secured a revolving credit amounting to RM200 million from its subsidiary which bears an interest rate of 3.87% per annum. The facility is unsecured roll over on monthly basis. The revolving credit facility has matured on 26 April 2018.

In 2019, the Company secured a revolving credit amounting to RM200 million from its subsidiary which bears an interest rate of 4.08% per annum. The facility is unsecured, roll over on monthly basis.

Included in others of the Group are short term and long term borrowing of RM781,380,081 (2018: RM628,113,014) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from less than 1 month to 3 years (2018: 1 month to 5 years), with interest rates charged ranging from 7.00% to 9.50% per annum (2018: 2.86% to 9.50% per annum).

Notes to the Financial Statements

for the financial year ended 31 December 2019

32 SUBORDINATED OBLIGATIONS

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subordinated Notes 2010/2020 IDR1,600,000 million	(a)	473,100	458,114	—	—
Subordinated Bonds 2008/2038 RM1.0 billion	(b)	—	—	—	—
Subordinated Sukuk RM850 million (1st tranche due in 2024, redeemed in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(c)	—	167,595	—	—
Subordinated Debt 2010/2025 RM2.0 billion, (1st tranche due in 2020, redeemed in 2015; 2nd tranche due in 2025, optional redemption in 2020)	(d)	1,005,150	1,008,616	—	—
Subordinated Notes 2009/2059 RM1.38 billion	(e)	—	1,380,276	—	1,380,276
Subordinated Notes 2010/2060 RM150 million and RM600 million, callable with step-up in 2020	(f)	533,166	532,190	608,977	609,186
Subordinated Debt RM1.5 billion (1st tranche due in 2021, redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(g)	98,053	93,000	—	—
Subordinated Debts 2013/2023 RM1.05 billion	(h)	—	—	—	—
Subordinated Notes 2014/2024 RM400 million	(i)	—	401,769	—	—
Subordinated Debts 2015/2025 RM2 billion	(j)	2,002,542	2,001,500	2,002,542	2,002,258
Additional Tier I Securities RM1.0 billion	(k)	1,000,374	1,004,131	1,005,878	1,005,721
Subordinated debts 2016/2026 RM570 million	(l)	105,250	95,348	—	—
Subordinated debts 2016/2026 RM1.35 billion	(m)	1,375,758	1,375,758	—	—
Additional Tier I Securities RM400 million	(n)	400,400	397,399	400,964	400,904
Subordinated debts 2017/2027 RM1.5 billion	(o)	1,506,645	1,506,443	1,506,645	1,506,444
Subordinated Sukuk 2017/2027 RM300 million	(p)	—	—	—	—
Subordinated debts 2018/2028 RM700 million	(q)	708,829	709,018	708,829	709,018
Subordinated debts 2018/2028 RM390 million	(r)	93,017	93,154	—	—
Subordinated debts 2018/2029 RM1.2 billion	(s)	1,217,648	1,217,648	1,217,648	1,217,648
Additional Tier I Securities RM1.0 billion	(t)	1,014,258	1,009,950	1,010,356	1,010,356
Subordinated debts 2018/2023 IDR75 billion	(u)	11,001	10,536	—	—
Subordinated debts 2018/2025 IDR75 billion	(v)	10,951	10,535	—	—
Subordinated loans 2019/2029 USD15 million	(w)	—	—	—	—
Subordinated loans 2019/2024 RM1.0 billion	(x)	1,000,267	—	1,000,267	—
Subordinated notes 2019/2029 RM550 million	(y)	104,603	—	—	—
Subordinated Sukuk 2019/2029 RM800 million	(z)	—	—	—	—
Subordinated loans 2019/2029 USD15 million	(aa)	—	—	—	—
Subordinated debts 2019/2029 RM800 million	(ab)	803,122	—	803,122	—
		13,464,134	13,472,980	10,265,228	9,841,811
Fair value changes arising from fair value hedges		56,735	9,292	—	—
		13,520,869	13,482,272	10,265,228	9,841,811

Notes to the Financial Statements

for the financial year ended 31 December 2019

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) Subordinated Notes 2010/2020 IDR1,600,000 million

The unsecured Subordinated Notes 2010/2020 IDR1,600,000 million ("the Notes") were issued by CIMB Niaga on 23 December 2010. The Notes were issued at scriptless, with term of 10 years from the emission date and with fixed interest rate of 10.85% per annum. The Notes were listed on the Indonesia Stock Exchange on 27 December 2010.

(b) Subordinated Bonds 2008/2038 RM1.0 billion

The RM1.0 billion unsecured subordinated bonds ("the RM1.0 billion Bonds") were issued by CIMB Bank at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme ("T-1 Issue") 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 RM1.0 billion 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%.

CIMB Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion 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 RWCR computation (subject to the gradual phase-out treatment under Basel III).

CIMB Bank redeemed its RM1.0 billion subordinated bonds on its first optional redemption date of 5 October 2018.

(c) Subordinated Sukuk RM850 million

The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier II Junior Sukuk programme by the Company's indirect subsidiary, CIMB Islamic Bank Berhad ("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 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. Included in the RM300 million subordinated Sukuk was RM131.30 million subordinated Sukuk in 2018 which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

On 25 September 2019, CIMB Islamic Bank has redeemed in full, the first tranche of the subordinated Sukuk of RM300 million on its first optional redemption date.

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

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

On 18 September 2012, the third tranche of 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 redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

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

(d) Subordinated Debts 2010/2025 RM2.0 billion

On 23 December 2010, CIMB Bank completed the issuance of RM2.0 billion unsecured 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 CIMB 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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32 SUBORDINATED OBLIGATIONS (CONTINUED)

(e) Subordinated Notes 2009/2059 RM1.38 billion

The RM1.38 billion unsecured subordinated fixed rate notes ("the RM1.38 billion Notes") is part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

The RM1.38 billion Notes under the first issuance were issued at par on 30 June 2009 and are due on 30 June 2059, with optional redemption on 30 June 2019 or any periodic payment date thereafter. It bears an interest rate of 7.30% 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 6 months KLIBOR + 1% plus original credit spread. The original credit spread is calculated as 7.3% less the 10 year swap rate as per the 11 am BNM fixing rate on 23 June 2009.

On 28 June 2019, the Company exercised its option to redeem its existing RM1.38 billion Subordinated Fixed Rate Notes on the first optional redemption date.

(f) Subordinated Notes 2010/2060 RM150 million and RM600 million

The RM750 million unsecured Cumulative Subordinated Fixed Rate Notes ("the RM750 million Notes") issued by the Company on 5 April 2010, comprising a callable 5 year tranche and 10 year tranche, amounting to RM150 million and RM600 million respectively, was part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

Included in the RM600 million subordinated notes was RM75,811,000 (2018: RM76,996,000) subordinated notes which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

Both tranches have a maturity of 50 years, with call option for the Issuer to redeem at year 5 and on each subsequent coupon payment date, and year 10 and on each subsequent coupon payment date respectively.

The 5 year Tranche pays a semi annual coupon rate of 5.3% per annum whilst the 10 year Tranche pays a coupon of 6.35% per annum. The coupon will be stepped up by 2.0% in the event the Company does not redeem the RM750 million Notes on the respective first call date.

On 3 April 2015, the Company has fully redeemed the RM150 million subordinated notes.

(g) Subordinated Debt RM1.5 billion

On 8 August 2011, CIMB Bank 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 CIMB Bank's working capital purposes.

CIMB Bank redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt on its first optional redemption date of 8 August 2016.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM150 million subordinated debts using interest rate swaps.

Included in the Subordinated Debt was RM54,205,000 (2018: RM55,805,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

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

(h) Subordinated Debts 2013/2023 RM1.05 billion

On 1 August 2013 CIMB 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 Securities Commission on 10 June 2013.

CIMB 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.

CIMB 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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

32 SUBORDINATED OBLIGATIONS (CONTINUED)

**(h) Subordinated Debts 2013/2023 RM1.05 billion
(Continued)**

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 CIMB 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 CIMB Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

CIMB Bank redeemed in full the RM750 million and RM300 million 10 years tranche Subordinated Debt on its first optional redemption date of 13 September 2018 and 16 October 2018 respectively.

(i) Subordinated Debts 2014/2024 RM400 million

On 7 July 2014, CIMB Thai issued RM400 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes ("RM400 million Notes") to their overseas investors. The RM400 million Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after the issuance date subject to approval by the Bank of Thailand.

CIMB Thai 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.

On 8 July 2019, CIMB Thai exercised its option to early redeem the RM400 million Basel III compliant Tier II subordinated notes. This early redemption was approved by BOT on 10 May 2019, notification No. For Kor Kor 292/2562.

(j) Subordinated Debts 2015/2025 RM2 billion

On 23 December 2015, the Company issued RM2.0 billion 10 years non-callable 5 years Tier II subordinated debt ("RM2.0 billion Subordinated Debt") bearing a fixed rate coupon of 5.15% per annum. The said subordinated debt was issued out of a newly established RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM2.0 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM2.0 billion Subordinated Debt qualifies as Tier II capital under BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either

fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM2.0 billion subordinated debts using interest rate swaps.

(k) Additional Tier I Securities RM1.0 billion

On 25 May 2016, the Company 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 CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.80% p.a. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.0 billion Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

(l) Subordinated Notes 2016/2026 RM570 million

On 11 July 2016, CIMB Thai issued RM570 million 10-years non-callable 5 years Basel III compliant Tier II subordinated notes ("RM570 million 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 may exercise its right to early redeem the subordinated notes 5 years after the issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB4,710,435,721) as Tier II capital according to the correspondence For Kor Kor (02) 414/2559. Included in the RM570 million subordinated notes was RM470 million (2018: RM470 million) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(m) Subordinated debts 2016/2026 RM1.35 billion

On 8 August 2016, CIMB Bank completed the fourth issuance of a RM1.35 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.35 billion at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Notes to the Financial Statements

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32 SUBORDINATED OBLIGATIONS (CONTINUED)

(m) Subordinated debts 2016/2026 RM1.35 billion (Continued)

The RM1.35 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to CIMB 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 CIMB Bank.

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

(n) Additional Tier I Securities RM400 million

On 16 December 2016, the Company issued a nominal value RM400 million perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, 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, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

The Group has undertaken fair value hedge on the interest rate risk of the RM400 million Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

(o) Subordinated debts 2017/2027 RM1.5 billion

On 30 November 2017, the Company issued RM1.5 billion 10 years non-callable 5 years Tier II subordinated debt ("RM1.5 billion Subordinated Debt") bearing a fixed rate coupon of 4.90% p.a.. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM1.5 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM1.5 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either

fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

(p) Subordinated debts 2017/2027 RM300 million

On 28 December 2017, CIMB Islamic had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

The RM300 million subordinated Sukuk was held by a subsidiary of the Company, hence the amount was eliminated at consolidated level.

(q) Subordinated debts 2018/2028 RM700 million

On 29 March 2018, the Company issued RM700 million 10 years non-callable 5 years Tier II subordinated debt bearing a fixed rate coupon of 4.95% p.a. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM700 million Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

(r) Subordinated debts 2018/2028 RM390 million

On 29 March 2018, CIMB Thai issued RM390 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 million Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor 221/2561.

Included in the RM390 million subordinated notes was RM300 million (2018: RM300 million) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

Notes to the Financial Statements

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32 SUBORDINATED OBLIGATIONS (CONTINUED)

(s) Subordinated debts 2018/2029 RM1.2 billion

On 13 September 2018, the Company issued RM1.2 billion 11 years, on a non-callable 6 years basis, Tier II subordinated debt bearing a fixed rate coupon of 4.88% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM1.2 billion Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

(t) Additional Tier I Securities RM1.0 billion

On 23 October 2018, the Company issued RM1.0 billion perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.40% 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 BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

(u) Subordinated debts 2018/2023 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion with fixed interest rate of 9.85% per annum and maturity date of 15 November 2023. Included in the IDR75 billion subordinated notes was IDR36 billion (2018: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(v) Subordinated debts 2018/2025 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion with fixed interest rate of 10.00% per annum and maturity date of 15 November 2025. Included in the IDR75 billion subordinated notes was IDR36 billion (2018: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(w) Subordinated debts 2019/2029 USD15 million

On 15 May 2019, CIMB Bank PLC issued USD15 million subordinated loan which qualified as Tier II capital for CIMB Bank PLC for the purpose of computation of minimum Solvency Requirements by the National Bank of Cambodia ("NBC"). The subordinated loan was issued as a single tranche at a fixed rate of 4.5% per annum with a maturity of 10 years from the issue date with a call option starting at the end of year 5 and on each relevant coupon payment date thereafter. The redemption of the subordinated loan will be subject to NBC's approval.

The subordinated loan was subscribed by CIMB Bank, hence the amount was eliminated at consolidated level.

(x) Subordinated loans 2019/2024 RM1.0 billion

On 28 June 2019, the Company issued RM1.0 billion Basel III-compliant Additional Tier I Capital Securities under the RM10 billion Basel III AT1 Programme, at 4.88% per annum with an Issuer's call option to redeem at the end of year 5 and on each coupon payment date thereafter, subject to approval from BNM.

(y) Subordinated notes 2019/2029 RM550 million

On 8 July 2019, CIMB Thai issued RM550 million Basel III compliant Tier II subordinated notes. The subordinated notes carry fixed interest rate of 4.15% per annum payable every six months. The subordinated notes will mature on 6 July 2029. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand ("BOT"). Included in the RM550 million subordinated notes was RM450 million which was held by subsidiary of the Company, hence the amount was eliminated at consolidated level.

(z) Subordinated Sukuk 2019/2029 RM800 million

On 25 September 2019, CIMB Islamic issued RM800 million 10 years non-callable 5 years Tier II Junior Sukuk at 3.75% per annum, which was fully subscribed by CIMB Bank.

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

(aa) Subordinated loans 2019/2029 USD15 million

On 25 September 2019, CIMB Bank PLC issued a USD15 million subordinated loans which qualified as Tier II capital for CIMB Bank PLC for the purpose of computation of minimum Solvency Requirements by the National Bank of Cambodia ("NBC"). The subordinated loan was issued as a single tranche at a fixed rate of 4.0% per annum, with a maturity of 10 years from the issue date with a call option starting at the end of year 5 and on each relevant coupon payment date thereafter. The redemption of the subordinated loan will be subject to NBC's approval.

The subordinated loan was subscribed by CIMB Bank, hence the amount was eliminated at consolidated level.

(ab) Subordinated debts 2019/2029 RM800 million

On 25 November 2019, the Company issued RM800 million 10 years non-callable 5 years Tier II Subordinated debts bearing a fixed rate coupon of 3.85% p.a., payable on a semi-annual basis. The said subordinated debt was issued out of the RM10.0 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM800 million Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

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for the financial year ended 31 December 2019

33 SHARE CAPITAL

	The Group and the Company	
	2019 RM'000	2018 RM'000
Issued and fully paid shares:		
At 1 January	24,131,750	22,183,226
Issued during the financial year:		
– Dividend reinvestment scheme issued on:		
– 25 April 2019	(a)(i) 806,674	–
– 7 November 2019	(a)(ii) 905,384	–
– 2 May 2018	(a)(iii) –	897,612
– 25 October 2018	(a)(iv) –	1,050,912
At 31 December	25,843,808	24,131,750

(a) Increase in issued and paid-up capital

During the financial year, the Company increased its issued and paid-up capital from 9,564,459,418 to 9,922,971,258 shares via:

- (i) Issuance of 162,964,518 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen per ordinary share in respect of financial year ended 31 December 2018, as disclosed in Note 46(a); and
- (ii) Issuance of 195,547,322 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 14.00 sen per ordinary share in respect of financial year ended 31 December 2019, as disclosed in Note 46(b).

In respect of financial year 31 December 2018, the Company increased its issued and paid-up capital from 9,225,547,442 to 9,564,459,418 shares via:

- (iii) Issuance of 140,251,847 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen per ordinary share in respect of financial year ended 31 December 2017, as disclosed in Note 46(c); and
- (iv) Issuance of 198,660,129 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 13.00 sen per ordinary share in respect of financial year ended 31 December 2018, as disclosed in Note 46(d).

(b) Dividend Reinvestment Scheme

On 18 January 2013, the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares")("Dividend Reinvestment Scheme").

The Dividend Reinvestment Scheme has received the necessary approval from Bursa Securities on 5 February 2013, its shareholders via an Extraordinary General Meeting held on 25 February 2013 and from Bank Negara Malaysia on 25 March 2013.

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-à-vis the Group's capital strategy and plans.

Notes to the Financial Statements

for the financial year ended 31 December 2019

33 SHARE CAPITAL (CONTINUED)

(b) Dividend Reinvestment Scheme (Continued)

The rationale of the Dividend Reinvestment Scheme are as follows:

- (i) CIMB's capital management strategy

As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

- (ii) Enhancing shareholder value with reasonable dividend yield

The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken a cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investors' interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

- (iii) Alternative mode of payment of Dividends

The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

- (i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.

In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested; or

- (ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.

34 PERPETUAL PREFERENCE SHARES

	The Group	
	2019 RM'000	2018 RM'000
Issued and fully paid perpetual preference shares		

At 1 January/31 December

200,000

200,000

The main features of the perpetual preference shares ("PPS") are as follows:

- (i) The PPS has no right to dividends.
- (ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.
- (iii) The PPS rank *pari passu* in all aspects among themselves.
- (iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act 2016 and as approved by Bank Negara Malaysia.

Notes to the Financial Statements

for the financial year ended 31 December 2019

35 RESERVES

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statutory reserves	(a)	130,901	130,284	–	–
Regulatory reserve	(b)	2,133,166	1,542,976	–	–
Capital reserve	(c)	137,104	137,104	55,982	55,982
Exchange fluctuation reserves	(d)	1,071,570	282,393	–	–
Fair value reserve					
– Debt instruments at fair value through other comprehensive income	(e)	170,758	(288,294)	101,432	71,135
– Equity instruments at fair value through other comprehensive income	(f)	(231,725)	(207,686)	–	–
Retained earnings	(g)	28,136,798	26,864,962	1,042,263	767,854
Share-based payment reserve	(h)	75,905	73,993	–	–
Other reserves					
– Hedging reserve – net investment hedge	(i)	(1,168,991)	(1,212,126)	–	–
– Hedging reserve – cash flow hedge	(j)	7,212	6,097	–	–
– Hedging reserve – deferred hedging cost	(k)	95,539	47,373	–	–
– Own credit risk reserve	(l)	2,380	1,959	–	–
– EOP reserve – shares purchased pending release	(m)	(102,414)	(107,107)	–	–
– Defined benefits reserves	(n)	(64,234)	(28,777)	–	–
		30,393,969	27,243,151	1,199,677	894,971

- (a) The statutory reserves of the Group are maintained by certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. Effective 3 May 2018, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities. These reserves are not distributable by way of cash dividends.

- (b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

BNM Guidelines on Financial Reporting/Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Notes to the Financial Statements

for the financial year ended 31 December 2019

35 RESERVES (CONTINUED)

- (c) The capital reserve of the Group arose from the dilution of equity interest in subsidiaries resulted from the shares option scheme undertaken by the subsidiary in previous years.
- (d) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.
- (e) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.
- (f) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.
- (g) As at 31 December 2019, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2018: RM477,522,037) out of its retained earnings.
- (h) The share-based payment reserve arose from the Equity Ownership Plan ("EOP"), the Group's share-based compensation benefit, Employee Stock Option Management Program ("MESOP") and Employees' Share Option Scheme ("ESOS").
- (i) Hedging reserve arises from net investment hedge activities undertaken by the Group 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.
- (j) The Group have entered into cash flow hedges on senior bond issued and interbranch lending.
The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.
- (k) The Group designates the spot component of foreign currency swap contracts as hedging instruments in net investment hedge relationships. The Group defers changes in the forward element of foreign currency swap contracts in the cost of hedging reserve.
- (l) Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.
- (m) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.
- (n) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.

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36 SHARES HELD UNDER TRUST AND TREASURY SHARES**(a) Shares held under trust**

	The Group	
	2019 RM'000	2018 RM'000
At 1 January/31 December	563	563

As an integral part of the CIMB Berhad's ("CIMBB") restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

- (i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.
- (ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.
- (iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.
- (iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2019, there are 258,000 (2018: 258,000) units remain unexercised.

Notes to the Financial Statements

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36 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost

The Group and the Company

	2019		2018	
	Units '000	RM'000	Units '000	RM'000
At 1 January/31 December	5	43	5	43

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 22 April 2019, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2019, there were 4,908 ordinary shares held as treasury shares (2018: 4,908). Treasury shares have no rights to vote, dividends and participation in other distribution.

37 (a) INTEREST INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing:				
– Interest income other than recoveries	15,499,247	14,884,455	–	–
– Unwinding income^	252,928	146,276	–	–
Money at call and deposits with financial institutions	754,126	818,140	18,272	28,225
Reverse repurchase agreements	292,258	192,111	–	–
Debt instruments at fair value through other comprehensive income	1,093,862	1,223,536	134,000	90,356
Debt instruments at amortised cost	1,387,466	1,236,114	273,287	220,994
Equity instruments at fair value through other comprehensive income	11,556	21,892	–	–
Others	30,041	39,120	–	–
	19,321,484	18,561,644	425,559	339,575
Accretion of discounts less amortisation of premiums	9,052	9,689	–	–
	19,330,536	18,571,333	425,559	339,575

^ Unwinding income is interest income earned on credit impaired financial assets

Notes to the Financial Statements

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37 (b) INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2019 RM'000	2018 RM'000
Financial investments at fair value through profit or loss	677,055	538,842
Reverse repurchase agreements at fair value through profit or loss	4,540	16,319
Loan, advances and financing at fair value through profit or loss	43,888	—
	725,483	555,161
Accretion of discounts, net of amortisation of premiums	187,776	112,297
	913,259	667,458

38 INTEREST EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	523,270	480,759	—	—
Deposits from customers	6,971,933	6,578,221	—	—
Repurchase agreements	397,446	303,695	—	—
Bonds, Sukuk and debentures	559,027	557,833	—	—
Subordinated obligations	675,251	712,401	519,062	449,735
Financial liabilities designated at fair value through profit or loss	107,578	126,669	—	—
Negotiable certificates of deposits	105,433	104,406	—	—
Other borrowings	355,051	335,557	146,153	133,020
Recourse obligation on loan and financing sold to Cagamas	123,557	140,744	—	—
Structured deposits	291,459	246,989	—	—
Lease liabilities	30,893	—	—	—
Others	18,979	17,077	—	—
	10,159,877	9,604,351	665,215	582,755

Notes to the Financial Statements

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39 NET NON-INTEREST INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net fee and commission income:				
Commissions	1,159,958	1,255,211	—	—
Fee on loans, advances and financing	660,936	596,676	—	—
Service charges and fees	654,424	702,573	—	—
Corporate advisory and arrangement fees	19,555	19,987	—	—
Guarantee fees	73,171	63,246	—	—
Other fee income	292,368	241,232	—	—
Placement fees	12,730	4,139	—	—
Underwriting commission	97,141	61,101	—	—
Fee and commission income	2,970,283	2,944,165	—	—
Fee and commission expense	(752,008)	(687,824)	—	—
Net fee and commission income	2,218,275	2,256,341	—	—
Gross dividend income from:				
In Malaysia				
– Subsidiaries	—	—	3,079,584	3,318,627
– Financial investments at fair value through profit or loss	63,038	53,281	—	—
– Equity instruments at fair value through other comprehensive income	3,757	3,160	—	—
Outside Malaysia				
– Financial investments at fair value through profit or loss	—	231	—	—
– Debt instruments at fair value through other comprehensive income	—	16	—	—
– Equity instruments at fair value through other comprehensive income	1,125	1,296	—	—
	67,920	57,984	3,079,584	3,318,627
Net gain/(loss) arising from financial investments at fair value through profit or loss				
– Realised	205,303	(637,363)	—	—
– Unrealised	653,123	106,031	—	—
	858,426	(531,332)	—	—
Net gain/(loss) arising from derivative financial instruments:				
– Realised	963,205	1,339,889	—	—
– Unrealised	(372,871)	544,997	—	—
	590,334	1,884,886	—	—

Notes to the Financial Statements

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39 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss:				
– Realised	51,885	71,255	–	–
– Unrealised	(367,133)	(162,587)	–	–
	(315,248)	(91,332)	–	–
Net loss arising from hedging activities	(31,870)	(14,269)	–	–
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	283,011	38,448	–	–
Net loss from redemption of debt instruments at amortised cost	–	(811)	–	–
Net loss arising from loans, advances and financing at fair value through profit or loss:				
– Unrealised	(1,626)	–	–	–
Income from assets management and securities services	16,564	188,308	–	–
Brokerage income	54,355	115,983	–	–
Other non-interest income:				
Foreign exchange gain/(loss)	394,575	75,159	(7)	(929)
Gain on remeasurement of equity interests retained as joint ventures	–	1,192,262	–	–
Gain/(loss) on disposal of interests in subsidiaries	235,828	(103,542)	–	(528,670)
Rental income	36,019	27,773	307	315
Gain on disposal of property, plant and equipment/assets held for sale	19,274	20,785	708	–
Gain on disposal of associates and joint ventures	15,985	2,693	–	–
Other non-operating income	45,130	88,298	–	410
Gain on disposal of loans, advances and financing	178,151	–	–	–
Gain/(loss) on disposal of foreclosed assets	6,195	(70,267)	–	–
	931,157	1,233,161	1,008	(528,874)
	4,671,298	5,137,367	3,080,592	2,789,753

Notes to the Financial Statements

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40 OVERHEADS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs				
– Salaries, allowances and bonus	4,309,096	3,917,197	–	–
– Pension costs (defined contribution plan)	363,173	231,613	–	–
– Pension costs (defined benefit plans (Note 29(b))	86,169	171,033	–	–
– Overtime	28,335	27,868	–	–
– Staff incentives and other staff payments	281,857	234,455	3	113
– Medical expenses	118,510	110,663	–	–
– Transformation initiative expenses	365,806	–	–	–
– Others	211,728	233,918	–	–
Establishment costs				
– Depreciation of property, plant and equipment	288,971	296,558	3,415	104
– Depreciation of right-of-use assets	238,960	–	–	–
– Amortisation of intangible assets	306,332	356,587	–	–
– Depreciation of investment properties	–	–	18	18
– Amortisation of prepaid lease payments	10,268	10,230	–	–
– Rental	169,270	493,691	–	2
– Repair and maintenance	542,191	485,746	313	521
– Outsourced services	83,111	59,302	–	–
– Security expenses	108,095	111,622	–	–
– Others	261,236	132,764	98	94
Marketing expenses				
– Advertisement	363,784	292,485	–	–
– Others	60,151	58,817	116	12
Administration and general expenses				
– Legal and professional fees	311,481	131,205	15,051	17,267
– Stationery	50,542	55,529	–	–
– Communication	105,328	99,086	19	38
– Incidental expenses on banking operations	48,570	47,918	–	–
– Insurance	317,899	295,185	2,831	3,149
– Others	842,042	802,349	7,811	13,887
	9,872,905	8,655,821	29,675	35,205

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40 OVERHEADS (CONTINUED)

The above expenditure includes the following:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 43)	14,441	15,843	3,567	4,182
Rental of premises	32,767	300,601	—	—
Hire of equipment	42,504	55,159	—	—
Lease rental	216	13,877	—	—
Auditors' remuneration				
PricewaterhouseCoopers PLT (audit)				
– statutory audit	6,651	5,498	632	608
– limited review	1,052	1,038	25	25
– other audit related	598	3,930	28	145
PricewaterhouseCoopers PLT (non audit)	1,682	442	57	55
Other member firms of PwC International Limited (audit)				
– statutory audit	6,788	5,113	—	—
– limited review	1,751	1,784	—	—
– other audit related	605	2,571	—	—
Other member firms of PwC International Limited (non audit)	844	2,008	—	—
Property, plant and equipment written off	7,614	2,946	—	—
Intangible assets written off	5,873	—	—	—

* PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

Notes to the Financial Statements

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41 EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2019 RM'000	2018 RM'000
Expected credit losses on loans, advances and financing at amortised cost:		
- Expected credit losses on loans, advances and financing	2,219,681	2,022,688
Credit impaired loans, advances and financing:		
- Recovered	(592,101)	(608,258)
- Written off	11,205	18,231
	1,638,785	1,432,661

42 OTHER EXPECTED CREDIT LOSSES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expected credit losses (written back)/made on:				
- Debt instrument at fair value through other comprehensive income	1,715	(2,600)	4,225	10,468
- Debt instrument at amortised cost	(44,551)	87,793	17,961	21,009
- Money at call and deposits and placements with banks and other financial institutions	3,134	981	-	-
- Other assets	120,534	48,326	-	-
- Intangible assets	271,186	-	-	-
	352,018	134,500	22,186	31,477

Notes to the Financial Statements

for the financial year ended 31 December 2019

43 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Directors

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz (Resigned on 9 March 2020)

Non-Executive Directors

Datuk Mohd Nasir Ahmad

Teoh Su Yin

Robert Neil Coombe

Dato' Lee Kok Kwan

Dato' Mohamed Ross bin Mohd Din

Ahmad Zulqarnain bin Che On

Afzal bin Abdul Rahim (Appointed on 31 January 2019)

Didi Syafruddin Yahya (Appointed on 7 May 2019)

Glenn Muhammad Surya Yusuf (Retired on 23 January 2019)

Watanan Petersik (Retired on 24 January 2019)

Tongurai Limpiti (Resigned on 30 December 2019)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Directors				
– Salary and other remuneration	8,533^	8,689^	–	–
– Benefits-in-kind	8	7	–	–
	8,541	8,696	–	–
Non-Executive Directors				
– Fees	2,643	3,477	1,264	1,496
– Other remuneration	3,191^	3,604^	2,268	2,651
– Benefits-in-kind	66	66	35	35
	5,900	7,147	3,567	4,182
	14,441	15,843	3,567	4,182

[^] These salary and other remuneration include cash bonus accruals in relation to the directorship of certain Directors in certain subsidiaries. The Directors' cash bonus for the financial year 2019 will be paid in tranches, spread over financial year 2020, while for financial year 2018, it was similarly paid in tranches, spread over financial year 2019. A similar condition is also imposed on the cash bonus for certain key personnel.

Notes to the Financial Statements

for the financial year ended 31 December 2019

43 DIRECTORS' REMUNERATION (CONTINUED)

	Salary and/ or other remuneration		Benefits- in-kind RM'000	The Group Total RM'000	Salary and/ or other remuneration		Benefits- in-kind RM'000	The Company Total RM'000				
	Fees RM'000	RM'000			Fees RM'000	RM'000						
2019												
Executive Director												
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	8,533	8	8,541	-	-	-	-				
	-	8,533	8	8,541	-	-	-	-				
Non-Executive Directors												
Datuk Mohd Nasir Ahmad	325	1,145	35	1,505	170	790	35	995				
Teoh Su Yin	170	355	-	525	170	355	-	525				
Robert Neil Coombe	170	272	-	442	170	272	-	442				
Dato' Lee Kok Kwan	333	245	-	578	170	120	-	290				
Dato' Mohamed Ross bin Mohd Din	310	708	31	1,049	170	385	-	555				
Ahmad Zulqarnain bin Che On	170	165	-	335	170	165	-	335				
Afzal bin Abdul Rahim	-	-	-	-	-	-	-	-				
Didi Syafruddin Yahya	326	215	-	541	111	95	-	206				
Glenn Muhammad Surya Yusuf	566	16	-	582	11	16	-	27				
Watanan Petersik	162	10	-	172	11	10	-	21				
Tongrai Limpiti	111	60	-	171	111	60	-	171				
	2,643	3,191	66	5,900	1,264	2,268	35	3,567				
	2,643	11,724	74	14,441	1,264	2,268	35	3,567				

Notes to the Financial Statements

for the financial year ended 31 December 2019

43 DIRECTORS' REMUNERATION (CONTINUED)

	Salary and/or other remuneration		Benefits-in-kind RM'000	The Group Total RM'000	Salary and/or other remuneration		Benefits-in-kind RM'000	The Company Total RM'000				
	Fees RM'000	RM'000			Fees RM'000	RM'000						
2018												
Executive Director												
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	8,689	7	8,696	–	–	–	–				
	–	8,689	7	8,696	–	–	–	–				
Non-Executive Directors												
Datuk Mohd Nasir Ahmad	320	837	35	1,192	170	467	35	672				
Teoh Su Yin	170	295	–	465	170	295	–	465				
Robert Neil Coombe	170	105	–	275	170	105	–	275				
Dato' Lee Kok Kwan	459	286	–	745	170	130	–	300				
Dato' Mohamed Ross bin Mohd Din	311	615	31	957	170	310	–	480				
Ahmad Zulqarnain bin Che On	170	180	–	350	170	180	–	350				
Dato' Sri Mohamed Nazir bin Abdul Razak	722	731	–	1,453	136	609	–	745				
Glenn Muhammad Surya Yusuf	890	380	–	1,270	170	380	–	550				
Watanan Petersik	265	175	–	440	170	175	–	345				
	3,477	3,604	66	7,147	1,496	2,651	35	4,182				
	3,477	12,293	73	15,843	1,496	2,651	35	4,182				

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM1,018,690 (2018: RM976,019) and RM Nil (2018: RM Nil).

Notes to the Financial Statements

for the financial year ended 31 December 2019

44 TAXATION AND ZAKAT

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000

Taxation based on the profit for the financial year:

– Malaysian income tax	1,036,903	1,321,121	5,186	6,953
– Foreign tax	533,433	487,841	–	–
	1,570,336	1,808,962	5,186	6,953
Deferred taxation (Note 11)	(129,838)	(271,053)	3	13
Under/(over) provision in prior years	75,455	(3,695)	(97)	2
	1,515,953	1,534,214	5,092	6,968
Zakat	3,700	3,100	–	–
	1,519,653	1,537,314	5,092	6,968

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	5,974,840	7,200,667	2,789,075	2,479,891
Less: Share of results of joint ventures	(31,401)	(30,678)	–	–
Share of results of associates	751	(3,576)	–	–
	5,944,190	7,166,413	2,789,075	2,479,891
Tax calculated at a rate of 24% (2018: 24%)	1,426,606	1,719,939	669,378	595,174
Income not subject to tax	(94,650)	(331,982)	(664,189)	(669,471)
Effects of different tax rates in other countries	(148,172)	(131,327)	–	–
Expenses not deductible for tax purposes	256,714	281,279	–	81,263
Under/(over) provision in prior years	75,455	(3,695)	(97)	2
Tax expense	1,515,953	1,534,214	5,092	6,968

Notes to the Financial Statements

for the financial year ended 31 December 2019

45 EARNINGS PER SHARE

- (a) Basic earnings per share

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

	2019	2018
Net profit attributable to equity holders of the parent (RM'000)	4,559,656	5,583,510
Weighted average number of ordinary shares in issue ('000)	9,705,987	9,356,695
Basic earnings per share (expressed in sen per share)	46.98	59.67

- (b) Diluted earnings per share

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

46 DIVIDENDS PER ORDINARY SHARE

	The Group and the Company			
	2019		2018	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend in respect of previous year	12.00	1,147,735^a	12.00	1,107,065 ^c
Interim dividend in respect of current year	14.00	1,361,839^b	13.00	1,217,553 ^d
	26.00	2,509,574	25.00	2,324,618

- (a) The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 8.43 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM806,674,364 and a total of RM341,060,177 cash dividend was paid on 24 April 2019.
- (b) The dividend consists of electable portion of 14.00 sen per ordinary shares, of which 9.31 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM905,384,101 and a total of RM456,454,563 cash dividend was paid on 6 November 2019.
- (c) The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 9.73 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM897,611,821 and a total of RM209,453,283 cash dividend was paid on 30 April 2018.
- (d) The dividend consists of electable portion of 13.00 sen per ordinary shares, of which 11.22 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM1,050,912,082 and a total of RM166,641,187 cash dividend was paid on 24 October 2018.

Notes to the Financial Statements

for the financial year ended 31 December 2019

46 DIVIDENDS PER ORDINARY SHARE (CONTINUED)

Dividends recognised as distributions to owners:

The single-tier second interim dividend for the previous financial year was approved by the Board of Directors on 31 January 2019 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single-tier first interim dividend of 14.00 sen per ordinary share on 9,727,419,028 ordinary shares amounting to RM1,362 million for the financial year ended 31 December 2019 under DRS. The interim dividend of 14.00 sen per ordinary share was approved by the Board of Directors on 31 July 2019 and paid on 6 November 2019.

The Directors have proposed a single-tier second interim dividend of 12.00 sen per ordinary share, on 9,922,966,350 ordinary shares amounting to RM1,191 million in respect of the financial year ended 31 December 2019, to be paid in 2020. The single-tier second interim dividend was approved by the Board of Directors on 30 January 2020.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2020.

The Directors do not recommend the payment of any final dividend for the financial year ended 2019.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties (both companies and key management personnel) are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 13	Subsidiaries
Associates of the Company as disclosed in Note 14	Associates
Joint ventures as disclosed in Note 15	Joint ventures
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 Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at agreed rates.

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Related party transactions						
The Group						
Income earned						
Interest on deposits and placements with financial institutions	–	–	1,765	2,626	–	–
Interest on loans, advances and financing	–	–	4,617	3,546	151	405
Fee income	–	–	4,275	1,749	–	–
Placement commission	–	–	7,494	3,036	88	129
Others	–	–	48,051	45,165	–	–
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	–	–	3,956	3,211	865	1,717
Brokerage expenses	–	–	10,109	8,053	–	–
Others	–	–	6,519	2,746	–	–
The Company						
Income earned						
Interest on fixed deposits and money market	18,272	28,225	–	–	–	–
Dividend income	3,079,584	3,318,627	–	–	–	–
Rental income	–	315	–	–	–	–
Interest income on debt instruments at amortised cost	273,287	231,350	–	–	–	–
Interest income on debt instruments at fair value through other comprehensive income	134,000	80,000	–	–	–	–
Expenditure incurred						
Interest on revolving credit	492	2,542	–	–	–	–
Interest on subordinated obligations	5,584	6,730	–	–	–	–
Professional fees	8,161	936	–	–	–	–
Group services expense	3,247	1,101	–	–	–	–
Others	226	228	–	–	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2019

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (b) Related party transactions (Continued)

The breakdown of expenditure by geographical is as follows:

2019	The Group			The Company		
	Interest expense RM'000	Brokerage expense RM'000	Others RM'000	Interest expense RM'000	Others RM'000	Group services expense RM'000
Malaysia	2,891	–	–	6,076	8,387	3,247
Singapore	1,065	10,109	6,509	–	–	–
Others	–	–	10	–	–	–
	3,956	10,109	6,519	6,076	8,387	3,247

2018	The Group			The Company		
	Interest expense RM'000	Brokerage expense RM'000	Others RM'000	Interest expense RM'000	Others RM'000	Group services expense RM'000
Malaysia	3,014	–	–	9,272	1,164	1,101
Thailand	–	132	–	–	–	–
Singapore	197	7,577	1,826	–	–	–
Others	–	344	920	–	–	–
	3,211	8,053	2,746	9,272	1,164	1,101

Notes to the Financial Statements

for the financial year ended 31 December 2019

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Related party balances						
The Group						
Amount due from						
Amounts due from brokers	-	-	-	43,619	-	-
Loans, advances and financing	-	-	221,975	221,039	21,292	55,865
Others	-	-	1,219,911	1,011,552	-	-
Amount due to						
Deposits from customers and securities sold under repurchase agreements	-	-	384,156	344,543	53,459	57,180
Amounts due to brokers	-	-	-	59,733	-	-
Others	-	-	8,120	502	-	-
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	370,546	197,547	-	-	-	-
Debt instruments at fair value through other comprehensive income	2,493,362	2,467,071	-	-	-	-
Debt instruments at amortised cost	6,248,907	5,445,494	-	-	-	-
Amount due to						
Revolving credit	200,492	-	-	-	-	-
Subordinated obligations	77,988	83,283	-	-	-	-
Others	9,826	1,819	-	-	-	-

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

for the financial year ended 31 December 2019

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (d) Key management personnel

Key management compensation

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other employee benefits [#]	103,261	120,889	12,107	12,879
Shares of the Company (units)	4,587,230	3,675,568	465,632	425,429

[#] includes compensation paid by other related companies

Included in the above table is the Executive Directors' compensation which is disclosed in Note 43. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 48 to the Financial Statements.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. There is no ECL made in 2019 and 2018 for the loans, advances and financing made to the key management personnel.

- (e) Credit transactions and exposures with connected parties

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

	The Group	
	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	11,521,577	11,185,199
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.5%	2.5%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.0%	0.0%

Notes to the Financial Statements

for the financial year ended 31 December 2019

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad (“KNB”), the major shareholder of the Company, owns 23.8% of the issued share capital of the Company (2018: 26.8%). KNB is an entity controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 “Related Party Disclosures”, KNB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as “government-related entities”) are related parties of the Group and the Company.

The Group and the Company 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 business on agreed terms and consistently applied in accordance with the Group’s internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

48 EMPLOYEE BENEFITS

Equity Ownership Plan (“EOP”)

The EOP was introduced on 1 April 2011 by the Group where the Group will grant ordinary shares of the Company to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group will be utilised to purchase ordinary shares of the Company 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 subsidiary company will act on behalf of the 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 the 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 expenses of the Group recognised in statement of income during the financial year amounted to RM67,916,000 (2018: RM68,620,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.23 per ordinary share (2018: RM7.07), based on observable market price.

Movements in the number of the Company’s ordinary shares awarded are as follows:

	2019	2018
	Total Shares (units '000)	Total Shares (units '000)
At 1 January	17,561	21,611
Awarded	12,147	10,009
Released	(12,322)	(14,059)
At 31 December	17,386	17,561

Notes to the Financial Statements

for the financial year ended 31 December 2019

48 EMPLOYEE BENEFITS (CONTINUED)

Employee Stock Option Management Program established using the shares of subsidiary of the Company – PT Bank CIMB Niaga (“MESOP”)

The MESOP is a one-time program to reward performance and loyalty of management and selected employees. The amount implemented is 208,216,392 sheets which was approved at the Extraordinary General Meeting of Shareholders on 24 August 2017. This program was launched on 26 February 2018.

The amount of shares allocated to each employees is determined by considering the compensation received, current positions in the company, and performance of the past 2 years. The total amount of shares allocated to the MESOP program is 208.2 million shares, in which 12 millions of shares will be allocated for the share grants and 196.2 millions of shares for the share options. The first 40% of the share options are vested on 26 February 2018 (with condition of lock-up period up to 25 October 2018), another 30% of options are vested on 25 April 2019, and the last 30% of options are vested on 25 April 2020. Every share options corridor has different strike prices.

There are no dividends paid to share option holders before the option is exercised. All of the share options granted will expire on 25 October 2020.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM1,790,000 (2018: RM11,627,000).

Employees' Share Option Scheme established using the shares of subsidiary of the Company – TNG Digital Sdn Bhd (“TNGD”) (“ESOS”)

The TNGD ESOS was approved by the Board of Directors of TNGD on 24 October 2018, and is implemented and administered by a committee comprising such persons as may be appointed by the Board in accordance to the ESOS By-Laws (“ESOS Committee”). The ESOS is designed to provide long-term incentives for employees to remain in employment with TNGD. Under the plan, participants are granted options which may only be vested if the vesting conditions are satisfied. Eligibility and participation in the ESOS is subject to the ESOS By-Laws and at the discretion of the ESOS Committee, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under this ESOS for no consideration, and carry no dividend or voting rights.

Upon the vesting conditions being met, each option is exercisable to be exchanged for one redeemable convertible preference shares (“RCPS”). The exercise price of each option is to be determined by the ESOS Committee at its discretion in accordance to the ESOS By-Laws.

The total number of shares allocated to the ESOS is 10.5 million RCPS. There are no options that has vested and exercisable at 31 December 2019. The total share-based payment expenses recognised in statement of income during the financial year amounted to RM1,328,000.

Notes to the Financial Statements

for the financial year ended 31 December 2019

49 CAPITAL COMMITMENTS

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

	The Group	
	2019 RM'000	2018 RM'000
Capital expenditure:		
Authorised and contracted for	255,328	272,865
Authorised but not contracted for	1,422,566	1,530,199
	1,677,894	1,803,064

Analysed as follows:

	The Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment		
Subscription for investments	970,781	970,087
Computer software	12,787	12,787
	694,326	820,190
	1,677,894	1,803,064

50 LEASE COMMITMENTS

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

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 17 for details.

	The Group	
	2019 RM'000	2018 RM'000
Within one year		
One year to less than five years	–	302,770
Five years and more	–	431,087
	–	44,576

Notes to the Financial Statements

for the financial year ended 31 December 2019

51 COMMITMENTS AND CONTINGENCIES

- (i) In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group and the Company, except for certain financial assets at fair value through profit or loss 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. Refer to Note 8.

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

	The Group	
	2019 Principal RM'000	2018 Principal RM'000
<u>Credit-related</u>		
Direct credit substitutes		
	6,834,852	6,637,881
Certain transaction-related contingent items	8,540,770	7,985,779
Short-term self-liquidating trade-related contingencies	5,590,237	3,432,622
Obligations under underwriting agreement	–	250,000
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	61,502,883	62,748,922
– Maturity exceeding one year	34,992,846	32,058,573
Miscellaneous commitments and contingencies	2,215,223	966,685
Total credit-related commitments and contingencies	119,676,811	114,080,462
Total treasury-related commitments and contingencies (Note 8)	1,026,346,675	1,015,058,192
	1,146,023,486	1,129,138,654

Included under irrevocable commitments to extend credit are the amount related to the Restricted Agency Investment Account (refer to Note 9 for more details) as follows:

	The Group	
	2019 Principal RM'000	2018 Principal RM'000
<u>Irrevocable commitments to extend credit:</u>		
– maturity not exceeding one year	–	700,000

Notes to the Financial Statements

for the financial year ended 31 December 2019

51 COMMITMENTS AND CONTINGENCIES (CONTINUED)

- (ii) CIMB 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.
- (iii) The Company has on 24 February 2017 filed a notice of appeal (Form Q) according to Section 99 (1) of the Income Tax Act, 1967 against the Notices of Assessment (Notices) for the years of assessment 2009 to 2012 dated 8 February 2018 from Inland Revenue Board ("IRB"), and obtained a stand over of taxes from IRB on 13 April 2018. The Company has subsequently made full payment of taxes as requested by IRB vide their letter dated 18 December 2018 revoking their earlier approval for the stand over of taxes. However, no provision has been made in the financial statements for any potential contingent liabilities up to the reporting date, based on independent legal advice. The potential liability of the Company if there was an adverse decision related to the appeal is estimated to be approximately RM264 million.

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 Executive 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.

(a) Business segment reportingDefinition of segments

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

(i) *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.

(ii) *Commercial Banking*

Commercial Banking offers products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include banking credit facilities, trade financing, cash management, online business banking platform, remittance and foreign exchange, as well as general deposit products.

Notes to the Financial Statements

for the financial year ended 31 December 2019

52 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

(iii) 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.

(iv) Group Ventures & Partnerships and Funding

Group Ventures & Partnerships drives all strategic partnerships across business lines Group-wide and explores strategic equity joint ventures in the ecosystem space. Funding encompasses a wide range of activities from capital, balance sheet and fixed income investments and management, as well as the funding and incubation of corporate ventures and projects.

Notes to the Financial Statements

for the financial year ended 31 December 2019

52 SEGMENT REPORTING (CONTINUED)**(a) Business segment reporting (Continued)****31 December 2019**

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Ventures & Partnerships and Funding RM'000	Total RM'000
Group					
Net interest income					
– External income	4,759,539	2,526,641	2,492,113	305,625	10,083,918
– Inter-segment (expense)/income	(204,396)	(305,738)	(21,007)	531,141	–
	4,555,143	2,220,903	2,471,106	836,766	10,083,918
Income from Islamic Banking operations	1,114,330	571,279	739,207	615,847	3,040,663
Net non-interest income	1,740,964	620,290	1,716,294	341,937	4,419,485
Gain on disposal of subsidiaries and associate	–	–	–	251,813	251,813
	7,410,437	3,412,472	4,926,607	2,046,363	17,795,879
Overheads of which:					
– Depreciation of property, plant and equipment	(125,624)	(5,078)	(15,998)	(142,271)	(288,971)
– Amortisation of prepaid lease payments	–	(49)	–	(10,219)	(10,268)
– Amortisation of intangible assets	(68,045)	(2,494)	(26,288)	(209,505)	(306,332)
Profit before expected credit losses	3,021,413	1,601,248	2,603,742	696,571	7,922,974
Expected credit losses on loans, advances and financing					
	(883,992)	(27,736)	(726,590)	(467)	(1,638,785)
Expected credit losses (made)/written back on commitments and contingencies	(44,529)	24,822	31,586	140	12,019
Other expected credit losses (made)/written back	(137,952)	11,014	39,860	(264,940)	(352,018)
Segment results	1,954,940	1,609,348	1,948,598	431,304	5,944,190
Share of results of joint ventures	3,536	–	(20,707)	48,572	31,401
Share of results of associates	–	–	–	(751)	(751)
Profit before taxation and zakat	1,958,476	1,609,348	1,927,891	479,125	5,974,840
Taxation and zakat					(1,519,653)
Profit for the financial year					4,455,187

Notes to the Financial Statements

for the financial year ended 31 December 2019

52 SEGMENT REPORTING (CONTINUED)

(a) **Business segment reporting (Continued)**

31 December 2019

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Ventures & Partnerships and Funding RM'000	Total RM'000
Group					
Segment assets	184,739,646	64,198,919	240,391,766	67,798,402	557,128,733
Investment in associates and joint ventures	175,400	–	1,300,096	952,265	2,427,761
	184,915,046	64,198,919	241,691,862	68,750,667	559,556,494
Unallocated assets	–	–	–	–	13,689,161
Total assets	184,915,046	64,198,919	241,691,862	68,750,667	573,245,655
Segment liabilities	171,502,959	65,865,217	224,949,122	35,509,855	497,827,153
Unallocated liabilities	–	–	–	–	17,949,426
Total liabilities	171,502,959	65,865,217	224,949,122	35,509,855	515,776,579
Other segment items					
Capital expenditure	392,612	13,562	72,158	478,886	957,218
Investment in joint ventures	175,400	–	1,300,096	906,509	2,382,005
Investment in associates	–	–	–	45,756	45,756

Notes to the Financial Statements

for the financial year ended 31 December 2019

52 SEGMENT REPORTING (CONTINUED)**(a) Business segment reporting (Continued)**

	31 December 2018				
	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Ventures & Partnerships and Funding RM'000	Total RM'000
Group					
Net interest income					
– External income	4,997,035	2,325,631	1,644,663	667,111	9,634,440
– Inter-segment (expense)/income	(409,046)	(136,826)	680,702	(134,830)	–
	4,587,989	2,188,805	2,325,365	532,281	9,634,440
Income from Islamic Banking operations	943,881	480,125	715,076	471,079	2,610,161
Net non-interest income	1,709,908	526,443	1,469,840	339,763	4,045,954
Gain on disposal of subsidiaries and associates	–	–	–	1,091,413	1,091,413
	7,241,778	3,195,373	4,510,281	2,434,536	17,381,968
Overheads of which:	(4,114,379)	(1,705,632)	(2,223,085)	(612,725)	(8,655,821)
– Depreciation of property, plant and equipment	(128,470)	(4,822)	(19,502)	(143,764)	(296,558)
– Amortisation of prepaid lease payments	–	(46)	–	(10,184)	(10,230)
– Amortisation of intangible assets	(63,166)	(3,376)	(30,073)	(259,972)	(356,587)
Profit before allowances	3,127,399	1,489,741	2,287,196	1,821,811	8,726,147
Expected credit losses (made)/written back on loans, advances and financing	(439,578)	(597,768)	(403,770)	8,455	(1,432,661)
Expected credit losses (made)/written back for commitments and contingencies	(28,511)	(11,963)	47,918	(17)	7,427
Other expected credit losses made	(2,128)	(19,710)	(87,630)	(25,032)	(134,500)
Segment results	2,657,182	860,300	1,843,714	1,805,217	7,166,413
Share of results of joint ventures	2,176	–	(9,243)	37,745	30,678
Share of results of associates	–	–	–	3,576	3,576
Profit before taxation and zakat	2,659,358	860,300	1,834,471	1,846,538	7,200,667
Taxation and zakat					(1,537,314)
Profit for the financial year					5,663,353

Notes to the Financial Statements

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52 SEGMENT REPORTING (CONTINUED)

(a) **Business segment reporting (Continued)**

31 December 2018

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Ventures & Partnerships and Funding RM'000	Total RM'000
Group					
Segment assets	170,430,774	63,167,785	222,181,632	61,697,202	517,477,393
Investment in associates and joint ventures	171,863	–	557,332	985,171	1,714,366
	170,602,637	63,167,785	222,738,964	62,682,373	519,191,759
Unallocated assets	–	–	–	–	14,897,284
Total assets	170,602,637	63,167,785	222,738,964	62,682,373	534,089,043
Segment liabilities	157,816,836	65,419,255	209,449,922	33,388,510	466,074,523
Unallocated liabilities	–	–	–	–	15,426,549
Total liabilities	157,816,836	65,419,255	209,449,922	33,388,510	481,501,072
Other segment items					
Capital expenditure	738,667	21,311	49,209	241,907	1,051,094
Investment in joint ventures	171,863	–	557,332	910,275	1,639,470
Investment in associates	–	–	–	74,896	74,896

Basis of pricing for inter-segment transfers

Inter-segmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

Notes to the Financial Statements

for the financial year ended 31 December 2019

52 SEGMENT REPORTING (CONTINUED)**(b) Geographical segment reporting**

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Indonesia, the areas of operation in this country include all the business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the business segments of a subsidiary bank, CIMB Thai.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, China, Cambodia, Hong Kong, Vietnam and Philippines. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

	Net interest income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000
The Group				
2019				
Malaysia	4,239,679	12,927,859	363,599,128	331,799,288
Indonesia	3,336,915	1,439,483	79,312,300	68,401,558
Thailand	1,587,187	409,782	54,301,249	48,536,200
Other countries	920,137	411,456	76,032,978	67,039,533
	10,083,918	15,188,580	573,245,655	515,776,579
2018				
Malaysia	4,264,418	11,889,041	345,618,188	313,345,847
Indonesia	3,150,277	1,108,123	74,915,999	65,010,691
Thailand	1,430,007	276,436	45,746,423	40,739,179
Other countries	789,738	178,232	67,808,433	62,405,355
	9,634,440	13,451,832	534,089,043	481,501,072

Notes to the Financial Statements

for the financial year ended 31 December 2019

53 SIGNIFICANT EVENTS

53.1 Significant events during the financial year

(a) Disposal of equity business of CIMB Securities International Pte. Ltd. ("CSI"), Acquisition of equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities") and Disposal of CIMBG's Malaysia Stockbroking business

On 17 October 2016, the Group announced that CIMB Group Sdn Bhd ("CIMBG"), a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal").

The consideration for the Proposed Disposal amounts to approximately S\$167 million (approximately RM515 million), and was arrived at based on a multiple of 1.3 times to the consolidated net asset value of CSI as at 31 December 2015, is subject to completion of audit adjustment, if any.

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

The Proposed Disposal was completed on 18 January 2018.

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

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd ("the Malaysia JV HoldCo") entered into a Share Subscription Agreement in connection with the subscription of new shares in the Malaysia JV Entity by CIMBG and CGI ("Proposed MY Share Subscription"). At completion, CIMBG and CGI will be 50:50 shareholders in Malaysia JV HoldCo. Following the signing of the Share Subscription Agreement, the parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group, including 100% interest in CIMB Futures Sdn Bhd, to Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of Malaysia JV HoldCo and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration for the Proposed Business Transfer will be satisfied in cash, and is subject to completion audit adjustment, if any.

On 9 May 2019, the Group announced that the High Court of Malaya has granted the necessary court orders for the Proposed Business Transfer with effect from 1 July 2019.

On 28 June 2019, the Group announced the completion of the Proposed MY Share Subscription. The proceeds from the subscription was utilised to satisfy the purchase consideration in connection with the Proposed Business Transfer, which was effective on 1 July 2019. This new JV was rebranded as "CGS-CIMB Securities" on the effective date.

(b) Disposal of CIMB Howden Insurance Brokers ("CHIB")

On 23 January 2019, CIG, a wholly-owned indirect subsidiary of CIMB Group Holdings Berhad ("CIMBGH"), entered into a Share Purchase Agreement with HBG Asia Holdings Limited and Howden to divest 510,000 shares in CHIB, representing CIG's entire stake of 51% of the issued capital of CHIB, to Howden for a consideration of RM59.6 million ("Proposed Divestment"). Approval from Bank Negara Malaysia in relation to the Proposed Divestment was received by Howden on 27 November 2018. On 31 January 2019, the Proposed Divestment has been completed.

Notes to the Financial Statements

for the financial year ended 31 December 2019

53 SIGNIFICANT EVENTS (CONTINUED)**53.1 Significant events during the financial year (Continued)****(c) Establishment of investment banking business in the Philippines**

On 23 January 2019, CIMB Group Sdn Bhd ("CIMBG"), a wholly-owned subsidiary of CIMBGH, received the relevant approvals from the Securities and Exchange Commission of the Philippines to establish its investment banking business in the Philippines. This includes the receipt of Certificate of Incorporation and Certificate of Registration for an Investment House license ("SEC Approvals"). CIMBG will be operating its investment banking business in the Philippines via a 60% shareholding in CIMB Bancom Capital Corporation ("CIMB Bancom"), with the remaining 40% stake in CIMB Bancom to be held by local partners, Bancom II Consultants, Inc. ("Bancom II") and PLP Group Holdings, Inc. ("PLP Group"). With the receipt of the SEC Approvals, CIMBG, Bancom II and PLP Group had entered into a joint venture agreement on 23 January 2019.

(d) Acquisition of additional interest in Touch N' Go Sdn Bhd ("TnG")

On 25 April 2019, Touch N' Go Sdn Bhd ("TnG"), a subsidiary of CIMBGH, proposed increase of its share via an issuance and allotment of ordinary shares in two tranches to the shareholders of TnG proportionate to their shareholdings ("Capital Call").

CIMBGH fully subscribed to the first tranche of the Capital Call on 17 May 2019 which included the subscription of excess shares not taken up by the other TnG shareholders. Subsequent to the completion of the first tranche of the Capital Call, the Group's effective shareholding in TnG increased from 52.22% to 66.58%.

On 26 July 2019, CIMBGH entered into a Sales & Purchase Agreement to purchase 19.43% of TnG shares from MTD Equity Sdn Bhd ("MTD"). Subsequent to the completion of the acquisition on 21 August 2019, the Group's effective shareholding in TnG increased from 66.58% to 86.01%.

On 24 October 2019, CIMBGH entered into a Share Purchase Agreement to purchase 13.99% of TnG shares from PLUS Malaysia Berhad ("PLUS"). The transaction was completed on the same day, resulting in TnG being a wholly owned subsidiary of the Group.

On 29 October 2019, CIMBGH had fully subscribed to the second tranche of the Capital Call.

(e) Full redemption of bonds and Sukuk

The redemptions during the financial year are as follows:

- (i) On 13 March 2019, CIMB Bank has redeemed its USD2.65 million CLN issued under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme established on 12 May 2014 as disclosed in Note 30(m);
- (ii) On 14 May 2019, CIMB Bank has redeemed its HKD300 million 5-year senior unsecured fixed rate notes as disclosed in Note 30(a);
- (iii) On 18 May 2019, CIMB Bank has redeemed its CNY130 million 3-year senior fixed rate notes issued as disclosed in Note 30(f);
- (iv) On 20 July 2019, CIMB Bank has redeemed its CNY130 million 3-year senior fixed rate notes issued as disclosed in Note 30(g);
- (v) On 21 August 2019, CIMB Bank redeemed its HKD150 million 5-year senior unsecured fixed rate notes as disclosed in Note 30(b);
- (vi) On 25 September 2019, CIMB Bank redeemed its AUD100 million 5-year senior fixed rate notes as disclosed in Note 30(c);
- (vii) On 30 September 2019, CIMB Niaga redeemed its 1-year Series A Bond of IDR1,021,000 million bonds amounted to IDR766,000 million as disclosed in Note 30(u);

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for the financial year ended 31 December 2019

53 SIGNIFICANT EVENTS (CONTINUED)

53.1 Significant events during the financial year (Continued)

(e) Full redemption of bonds and Sukuk (Continued)

The redemptions during the financial year are as follows: (Continued)

- (viii) On 3 November 2019, CIMB Niaga has redeemed its IDR386,000 million with a tenor of 3 years as disclosed in Note 30(i);
- (ix) On 20 November 2019, CIMB Bank has redeemed its HKD1,130 million 5-year senior fixed rate notes issued as disclosed in Note 30(d);
- (x) On 25 November 2019, CIMB Niaga has redeemed its 1-year Series A Sukuk of IDR1,000,000 million Sukuk amounted to IDR441,000 million as disclosed in Note 30(v).

(f) Full redemption of subordinated obligations of the Group

The redemptions during the financial year are as follows:

- (i) On 25 September 2019, CIMB Islamic has redeemed in full, the first tranche of the subordinated Sukuk of RM300 million on its first optional redemption date as disclosed in Note 32(c);
- (ii) On 28 June 2019, the Company exercised its option to redeem its existing RM1.38 billion Subordinated Fixed Rate Notes on the first optional redemption date as disclosed in Note 32(e);
- (iii) On 8 July 2019, CIMB Thai exercised its option to early redeem the RM400 million Basel III compliant Tier II subordinated notes as disclosed in Note 32(i).

(g) Redemption of RM350 million MTNs

On 12 June 2019, the Company has redeemed the RM350 million MTNs as disclosed in Note 31(a).

(h) Issuance of subordinated obligations

Issuance during the financial year are as follows:

- (i) On 15 May 2019, CIMB Bank PLC issued the first tranche of USD15 million Subordinated Loan which qualified as Tier II capital for CIMB Bank PLC. The first tranche of the Subordinated Loan was issued as a single tranche at 4.5% per annum. (see Note 32(w));
- (ii) On 28 June 2019, the Company issued RM1.0 billion Basel III-compliant Additional Tier I Capital Securities under the RM10 billion Basel III AT1 Programme, at 4.88% per annum. (see Note 32(x));
- (iii) On 8 July 2019, CIMB Thai issued RM550 million Basel III compliant Tier II subordinated notes. The subordinated notes carry fixed interest rate of 4.15% per annum payable every six months. (see Note 32(y));
- (iv) On 25 September 2019, CIMB Islamic issued RM800 million 10 years non-callable 5 years Tier II Junior Sukuk at 3.75% per annum, which was fully subscribed by CIMB Bank. (See Note 32(z));
- (v) On 25 September 2019, CIMB Bank PLC issued a USD15 million subordinated loan at a fixed rate of 4.0% per annum, which was fully subscribed by CIMB Bank. (See Note 32(aa));
- (vi) On 25 November 2019, the Company issued RM800 million 10 years non-callable 5 years Tier II Subordinated debt bearing a fixed rate coupon of 3.85% p.a, payable on a semi-annual basis. (See Note 32(ab)).

(i) Issuance of bonds and Sukuk

Issuance during the financial year are as follows:

- (i) On 19 March 2019, CIMB Bank issued USD88 million in nominal value 5-year floating rate notes, which bears a coupon rate of USD 3-months LIBOR +0.85%. (see Note 30 (w));
- (ii) On 4 April 2019, CIMB Bank, acting through its Hong Kong branch, issued HKD700 million 1-year fixed rate notes, which bear a coupon rate of 1.98% per annum payable annually. (see Note 30(x));
- (iii) On 15 April 2019, CIMB Bank, acting through its Labuan Offshore Branch, issued USD30 million 5-year floating rate notes ("the Notes"). The Notes bears a coupon rate of USD 3-months LIBOR + 0.80% per annum payable quarterly (see Note 30(y));

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53 SIGNIFICANT EVENTS (CONTINUED)**53.1 Significant events during the financial year (Continued)****(i) Issuance of bonds and Sukuk (Continued)**

Issuance during the financial year are as follows: (Continued)

- (iv) On 12 July 2019, CIMB Bank issued HKD200 million 5-year fixed rate notes, which bears a coupon rate of 2.35% per annum payable annually in arrears (see Note 30(z));
- (v) On 8 August 2019, CIMB Bank issued USD20 million 5-year floating rate notes, which bears a coupon rate of USD 3-months LIBOR + 0.73% per annum payable quarterly (see Note 30(aa));
- (vi) On 9 October 2019, CIMB Bank issued USD680 million 5-year floating rate notes, which bears a coupon rate of USD 3-months LIBOR + 0.78% per annum payable quarterly See Note 30(ab));
- (vii) On 15 November 2019, CIMB Bank issued USD40 million 3-year floating rate notes, which bears a coupon rate of USD 3-months LIBOR + 0.58% per annum payable quarterly (see Note 30(ac));
- (viii) On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively (See Note 30(ad));
- (ix) On 19 December 2019, CIMB Niaga issued IDR1,823,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR276,000 million, IDR1,066,000 million, and IDR481,000 million respectively, with fixed interest rate of 6.50%, 7.55% and 7.80% per annum respectively (See Note 30(ae));
- (x) On 19 December 2019, CIMB Niaga issued IDR83,000 million bonds with fixed interest rate of 8.05% per annum and maturity date of 19 December 2024 (See Note 30(af)).

(j) Issuance of MTNs

Issuance during the financial year are as follows:

- (i) On 10 May 2019, the Company issued RM550 million 3-month Conventional Commercial Papers ("CPs") under its Conventional Commercial Papers Programme. The Company has redeemed the RM550 million Conventional CPs on 9 August 2019 as disclosed in Note 31(a);
- (ii) On 12 June 2019, the Company issued RM250 million 1-year Medium Term Notes and RM750 million 3-year Islamic Medium Term Notes, which carry interest rate of 3.80% and 3.95% per annum payable semi-annually in arrears, as disclosed in Note 31(a).

(k) Rights issue at CIMB Bank

On 7 May 2019, CIMB Bank issued 118.9 million Rights Issue at RM5.59 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM664.8 million.

On 11 December 2019, CIMB Bank issued 100.4 million Rights Issue at RM5.68 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM570.2 million.

53.2 Significant events subsequent to the financial year

On 30 January 2020, CIMB Islamic issued RM200 million Basel-III compliant Additional Tier I Perpetual Preference Shares which was subscribed by CIMB Bank. The issuance was approved by CIMB Islamic's shareholder and BNM on 19 November 2019 and 26 December 2019 respectively.

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54 CAPITAL ADEQUACY

The key driving principles of the Group'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, 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 CIMB Group Executive Committee who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") (Capital Components)/Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 5 February 2020. The revised guidelines took effect on 1 January 2018 and 1 January 2019 for all banking institutions and financial holding companies respectively. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019.

The Internal Ratings Based ("IRB") Approach adopted by CIMB Bank and CIMB Islamic 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. As for CIMB Investment Bank Group, the Standardised Approach is applied for Credit Risk and Market Risk 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) Notification No. FPG. 9/2561 issued on 17 July 2018. 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. SorNorSor. 12/2555 - The supervisory capital funds of commercial banks" dated 8 November 2012. Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Bank Indonesia's requirements. The approach for Credit Risk and Market Risk is based on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam ("SBV") in circular 36/2014/TT-NHNN dated 20 November 2014 with minimum compliance of 9%, amended by circular 06/2016/TT-NHNN dated 27 May 2016 and circular 19/2018/TT-NHNN dated 28 December 2018. On 30 December 2016, SBV officially issued circular 41/2016/TT-NHNN (effective 1 January 2020) requiring banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2019. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, that qualify as capital pursuant to the CAF and CAFIB issued by BNM.

Notes to the Financial Statements

for the financial year ended 31 December 2019

54 CAPITAL ADEQUACY (CONTINUED)

- (a) The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2019.

	The Group
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Before deducting proposed dividend

Common equity tier I ratio	13.254%
Tier I ratio	14.364%
Total capital ratio	17.126%

After deducting proposed dividend

Common equity Tier I ratio	12.878%
Tier I ratio	13.988%
Total capital ratio	16.750%

The Group's second interim dividend in respect of the financial year ended 31 December 2019 will not be made applicable under the Dividend Reinvestment Scheme ("DRS").

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

	The Group RM'000
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Credit risk ⁽¹⁾	264,587,009
Market risk	19,573,008
Large exposure risk requirements	866,895
Operational risk	31,614,069
Total risk-weighted assets	316,640,981

⁽¹⁾ The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 9(l)(c) for more details) are as follows:

	The Group RM'000
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Under Restricted Agency Investment Account arrangement	343,110
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Notes to the Financial Statements

for the financial year ended 31 December 2019

54 CAPITAL ADEQUACY (CONTINUED)

- (b) Components of Tier I and Tier II capital for the financial year ended 31 December 2019 are as follows:

	The Group RM'000
Common Equity Tier I capital	
Ordinary share capital	25,843,808
Other reserves	30,393,360
Qualifying non-controlling interests	500,647
Less: Proposed dividends	(1,190,756)
Common Equity Tier I capital before regulatory adjustments	55,547,059
<u>Less: Regulatory adjustments</u>	
Goodwill	(7,857,539)
Intangible assets	(1,685,169)
Deferred tax assets	(846,045)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,245,817)
Regulatory reserve	(2,133,166)
Others	(1,787)
Common Equity Tier I capital after regulatory adjustments	40,777,536
Additional Tier I capital	
Perpetual subordinated capital securities	3,400,000
Qualifying capital instruments held by third parties	117,575
	3,517,575
<u>Less: Regulatory adjustments</u>	
Investments in own Additional Tier I capital instruments	(2,100)
Additional Tier I capital after regulatory adjustments	3,515,475
Total Tier I capital	44,293,011
Tier II capital	
Subordinated notes	6,200,000
Qualifying capital instruments held by third parties	1,001,965
Surplus eligible provisions over expected loss	202,020
General provisions ¹	1,341,694
Tier II capital before regulatory adjustments	8,745,679
<u>Less: Regulatory adjustments</u>	
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-
Total Tier II capital	8,745,679
Total capital	53,038,690

Notes to the Financial Statements

for the financial year ended 31 December 2019

54 CAPITAL ADEQUACY (CONTINUED)

- (c) The capital adequacy of the banking subsidiary companies of the Group are as follows:

Before deducting proposed dividend

	CIMB Bank Group	CIMB Bank**	CIMB Islamic Bank	CIMB Investment Bank Group	CIMB Thai Bank	Bank CIMB Niaga	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
Common equity Tier I ratio	13.964%	13.753%	13.351%	69.095%	12.378%	19.644%	N/A	N/A
Tier I ratio	14.994%	15.158%	13.777%	69.095%	12.378%	19.644%	N/A	N/A
Total capital ratio	18.885%	19.446%	16.979%	69.095%	17.417%	20.918%	17.596%	87.875%

After deducting proposed dividend

Common equity Tier I ratio	13.483%	13.028%	13.351%	61.549%	12.378%	19.644%	N/A	N/A
Tier I ratio	14.514%	14.433%	13.777%	61.549%	12.378%	19.644%	N/A	N/A
Total capital ratio	18.405%	18.720%	16.979%	61.549%	17.417%	20.918%	17.596%	87.875%

** Includes the operations of CIMB Bank (L) Limited.

✓ Total Capital of CIMB Group as at 31 December 2019 has excluded general provisions restricted from Tier II capital of RM502 million.

- (d) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Bank Group, CIMB Investment Bank Group, CIMB Islamic, Bank CIMB Niaga, CIMB Thai, CIMB Bank PLC and CIMB Bank (Vietnam) Ltd for the financial year ended 31 December 2018 are as follows:

	CIMB Bank** RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
31 December 2018								
Before deducting proposed dividends								
Common equity tier I ratio	12.914%^	13.505%	13.319%	13.357%^	31.110%	17.968%	N/A	N/A
Tier I ratio	14.342%^	14.026%	13.319%	14.444%^	31.110%	17.968%	N/A	N/A
Total capital ratio	19.035%^	16.194%	18.688%	18.302%^	31.110%	19.204%	15.707%	122.265%
After deducting proposed dividends								
Common equity tier I ratio	12.230%^	13.505%	13.319%	12.887%^	30.254%	17.968%	N/A	N/A
Tier I ratio	13.659%^	14.026%	13.319%	13.974%^	30.254%	17.968%	N/A	N/A
Total capital ratio	18.351%^	16.194%	18.688%	17.832%^	30.254%	19.204%	15.707%	122.265%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:								
Credit risk	139,780,748^^	30,912,888	24,936,026	203,544,033^^	898,080	50,460,048	2,471,600	442,606
Market risk	10,773,681	452,745	4,253,122	16,395,328	397,868	555,625	-	-
Operational risk	14,727,726	2,742,729	2,187,790	20,794,460	573,431	7,555,277	-	-
Large exposure risk	881,647	-	-	881,647	-	-	-	-
	166,163,802	34,108,362	31,376,938	241,615,468	1,869,379	58,570,950	2,471,600	442,606

^ CIMB Group successfully completed its eleventh DRS of which RM1,278 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM1,278 million into CIMB Bank via rights issue which was completed on 29 June 2018.

CIMB Group successful completed its twelfth DRS for the first interim dividend in respect of the financial year ended 31 December 2018. Pursuant to the DRS, CIMB Group reinvested cash dividend surplus of RM974 million and an additional equity injection of RM226 million into CIMB Bank via rights issue which was completed on 21 December 2018.

CIMB Group's second interim dividend in respect of the financial year ended 31 December 2018 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

Notes to the Financial Statements

for the financial year ended 31 December 2019

54 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2018 are as follows:

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
31 December 2018								
Tier I Capital								
Ordinary share capital								
	20,088,345	1,000,000	2,218,619	20,088,345	100,000	389,562	310,313	568,275
Other reserves	13,363,305	4,295,342	2,256,996	20,539,125	515,322	10,398,518	32,719	252
Qualifying non-controlling interests	—	—	—	156,841	—	—	—	—
Less: Proposed dividends	(1,135,854)	—	—	(1,135,854)	(15,990)	—	—	—
Common Equity Tier I capital before regulatory adjustments	32,315,796	5,295,342	4,475,615	39,648,457	599,332	10,788,080	343,032	568,527
<u>Less: Regulatory adjustments</u>								
Goodwill	(3,555,075)	(136,000)	—	(5,213,838)	(964)	—	—	—
Intangible assets	(830,487)	(71,330)	(61,286)	(975,612)	—	—	(1,610)	—
Deferred tax assets	(552,391)	(77,454)	(119,552)	(776,984)	(19,239)	(27,206)	—	—
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(5,856,416)	—	—	—	(9,311)	(236,929)	—	—
Deduction in excess of Tier II capital	—	—	—	—	(4,251)	—	—	—
Regulatory reserve	(1,197,301)	(404,378)	—	(1,542,976)	—	—	—	—
Others	(2,182)	—	(115,626)	(2,182)	—	—	(4,800)	(28,694)
Common Equity Tier I capital after regulatory adjustments	20,321,944	4,606,180	4,179,151	31,136,865	565,567	10,523,945	336,622	539,833
Additional Tier I capital								
Perpetual preference shares	200,000	178,000	—	200,000	—	—	—	—
Non-innovative Tier I Capital								
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	—	—	—	32,685	—	—	—	—
Additional Tier I capital before regulatory adjustments	2,600,000	178,000	—	2,632,685	—	—	—	—
<u>Less: Regulatory adjustments</u>								
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(225,956)	—	—	(5,956)	—	—	—	—
Additional Tier I capital after regulatory adjustments	2,374,044	178,000	—	2,626,729	—	—	—	—
Total Tier I Capital	22,695,988	4,784,180	4,179,151	33,763,594	565,567	10,523,945	336,622	539,833

Notes to the Financial Statements

for the financial year ended 31 December 2019

54 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2018 are as follows: (Continued)

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	CIMB Bank Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
31 December 2018								
Tier II capital								
Subordinated notes								
Subordinated notes	7,900,000	610,000	1,560,225	7,900,000	–	177,318	28,963	–
Redeemable preference shares	29,740	–	–	29,740	4	–	–	–
Surplus of eligible provision over expected loss	708,469	67,111	–	325,153	–	–	–	–
Qualifying capital instruments held by third parties	–	–	–	408,443	–	–	–	–
General provisions/ [✓]	271,282	62,111	124,236	659,423	–	546,964	22,627	1,320
Tier II capital before regulatory adjustments	8,909,491	739,222	1,684,461	9,322,759	4	724,282	51,590	1,320
<u>Less: Regulatory adjustments</u>								
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,112,125)	–	–	(759)	(4,255)	–	–	–
Total Tier II capital	7,797,366	739,222	1,684,461	9,322,000	–	724,282	51,590	1,320
Total Capital	30,493,354	5,523,402	5,863,612	43,085,594	565,567	11,248,227	388,212	541,153

✓ The capital of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2018 have excluded general provisions restricted from Tier II capital of RM160 million, RM147 million and RM13 million respectively.

^^ The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 9(l)(c) for more details) are as follows:

	CIMB Bank Group RM'000	CIMB Bank RM'000
Under Restricted Agency Investment Account arrangement	316,179	316,179

Notes to the Financial Statements

for the financial year ended 31 December 2019

55 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company 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 Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) *Expected credit loss allowance on financial assets at amortised cost and FVOCI*

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

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

Refer to Section 59.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

(b) *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 Group Accounting Policies.

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

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in 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 20 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

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

(c) *Fair value of financial instruments*

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 59.4.

Notes to the Financial Statements

for the financial year ended 31 December 2019

**55 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES
(CONTINUED)**(d) *Provision of taxation*

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions and propose adjustments or changes to its tax filings. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

56 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current assets held for sale:					
Property, plant and equipment and investment property	(a)	7,467	21,637	-	7,862
Disposal group held for sale	(b)	-	298,530	-	-
Total non-current assets held for sale		7,467	320,167	-	7,862
Non-current liabilities held for sale:					
Disposal group held for sale	(b)	-	87,471	-	-
Total non-current liabilities held for sale		-	87,471	-	-

- (a) Property, plant and equipment of the Group 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 2020.

Fair value of property plant and equipment held for sale

In accordance with MFRS 5, the non-current assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2019, the property, plant and equipment held for sale that were stated at fair value less cost to sell was RM7,467,000 (2018: RM13,775,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within Level 2 of the fair value hierarchy.

Notes to the Financial Statements

for the financial year ended 31 December 2019

56 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

- (b) Disposal group held for sale (Continued)

In prior year

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

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

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV Entity") have signed a Share Subscription Agreement for the subscription of new shares in the Malaysia JV Entity ("Proposed MY Share Subscription"), which shall be the holding company for the Malaysia stockbroking business of the CGS-CIMB joint venture. At completion, CIMBG and CGI will be 50:50 shareholders in the Malaysia JV Entity. The parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group into Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of the Malaysia JV Entity and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration in connection with the Proposed Business Transfer, which was determined based on the future prospects and net asset value of the in-scope business as at 31 December 2015 will be satisfied in cash. The consideration is subject to closing audit adjustments, if any. CIMB Group is estimated to record a gain on disposal of approximately RM200 million, after taking into account the premium on the disposal of approximately RM433 million and goodwill attributable to the business.

The assets and liabilities of the disposal group as at 31 December 2018 are as follows:

	The Group RM'000
Assets classified as held for sale	
Cash and short term funds	2,284
Deposits and placements with banks and other financial institutions	12,914
Securities designated at fair value through profit or loss	278
Other assets	45,152
Taxation recoverable	543
Deferred tax assets	165
Property, plant and equipment	9,028
Goodwill	228,156
Intangible assets	10
	298,530
Liabilities classified as held for sale	
Other liabilities	87,471
	87,471

Notes to the Financial Statements

for the financial year ended 31 December 2019

57 SIGNIFICANT DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL (CONTINUED)**Disposal in prior year**

- (a) Disposal of interest in subsidiaries that resulted in loss of control in 2018:

Name of subsidiaries

CSI

CPAM

Note

15(b)

15(b)

- (b) The cash flows and net assets of CSI are as follows:

	The Group 2018	Note	RM'000
Non current asset held for sale	4,596,083		
Non current liability held for sale	(3,631,608)		
Non controlling interests	(18,563)		
Net assets	945,912		
Reclassification of foreign currency exchange reserves and revaluation reserve of fair value through other comprehensive income	(104,111)		
Net gain on disposal and remeasurement of subsidiary	162,854		
Sales considerations (inclusive for fair value adjustment)	1,004,655		
/less: Fair value of equity interest retained as a joint venture	15	(502,327)	
	502,328		
/less: Retention sum	(49,993)		
Total sales considerations received in cash	452,335		
/less: Cash and short term funds of subsidiary disposed	(447,819)		
Cash inflow on disposal of subsidiary	4,516		

Notes to the Financial Statements

for the financial year ended 31 December 2019

57 SIGNIFICANT DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL (CONTINUED)

- (c) The cash flows and net assets of CPAM are as follows:

	Note	The Group 2018 RM'000
Cash and short-term funds		508,866
Deposits and placements with banks and other financial institutions		59,393
Financial assets at fair value through profit or loss		17,428
Debt instruments at fair value through other comprehensive income		189
Loans, advances and financing		70
Other assets		332,391
Tax recoverable		4,207
Deferred tax assets		9,040
Property, plant and equipment		11,126
Goodwill		290,506
Intangible assets		11,503
Other liabilities		(443,603)
Provision for taxation		(8,979)
Non-controlling interests		(368,725)
Net assets		423,412
Reclassification of foreign currency exchange reserves and revaluation reserve of fair value through other comprehensive income		1,490
Net gain on disposal and remeasurement of subsidiary		925,913
Sales considerations (inclusive for fair value adjustment)		1,350,815
/less: Fair value of equity interest retained as a joint venture	15	(900,542)
		450,273
/less: Deferred consideration		(156,236)
Total sales considerations received in cash		294,037
/less: Cash of subsidiary disposed		(508,866)
Cash outflow on disposal of subsidiary		(214,829)

Notes to the Financial Statements

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58 CHANGE IN ACCOUNTING POLICIES

Set out below are disclosures relating to the impact of the adoption of MFRS 16 of the Group and the Company. Further details of the specific MFRS 16 accounting policies applied in current financial year are described in more detail in Notes A, N, and O of the Summary of Significant Group Accounting Policies.

- (i) Reconciliation of the carrying amount in the Group's Statement of Financial Position to MFRS 16 as at 1 January 2019:

The Group					
	Audited as at 31 December 2018 RM'000	Remeasure- ment RM'000	Reclassifi- cation RM'000	Total RM'000	Adjusted 1 January 2019 RM'000
Assets					
Right-of-use assets	–	798,274	75,740	874,014	874,014
Other assets	12,206,211	–	(75,740)	(75,740)	12,130,471
Liabilities					
Lease liabilities	–	796,221	–	796,221	796,221
Other liabilities	15,047,292	2,053	–	2,053	15,049,345

- (ii) Reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

		31 December 2018 RM'000
Not later than one year		302,770
Later than one year and not later than five years		431,087
Five years and more		44,576
		778,433

	Buildings RM'000	Computer Equipment RM'000	Total RM'000
Operating lease commitments disclosed as at 31 December 2018	713,938	64,495	778,433
Discounted using the incremental borrowing rate	464,042	59,657	523,699
(Less): short-term leases recognised on a straight-line basis as expense	(33,717)	–	(33,717)
(Less): low-value leases recognised on a straight-line basis as expense	(103)	–	(103)
(Less): contracts reassessed as service agreements	(38,072)	(322)	(38,394)
Add: adjustments as a result of a different treatment of extension and termination options	337,205	7,531	344,736
Lease Liability recognised as at 1 January 2019	729,355	66,866	796,221

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral part of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

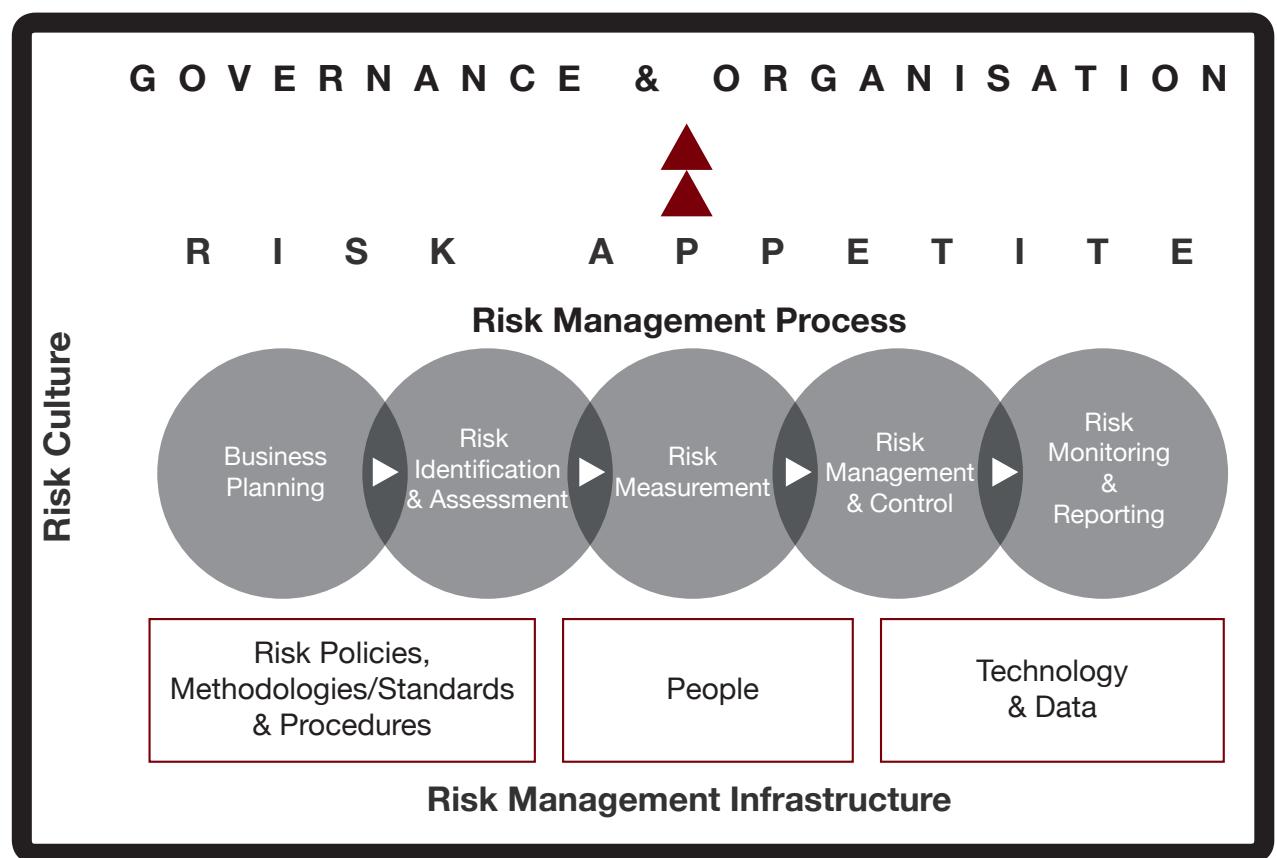
Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position is within its 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 a Group EWRM framework as a standardised approach to effectively manage its risks and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



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for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)**

The design of the Group EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach.

The key features of the Group EWRM framework include:

(i) Risk Culture

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group’s risk management philosophy is embodied in the Three Lines of Defence approach, whereby risks are managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.

(ii) Governance & Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group’s strategic directions, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is effectively maintained.

(iii) Risk Appetite

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

(iv) Risk Management Process

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group’s risk policies, methodologies/standards and procedures.
- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group’s risk appetite.

(v) Risk Management Infrastructure

- Risk Policies, Methodologies and Procedures addressing all areas of material risks: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skillset are key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity’s Risk Appetite corresponding to its business strategies. Each Board Risk and Compliance Committee (BRCC) reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity’s risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of Group Risk and Compliance Committee (GRCC).

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

To facilitate the effective implementation of the Group EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of the supervising risk management functions is delegated to GRCC, comprised of senior management of the Group and reports directly to BRCC. GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. GRCC is supported by specialised risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (GALMC) and Group Asset Quality Committee, each addressing one or more of the following:

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

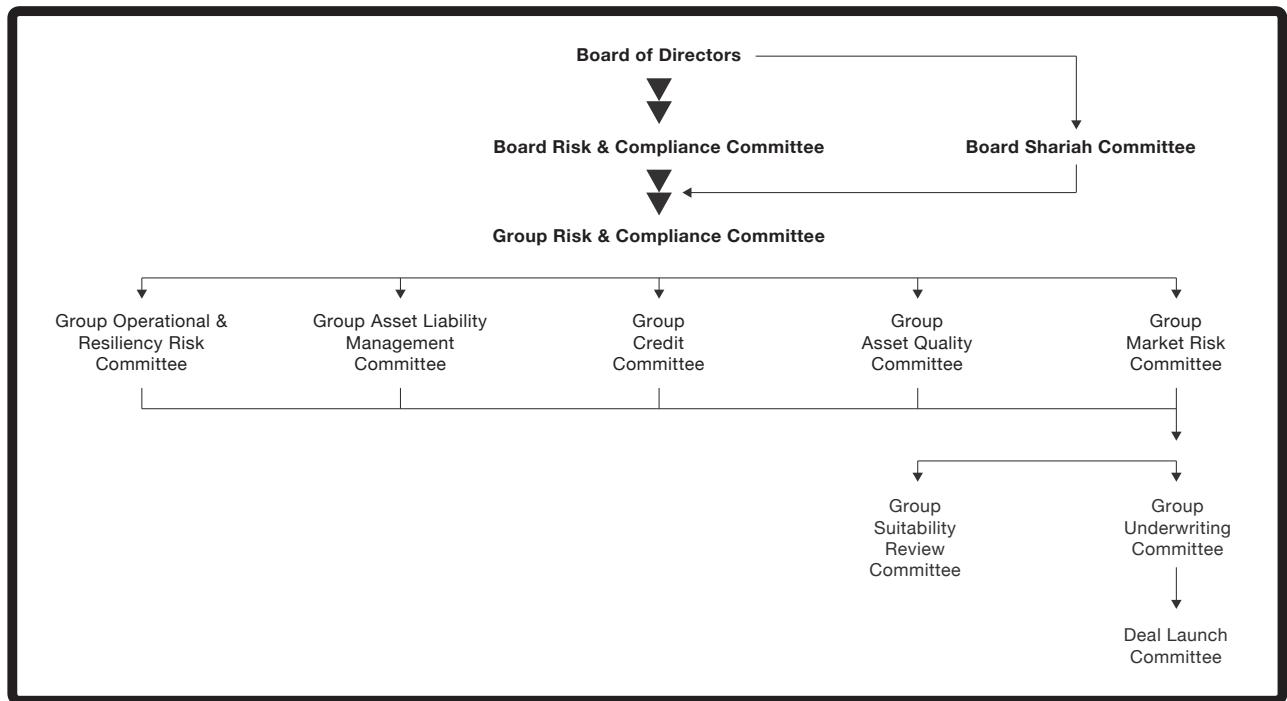
Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

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



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

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for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

Three Lines of Defence

The Group's risk management culture is embodied through the adoption of the Three Lines of Defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight and performs independent monitoring of business activities and reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is also in compliance with regulations. The third line of defence is Group Corporate Assurance Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management process.

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

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

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions including implementation of the Group EWRM framework. The Group CRO:

- (i) actively engages the respective boards and senior management on risk management issues and initiatives; and
- (ii) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

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

- (i) CRO
 - CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
 - The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
 - For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.
- (ii) Risk Centres of Excellence
 - These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
 - The Risk CoEs consist of Risk Analytics & Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

(1) Risk Analytics CoE

Risk Analytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

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

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

(ii) Risk Centres of Excellence (Continued)

(2) Credit Risk Infrastructure CoE

The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

(3) Market Risk CoE

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

(4) Non-Financial Risk Management CoE

The Non-Financial Risk Management (NFRM) 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 and act as a consultant with the Group in providing operational risk expertise and reporting to senior management. The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

(5) Asset Liability Management CoE

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

(6) Credit Risk CoE

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

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 EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

59.1 Credit risk

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

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

Credit Risk Management

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

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

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

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

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Credit Risk Mitigation

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

(i) Collaterals/Securities

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

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

(iii) Netting

In mitigating the counterparty 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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

- (iv) Portfolio diversification for better clarity

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

Credit Risk Measurement

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

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

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

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

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

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

Retail

A retail loan, advances and financing is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Habitual delinquent;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period;

Non-retail

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

Treasury

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

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

The Group has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2018 and 31 December 2019. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

- (ii) Definition of credit impaired

Loans, advances and financing

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

- (a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;
- (b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- (c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or
- (d) As soon as a default occurs where the principal and /or interest/profit repayments/payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:

- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

- (e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

- (f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

Bonds and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default

Loans, advances and financing

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off/charged-off accounts;
- Repossessed accounts (applicable for hire purchase receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loans, advances and financing only).

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

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

Bonds and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or interest/profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

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

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

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

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

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for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.1 Credit risk (Continued)****Credit Risk Measurement (Continued)**

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

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

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

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the borrower defaults.

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

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

Loss Given Default

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

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

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

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

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

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

Best and Worst case: This represent the ‘upside’ and ‘downside’ outcome of future economic conditions which determined by a combination of statistical analysis and expert credit judgement.

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

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

- (vi) Grouping of exposure for ECL measured on collective basis

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

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

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

Write off policy

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

The Group may write-off loan or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was RM1,712 million (2018: RM2,125 million).

Modification of loans

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

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

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

Modification of loans (Continued)

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

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 2019 and 31 December 2018 there was no requirement for additional collateral to be posted.

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

59.1.1 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 Company 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	
	Maximum exposure	
	2019 RM'000	2018 RM'000
Financial guarantees	8,104,258	7,485,834
Credit related commitments and contingencies	80,893,636	73,692,696
	88,997,894	81,178,530

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 is 71% (2018: 64%) while the financial effect of collateral for derivatives for the Group is 76% (2018: 68%). The financial effect of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 31 December 2019 for the Group is 73% (2018: 71%).

59.1 Credit risk (Continued)**59.1.2 Offsetting financial assets and financial liabilities**

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

		The Group		
		Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Related amounts not set off in the statement of financial position
		Net amounts of financial assets RM'000	Financial instruments RM'000	Financial collateral received RM'000
Financial assets				
2019				
Derivatives	11,589,897	–	11,589,897	(6,843,619) (1,478,169) 3,268,109
Reverse repurchase agreements	9,014,453	–	9,014,453	(176,025) (8,067,612) 770,816
Loans, advances and financing – Share margin financing	74,873	–	74,873	– (72,779) 2,094
Total	20,679,223	–	20,679,223	(7,019,644) (9,618,560) 4,041,019
2018				
Derivatives	8,634,633	–	8,634,633	(4,738,264) (664,179) 3,232,190
Reverse repurchase agreements	11,276,089	–	11,276,089	(545,950) (10,496,213) 233,926
Loans, advances and financing – Share margin financing	715,119	–	715,119	– (714,957) 162
Total	20,625,841	–	20,625,841	(5,284,214) (11,875,349) 3,466,278

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.2 Offsetting financial assets and financial liabilities (Continued)

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

	The Group		
	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Related amounts not set off in the statement of financial position
	Net amounts of financial liabilities RM'000	Financial instruments RM'000	Financial collateral pledged RM'000
Financial liabilities			
2019			
Derivatives	11,337,869	-	11,337,869 (6,782,189) (2,519,930) 2,035,750
Repurchase agreements	14,320,131	-	14,320,131 (14,296,469) - 23,662
Total	25,658,000	-	25,658,000 (21,078,658) (2,519,930) 2,059,412
2018			
Derivatives	8,407,981	-	8,407,981 (4,318,739) (1,368,604) 2,720,638
Repurchase agreements	14,279,476	-	14,279,476 (14,264,752) - 14,724
Total	22,687,457	-	22,687,457 (18,583,491) (1,368,604) 2,735,362

59.1 Credit risk (Continued)

59.1.3 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 2019 and 31 December 2018 are as follows:

The Group 2019	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	22,770,760	137,173	104,628	1,145,293	3,329,395	2,138,876	394,316	598,341	1,652,437	32,271,219
Reverse repurchase agreements	2,163,085	162,517	110,391	1,470,597	105,916	185,931	19,758	36,303	4,759,955	9,014,453
Deposits and placements with banks and other financial institutions	1,756,648	1,728,420	—	41,008	—	—	214,379	791,643	267,071	4,799,169
Financial investments at fair value through profit or loss	18,021,103	1,231,276	4,818,399	6,720,299	8,224	407,238	996,157	929,048	2,864,641	35,996,385
Debt instruments at fair value through other comprehensive income	17,904,928	5,883,088	5,034,154	2,302,906	—	600,646	710,565	427,911	454,215	33,318,413
Debt instruments at amortised cost	30,469,838	3,408,895	2,678,513	3,236,279	—	—	—	—	—	39,966
Derivative financial instruments	2,349,185	235,259	5,317,655	753,086	2,127	1,640,920	450,293	2,778	838,594	11,589,897
Loans, advances and financing	217,258,383	57,401,166	35,851,205	29,168,670	472,739	4,412,301	1,382,278	3,821,118	10,572,240	360,340,100
Other assets	4,019,436	1,117,077	1,943,290	628,372	72,212	441,696	121,929	82	352,937	8,727,031
Financial guarantees	4,617,329	698,158	41,861	1,534,186	8,535	55,887	105,335	16,958	1,026,009	8,104,258
Credit related commitments and contingencies	62,966,399	5,859,572	1,922,888	3,226,167	614,846	759,354	1,117,551	580,788	3,846,121	80,893,636
Total credit exposures	384,327,094	77,362,601	57,822,934	50,226,863	4,613,994	10,642,849	5,512,561	7,204,970	26,674,186	624,888,052

59.1 Credit risk (Continued)

59.1.3 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 2019 and 31 December 2018 are as follows: (Continued)

The Group 2018	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	21,243,522	3,147,515	58,073	480,135	2,179,663	960,730	344,493	583,589	2,027,209	31,024,929
Reverse repurchase agreements	4,186,371	174,845	128,336	2,007,518	108,707	296,712	15,159	97,912	4,260,529	11,276,089
Deposits and placements with banks and other financial institutions	2,188,777	1,544,502	–	167	–	–	–	–	292,677	347,695
Financial investments at fair value through profit or loss	14,635,926	563,919	3,220,768	4,472,497	69,515	54,288	1,101,957	586,617	3,146,217	27,851,704
Debt instruments at fair value through other comprehensive income	15,817,354	5,732,238	6,517,002	1,817,447	–	237,995	1,061,879	631,448	460,941	32,276,304
Debt instruments at amortised cost	29,518,350	2,803,893	2,566,442	4,224,151	–	–	82,544	–	73,822	39,269,202
Derivative financial instruments	2,544,285	556,881	2,673,111	857,363	4,288	938,261	343,348	11	717,085	8,634,633
Loans, advances and financing	204,465,373	54,756,145	29,556,805	29,078,776	145,951	4,839,542	2,264,491	3,766,869	8,274,316	337,148,268
Other assets	4,831,064	1,334,589	754,268	514,618	227,488	232,112	203,467	153	1,111,317	9,209,076
Financial guarantees	4,164,434	1,058,291	337,596	1,203,723	4,838	57,513	98,768	2,590	558,081	7,485,834
Credit related commitments and contingencies	58,473,400	6,191,619	1,788,854	3,561,769	20,039	858,453	575,073	652,817	1,570,672	73,692,696
Total credit exposures	362,068,856	77,864,437	47,601,255	48,218,164	2,760,489	8,475,606	6,091,179	6,614,683	22,547,884	582,242,553

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.3 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 2019 and 31 December 2018 are as follows:
(Continued)

The Company 2019	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	370,544	2	-	370,546
Debt instruments at fair value through other comprehensive income	2,493,362	-	-	2,493,362
Debt instruments at amortised cost	6,183,386	-	-	6,183,386
Other assets	82,644	-	50,770	133,414
Amount owing by subsidiaries	12	-	-	12
	9,129,948	2	50,770	9,180,720

The Company 2018	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	197,546	2	-	197,548
Debt instruments at fair value through other comprehensive income	2,467,071	-	-	2,467,071
Debt instruments at amortised cost	5,397,933	-	-	5,397,933
Other assets	82,641	-	50,692	133,333
	8,145,191	2	50,692	8,195,885

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.3 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 the following financial assets as at 31 December 2019 and 31 December 2018 based on the industry sectors of the counterparty are as follows:

The Group 2019	Deposits			Debt			Loans, advances and financing RM'000	Derivative financial instruments at amortised cost RM'000	Debt instruments at fair value through other comprehensive income RM'000	Other assets RM'000	Total credit exposures RM'000					
	Deposits and placements with banks and other financial institutions			Financial investments at fair value through profit or loss												
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	RM'000	RM'000	RM'000	RM'000										
Primary agriculture	-	-	-	8,130	432,402	-	247,470	12,879,808	177	13,567,987						
Mining and quarrying	-	-	-	214,415	491,233	1,176,133	95,926	5,926,181	-	7,903,888						
Manufacturing	-	-	-	474,325	439,823	604	169,154	27,508,219	269	28,592,394						
Electricity, gas and water	-	-	-	383,502	3,778,353	1,285,132	525,132	5,947,540	3,051	11,922,710						
Construction	-	-	-	203,789	1,448,722	569,569	50,402	13,387,495	558	15,660,555						
Transport, storage and communications	-	-	-	428,567	2,764,437	1,773,790	431,203	9,508,011	402	14,906,410						
Education and health	-	-	-	-	57,100	-	3,554	16,079,306	594	16,140,554						
Wholesale and retail trade, and restaurant	-	-	-	55,854	22,403	-	132,011	30,525,415	16,137	30,751,820						
<i>Finance, insurance, real estate business:</i>																
Finance, insurance/takaful, real estate and business activities	32,271,219	8,021,217	4,799,169	21,208,765	15,055,957	15,106,685	9,606,605	48,438,447	8,409,498	162,917,562						
Real estate																
Others:																
Household	-	993,236	-	13,019,038	8,827,983	19,921,558	328,246	17,435,731	295,758	172,704,728						
Others	-	993,236	4,799,169	35,996,385	33,318,413	39,833,491	11,589,897	360,340,100	8,727,031	535,890,158						

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)
59.1.3 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 the following financial assets as at 31 December 2019 and 31 December 2018 based on the industry sectors of the counterparty are as follows: (Continued)

The Group 2018	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through other profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Loans, advances and derivatives RM'000		Other assets RM'000	Total credit exposures RM'000
							Debt instruments at amortised cost RM'000	Debt instruments at amortised cost RM'000		
Primary agriculture	—	—	—	264	326,141	—	275,042	12,011,370	383	12,613,200
Mining and quarrying	—	—	—	105,941	387,744	1,130,095	132,261	6,751,965	—	8,508,006
Manufacturing	—	—	—	355,007	306,235	25,992	85,099	22,552,163	454	23,324,950
Electricity, gas and water	—	—	—	608,331	3,431,977	1,343,567	252,872	5,466,941	4,195	11,107,883
Construction	—	—	—	121,336	1,366,448	414,920	45,122	14,350,463	801	16,299,090
Transport, storage and communications	—	—	—	267,579	2,801,869	1,907,955	784,883	10,821,228	64,223	16,647,737
Education and health	—	—	—	2,046	61,043	—	1,521	15,324,481	235	15,389,326
Wholesale and retail trade, and restaurant	—	—	—	47,210	82,813	2,577	32,120	29,991,706	31,304	30,187,730
<i>Finance, insurance, real estate business:</i>										
Finance, insurance/takaful, real estate and business activities	31,019,547	10,345,632	4,373,818	16,910,244	16,907,019	14,963,876	6,608,321	43,326,099	8,605,853	153,060,409
Real estate										
<i>Others:</i>										
Household	—	—	—	—	—	—	—	—	159,723,073	121,097
Others	5,382	930,457	—	9,433,746	6,605,015	19,480,220	417,392	16,828,779	380,531	54,081,522
	31,024,929	11,276,089	4,373,818	27,851,704	32,276,304	39,269,202	8,634,633	337,148,268	9,209,076	501,064,023

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.3 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 the following financial assets based on the industry sectors of the counterparty are as follows:

The Company 2019	Cash and short term funds RM'000	Other financial assets* RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Total credit exposures RM'000
	370,546	133,426	2,493,362	6,183,386	9,180,720
Finance, insurance/takaful, real estate and business activities					
	370,546	133,426	2,493,362	6,183,386	9,180,720

The Company 2018	Cash and short term funds RM'000	Other financial assets* RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Total credit exposures RM'000
	197,548	133,154	2,467,071	5,397,933	8,195,706
Finance, insurance/takaful, real estate and business activities					
<i>Others:</i>					
Others	—	179	—	—	179
	197,548	133,333	2,467,071	5,397,933	8,195,885

* Other financial assets include amount owing by subsidiaries and other financial assets

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies based on the industry sectors of the counterparty are as follows:

	The Group			
	Credit related commitments		Credit related commitments	
	Financial guarantees	and contingencies	Financial guarantees	and contingencies
	2019	2019	2018	2018
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	49,409	2,158,459	61,204	588,322
Mining and quarrying	49,367	1,314,256	43,212	238,469
Manufacturing	695,614	3,395,555	583,133	1,333,859
Electricity, gas and water	371,052	1,800,570	169,538	2,086,792
Construction	671,618	6,195,613	549,755	3,387,280
Transport, storage and communications	200,454	2,905,566	227,786	1,199,703
Education and health	73,306	2,082,336	86,108	573,988
Wholesale and retail trade, and restaurant	1,960,328	5,501,502	1,124,777	2,641,557
Finance, insurance/takaful, real estate and business activities	3,849,447	10,389,746	4,473,689	13,218,602
<i>Others:</i>				
Household	78,338	44,803,417	68,495	48,176,436
Others	105,325	346,616	98,137	247,688
	8,104,258	80,893,636	7,485,834	73,692,696

59.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

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

Loans, advances and financing and loans commitment and financial guarantees

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

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

Other financial instruments

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

Other financial instruments include cash and short-term fund, deposits and placement with banks and other financial institutions, reverse repurchase agreements at amortised cost, debt instruments at FVOCI, debt investment securities at amortised cost, amount owing by subsidiary and other assets.

Credit quality description can be summarised as follows:

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

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

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

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

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

Impaired – Refers to the asset that is being impaired.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

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

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions					
2019					
Sovereign	21,825,545	–	–	–	21,825,545
Investment grade	11,881,726	–	–	–	11,881,726
Non-investment grade	60,220	–	–	–	60,220
Impaired	–	–	2,874	–	2,874
No rating	3,308,818	–	–	–	3,308,818
Gross carrying amount	37,076,309	–	2,874	–	37,079,183
Total ECL	(5,921)	–	(2,874)	–	(8,795)
Net carrying amount	37,070,388	–	–	–	37,070,388
2018					
Sovereign	24,625,643	–	–	–	24,625,643
Investment grade	9,678,079	–	–	–	9,678,079
Non-investment grade	52,303	–	–	–	52,303
Impaired	–	–	2,884	–	2,884
No rating	1,045,438	–	–	–	1,045,438
Gross carrying amount	35,401,463	–	2,884	–	35,404,347
Total ECL	(2,716)	–	(2,884)	–	(5,600)
Net carrying amount	35,398,747	–	–	–	35,398,747
Reverse repurchase agreements, at amortised cost					
2019					
Sovereign	330,689	–	–	–	330,689
Investment grade	947,340	–	–	–	947,340
Non-investment grade	123,527	–	–	–	123,527
No rating	7,612,897	–	–	–	7,612,897
Gross carrying amount	9,014,453	–	–	–	9,014,453
Total ECL	–	–	–	–	–
Net carrying amount	9,014,453	–	–	–	9,014,453
2018					
Sovereign	173,829	–	–	–	173,829
Investment grade	3,056,807	–	–	–	3,056,807
Non-investment grade	249,218	–	–	–	249,218
No rating	7,296,101	–	–	–	7,296,101
Gross carrying amount	10,775,955	–	–	–	10,775,955
Total ECL	–	–	–	–	–
Net carrying amount	10,775,955	–	–	–	10,775,955

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.1 Credit risk (Continued)****59.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Debt instruments at FVOCI					
2019					
Sovereign	12,020,030	–	–	–	12,020,030
Investment grade	13,941,136	–	–	–	13,941,136
Non-investment grade	6,163,031	40,710	–	–	6,203,741
Impaired	–	–	21,029	–	21,029
No rating	1,132,477	–	–	–	1,132,477
Gross carrying amount	33,256,674	40,710	21,029	–	33,318,413
Total ECL^{^^}	(27,448)	(179)	(21,029)	–	(48,656)
2018					
Sovereign	12,697,632	–	–	–	12,697,632
Investment grade	10,119,856	–	–	–	10,119,856
Non-investment grade	6,848,962	20,271	–	–	6,869,233
Impaired	–	–	30,306	–	30,306
No rating	2,559,277	–	–	–	2,559,277
Gross carrying amount	32,225,727	20,271	30,306	–	32,276,304
Total ECL^{^^}	(23,219)	(2,002)	(30,306)	–	(55,527)

^{^^} The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

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

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Debt instruments at amortised cost					
2019					
Sovereign	32,477,959	—	—	—	32,477,959
Investment grade	4,757,826	—	—	—	4,757,826
Non-investment grade	2,238,987	357,246	—	—	2,596,233
Impaired	—	—	11,613	—	11,613
No rating	66,712	—	—	—	66,712
Gross carrying amount	39,541,484	357,246	11,613	—	39,910,343
Total ECL	(9,884)	(55,355)	(11,613)	—	(76,852)
Net carrying amount	39,531,600	301,891	—	—	39,833,491
2018					
Sovereign	31,241,012	—	—	—	31,241,012
Investment grade	5,205,215	—	—	—	5,205,215
Non-investment grade	1,439,362	1,484,717	—	—	2,924,079
Impaired	—	—	11,474	—	11,474
No rating	8,159	—	—	—	8,159
Gross carrying amount	37,893,748	1,484,717	11,474	—	39,389,939
Total ECL	(9,115)	(100,148)	(11,474)	—	(120,737)
Net carrying amount	37,884,633	1,384,569	—	—	39,269,202
Loans, advances and financing at amortised cost (i)					
2019					
Good	190,538,796	5,200,253	—	—	195,739,049
Satisfactory	36,914,904	7,637,742	—	—	44,552,646
Impaired	—	—	11,335,825	8,024	11,343,849
No rating	111,787,844	4,971,808	—	—	116,759,652
Gross carrying amount	339,241,544	17,809,803	11,335,825	8,024	368,395,196
Total ECL	(1,905,723)	(1,814,592)	(5,436,768)	(2,748)	(9,159,831)
Net carrying amount	337,335,821	15,995,211	5,899,057	5,276	359,235,365
2018					
Good	189,301,167	3,756,045	—	—	193,057,212
Satisfactory	35,532,119	8,404,777	—	—	43,936,896
Impaired	—	—	10,069,160	7,553	10,076,713
No rating	94,859,817	3,586,314	—	—	98,446,131
Gross carrying amount	319,693,103	15,747,136	10,069,160	7,553	345,516,952
Total ECL	(2,407,561)	(1,218,564)	(5,543,688)	(2,552)	(9,172,365)
Net carrying amount	317,285,542	14,528,572	4,525,472	5,001	336,344,587

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.1 Credit risk (Continued)****59.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Other assets					
2019					
Investment grade	2,595,213	–	–	–	2,595,213
Non-investment grade	939,216	–	–	–	939,216
No rating	883,184	–	–	–	883,184
Gross carrying amount	4,417,613	–	–	–	4,417,613
Total ECL	–	–	–	–	–
Net carrying amount	4,417,613	–	–	–	4,417,613
2018					
Investment grade	2,252,325	–	–	–	2,252,325
Non-investment grade	993,148	–	–	–	993,148
No rating	1,912,952	–	–	–	1,912,952
Gross carrying amount	5,158,425	–	–	–	5,158,425
Total ECL	–	–	–	–	–
Net carrying amount	5,158,425	–	–	–	5,158,425

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

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

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Loan commitments and Financial guarantee contracts					
2019					
Good	57,552,232	1,184,826	–	–	58,737,058
Satisfactory	5,240,484	512,402	–	–	5,752,886
Impaired	–	–	199,630	–	199,630
No rating	24,450,330	320,999	35,383	–	24,806,712
Gross exposure	87,243,046	2,018,227	235,013	–	89,496,286
Total ECL	(304,686)	(43,046)	(150,660)	–	(498,392)
Net exposure	86,938,360	1,975,181	84,353	–	88,997,894
2018					
Good	37,221,246	321,392	–	–	37,542,638
Satisfactory	4,848,535	254,737	–	–	5,103,272
Impaired	–	–	167,012	–	167,012
No rating	37,998,012	612,347	7,585	–	38,617,944
Gross exposure	80,067,793	1,188,476	174,597	–	81,430,866
Total ECL	(333,672)	(58,862)	(109,803)	–	(502,337)
Net exposure	79,734,121	1,129,614	64,794	–	80,928,529

59.1 Credit risk (Continued)**59.1.4 Credit quality of financial assets (Continued)**

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

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

Loans and advances at amortised cost

The Group 2019	Claims on customers under acceptance credits						Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
	Overdraft RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Staff loans RM'000	Credit card receivables RM'000				
12-month ECL (Stage 1)										
- Good	1,785,500	154,106,814	6,370,567	1,237,558	1,769,233	992,022	4,096,313	20,180,789	-	190,538,796
- Satisfactory	484,163	32,292,839	291,864	30,173	114,696	8,315	2,304,787	1,388,067	-	36,914,904
- No rating	2,426,238	87,230,506	1,784,555	312,349	2,167,927	513,943	2,942,150	14,397,521	12,655	111,787,844
Lifetime ECL not credit-impaired (Stage 2)										
- Good	647,376	14,011,865	955,671	74,398	590,934	389	335,364	1,132,125	61,681	17,809,803
- Satisfactory	222,711	3,756,011	380,031	63,464	199,522	-	9,368	569,146	-	5,200,253
- No rating	341,526	5,878,299	569,179	10,934	143,259	-	269,567	424,978	-	7,637,742
	83,139	4,377,555	6,461	-	248,153	389	56,429	138,001	61,681	4,971,808
Lifetime ECL credit- impaired (Stage 3)										
- Impaired	273,060	9,517,532	237,900	68,736	207,202	2,131	152,370	876,357	537	11,335,825
Purchase credit- impaired										
- Impaired	-	8,024	-	-	-	-	-	-	-	8,024
	-	8,024	-	-	-	-	-	-	-	-
Total	5,616,337	297,167,580	9,640,557	1,723,214	4,849,992	1,516,800	9,830,984	37,974,859	74,873	368,395,196

59.1 Credit risk (Continued)**59.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

Loans and advances at amortised cost

The Group 2018	Claims on customers under acceptance credits						Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
	Term loans/ financing RM'000	Overdraft RM'000	Bills receivable RM'000	Trust receipts RM'000	Staff loans RM'000	Total gross carrying amount RM'000				
12-month ECL (Stage 1)	4,407,049	257,481,735	7,036,115	1,782,198	4,665,057	1,461,826	8,768,899	33,422,914	667,310	319,693,103
- Good	1,698,137	155,384,149	6,444,475	1,531,763	2,274,986	827,671	4,031,246	17,108,740	-	189,301,167
- Satisfactory	425,449	30,902,322	347,952	20,442	230,327	15,141	1,941,205	1,580,854	68,427	35,532,119
- No rating	2,283,463	71,195,264	243,688	229,993	2,159,744	619,014	2,796,448	14,733,320	598,883	94,859,817
Lifetime ECL not credit-impaired (Stage 2)	565,951	12,016,021	798,667	75,712	462,346	378	536,394	1,245,941	45,726	15,747,136
- Good	188,939	2,634,917	261,679	52,165	175,867	-	2,373	440,105	-	3,756,045
- Satisfactory	329,259	6,540,123	532,262	23,547	232,799	-	10,739	735,928	120	8,404,777
- No rating	47,753	2,840,981	4,726	-	53,680	378	523,282	69,908	45,606	3,586,314
Lifetime ECL credit- impaired (Stage 3)	342,592	7,722,353	363,438	170,290	84,961	1,890	156,811	1,224,742	2,083	10,069,160
- Impaired	342,592	7,722,353	363,438	170,290	84,961	1,890	156,811	1,224,742	2,083	10,069,160
Purchase credit- impaired	-	7,553	-	-	-	-	-	-	-	7,553
- Impaired	-	7,553	-	-	-	-	-	-	-	7,553
Total	5,315,592	277,227,662	8,198,220	2,028,200	5,212,364	1,464,094	9,462,104	35,893,597	715,119	345,516,952

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

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

The Company	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions					
2019					
No rating	370,546	–	–	–	370,546
Gross carrying amount	370,546	–	–	–	370,546
Total ECL	–	–	–	–	–
Net carrying amount	370,546	–	–	–	370,546
2018					
No rating	197,548	–	–	–	197,548
Gross carrying amount	197,548	–	–	–	197,548
Less: ECL	–	–	–	–	–
Net carrying amount	197,548	–	–	–	197,548
Debt instruments at FVOCI					
2019					
No rating	2,493,362	–	–	–	2,493,362
Gross carrying amount	2,493,362	–	–	–	2,493,362
Total ECL^{^^}	(25,269)	–	–	–	(25,269)
2018					
No rating	2,467,071	–	–	–	2,467,071
Gross carrying amount	2,467,071	–	–	–	2,467,071
Total ECL^{^^}	(21,044)	–	–	–	(21,044)

^{^^} The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

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

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

The Company	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Purchase credit- impaired RM'000	Total RM'000
Debt instruments at amortised cost					
2019					
No rating	6,248,910	–	–	–	6,248,910
Gross carrying amount	6,248,910	–	–	–	6,248,910
Total ECL	(65,524)	–	–	–	(65,524)
Net carrying amount	6,183,386	–	–	–	6,183,386
2018					
No rating	5,445,496	–	–	–	5,445,496
Gross carrying amount	5,445,496	–	–	–	5,445,496
Total ECL	(47,563)	–	–	–	(47,563)
Net carrying amount	5,397,933	–	–	–	5,397,933
Amount owing by subsidiaries					
2019					
Investment grade	12	–	–	–	12
Impaired	–	–	775	–	775
Gross carrying amount	12	–	775	–	787
Total ECL	–	–	(775)	–	(775)
Net carrying amount	12	–	–	–	12
2018					
Impaired	–	–	775	–	775
Gross carrying amount	–	–	775	–	775
Total ECL	–	–	(775)	–	(775)
Net carrying amount	–	–	–	–	–

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating

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

The Group and the Company

Rating classification	Internal rating	External credit rating
Investment grade (IG)	1 to 6	AAA to BBB-
Non-investment grade	7 to 14	BB+ and below

Credit quality description can be summarised below:

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

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

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

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

The Group	Sovereign RM'000	Investment grade RM'000	Non- investment grade RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2019							
Other assets	3,328	372,113	4,616	4,039,508	4,419,565	(110,147)	4,309,418
Total	3,328	372,113	4,616	4,039,508	4,419,565	(110,147)	4,309,418
2018							
Other assets	14,104	238,575	890	3,857,694	4,111,263	(60,612)	4,050,651
Total	14,104	238,575	890	3,857,694	4,111,263	(60,612)	4,050,651

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.1 Credit risk (Continued)

59.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach (Continued)

Analysis of other assets by credit rating (Continued)

The following tables are analysis of the credit risk exposure of other assets using simplified approach: (Continued)

The Company	Investment		Non-investment		No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
	Sovereign RM'000	grade RM'000	grade RM'000	No rating RM'000				
2019								
Other assets	-	-	-	133,414	133,414	133,414	-	133,414
Total	-	-	-	133,414	133,414	133,414	-	133,414
2018								
Other assets	-	-	-	133,333	133,333	133,333	-	133,333
Total	-	-	-	133,333	133,333	133,333	-	133,333

59.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as at 31 December 2019 and 31 December 2018 are as follows:

	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2019		
Nature of assets		
Industrial and residential properties, development land and motor vehicles	150,558	-
2018		
Nature of assets		
Industrial and residential properties, development land and motor vehicles	172,382	-

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the reposessed collaterals for its business use.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk

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

Market Risk Management (MRM)

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

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

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

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2019 is shown in Note 59.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

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

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

59.2.1 VaR

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

	The Group	
	2019 RM'000	2018 RM'000
Foreign exchange risk	6,982	6,584
Interest rate risk	21,884	13,489
Equity risk	2,985	2,914
Commodity risk	1,104	4,858
Total	32,955	27,845
Total shareholder's fund	56,237,171	51,374,295
Percentage of shareholder's fund	0.06%	0.05%

59.2 Market risk (Continued)

59.2.2 Interest rate risk

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

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

The table below summarises 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 2019	Non-trading book					Trading book			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	Non-interest sensitive RM'000		
Financial assets									
Cash and short-term funds	30,198,604	-	-	-	-	-	7,566,488	-	37,765,092
Reverse repurchase agreements	6,381,335	2,141,761	275,709	41,160	-	-	174,488	-	9,014,453
Deposits and placements with banks and other financial institutions	2,414,026	1,141,408	1,100,113	136,914	-	-	6,708	-	4,799,169
Financial investments at fair value through profit or loss	-	-	-	-	-	-	1,542,100	36,595,173	38,137,273
Debt instruments at fair value through other comprehensive income	995,871	1,481,484	1,773,490	1,803,616	17,567,836	9,473,611	222,505	-	33,318,413
Equity instruments at fair value through other comprehensive income	-	-	-	25,044	50,089	1,080	379,547	-	455,760
Debt instruments at amortised cost	1,683,737	1,532,472	1,368,238	4,630,378	26,739,962	3,460,009	418,695	-	39,833,491
Derivative financial instruments	18,189	45,830	74,939	10,907	156,325	140,812	-	11,142,895	11,569,897
Loans, advances and financing	259,017,607	13,765,202	12,604,168	11,893,063	28,435,084	34,621,976	-	-	360,340,100
Other assets	1,622,564	705,246	13,130	42,564	127,838	24,235	6,191,454	-	8,727,031
Total financial assets	302,331,933	20,813,403	17,209,787	18,583,646	73,080,134	47,721,723	16,501,985	47,738,068	543,980,679

59.2 Market risk (Continued)**59.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

The table below summarises 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 2019	Non-trading book						Trading book RM'000	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		
Financial liabilities									
Deposits from customers	203,024,869	70,517,340	48,596,378	38,548,162	2,321,344	118,185	29,223,189	-	392,349,467
Investment accounts of customers	703,908	520,265	1,947,696	250,244	-	-	26,851	-	3,448,964
Deposits and placements of banks and other financial institutions	11,975,586	8,539,284	1,609,648	431,869	101,108	-	1,009,227	-	23,666,722
Repurchase agreements	8,932,501	2,252,341	-	-	-	-	3,115,289	-	14,320,131
Derivative financial instruments	7,301	18,954	60,372	1,714	249,684	284,139	-	10,715,705	11,337,869
Bills and acceptances payable	906,967	870,218	748,718	2,349	13,420	-	42,497	-	2,584,169
Financial liabilities designated at fair value through profit or loss	222,998	1,101,938	1,467,399	14,891	220,053	-	7,134	616,327	3,650,740
Other liabilities	3,039,086	14,221,489	487,776	1,396,544	2,557,974	158,666	6,496,003	-	15,557,538
Lease liabilities	66	1,239	3,779	11,867	447,840	246,397	-	-	711,188
Recourse obligation on loans and financing sold to									
Cagamas	1,736,802	354,074	-	1,564,339	320,351	496,643	30,975	-	4,503,184
Bonds, Sukuk and debentures	2,933,334	3,254,945	2,221,359	952,653	6,797,794	1,685,144	387,481	-	18,232,710
Other borrowings	2,025,752	4,176,329	277,147	8,707	3,941,611	-	28,696	-	10,458,242
Subordinated obligations	-	-	628,983	5,492,221	7,044,688	228,357	126,620	-	13,520,869
Total financial liabilities	235,529,170	93,028,416	58,049,255	48,675,560	24,015,867	3,217,531	40,493,962	11,332,032	514,341,793
Net interest sensitivity gap	66,802,763	(72,215,013)	(40,839,468)	(30,091,914)	49,064,267	44,504,192	36,406,036		
Financial guarantees and contingencies									
Financial guarantees	-	-	-	-	-	-	8,104,258	-	8,104,258
Credit related commitments and contingencies	-	-	-	-	-	-	80,893,636	-	80,893,636
Treasury related commitments and contingencies (hedging)	-	157,860	6,967,901	6,714,140	13,674,921	8,987,021	-	-	36,501,843
Net interest sensitivity gap	-	157,860	6,967,901	6,714,140	13,674,921	8,987,021	88,997,894		125,499,737

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.2 Interest rate risk (Continued)

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

The table below summarises 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 2018	Non-trading book					Trading book RM'000	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		
Financial assets							
Cash and short-term funds	29,108,458	—	—	—	—	6,420,476	—
Reverse repurchase agreements	7,304,943	2,302,432	657,616	25,824	275,312	—	35,528,934
Deposits and placements with banks and other financial institutions	1,979,703	2,097,587	269,028	20,719	—	212,224	11,276,089
Financial investments at fair value through profit or loss	—	—	—	—	—	6,781	—
Debt instruments at fair value through other comprehensive income	685,465	1,480,523	2,409,425	2,233,123	13,926,770	11,348,642	192,356
Equity instruments at fair value through other comprehensive income	—	—	—	100,445	75,244	1,046	406,789
Debt instruments at amortised cost	2,018,672	2,138,797	1,552,720	2,264,562	21,323,618	9,661,820	309,013
Derivative financial instruments	1,078	4,233	5,639	21,848	43,663	35,189	—
Loans, advances and financing	243,820,449	19,878,762	7,455,731	8,772,232	29,651,320	27,569,774	8,522,983
Other assets	2,264,691	425,745	9,334	72,778	539,169	44,372	8,634,633
Total financial assets	287,183,459	28,328,079	12,359,493	13,511,531	65,835,096	48,660,843	14,901,719
							37,030,697
							507,810,917

Notes to the Financial Statements

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59.2 Market risk (Continued)**59.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

The table below summarises 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 2018	Non-trading book						Trading book RM'000	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		
Financial liabilities									
Deposits from customers	180,154,823	62,986,559	51,713,359	39,955,895	2,292,795	92,410	32,997,244	-	370,193,085
Investment accounts of customers	700,807	881,007	169,474	1,031	-	-	16,951	-	1,769,270
Deposits and placements of banks and other financial institutions	10,269,825	8,080,286	938,783	516,800	101,262	-	325,924	-	20,232,880
Repurchase agreements	7,849,897	2,453,922	209,995	25,824	275,312	-	3,464,526	-	14,279,476
Derivative financial instruments	9,614	4,355	2,513	248,347	154,523	244,078	-	7,744,551	8,407,981
Bills and acceptances payable	785,393	959,211	666,994	31,409	22,659	1,948	53,788	-	2,521,372
Financial liabilities designated at fair value through profit or loss	169,272	1,768,100	2,228,992	100	1,485,862	10,000	19,224	199,157	5,880,707
Other liabilities	2,591,101	1,907,042	166,659	368,009	2,968,069	217,781	5,870,815	-	14,089,476
Recourse obligation on loans and financing sold to Cagamas	2,736,804	1,854,085	-	-	870,573	489,247	56,788	-	6,007,447
Bonds, Sukuk and debentures	365,577	2,552,196	306,486	1,472,390	5,936,220	2,742,457	299,855	-	13,715,181
Other borrowings	1,708,436	4,055,700	368,768	134,562	2,989,340	-	39,834	-	9,306,640
Subordinated obligations	-	-	1,380,000	300,000	10,452,207	1,169,233	180,832	-	13,482,272
Total financial liabilities	207,341,549	87,552,463	58,152,023	43,054,367	27,548,822	4,967,154	43,325,701	7,943,708	479,885,787
Net interest sensitivity gap	79,841,910	(59,224,384)	(45,792,530)	(29,542,886)	38,286,274	43,693,689	29,086,989		
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	7,485,834	-	7,485,834
Credit related commitments and contingencies	250,000	-	-	-	-	-	73,442,696	-	73,692,696
Treasury related commitments and contingencies (hedging)	-	-	75,903	4,692,883	20,117,470	11,525,503	-	-	36,411,759
Net interest sensitivity gap	250,000	-	75,903	4,692,883	20,117,470	11,525,503	80,928,530	-	117,590,289

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.2 Interest rate risk (Continued)

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

The table below summarises 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 Company 2019	Non-trading book					Trading book RM'000	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		
Financial assets							
Cash and short-term funds	363,494	-	-	-	-	7,052	-
Debt instruments at fair value through other comprehensive income	-	-	-	2,476,162	-	17,200	-
Debt instruments at amortised cost	-	-	1,978,915	4,165,562	-	38,909	-
Other assets	-	-	-	-	-	133,414	-
Amount owing by subsidiaries	12	-	-	-	-	-	12
Total financial assets	363,506	-	1,978,915	6,641,724	-	196,575	-
Financial liabilities							
Other liabilities	-	-	-	-	-	3,223	-
Amount owing to subsidiaries	9,826	-	-	-	-	-	9,826
Other borrowings	203,187	-	252,144	-	3,750,000	-	4,205,331
Subordinated obligations	-	26,477	638,751	2,000,000	7,600,000	-	10,265,228
Total financial liabilities	213,013	26,477	890,895	2,000,000	11,350,000	-	14,483,608
Net interest sensitivity gap	150,493	(26,477)	(890,895)	(21,085)	(4,708,276)	-	-

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for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.2 Market risk (Continued)****59.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

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

	The Company 2018	Non-trading book						Trading book RM'000	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		
Financial assets									
Cash and short-term funds	190,675	-	-	-	-	-	-	6,873	-
Debt instruments at fair value through other comprehensive income	-	-	-	-	2,450,091	-	-	16,980	-
Debt instruments at amortised cost	-	-	-	-	4,173,079	1,189,358	35,496	-	5,397,933
Other assets	-	-	-	-	-	-	133,333	-	133,333
Total financial assets	190,675	-	-	-	6,623,170	1,189,358	192,682	-	8,195,885
Financial liabilities									
Other liabilities	-	-	-	-	-	-	-	2,450	-
Amount owing to subsidiaries	1,819	-	-	-	-	-	-	-	2,450
Other borrowings	-	-	350,000	-	3,000,000	-	-	-	1,819
Subordinated obligations	-	-	1,380,000	-	7,200,000	1,200,000	61,811	-	3,353,526
Total financial liabilities	1,819	-	1,730,000	-	10,200,000	1,200,000	67,787	-	13,199,606
Net interest sensitivity gap	188,856	-	(1,730,000)	-	(3,576,830)	(10,642)	-	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

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

	The Group		The Company				
	Increase/(decrease)	+100 basis points RM'000	-100 basis points RM'000	Increase/(decrease)	+100 basis points RM'000	-100 basis points RM'000	
2019							
Impact to profit (after tax)		(218,020)	218,020		(3,343)	3,343	
2018							
Impact to profit (after tax)		(69,614)	69,614		(6,842)	6,842	

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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.2 Market risk (Continued)****59.2.2 Interest rate risk (Continued)****(c) Sensitivity of reserves**

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

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2019				
Impact to fair value reserves-debt instruments at fair value through other comprehensive income	(1,149,999)	1,149,999	(58,067)	58,067
Impact to fair value reserves-equity instruments at fair value through other comprehensive income	(184)	184	-	-
2018				
Impact to fair value reserves-debt instruments at fair value through other comprehensive income	(1,171,129)	1,171,129	(79,056)	79,056
Impact to fair value reserves-equity instruments at fair value through other comprehensive income	(1,891)	1,891	-	-

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments at fair value through other comprehensive income following movements in risk free rates.

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

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

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.3 Foreign exchange risk

The Group and the Company 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 Company 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 Company.

The Group 2019	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	HKD RM'000	EUR RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	21,135,883	1,564,443	216,936	1,346,291	9,662,806	339,556	1,133,721	321,634	176,790	98,336	943,819	824,867	16,629,199	37,765,092
Reverse repurchase agreements	1,437,156	154,664	110,391	1,372,954	3,540,088	2,025,532	127,247	148,215	-	2,342	37,541	58,323	7,577,297	9,014,453
Deposits and placements with banks and other financial institutions	1,498,212	1,728,420	-	45	869,597	229	-	-	383,112	10,530	-	309,024	3,300,957	4,799,169
Financial investments at fair value through profit or loss	14,108,005	966,258	4,503,279	6,637,152	8,407,303	355,102	80,406	1,772,566	487,834	744,233	25,005	50,130	24,029,268	38,137,273
Debt instruments at fair value through other comprehensive income	16,701,763	4,745,362	4,736,761	2,261,292	4,290,082	150,581	216,137	-	18,285	115,609	82,541	-	16,161,650	33,318,413
Equity instruments at fair value through other comprehensive income	368,580	4,585	12,652	59	67,433	-	-	-	-	-	2,451	-	87,180	455,760
Debt instruments at amortised cost	30,156,891	2,837,310	1,913,868	3,226,279	1,663,557	-	-	-	-	-	-	25,586	9,676,600	39,833,491
Derivative financial instruments	22,901,219	466,781	89,430,918	10,749,671	(115,441,412)	4,109,696	2,529,748	(2,499,703)	(2,835,333)	4,083,451	(8,651,183)	6,746,044	(11,311,322)	11,589,897
Loans, advances and financing	210,288,062	49,335,387	30,551,398	25,465,403	33,797,956	328,544	5,363,658	1,360,595	560,086	1,096,158	755,303	1,467,350	150,082,038	360,340,100
Other assets	3,799,869	893,060	1,625,900	258,879	2,005,335	27,711	50,178	1,438	6	19,731	10,940	33,984	4,922,162	8,727,031
	322,365,650	62,696,470	133,102,103	51,328,025	(51,137,255)	7,336,951	9,501,095	1,104,745	(1,209,220)	6,170,390	(6,793,583)	9,515,308	221,615,029	543,980,679

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for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.2 Market risk (Continued)****59.2.3 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 Company.
(Continued)

The Group 2019	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	HKD RM'000	EUR RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial liabilities														
Deposits from customers	235,630,769	44,618,580	26,832,768	32,780,597	42,795,265	2,349,330	3,151,201	519,060	457,867	1,504,553	615,010	1,094,458	156,718,698	392,349,467
Investment accounts of customers	3,448,964	-	-	-	-	-	-	-	-	-	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	3,773,723	284,828	2,005,149	2,555,659	11,389,179	620	712,696	28,785	639,941	1,642,246	252,609	401,287	19,992,999	23,666,722
Repurchase agreements	6,143,914	3,092,646	3,908,141	352,175	823,255	-	-	-	-	-	-	-	8,176,217	14,320,131
Financial liabilities designated at fair value through profit or loss	299,930	-	3,350,810	-	-	-	-	-	-	-	-	-	-	3,350,810
Derivatives financial instruments	25,369,524	365,800	90,272,477	12,535,678	(117,194,976)	3,846,677	2,260,202	(1,498,703)	(4,489,533)	1,000,228	(7,841,851)	6,712,346	(14,031,655)	11,337,869
Bills and acceptances payable	428,408	581,010	303,569	102,667	1,125,949	-	54	2,912	11,386	-	22,892	5,322	2,155,761	3,650,740
Other liabilities	5,490,692	3,956,816	1,060,783	1,066,302	2,885,788	135,615	199,299	55,439	4,859	626,610	57,644	48,686	10,066,846	2,584,169
Lease liabilities	389,727	92,912	42,285	86,481	30,753	-	3,005	-	-	44,578	-	11,447	311,461	15,557,538
Recourse obligation on loans and financing sold to Cagamas	4,503,184	-	-	-	-	-	-	-	-	-	-	-	-	4,503,184
Other borrowings	4,029,842	381,015	-	-	5,749,880	-	-	-	-	297,525	-	-	6,428,400	10,458,242
Bonds, Sukuk and debentures	4,031,257	2,252,813	1,115,115	-	9,888,298	-	-	-	-	935,227	-	-	14,201,453	18,232,710
Subordinated obligations	13,025,817	495,052	-	-	-	-	-	-	-	-	-	-	495,052	13,520,869
306,575,751	56,121,472	128,891,097	49,478,559	(42,546,624)	6,332,242	6,326,457	(892,498)	(3,375,480)	6,050,967	(6,893,666)	8,273,546	207,766,042	514,341,793	
Financial guarantees	2,229,880	360,868	13,291	3,012,262	2,254,005	-	56,409	3,312	3,599	94,607	48,668	27,357	5,874,378	8,104,258
Credit related commitments and contingencies	61,692,348	4,684,856	1,941,815	3,676,654	5,201,860	6,154	1,284,065	63,211	528,929	1,366,541	165,219	281,984	19,201,288	80,893,636
	63,922,228	5,045,724	1,955,106	6,688,916	7,455,865	6,154	1,340,474	66,523	532,528	1,461,148	213,887	309,341	25,075,666	88,907,894

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.3 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 Company.
 (Continued)

The Group 2018	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	HKD RM'000	EUR RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000	
Financial assets															
Cash and short-term funds	22,220,479	3,295,395	293,098	723,122	5,393,478	232,492	603,942	889,845	324,997	75,985	564,277	901,844	13,308,455	35,528,934	
Reverse repurchase agreements	3,716,329	173,829	128,336	2,307,716	4,228,752	586,898	62,935	34,931	—	5,676	23,545	7,142	7,559,760	11,276,089	
Deposits and placements with banks and other financial institutions	2,161,913	1,544,177	—	167	174,673	287	—	—	211,414	—	—	281,187	2,211,905	4,373,818	
Financial investments at fair value through profit or loss	15,150,828	548,998	2,956,565	4,547,006	2,481,852	173,116	—	2,334,600	407,938	907,677	134	2,355	14,360,241	29,511,069	
Debt instruments at fair value through other comprehensive income	15,053,229	4,782,045	6,248,599	1,667,639	4,184,616	181,042	—	—	—	159,134	—	—	17,223,075	32,276,304	
Equity instruments at fair value through other comprehensive income	473,059	69	11,389	58	98,880	—	—	—	—	—	69	—	110,465	583,524	
Debt instruments at amortised cost	28,467,252	2,805,029	2,270,072	4,064,090	1,653,134	—	—	—	—	—	—	9,625	10,801,950	39,289,202	
Derivative financial instruments	7,478,970	202,404	55,882,376	12,502,075	72,558,717	(1,552,503)	4,814,100	6,122,176	1,388,514	(5,537,056)	(1,817,878)	1,710,172	1,155,663	8,634,633	
Loans, advances and financing	199,338,597	45,395,893	26,401,420	27,323,029	30,226,407	269,689	4,313,931	908,411	582,395	1,606,068	516,721	285,707	137,809,671	337,148,268	
Other assets	3,555,320	980,813	473,438	156,647	3,824,148	12,477	44,115	14,232	15,670	91,623	20,535	40,058	5,673,756	9,209,076	
	297,595,976	59,728,652	94,665,293	53,291,549	(20,312,777)	(86,502)	9,839,023	10,314,195	2,930,928	(2,690,913)	(692,597)	3,238,090	210,214,941	507,810,917	

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.2 Market risk (Continued)****59.2.3 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 Company.
(Continued)

The Group 2018	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	HKD RM'000	EUR RM'000	Others RM'000	Total non- MYR RM'000	Total non- MYR RM'000	Grand total RM'000
Financial liabilities															
Deposits from customers															
1,769,270	224,796,355	41,752,313	23,239,040	33,479,153	37,916,305	1,796,583	3,102,822	163,840	1,094,247	1,333,794	628,531	890,102	145,396,730	370,189,085	1,769,270
Investment accounts of customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	3,667,409	727,763	1,379,102	812,805	10,823,888	505,710	245,006	127,866	948,561	684,783	9,301	300,936	16,865,471	20,232,880	
Repurchase agreements	3,341,320	3,427,634	4,142,655	1,542,067	1,825,800	-	-	-	-	-	-	-	10,938,156	14,279,476	
Financial liabilities designated at fair value through profit or loss	1,355,488	-	4,525,219	-	-	-	-	-	-	-	-	-	-	4,525,219	5,880,707
Derivatives financial instruments	17,254,424	154,187	56,240,748	16,368,482	(83,035,859)	(3,595,506)	3,224,153	8,341,360	322,593	(6,477,682)	(723,126)	334,207	(8,846,443)	8,407,981	
Bills and acceptances payable	259,432	565,709	307,445	111,901	1,185,571	-	3,708	6,670	54,834	-	26,003	99	2,261,940	2,521,372	
Other liabilities	6,096,463	3,503,137	547,645	390,321	2,989,869	127,153	33,872	67,567	76,178	163,710	57,671	35,890	7,993,013	14,089,476	
Recurse obligation on loans and financing sold to Cagamas	6,007,447	-	-	-	-	-	-	-	-	-	-	-	-	-	6,007,447
Other borrowings	3,323,201	141,685	95,530	-	5,746,224	-	-	-	-	-	-	-	5,983,439	9,306,640	
Bonds, Sukuk and debentures	4,112,392	1,321,651	365,540	-	5,976,484	294,339	-	-	154,843	1,269,932	-	-	9,602,789	13,715,181	
Subordinated obligations	13,003,088	479,184	-	-	-	-	-	-	-	-	-	-	479,184	13,482,272	
284,986,289	52,273,263	90,892,924	52,704,529	(16,571,768)	(871,721)	6,609,561	8,707,303	2,651,286	(3,025,463)	(1,620)	1,561,234	194,899,498	479,885,787		
Financial guarantees	1,857,991	523,836	319,578	2,899,535	1,673,871	-	56,314	3,092	3,384	95,183	51,848	1,202	5,627,843	7,486,834	
Credit related commitments and contingencies	59,236,494	5,173,559	1,697,250	3,108,240	2,453,972	21,356	649,886	84,836	360,898	861,148	43,705	1,072	14,456,202	73,692,696	
	61,094,485	5,697,695	2,016,828	6,007,775	4,127,843	21,356	706,180	87,928	364,282	956,331	95,553	2,274	20,084,045	81,178,530	

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.3 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 Company. (Continued)

The Company 2019	MYR RM'000	IDR RM'000	USD RM'000	SGD RM'000	Total non- MYR RM'000	Grand Total RM'000
Financial assets						
Cash and short-term funds	364,054	2	6,490	-	6,492	370,546
Debt instruments at fair value through other comprehensive income	2,493,362	-	-	-	-	2,493,362
Debt instruments at amortised cost	6,183,386	-	-	-	-	6,183,386
Other assets	82,644	-	50,770	50,770	50,770	133,414
Amount owing by subsidiaries	12	-	-	-	-	12
	9,123,458	2	6,490	50,770	57,262	9,180,720
Financial liabilities						
Other liabilities	3,223	-	-	-	-	3,223
Amount due to subsidiaries	9,826	-	-	-	-	9,826
Other borrowings	4,205,331	-	-	-	-	4,205,331
Subordinated obligations	10,265,228	-	-	-	-	10,265,228
	14,483,608	-	-	-	-	14,483,608

Notes to the Financial Statements

for the financial year ended 31 December 2019

59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.2 Market risk (Continued)****59.2.3 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 Company. (Continued)

The Company 2018	MYR RM'000	IDR RM'000	USD RM'000	SGD RM'000	Total non- MYR RM'000	Grand Total RM'000
Financial assets						
Cash and short-term funds	190,986	2	6,560	–	6,562	197,548
Debt instruments at fair value through other comprehensive income	2,467,071	–	–	–	–	2,467,071
Debt instruments at amortised cost	5,397,933	–	–	–	–	5,397,933
Other assets	82,641	–	–	50,692	50,692	133,333
	8,138,631	2	6,560	50,692	57,254	8,195,885
Financial liabilities						
Other liabilities	2,450	–	–	–	–	2,450
Amount due to subsidiaries	1,819	–	–	–	–	1,819
Other borrowings	3,353,526	–	–	–	–	3,353,526
Subordinated obligations	9,841,811	–	–	–	–	9,841,811
	13,199,606	–	–	–	–	13,199,606

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.2 Market risk (Continued)

59.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

The table below shows the sensitivity of the Group's and the Company's profit and reserves to movement in foreign exchange rates:

	The Group		The Company	
	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000
2019				
Impact to profit (after tax)	(2,514)	2,514	86	(86)
Impact to reserves	(69,076)	69,076	–	–
2018				
Impact to profit (after tax)	(427)	427	86	(86)
Impact to reserves	(59,548)	59,548	–	–

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.

59.3 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 retail transactions accounts, savings, demand, and term deposits, thus providing the Group with a stable large funding base. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.3 Liquidity risk (Continued)**

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 key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient high quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. The Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2020. As part of its ordinary course of business, the Group maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain.

In addition to regulatory limits, liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers ("MATs") have been established to alert the Management to potential and emerging liquidity pressures. Our Group's liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group 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. Overseas branches and subsidiaries 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.

The Group's Contingency Funding Plan (CFP) is in place to alert and enable the senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

The Group 2019	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	37,765,092	-	-	-	-	-	-	37,765,092
Reverse repurchase agreements	6,556,064	2,140,365	276,779	41,245	-	-	-	9,014,453
Deposits and placements with banks and other financial institutions	2,095,545	1,462,842	1,102,389	138,393	-	-	-	4,799,169
Financial investments at fair value through profit or loss	8,410,759	9,192,779	3,794,525	2,845,753	3,168,229	8,645,696	2,079,532	38,137,273
Debt instruments at fair value through other comprehensive income	2,731,319	1,103,121	1,940,513	1,824,034	16,694,802	9,024,623	1	33,318,413
Equity instruments at fair value through other comprehensive income	-	866	433	25,044	50,089	-	379,328	455,760
Debt instruments at amortised cost	692,726	1,564,380	1,379,716	4,671,224	23,459,424	8,066,021	-	39,833,491
Derivative financial instruments	968,074	916,132	1,225,373	1,086,740	4,406,021	2,987,557	-	11,589,897
Loans, advances and financing	32,817,501	12,372,949	11,380,169	20,011,091	65,249,621	218,508,769	-	360,340,100
Other assets	5,790,757	35,183	63,933	147,428	695,375	1,339,986	2,028,551	10,101,213
Tax recoverable	312,126	-	-	-	-	-	-	312,126
Deferred tax assets	-	-	-	-	-	-	882,623	882,623
Statutory deposits with central banks	-	-	-	-	-	-	11,499,998	11,499,998
Investment in associates	-	-	-	-	-	-	45,756	45,756
Investment in joint ventures	-	-	-	-	-	-	2,382,005	2,382,005
Property, plant and equipment	-	-	-	-	-	-	2,343,507	2,343,507
Right of use assets	2,780	6,292	12,486	29,866	465,701	256,297	420	775,842
Investment properties	-	-	-	-	-	-	17,334	17,334
Prepaid lease payment	-	-	-	-	-	-	81,428	81,428
Goodwill	-	-	-	-	-	-	7,857,539	7,857,539
Intangible assets	-	-	-	-	-	-	1,685,169	1,685,169
Non-current assets held for sale	-	-	-	-	-	-	7,467	7,467
Total assets	98,142,743	28,794,909	21,176,316	30,820,818	114,189,262	248,830,949	31,280,658	573,245,655

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	228,718,380	70,853,366	49,927,966	40,063,654	2,667,916	118,185	-	392,349,467
Investment accounts of customers	730,760	520,265	1,947,695	250,244	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	12,971,947	8,549,307	1,612,079	432,281	101,108	-	-	23,666,722
Repurchase agreements	12,062,160	2,257,754	-	217	-	-	-	14,320,131
Derivatives financial instruments	1,131,425	908,534	1,282,573	886,556	4,352,484	2,806,297	-	11,337,869
Bills and acceptances payable	874,823	551,809	443,852	2,349	13,420	697,916	-	2,584,169
Other liabilities	9,196,962	739,599	495,675	1,496,015	2,828,271	1,157,511	826,284	16,740,317
Lease liabilities	4,173	8,584	14,881	33,672	411,621	238,257	-	711,188
Recourse obligation on loans and financing sold to Cajamas	22,614	1,838	6,523	2,421,197	1,394,353	656,659	-	4,503,184
Deferred tax liabilities	-	-	-	-	-	-	36,578	36,578
Provision for taxation and zakat	215,429	-	-	-	-	-	-	215,429
Financial liabilities designated at fair value through profit or loss	34,055	56,833	-	14,987	1,308,728	2,236,137	-	3,650,740
Bonds, Sukuk and debentures	19,325	2,480,391	1,940,551	1,049,737	11,457,153	1,285,553	-	18,232,710
Other borrowings	402,752	1,530,066	302,144	827,327	7,395,953	-	-	10,458,242
Subordinated obligations	25,724	60,246	649,906	5,474,196	5,684,904	1,625,893	-	13,520,869
Total liabilities	266,410,529	88,518,592	58,623,845	52,922,432	37,615,911	10,822,408	862,862	515,776,579
Net liquidity gap	(168,267,786)	(59,723,683)	(37,447,529)	(22,101,614)	76,573,351	238,008,541	30,427,796	57,469,076

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Group 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	35,528,934	—	—	—	—	—	—	35,528,934
Reverse repurchase agreements	7,823,018	2,808,052	645,019	—	—	—	—	11,276,089
Deposits and placements with banks and other financial institutions	1,708,984	2,293,748	329,015	42,071	—	—	—	4,373,818
Financial investments at fair value through profit or loss	3,033,142	6,909,430	5,581,109	2,581,221	4,499,580	4,835,112	2,071,475	29,511,069
Debt instruments at fair value through other comprehensive income	291,241	889,606	2,569,784	2,521,046	14,658,482	11,346,144	1	32,276,304
Equity instruments at fair value through other comprehensive income	—	1,327	18	100,445	75,244	—	406,490	583,524
Debt instruments at amortised cost	1,093,116	2,110,081	1,546,393	2,301,584	20,491,773	11,726,255	—	39,269,202
Derivative financial instruments	259,016	971,829	906,035	1,084,873	3,783,213	1,629,667	—	8,634,633
Loans, advances and financing	36,982,989	13,737,310	10,384,211	21,662,396	63,022,908	191,358,454	—	337,148,268
Other assets	9,817,714	7,767	38,215	97,856	967,250	1,044,570	232,839	12,206,211
Tax recoverable	317,020	—	—	—	—	—	—	317,020
Deferred tax assets	—	—	—	—	—	—	1,052,808	1,052,808
Statutory deposits with central banks	—	—	—	—	—	—	8,139,164	8,139,164
Investment in associates	—	—	—	—	—	—	74,896	74,896
Investment in joint ventures	—	—	—	—	—	—	1,639,470	1,639,470
Property, plant and equipment	—	—	—	—	—	—	2,257,200	2,257,200
Prepaid lease payment	—	—	—	—	—	—	91,686	91,686
Goodwill	—	—	—	—	—	—	7,680,096	7,680,096
Intangible assets	—	—	—	—	—	—	1,708,484	1,708,484
Non-current assets held for sale	—	—	—	—	—	—	320,167	320,167
Total assets	96,855,174	29,729,150	21,999,799	30,391,492	107,498,450	221,940,202	25,674,776	534,089,043

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Group 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	208,801,376	63,478,582	52,281,367	40,182,700	5,327,914	121,146	–	370,193,085
Investment accounts of customers	717,758	881,007	169,474	1,031	–	–	–	1,769,270
Deposits and placements of banks and other financial institutions	10,560,141	8,111,757	941,976	517,744	101,262	–	–	20,232,880
Repurchase agreements	11,663,134	2,466,736	149,215	391	–	–	–	14,279,476
Derivatives financial instruments	951,018	558,467	912,853	1,471,332	3,109,420	1,404,891	–	8,407,981
Bills and acceptances payable	764,800	657,933	362,550	31,409	22,659	682,021	–	2,521,372
Other liabilities	7,288,759	911,458	820,182	1,078,438	3,435,840	930,423	582,192	15,047,292
Recourse obligation on loans and financing sold to Cagamas	24,409	1,525,759	6,581	–	3,801,435	649,263	–	6,007,447
Deferred tax liabilities	–	–	–	–	–	–	30,175	30,175
Provision for taxation and zakat	539,823	–	–	–	–	–	–	539,823
Financial liabilities designated at fair value through profit or loss	3,307	8,768	1,957	92	3,158,574	2,708,009	–	5,880,707
Bonds, Sukuk and debentures	7,902	26,559	259,075	1,480,492	8,971,959	2,969,194	–	13,715,181
Other borrowings	485,866	99,770	369,696	548,463	7,802,845	–	–	9,306,640
Subordinated obligations	24,957	92,058	1,435,590	300,678	9,859,347	1,769,662	–	13,482,272
Non-current liabilities held for sale	–	–	–	–	–	–	87,471	87,471
Total liabilities	241,833,250	78,818,834	57,710,516	45,612,770	45,591,255	11,234,609	699,838	481,501,072
Net liquidity gap	(144,978,076)	(49,089,684)	(35,710,717)	(15,221,278)	61,907,195	210,705,593	24,974,938	52,587,971

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Company 2019	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	370,546	-	-	-	-	-	-	370,546
Debt instruments at fair value through other comprehensive income	-	-	17,200	-	2,476,162	-	-	2,493,362
Debt instruments at amortised cost	-	26,602	12,307	1,978,915	4,165,562	-	-	6,183,386
Other assets	-	-	-	-	-	-	133,440	133,440
Taxation recoverable	182,089	-	-	-	-	-	-	182,089
Investment in subsidiaries	-	-	-	-	-	-	32,158,313	32,158,313
Amount owing from subsidiaries	12	-	-	-	-	-	-	12
Property, plant and equipment	-	-	-	-	-	-	5,898	5,898
Investment properties	-	-	-	-	-	-	381	381
Total assets	552,647	26,602	29,507	1,978,915	6,641,724	-	32,298,032	41,527,427
Liabilities								
Other liabilities	3,223	-	-	-	-	-	-	3,223
Amount owing to subsidiaries	9,826	-	-	-	-	-	-	9,826
Deferred tax liabilities	-	-	-	-	-	-	377	377
Other borrowings	203,187	-	252,144	-	3,750,000	-	-	4,205,331
Subordinated obligations	-	26,477	638,751	2,000,000	7,600,000	-	-	10,265,228
Total liabilities	216,236	26,477	890,895	2,000,000	11,350,000	-	377	14,483,985
Net liquidity gap	336,411	125	(861,388)	(21,085)	(4,708,276)	-	32,297,655	27,043,442

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Company 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	197,548	–	–	–	–	–	–	197,548
Debt instruments at fair value through other comprehensive income	–	–	16,981	–	2,450,090	–	–	2,467,071
Debt instruments at amortised cost	–	26,794	8,701	–	4,173,080	1,189,358	–	5,397,933
Other assets	–	–	–	–	–	–	135,486	135,486
Taxation recoverable	180,853	–	–	–	–	–	–	180,853
Investment in subsidiaries	–	–	–	–	–	–	29,833,969	29,833,969
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	1,703	1,703
Investment properties	–	–	–	–	–	–	399	399
Non-current assets held for sale	–	–	–	–	–	–	7,862	7,862
Total assets	378,401	26,794	25,682	–	6,623,170	1,189,358	29,983,253	38,226,658
Liabilities								
Other liabilities	2,381	–	–	–	–	–	69	2,450
Amount owing to subsidiaries	1,819	–	–	–	–	–	–	1,819
Deferred tax liabilities	–	–	–	–	–	–	374	374
Other borrowings	2,671	–	350,855	–	3,000,000	–	–	3,353,526
Subordinated obligations	–	26,667	1,415,144	–	7,200,000	1,200,000	–	9,841,811
Total liabilities	6,871	26,667	1,765,999	–	10,200,000	1,200,000	443	13,199,980
Net liquidity gap	371,530	127	(1,740,317)	–	(3,576,830)	(10,642)	29,982,810	25,026,678

59.3 Liquidity risk (Continued)

59.3.2 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 Company 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 2019	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								
Investment accounts of customers	730,776	524,737	1,976,976	255,585	-	-	-	3,488,074
Deposits and placements of banks and other financial institutions	12,995,435	8,566,947	1,619,288	437,982	101,119	-	-	23,720,771
Repurchase agreements	12,063,421	2,362,853	-	-	501	-	-	14,426,775
Bills and acceptances payable	885,536	573,419	474,523	58,855	175,385	750,119	-	2,917,837
Financial liabilities designated at fair value through profit or loss								
Other liabilities	8,631,600	742,071	497,414	1,499,541	2,864,401	1,559,341	815,090	16,609,458
Lease liabilities	5,188	38,520	41,511	93,717	457,014	168,987	-	804,947
Recourse obligation on loans and financing sold to Cagamas								
Other borrowings	614,770	1,564,712	356,894	920,767	8,071,630	-	-	11,528,773
Bonds, Sukuk and debentures	21,998	2,688,549	2,082,479	1,395,778	11,749,586	1,240,121	-	19,178,511
Subordinated obligations	27,150	142,516	1,007,581	6,125,150	8,150,698	1,735,302	-	17,188,397
Financial guarantees	2,754,253	708,226	243,085	872,416	406,132	342,934	2,777,212	8,104,258
Credit related commitments and contingencies	47,859,621	1,233,968	2,539,387	3,387,878	4,464,521	20,994,208	414,053	80,893,636
	316,081,386	91,207,160	61,666,264	59,326,237	42,880,939	30,287,464	4,006,355	605,455,805

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

59.3.2 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 Company 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 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities									
Deposits from customers	209,204,608	64,039,725	53,148,305	40,986,512	6,026,983	168,548	—	—	373,574,681
Investment accounts of customers	718,201	887,976	171,549	1,049	—	—	—	—	1,778,775
Deposits and placements of banks and other financial institutions	10,578,842	8,147,049	952,408	575,618	101,321	—	—	—	20,355,238
Repurchase agreements	11,665,868	2,471,439	149,913	1,110	12,935	—	—	—	14,301,265
Bills and acceptances payable	764,863	659,125	367,679	43,180	116,567	765,174	—	—	2,716,588
Financial liabilities designated at fair value through profit or loss	350,405	19,040	22,029	41,217	3,325,074	2,811,434	—	—	6,569,199
Other liabilities	6,201,822	907,975	831,723	1,099,967	3,472,983	925,940	581,405	14,021,765	
Recourse obligation on loans and financing sold to Capamas	29,882	1,535,428	58,130	94,160	4,156,870	802,825	—	—	6,677,295
Other borrowings	498,308	141,551	418,444	658,262	8,657,306	34,507	—	—	10,408,378
Bonds, Sukuk and debentures	8,674	92,841	373,605	1,713,227	9,948,288	3,127,353	—	—	15,263,988
Subordinated obligations	26,298	162,522	1,769,333	896,177	12,538,550	2,107,125	—	—	17,500,005
Financial guarantees	2,699,312	572,982	237,078	795,209	404,040	—	2,777,213	7,485,834	
Credit related commitments and contingencies	39,682,043	1,344,658	1,616,067	3,932,197	3,944,499	22,688,210	485,022	73,692,696	
	282,429,126	80,982,311	60,116,263	50,837,885	52,705,366	33,431,116	3,843,640	564,345,707	

59.3 Liquidity risk (Continued)

59.3.2 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 Company 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 Company 2019	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							
Other liabilities	3,223	—	—	—	—	—	—	—	3,223
Amount owing to subsidiaries	9,826	—	—	—	—	—	—	—	9,826
Other borrowings	210,298	17,967	297,273	69,653	4,061,966	—	—	—	4,657,157
Subordinated obligations	—	46,733	815,350	2,243,017	8,574,282	—	—	—	11,679,382
	223,347	64,700	1,112,623	2,312,670	12,636,248	—	—	—	16,349,588
	The Company 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
		Non-derivative financial liabilities							
Other liabilities	2,381	—	—	—	—	—	—	69	2,450
Amount owing to subsidiaries	1,819	—	—	—	—	—	—	—	1,819
Other borrowings	10,352	18,888	386,951	58,585	3,403,260	—	—	—	3,878,036
Subordinated obligations	—	46,572	1,604,256	222,126	8,244,973	1,258,720	—	—	11,376,647
	14,552	65,460	1,991,207	280,711	11,648,233	1,258,720	69	15,258,952	

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

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

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.

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

	Derivative financial liabilities					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	
The Group 2019						
Trading derivatives						
- Foreign exchange derivatives	(1,043,859)	-	-	-	-	(1,043,859)
- Interest rate derivatives	(3,627,363)	-	-	-	-	(3,627,363)
- Equity related derivatives	(64,735)	-	-	-	-	(64,735)
- Commodity related derivatives	(228,965)	-	-	-	-	(228,965)
- Credit related contracts	(57,654)	-	-	-	-	(57,654)
- Bond contract	(515,868)	-	-	-	-	(515,868)
Hedging derivatives						
- Interest rate derivatives	72,696	19,469	(80,217)	(38,329)	(896,038)	(96,607)
	(5,465,748)	19,469	(80,217)	(38,329)	(896,038)	(96,607)
						(6,557,470)

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

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

The Group 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives								
- Interest rate derivatives								
- Equity related derivatives								
- Commodity related derivatives								
- Credit related contracts								
- Bond contract								
Hedging derivatives								
- Interest rate derivatives								
(3,680)	5,283	(7,825)	(95,200)	(120,039)	519,414	-	297,953	
(4,201,108)	5,283	(7,825)	(95,200)	(120,039)	519,414	-	(3,899,475)	

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	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
The Group 2019								
Derivative financial liabilities								
Trading derivatives	(5,177,262)	–	–	–	–	–	–	(5,177,262)
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	(2,024,633)	(2,226,565)	(4,065,598)	(57,039)	(3,187,602)	(553,809)	–	(12,115,246)
– Inflow	2,039,269	2,341,506	4,109,889	65,910	3,062,205	497,433	–	12,116,162
	(5,162,626)	114,941	44,241	8,871	(125,397)	(56,376)	–	(5,176,346)

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Group 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000	
		Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000	
Derivative financial liabilities										
Trading derivatives										
Foreign exchange derivatives		(8,543,874) (3,249)	—	—	—	—	—	—	(3,543,874) (3,249)	
Credit related derivatives		—	—	—	—	—	—	—	—	
Hedging derivatives										
Foreign exchange derivatives		(876,360)	(2,405,519)	(1,220,905)	(1,902,780)	(2,339,740)	(530,677)	—	(9,275,981)	
- Outflow		873,240	2,400,429	1,229,278	1,708,358	2,282,509	514,732	—	9,008,546	
- Inflow										
Interest rate derivatives		(637)	(770)	(705)	(2,121)	(16,612)	(12,952)	—	(33,797)	
- Outflow		370	758	1,110	2,269	17,380	12,270	—	34,157	
- Inflow										
		(3,550,510)	(5,102)	8,778	(194,274)	(56,463)	(16,627)	—	(3,814,198)	

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.4 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.

59.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets and liabilities in active markets; or
 - Quoted prices for identical or similar assets and liabilities in non-active markets; or
 - Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

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

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform Mark-to-Market, Mark-to-Model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMRC;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

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

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	2019	The Group			The Company				
		Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	
Recurring fair value measurements									
Financial assets									
Financial investments at fair value through profit or loss									
- Money market instruments	30,171,385	-	29,757,322	414,063	30,171,385	-	-	-	
- Quoted securities	857,580	857,580	-	-	857,580	-	-	-	
- Unquoted securities	7,108,308	-	5,968,745	1,139,563	7,108,308	-	-	-	
Debt instruments at fair value through other comprehensive income	6,325,148	-	6,325,148	-	6,325,148	-	-	-	
- Money market instruments	26,993,265	-	26,993,264	1	26,993,265	2,493,362	-	2,493,362	
Equity instruments at fair value through other comprehensive income	48,683	48,683	-	76,435	330,642	407,077	-	-	
- Quoted securities	407,077	-	-	-	-	-	-	-	
- Unquoted securities	-	-	-	-	-	-	-	-	
Derivative financial instruments	11,142,895	58,959	11,014,817	69,119	11,142,895	-	-	-	
- Trading derivatives	447,002	-	447,002	-	447,002	-	-	-	
- Hedging derivatives	-	-	-	-	-	-	-	-	
Loans, advances and financing at fair value through profit or loss	1,104,735	-	1,104,735	-	1,104,735	-	-	-	
Total	84,606,078	965,222	81,687,468	1,953,388	84,606,078	2,493,362	-	2,493,362	
Recurring fair value measurements									
Financial liabilities									
Derivative financial instruments									
- Trading derivatives	10,715,705	122,146	10,578,007	15,552	10,715,705	-	-	-	
- Hedging derivatives	622,164	-	622,164	-	622,164	-	-	-	
Financial liabilities designated at fair value through profit or loss	3,650,740	-	3,650,740	-	3,650,740	-	-	-	
Total	14,988,609	122,146	14,850,911	15,552	14,988,609	-	-	-	

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

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

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy: (Continued)

	2018	The Group			The Company			
		Carrying amount RM'000	Level 1 RM'000	Fair Value	Total RM'000	Carrying amount RM'000	Level 1 RM'000	
Recurring fair value measurements								
Financial assets								
Reverse repurchased agreements at fair value through profit or loss	500,134	—	500,134	—	500,134	—	—	
Financial investments at fair value through profit or loss								
– Money market instruments	22,988,026	—	22,574,061	413,965	22,988,026	—	—	
– Quoted securities	399,986	399,986	—	—	399,986	—	—	
– Unquoted securities	6,123,057	—	4,908,353	1,214,704	6,123,057	—	—	
Debt instruments at fair value through other comprehensive income								
– Money market instruments	6,380,101	—	6,380,101	—	6,380,101	—	—	
– Unquoted securities	25,896,203	—	25,896,202	1	25,896,203	2,467,071	—	
Equity instruments at fair value through other comprehensive income								
– Quoted securities	47,306	47,306	—	—	47,306	—	—	
– Unquoted securities	536,218	—	177,036	359,182	536,218	—	—	
Derivative financial instruments								
– Trading derivatives	8,522,983	17,150	8,289,553	216,280	8,522,983	—	—	
– Hedging derivatives	111,650	—	111,650	—	111,650	—	—	
Loans, advances and financing at fair value through profit or loss	803,681	—	803,681	—	803,681	—	—	
Total	72,309,345	464,442	69,640,771	2,204,132	72,309,345	2,467,071	—	
Recurring fair value measurements								
Financial liabilities								
Derivative financial instruments								
– Trading derivatives	7,744,551	531,062	7,104,345	109,144	7,744,551	—	—	
– Hedging derivatives	663,430	—	663,430	—	663,430	—	—	
Financial liabilities designated at fair value through profit or loss	5,880,707	—	5,880,707	—	5,880,707	—	—	
Total	14,288,688	531,062	13,648,482	109,144	14,288,688	—	—	

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.1 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 2019 and 31 December 2018 for the Group:

	Financial Assets					Financial Liabilities		
	Financial investments at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income Unquoted securities RM'000	Equity instruments at fair value through other comprehensive income Unquoted securities RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000	Derivative financial instruments Trading derivatives RM'000	Total RM'000	
The Group 2019								
At 1 January	1,628,669	1	359,182	216,280	2,204,132	(109,144)	(109,144)	
Total gains/(losses) recognised in statement of income	50,346	–	–	(91,564)	(41,218)	20,671	20,671	
Total losses recognised in other comprehensive income	–	–	(25,280)	–	(25,280)	–	–	
Purchases	3,951	–	4,874	2,337	11,162	(118)	(118)	
Sales and redemption	(121,697)	–	(7,910)	–	(129,607)	–	–	
Settlements	–	–	–	(57,980)	(57,980)	73,068	73,068	
Exchange fluctuation	(7,643)	–	(224)	46	(7,821)	(29)	(29)	
At 31 December	1,553,626	1	330,642	69,119	1,953,388	(15,552)	(15,552)	
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:								
– net non-interest income	50,346	–	–	(91,564)	(41,218)	20,671	20,671	
Total losses recognised in Other Comprehensive Income for financial year ended 31 December under “revaluation reserves”	–	–	(25,280)	–	(25,280)	–	–	
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under “net non-interest income”	47,980	–	–	61,099	109,079	(8,023)	(8,023)	

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.1 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 2019 and 31 December 2018 for the Group:
(Continued)

The Group 2018	Financial Assets					Financial Liabilities		
	Financial investments at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Unquoted securities RM'000	Derivative financial instruments RM'000	Total RM'000	Trading derivatives RM'000	Total RM'000
At 1 January	1,211,452	1,502	305,645	56,396	1,574,955	(305,058)	(24,104)	(419,162)
Total gains/(losses) recognised in statement of income	29,438	—	—	155,651	185,089	(127,879)	(109,911)	(237,790)
Total gains recognised in other comprehensive income	—	—	52,480	—	52,480	—	—	—
Purchases	405,598	—	743	111,947	518,288	—	(76,254)	(76,254)
Sales and redemption	(35,917)	(1,507)	(10,063)	—	(47,487)	—	—	—
Settlements	—	—	—	(109,352)	(109,352)	522,937	102,048	624,985
Exchange fluctuation	18,098	6	10,377	1,638	30,119	—	(923)	(923)
At 31 December	1,628,669	1	359,182	216,280	2,204,132	—	(109,144)	(109,144)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:								
– net non-interest income	29,438	—	—	155,651	185,089	(120,525)	(109,911)	(230,436)
– interest expense	—	—	—	—	—	(7,354)	—	(7,354)
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under “revaluation reserves”								
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under “net non-interest income”	28,346	—	—	52,480	—	52,480	—	—
				99,751	128,097	—	(11,714)	(11,714)

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for the financial year ended 31 December 2019

59.4 Fair value estimation (Continued)

59.4.2 Financial instruments not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018, but for which fair value is disclosed:

	The Group			The Company		
	Carrying amount RM'000	Fair Value		Total RM'000	Carrying amount RM'000	Fair Value
		Level 1 RM'000	Level 2 RM'000		Level 1 RM'000	Level 2 RM'000
2019						
Financial assets						
Cash and short-term funds	37,765,092	37,765,092	-	-	37,765,092	370,546
Reverse repurchase agreements at amortised cost	9,014,453	-	9,016,958	-	9,016,958	-
Deposits and placement with banks and other financial institutions	4,799,169	-	4,577,632	-	4,577,632	-
Debt instruments at amortised cost	39,833,491	3,002,936	38,120,130	-	41,123,066	6,183,386
Loans, advances and financing at amortised cost	359,235,365	-	350,771,808	-	350,771,808	-
Other assets	8,727,031	-	8,727,031	-	8,727,031	133,414
Amount owing by subsidiaries	-	-	-	-	12	12
Total	459,374,601	40,768,028	411,213,559	-	451,981,587	6,687,358
2018						
Financial liabilities						
Deposits from customers	392,349,467	-	393,391,808	-	393,391,808	-
Investment accounts of customers	3,448,964	-	3,448,964	-	3,448,964	-
Deposits and placements of banks and other financial institutions	23,666,722	-	23,640,865	-	23,640,865	-
Repurchase agreements	14,320,131	-	14,320,445	-	14,320,445	-
Bills and acceptances payable	2,584,169	-	2,584,169	-	2,584,169	-
Other liabilities	15,557,538	-	15,559,569	-	15,559,569	-
Recourse obligation on loans and financing sold to Caganas	4,503,184	-	4,587,058	-	4,587,058	-
Bonds, Sukuk and debentures	18,232,710	-	18,423,302	-	18,423,302	-
Other borrowings	10,458,242	-	10,790,253	-	10,790,253	-
Subordinated obligations	13,520,869	-	14,083,364	-	14,083,364	-
Amount owing to subsidiaries	-	-	-	-	9,826	9,826
Total	498,641,996	-	500,829,797	-	500,829,797	14,483,608

59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018, but for which fair value is disclosed: (Continued)

	2018	The Group			The Company			
		Carrying amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000	Total RM'000	Carrying amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000
		Financial assets			Total RM'000	Financial liabilities		Total RM'000
Cash and short-term funds	35,528,934	35,528,934	—	—	35,528,934	197,548	197,548	—
Reverse repurchase agreements at amortised cost	10,775,955	—	10,779,802	—	10,779,802	—	—	—
Deposits and placement with banks and other financial institutions	4,373,818	—	4,373,818	—	4,373,818	—	—	—
Debt instruments at amortised cost	39,269,202	2,774,842	36,612,019	—	39,386,861	5,397,933	—	5,454,119
Loans, advances and financing at amortised cost	336,344,587	—	331,138,353	—	331,138,353	—	—	—
Other assets	9,209,076	—	9,209,076	—	9,209,076	133,333	—	133,333
Total	435,501,572	38,303,776	392,113,068	—	430,416,844	5,728,814	197,548	5,587,452
Financial liabilities								—
Deposits from customers	370,193,085	—	370,213,348	—	370,213,348	—	—	—
Investment accounts of customers	1,769,270	—	1,769,270	—	1,769,270	—	—	—
Deposits and placements of banks and other financial institutions	20,232,880	—	20,216,359	—	20,216,359	—	—	—
Repurchase agreements	14,279,476	—	14,274,880	—	14,274,880	—	—	—
Bills and acceptances payable	2,521,372	—	2,521,372	—	2,521,372	—	—	—
Other liabilities	14,089,476	—	14,089,476	—	14,089,476	2,450	—	2,450
Recourse obligation on loans and financing sold to Cagamas	6,007,447	—	6,069,580	—	6,069,580	—	—	—
Bonds, Sukuk and debentures	13,715,181	—	13,768,111	—	13,768,111	—	—	—
Other borrowings	9,306,640	—	9,462,946	—	9,462,946	3,353,526	—	3,815,371
Subordinated obligations	13,482,272	—	13,739,377	—	13,739,377	9,841,811	—	9,977,322
Amount owing to subsidiaries	—	—	—	—	—	1,819	—	1,819
Total	465,597,099	—	466,124,719	—	466,124,719	13,199,606	—	13,796,962

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.4 Fair value estimation (Continued)****59.4.2 Financial instruments 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 and reverse repurchase agreements

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

Debt instruments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establish 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.

Amount due (to)/from subsidiaries and related companies

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

Notes to the Financial Statements

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

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.

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 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.

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.

59.4.3 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:

- Correlation between Credit and FX

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

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)**59.4 Fair value estimation (Continued)****59.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)**

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 and FX correlation (reserve on a Level 3 input) –
 1. Short Quanto CDS position shocked with larger negative correlation
 2. Long Quanto CDS position shocked with larger positive correlation
- FX Volatility (reserve on valuation model) –
 1. Long volatility shocked with lower volatility
 2. Short volatility shocked with higher volatility

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

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

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

Fund derivatives which primarily include over-the-counter options on funds (mutual funds, unit trusts etc.) are valued using option pricing models such as Black-Scholes.

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

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

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

The Group

2019 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
- Trading derivatives						
Credit derivatives	118	(384)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	-55.00% to +13.45%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Fund derivatives	-	(1,246)	Option pricing	Fund Volatility	1.29% to 2.18%	Higher volatility results in lower fair value based on a net short fund option position
Equity derivatives	69,001	(13,922)	Option pricing	Equity Volatility	8.69% to 92.09%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial investments at fair value through profit or loss						
Promissory notes	414,063	Not applicable	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each scenario	Not applicable	Higher estimated revenue and lower discount factor would result in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each scenario.
Unquoted shares and private equity funds	1,139,563	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Debt instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	1	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Equity instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	330,642	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value

Notes to the Financial Statements

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

The Group

2018 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments - Trading derivatives Credit derivatives	917	(429)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	-55.00% to -1.60%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Fund derivatives	-	(0)*	Option pricing	Fund Volatility	1.50% to 2.44%	Higher volatility results in lower fair value based on a net short fund option position
Equity derivatives	215,363	(108,715)	Option pricing	Equity Volatility	11.42% to 215.44%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial investments at fair value through profit or loss Promissory notes	413,965	Not applicable	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each scenario	Not applicable	Higher estimated revenue and lower discount factor would result in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each scenario.
Unquoted shares and private equity funds	1,214,704	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Debt instruments at fair value through other comprehensive income Unquoted shares and private equity funds	1	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Equity instruments at fair value through other comprehensive income Unquoted shares and private equity funds	359,182	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value

* denotes fair value liability of RM1.90

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59 FINANCIAL RISK MANAGEMENT (CONTINUED)

59.4 Fair value estimation (Continued)

59.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Sensitivity analysis for level 3

The Group 2019	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			
– Credit derivatives	+10%	6	–
	-10%	–	(8)
– Fund derivatives	+25%	–*	–
	-25%	–	–*
– Equity derivatives	+25%	24,905	–
	-25%	–	(29,289)
Financial investments at fair value through profit or loss			
– Promissory notes	+10%	22,645	–
	-10%	–	(22,645)
Total		47,556	(51,942)

The Group 2018	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			
– Credit derivatives	+10%	3	–
	-10%	–	(4)
– Fund derivatives	+25%	–*	–
	-25%	–	–*
– Equity derivatives	+25%	6,391	–
	-25%	–	(7,557)
Financial investments at fair value through profit or loss			
– Promissory notes	+10%	20,566	–
	-10%	–	(14,795)
Total		26,960	(22,356)

* The sensitivity of the fair value of fund derivatives to the movement in significant unobservable input is insignificant for the financial year 31 December 2019 and 31 December 2018.

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60 THE OPERATIONS OF ISLAMIC BANKING**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	(a)	8,415,481	12,595,979
Deposits and placements with banks and other financial institutions	(b)	2,652,505	1,748,523
Financial investments at fair value through profit or loss	(c)	5,158,036	3,033,103
Debt instruments at fair value through other comprehensive income	(d)	4,508,828	3,499,105
Equity instruments at fair value through other comprehensive income	(e)	—	575
Debt instruments at amortised cost	(f)	8,594,615	6,959,658
Islamic derivative financial instruments	(g)(i)	497,609	599,095
Financing, advances and other financing/loans	(h)	93,049,318	84,026,755
Other assets	(i)	1,759,967	2,477,919
Deferred tax assets	(j)	22,238	81,882
Tax recoverable		8,547	8,907
Amount due from conventional operations		6,146,418	3,747,396
Statutory deposits with central banks	(k)	2,506,166	2,076,422
Property, plant and equipment	(l)	5,003	4,841
Right-of-use assets	(m)	3,986	—
Goodwill	(n)	136,000	136,000
Intangible assets	(o)	66,698	71,895
Total assets		133,531,415	121,068,055
Liabilities			
Deposits from customers	(p)	99,505,430	86,851,108
Investment accounts of customers	(q)	3,448,964	1,769,270
Deposits and placements of banks and other financial institutions	(r)	2,572,666	3,164,963
Investment accounts due to designated financial institutions	(s)	5,021,974	8,216,809
Financial liabilities designated at fair value through profit or loss	(t)	95,499	21,918
Islamic derivative financial instruments	(g)(i)	504,605	628,361
Bills and acceptances payable		36,331	27,428
Other liabilities	(u)	6,851,238	4,675,622
Lease liability	(v)	3,619	—
Recourse obligation on loans and financing sold to Cagamas	(w)	1,510,390	1,915,503
Amount due to conventional operations		2,620,453	4,326,549
Provision for taxation and zakat		55,749	140,353
Sukuk	(x)	1,025,994	645,773
Other borrowings	(y)	—	28,604
Subordinated Sukuk	(z)	1,118,255	615,033
		124,371,167	113,027,294
Non-current liabilities held for sale		—	143
Total liabilities		124,371,167	113,027,437

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60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	2019 RM'000	2018 RM'000
Equity			
Islamic banking funds	(aa)	55,696	55,696
Ordinary share capital	(aa)	1,000,000	1,000,000
Perpetual preference shares	(aa)	220,000	220,000
Reserves	(ab)	7,821,684	6,727,382
Non-controlling interests		9,097,380	8,003,078
		62,868	37,540
Total equity		9,160,248	8,040,618
Total equity and liabilities		133,531,415	121,068,055
Restricted Agency Investment Account(*)	(ac)	6,231,742	6,230,998
Total Islamic Banking Assets		139,763,157	127,299,053
Commitments and contingencies	(g)(ii)	58,954,249	63,635,666

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

STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	(ad)	5,233,556	4,205,758
Income derived from investment of investment account	(ae)	415,670	555,563
Net income derived from investment of shareholders' funds	(af)	573,836	560,828
Expected credit loss on financing, advances and other financing/loans	(ag)	(71,303)	(250,738)
Expected credit losses written back/(made) for commitments and contingencies		21,941	(8,277)
Other expected credit losses written back	(ah)	812	776
Total distributable income		6,174,512	5,063,910
Income attributable to depositors and others	(ai)	(3,209,765)	(2,668,144)
Profit distributed to investment account holder	(aj)	(307,968)	(438,686)
Total net income		2,656,779	1,957,080
Personnel expenses	(ak)	(73,043)	(64,726)
Other overheads and expenditures	(al)	(965,893)	(617,484)
Profit before taxation and zakat		1,617,843	1,274,870
Taxation and zakat	(am)	(342,498)	(193,333)
Profit for the financial year		1,275,345	1,081,537
Profit attributable to:			
Owners of the Parent		1,251,490	1,069,765
Non-controlling interests		23,855	11,772
		1,275,345	1,081,537

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60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
Profit for the financial year		1,275,345	1,081,537
Other comprehensive expense:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	(31)	–	–
Equity instruments at fair value through other comprehensive income	–	(130)	
– Net loss from change in fair value		–	(130)
		(31)	(130)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Debt instruments at fair value through other comprehensive income	38,784	(3,359)	
– Net gain from change in fair value	138,742	5,473	
– Realised gain transferred to statement of income on disposal	(91,680)	(7,456)	
– Changes in expected credit losses	362	563	
– Income tax effects	(8,640)	(1,939)	
Exchange fluctuation reserve	21,254	(4,716)	
Other comprehensive income/(expense) for the financial year, net of tax	60,007	(8,205)	
Total comprehensive income for the financial year	1,335,352	1,073,332	
Total comprehensive income attributable to:			
Owners of the Parent	1,310,024	1,061,959	
Non-controlling interests	25,328	11,373	
	1,335,352	1,073,332	
Income from Islamic Banking operations:			
Total net income	2,656,779	1,957,080	
Add: Expected credit losses on financing, advances and other financing/loans	71,303	250,738	
Add: Expected credit losses (written back)/made for commitments and contingencies	(21,941)	8,277	
Add: Other expected credit losses written back	(812)	(776)	
	2,705,329	2,215,319	
Elimination for transaction with conventional operations	335,334	394,842	
	3,040,663	2,610,161	

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660 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Share Capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Other comprehensive income RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2018											
At 1 January 2018	1,000,000	220,000	55,696	(5,342)	(9,153)	245,965	766	5,524,860	7,032,792	26,167	7,058,959
Net profit for the financial year	-	-	-	-	-	-	-	1,069,765	1,069,765	11,772	1,081,537
Other comprehensive expense (net of tax)	-	-	-	(3,359)	(4,317)	-	-	-	(7,676)	(39)	(8,075)
- debt instruments at fair value through other comprehensive income	-	-	-	(3,359)	-	-	-	-	-	(3,359)	-
- equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	(4,317)	-	-	-	(4,317)	(39)	(4,716)
Total comprehensive (expense)/income for the financial year	-	-	-	(3,359)	(4,317)	-	-	1,069,765	1,062,089	11,373	1,073,462
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	-	(92,000)	(92,000)	-	(92,000)
Share-based payment expense	-	-	-	-	-	-	1,018	-	1,018	-	1,018
Shares released under Equity Ownership plan	-	-	-	-	-	-	(821)	-	(821)	-	(821)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	197	(92,000)	(91,803)	-	(91,803)
Transfer to regulatory reserve	-	-	-	-	-	99,711	-	(99,711)	-	-	-
At 31 December 2018	1,000,000	220,000	55,696	(8,701)	(13,470)	345,676	963	6,402,914	8,003,078	37,540	8,040,618

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
Operating activities		
Profit before taxation and zakat	1,617,843	1,274,870
Adjustments for:		
Depreciation of property, plant and equipment	3,363	4,688
Depreciation of right-of-use assets	1,583	–
Amortisation of intangible assets	9,139	10,042
Net unrealised loss on derivatives	11,669	22,076
Accretion of discount less amortisation of premium	(91,490)	(84,150)
Net gain from sale of debt instruments at fair value through other comprehensive income	(91,680)	(4,097)
Profit income from debt instruments at amortised cost	(355,522)	(279,838)
Profit income on debt instruments at fair value through other comprehensive income	(153,908)	(122,233)
Profit expense on Subordinated Sukuk	35,409	32,131
Profit expense on Sukuk	10,710	13,972
Profit expense on recourse obligation on loans and financing sold to Cagamas	69,188	84,259
Share-based payment expense	268	197
Unrealised gain from financial liabilities designated at fair value through profit or loss	(1,840)	(406)
Unrealised loss from financial investments at fair value through profit or loss	(9,523)	567
Net loss from foreign exchange transactions	36,036	45,207
Expected credit losses (written back)/made for commitments and contingencies	(21,941)	8,277
Net loss from hedging activities	2,169	2,248
Other expected credit losses written back	(812)	(776)
Expected credit losses on financing, advances and other financing/loans	140,262	316,384
	(406,920)	48,548
	1,210,923	1,323,418
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	(903,982)	706,143
Financial assets at fair value through profit or loss	(2,015,086)	710,350
Equity instruments at fair value through other comprehensive income	575	–
Islamic derivative financial instruments	(36,108)	(39,240)
Financing, advances and other financing/loans	(9,142,410)	(16,624,597)
Statutory deposits with central banks	(429,744)	(522,136)
Other assets	718,946	(1,071,065)
Amount due from conventional operations	(2,399,022)	(1,240,556)
Right-of-use assets	119	–
	(14,206,712)	(18,081,101)
Increase/(decrease) in operating liabilities		
Deposits from customers	12,654,322	11,971,464
Deposits and placements of banks and other financial institutions	(592,297)	1,266,988
Other liabilities	2,161,519	111,070
Financial liabilities designated at fair value through profit or loss	75,421	20,091
Bills and acceptance payable	8,903	27,428
Amount due to conventional operations	(1,706,096)	3,118,104
Investment accounts of customers	(1,515,141)	932,632
	11,086,631	17,447,777
Cash flows (used in)/generated from operations	(1,909,158)	690,094
Taxation and zakat paid	(376,098)	(137,520)
Net cash flows (used in)/generated from operating activities	(2,285,256)	552,574

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
Investing activities			
Purchase of property, plant and equipment		(4,144)	(1,885)
Purchase of intangible assets		(4,027)	(2,345)
Profit income from debt instruments at fair value through other comprehensive income		148,741	88,306
Profit income from debt instruments at amortised cost		331,298	317,496
Net purchase of debt instruments at amortised cost		(1,615,311)	(1,758,256)
Net purchase of debt instruments at fair value through other comprehensive income		(869,706)	(852,375)
Purchase of right-of-use assets		(37)	—
Disposal of property, plant and equipment		707	—
Disposal of intangible assets		98	—
Net cash flows used in investing activities		(2,012,381)	(2,209,059)
Financing activities			
Proceeds from issuance of subordinated Sukuk (i)		800,000	—
Repayment of subordinated Sukuk (i)		(300,000)	—
Proceeds from issuance of other borrowings (i)		—	28,604
Repayment of other borrowing (i)		(29,519)	(235,978)
Profit expense paid on subordinated Sukuk (i)		(32,185)	(32,105)
Profit expense paid on Sukuk (i)		(53,414)	(14,964)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas (i)		(74,298)	(84,062)
Profit expense paid on other borrowings (i)		(342)	(2,546)
Dividends paid		(215,990)	(92,000)
Issuance of Sukuk (i)		590,386	287,508
Redemption of Sukuk (i)		(222,180)	(104,000)
Repayment of lease liabilities (i)		(1,954)	—
Repayment of recourse obligation on loans and financing sold to Cagamas (i)		(400,003)	(156,994)
Net cash flows generated from/(used in) financing activities		60,501	(406,537)
Net decrease in cash and cash equivalents		(4,237,136)	(2,063,022)
Cash and cash equivalents at beginning of financial year		12,595,979	14,672,304
Effect of exchange rate changes		56,638	(13,303)
Cash and cash equivalents at end of financial year		8,415,481	12,595,979
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	8,415,481	12,595,979

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for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

- (i) An analysis of debt movements for the financial year ended 31 December 2019 is as follows:

	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Subordinated Sukuk RM'000	Other borrowings RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2019	645,773	1,915,503	615,033	28,604	–	3,204,913
Effect of adopting MFRS 16	–	–	–	–	5,573	5,573
At 1 January 2019, as restated	645,773	1,915,503	615,033	28,604	5,573	3,210,486
Proceeds from issuance	590,386	–	800,000	–	–	1,390,386
Repayment and redemption	(222,180)	(400,003)	(300,000)	(29,519)	(1,954)	(953,656)
Profit expense paid	(53,414)	(74,298)	(32,185)	(342)	–	(160,239)
Exchange fluctuation	54,719	–	–	1,257	–	55,976
Other non cash movement	10,710	69,188	35,407	–	–	115,305
At 31 December 2019	1,025,994	1,510,390	1,118,255	–	3,619	3,658,258
At 1 January 2018	463,257	2,072,300	615,006	246,633	–	3,397,196
Proceeds from issuance	287,508	–	–	28,604	–	316,112
Repayment and redemption	(104,000)	(156,994)	–	(235,978)	–	(496,972)
Profit expense paid	(14,964)	(84,062)	(32,105)	(2,546)	–	(133,677)
Exchange fluctuation	–	–	–	(8,109)	–	(8,109)
Other non cash movement	13,972	84,259	32,132	–	–	130,363
At 31 December 2018	645,773	1,915,503	615,033	28,604	–	3,204,913

(a) CASH AND SHORT-TERM FUNDS

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	1,615,697	2,438,967
Money at call and deposit placements maturing within one month	6,799,784	10,157,032
	8,415,481	12,595,999
Less: Expected credit loss	–	(20)
	8,415,481	12,595,979

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	2019 RM'000	2018 RM'000
Licensed banks	1,514,410	433,306
Other central banks	1,138,104	1,315,382
	2,652,514	1,748,688
Less: Expected credit loss	(9)	(165)
	2,652,505	1,748,523

(c) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM'000	2018 RM'000
Money market instruments:		
Unquoted		
Malaysian Government treasury bills	8,582	–
Cagamas bonds	25,221	–
Islamic negotiable instruments of deposit	2,492,770	2,780,790
Government Investment Issues	1,261,461	91,571
Islamic Commercial Paper	1,193,234	9,603
	4,981,268	2,881,964
Quoted securities:		
<i>Outside Malaysia:</i>		
Corporate Sukuk	26	26
	26	26
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate Sukuk	67,764	43,380
<i>Outside Malaysia:</i>		
Private equity and unit trusts funds	108,978	107,733
	176,742	151,113
	5,158,036	3,033,103

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for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RM'000	2018 RM'000
Fair value		
Money market instruments:		
Unquoted		
Malaysian Government Securities	–	5,062
Islamic Cagamas bonds	76,277	66,607
Government Investment Issues	700,678	762,319
Islamic Commercial Paper	101,838	24,271
	878,793	858,259
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate Sukuk	2,743,785	1,874,637
Others	98,831	99,288
	2,842,616	1,973,925
<i>Outside Malaysia:</i>		
Corporate Sukuk	225,959	345,144
Other Government bonds	561,460	321,777
	787,419	666,921
	3,630,035	2,640,846
	4,508,828	3,499,105

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

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

The following expected credit losses is not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value.

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at fair value through other comprehensive income				
At 1 January 2019	1,570	–	–	1,570
Changes in expected credit losses due to transfer within stages:	(49)	49	–	–
Transferred to Stage 2	(49)	49	–	–
Total charge to Income Statement:	313	49	–	362
New financial assets purchased	8,698	–	–	8,698
Financial assets that have been derecognised	(170)	–	–	(170)
Change in credit risk	(8,215)	49	–	(8,166)
Exchange fluctuation	(1)	–	–	(1)
At 31 December 2019	1,833	98	–	1,931
Debt instruments at fair value through other comprehensive income				
At 1 January 2018	1,003	–	–	1,003
Changes in expected credit losses due to transfer within stages:	7,445	(7,445)	–	–
Transferred to Stage 1	7,446	(7,446)	–	–
Transferred to Stage 2	(1)	1	–	–
Total charge to Income Statement:	(6,882)	7,445	–	563
New financial assets purchased	4,817	–	–	4,817
Financial assets that have been derecognised	(587)	–	–	(587)
Change in credit risk	(11,112)	7,445	–	(3,667)
Exchange fluctuation	4	–	–	4
At 31 December 2018	1,570	–	–	1,570

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for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RM'000	2018 RM'000
Unquoted securities		
<i>In Malaysia</i>		
Placement with Islamic Banking and Finance Institute Malaysia (IBFIM)	–	575

(f) DEBT INSTRUMENTS AT AMORTISED COST

	2019 RM'000	2018 RM'000
Money market instruments:		
Unquoted		
Islamic Cagamas bonds	60,651	40,326
Malaysian Government Sukuk	101,305	101,341
Government Investment Issue	2,980,103	2,159,881
Commercial papers	49,203	–
	3,191,262	2,301,548
Unquoted securities		
<i>In Malaysia</i>		
Corporate Sukuk	4,888,542	4,238,405
<i>Outside Malaysia</i>		
Corporate Sukuk	34,783	40,866
Others	477,158	374,303
	5,400,483	4,653,574
Total	8,591,745	6,955,122
Amortisation of premium, net of accretion of discount	3,287	4,977
Less: Expected credit losses	(417)	(441)
	8,594,615	6,959,658

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for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(f) DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)**

Expected credit losses movement for debt instruments at amortised cost:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Total RM'000
Debt instruments at amortised cost			
At 1 January 2019	441	–	441
Total charge to Income Statement:	(97)	–	(97)
New financial assets purchased	680	–	680
Change in credit risk	(777)	–	(777)
Exchange fluctuation	1	–	1
Other movements	72	–	72
At 31 December 2019	417	–	417
Debt instruments at amortised cost			
At 1 January 2018	1,358	–	1,358
Changes due to financial assets recognised in the opening balance that have:	(46)	46	–
Transferred to Stage 2	(46)	46	–
Total charge to Income Statement:	(858)	(47)	(905)
New financial assets purchased	894	–	894
Financial assets that have been derecognised	(23)	(155)	(178)
Change in credit risk	(1,729)	108	(1,621)
Exchange fluctuation	(13)	1	(12)
At 31 December 2018	441	–	441

(g) 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 statements of financial position date, and do not represent amounts at risk.

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

Notes to the Financial Statements

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60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Islamic derivative financial instruments (Continued)

	31 December 2019		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	10,784,073	237,210	(233,447)
– Less than 1 year	9,522,382	118,291	(123,020)
– 1 year to 3 years	641,322	49,298	(48,621)
– More than 3 years	620,369	69,621	(61,806)
Currency swaps	12,362,095	67,745	(63,620)
– Less than 1 year	12,361,922	67,745	(63,590)
– 1 year to 3 years	173	–	(30)
Currency spots	156,907	50	(95)
– Less than 1 year	156,907	50	(95)
Currency options	44,614	429	(429)
– Less than 1 year	44,614	429	(429)
Cross currency profit rate swaps	1,986,528	111,063	(107,594)
– Less than 1 year	420,595	2,571	(2,459)
– 1 year to 3 years	839,003	59,839	(59,601)
– More than 3 years	726,930	48,653	(45,534)
Profit rate derivatives			
Islamic profit rate swaps	13,335,668	77,926	(77,652)
– Less than 1 year	2,609,014	4,601	(3,582)
– 1 year to 3 years	7,986,857	24,422	(24,941)
– More than 3 years	2,739,797	48,903	(49,129)
Equity derivatives			
Equity options	73,509	1,514	(1,514)
– 1 year to 3 years	23,358	1,416	(1,416)
– More than 3 years	50,151	98	(98)
Commodity derivatives			
Commodity options	31,568	187	(187)
– Less than 1 year	31,568	187	(187)
Credit related contracts			
Total return swaps	41,500	1,485	(1,485)
– More than 3 years	41,500	1,485	(1,485)
Hedging derivatives			
Islamic profit rate swaps	1,993,931	–	(18,582)
– Less than 1 year	1,900,000	–	(17,115)
– More than 3 years	93,931	–	(1,467)
Total derivative assets/(liabilities)	40,810,393	497,609	(504,605)

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60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(g) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)****(i) Islamic derivative financial instruments (Continued)**

	31 December 2018		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
<u>Foreign exchange derivatives</u>			
Currency forwards	10,744,141	240,261	(219,436)
– Less than 1 year	7,711,790	108,203	(99,922)
– 1 year to 3 years	2,077,803	55,614	(50,854)
– More than 3 years	954,548	76,444	(68,660)
Currency swaps	11,272,501	56,042	(67,012)
– Less than 1 year	11,243,914	53,662	(64,572)
– 1 year to 3 years	28,414	2,380	(2,410)
– More than 3 years	173	–	(30)
Currency spots	33,762	42	(18)
– Less than 1 year	33,762	42	(18)
Currency options	18,104	99	(99)
– Less than 1 year	18,104	99	(99)
Cross currency profit rate swaps	2,828,281	146,040	(141,965)
– Less than 1 year	775,616	27,208	(27,022)
– 1 year to 3 years	1,325,735	68,356	(67,578)
– More than 3 years	726,930	50,476	(47,365)
<u>Profit rate derivatives</u>			
Islamic profit rate swaps	16,749,244	149,364	(140,328)
– Less than 1 year	3,712,833	7,944	(7,548)
– 1 year to 3 years	9,332,508	107,797	(104,993)
– More than 3 years	3,703,903	33,623	(27,787)
<u>Equity derivatives</u>			
Equity options	537,582	2,109	(2,109)
– Up to 1 year	23,786	1,099	(1,099)
– 1 year to 3 years	304,210	961	(961)
– More than 3 years	209,586	49	(49)
<u>Credit related contracts</u>			
Total return swaps	315,500	3,388	(3,776)
– More than 3 years	315,500	3,388	(3,776)
Hedging derivatives			
Islamic profit rate swaps	3,384,006	1,750	(53,618)
– Less than 1 year	1,375,000	160	(21,443)
– 1 year to 3 years	1,900,000	–	(32,175)
– More than 3 years	109,006	1,590	–
<u>Total derivative assets/(liabilities)</u>	<u>45,883,121</u>	<u>599,095</u>	<u>(628,361)</u>

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60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group, 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. Refer Note 60(g)(i).

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

	2019 Principal RM'000	2018 Principal RM'000
Credit related		
Direct credit substitutes	240,068	247,949
Certain transaction-related contingent items	856,656	755,977
Short-term self-liquidating trade-related contingencies	39,114	53,944
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	9,128,283	9,526,685
– Maturity exceeding one year	7,834,816	7,127,240
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	44,919	40,750
Total credit-related commitments and contingencies	18,143,856	17,752,545
Total treasury-related commitments and contingencies (Note 60(g)(i))	40,810,393	45,883,121
Total commitments and contingencies	58,954,249	63,635,666

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS

(i) By type and Shariah contract

	2019 At amortised cost	The Group										
		Sale-based contracts			Lease-based contracts			Profit sharing contracts			Loan contract	
		Bai' Bithaman Aijil RM'000	Bai' al-Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Muntahiah Bi al-Tamlik*	Jarah Thumma al-Bai#	Mudharabah RM'000	Musharakah RM'000	Gard RM'000	Ujrah RM'000	Total RM'000
Cash line^	-	1,844	318	-	1,231,242	-	-	-	1	5,910	-	1,239,315
Term financing												
House financing	309,045	5,236,376	51,777	-	16,450,891	1,276,449	-	-	3,081,673	-	-	26,354,434
Syndicated financing	390,788	-	-	-	2,217,586	-	-	-	612	-	-	2,660,763
Hire purchase receivables	130,138	-	-	-	-	31,591,037	49,203	-	119,812	5,373,690	-	9,166,202
Other term financing	1,110,068	1,265,890	5,144,668	-	-	-	216,575	-	-	-	-	44,654,368
Lease receivable	-	-	-	-	1,193,936	-	-	-	-	-	-	216,575
Bills receivable	462,648	-	-	-	-	-	-	-	-	-	-	1,656,584
Islamic trust receipts	98,328	-	-	-	-	-	-	-	-	-	-	98,328
Claims on customers under acceptance credits	875,222	-	-	109,039	-	147,832	-	-	36,331	-	-	1,020,592
Staff financing	-	-	-	-	5,380,587	-	-	-	21,331	-	-	158,911
Revolving credits	-	-	-	-	-	-	-	-	-	-	-	6,001,918
Credit card receivables	-	-	-	-	-	-	-	-	-	232,792	149,029	381,821
Gross financing, advances and other financing/loans	3,376,237	6,504,110	5,196,763	1,302,975	57,619,175	1,542,227	9,036,064	175,086	8,466,443	238,702	149,029	93,609,811
Fair value changes arising from fair value hedge												9,075
												93,618,886
Less: Expected credit losses												
Net financing, advances and other financing/loans, at amortised cost												(769,749)
At Fair value through Profit or loss												92,849,137
Term financing												
– Syndicated financing												
Net financing, advances and other financing/loans, at fair value through profit or loss												
Net financing, advances and other financing/loans												93,049,318

[^] Includes current account in excess.
^{*} The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
[#] CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

2018 At amortised cost	The Group										
	Sale-based contracts			Lease-based contracts			Profit sharing contracts			Loan contract	Others
Murabahah RM'000	Bithaman Bai' Aijil RM'000	Bai' al-'Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Muntahiah Bi al-Tamlik* RM'000	Ijarah Thumma al-Bai# RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Ujrah RM'000	Total RM'000
Cash line ^a	-	5,704	-	-	891,281	-	-	-	-	1,455	-
Term financing											898,440
House financing	284,108	5,786,483	-	-	11,099,048	1,357,811	-	-	2,000,803	-	-
Syndicated financing	470,952	-	162,279	-	1,982,505	7,450	-	-	684	-	-
Hire purchase receivables	163,915	-	-	-	-	7,423,573	-	-	-	-	20,528,253
Other term financing	1,406,682	1,484,968	6,982,666	-	26,888,119	52,570	-	68,331	4,326,375	-	2,623,870
Lease receivable	-	-	-	-	150,259	-	-	-	-	-	7,587,488
Bills receivable	5,075	-	-	2,302,104	-	-	-	-	-	-	41,209,711
Islamic trust receipts	108,436	-	-	-	-	-	-	-	-	-	150,259
Claims on customers under acceptance credits	1,031,894	-	-	80,964	-	27,428	-	5,596	-	-	2,307,179
Staff financing	-	-	-	-	114,300	-	-	-	-	-	108,436
Revolving credits	-	-	-	-	7,301,930	-	-	9,924	-	-	-
Credit card receivables	-	-	-	-	-	-	-	-	-	-	-
Share purchase financing	207	-	-	-	-	-	-	-	-	-	207
Gross financing, advances and other financing/loans	3,471,269	7,277,155	7,144,945	2,383,068	48,276,183	1,568,090	7,423,573	106,367	6,332,774	185,083	32,732
Fair value changes arising from fair value hedge											32,732
											84,338,564
Less: Expected credit losses											(803,375)
Net financing, advances and other financing/loans, at fair value and at amortised cost											83,535,189
At Fair value through Profit or loss											
Term financing	-	-	-	-	-	-	-	-	-	-	Term financing
- Syndicated financing											- Syndicated financing
Net financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	Net financing, advances and other financing/loans
											84,026,755

^a

Includes current account in excess

*

The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the ijarah financing.

#

CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the ijarah financing.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)****(i) By type and Shariah contract (Continued)**

	2019 RM'000	2018 RM'000
Gross financing, advances and other financing/loans		
– At amortised cost	93,609,811	84,305,832
– At fair value through profit or loss	200,181	491,566
	93,809,992	84,797,398

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 vis-à-vis Commodity Murabahah

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

- 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. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

- Bai' al-Dayn

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

Profit sharing contracts

- Musharakah

Agreement of cooperation between two or more parties to a particular business, where each parties contribute funds. Profits are shared based on agreement, while loss is based on the portion of the contribution of funds in the form of cash or non-cash assets permitted by Shariah. Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Musharakah financing that has become the bank's rights and have not been paid by the customer is recognised as a profit sharing receivable.

Loan contract

- 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 pledee (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.

- (a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM1,993,931,000 (2018: RM3,384,006,000) financing using Islamic profit rate swaps.
- (b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts arising thereon.

As at 31 December 2019, the gross carrying amount to RPSIA financing is RM4,958,745,000 (2018: RM6,907,549,000) and expected credit losses relating to this RPSIA amounting to RM93,758,000 (2018: RM25,658,000) is recognised in the Financial Statements of CIMB Bank Berhad.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)****(i) By type and Shariah contract (Continued)**

(c) Movement of Qard financing

	2019 RM'000	2018 RM'000
At 1 January	185,083	197,097
New disbursement	122,051	90,047
Repayment	(74,645)	(93,626)
Exchange fluctuation	6,213	(8,435)
At 31 December	238,702	185,083
Sources and uses of Qard Financing		
Sources of Qard fund:		
Depositors fund	238,358	184,999
Shareholders fund	344	84
	238,702	185,083
Uses of Qard fund:		
Personal use	233,072	183,800
Business use	5,630	1,283
	238,702	185,083

(ii) By type of customers

	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions	2,329,455	2,559,537
Domestic business enterprises		
– Small medium enterprises	10,511,426	10,539,046
– Others	11,502,440	10,130,422
Government and statutory bodies	3,714,239	5,316,905
Individuals	50,876,114	42,101,639
Other domestic entities	9,755,362	7,540,742
Foreign entities	5,120,956	6,609,107
	93,809,992	84,797,398

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(iii) By profit sensitivity

	2019 RM'000	2018 RM'000
Fixed rate		
– House financing	3,499,678	2,381,266
– Hire purchase receivables	7,888,914	6,088,529
– Other fixed rate financing	11,377,354	12,672,552
Variable rate		
– House financing	22,854,759	18,146,987
– Others	48,189,287	45,508,064
	93,809,992	84,797,398

(iv) By economic purposes

	2019 RM'000	2018 RM'000
Personal use	2,543,125	2,321,190
Credit card	381,821	320,953
Purchase of consumer durables	13,784	16,511
Construction	2,065,404	3,420,799
Residential property	27,526,000	21,566,249
Non-residential property	7,569,783	5,841,903
Purchase of fixed assets other than land and building	715,627	625,573
Purchase of securities	14,139,633	12,148,632
Purchase of transport vehicles	9,708,642	8,205,420
Working capital	18,443,134	17,372,745
Other purpose	10,703,039	12,957,423
	93,809,992	84,797,398

(v) By geographical distribution

	2019 RM'000	2018 RM'000
Malaysia	79,452,003	71,137,309
Indonesia	9,863,925	7,683,084
Singapore	2,719,276	2,774,847
Hong Kong	–	38,487
China	663,873	1,993,083
Other countries	1,110,915	1,170,588
	93,809,992	84,797,398

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)****(vi) By residual contractual maturity**

	2019 RM'000	2018 RM'000
Within one year	16,137,226	19,062,427
One year to less than three years	3,144,777	6,235,091
Three years to less than five years	5,559,099	4,476,603
Five years and more	68,968,890	55,023,277
	93,809,992	84,797,398

(vii) By economic sector

	2019 RM'000	2018 RM'000
Primary agriculture	3,937,616	3,161,986
Mining and quarrying	1,675,978	2,299,551
Manufacturing	3,995,625	3,248,065
Electricity, gas and water supply	1,478,551	1,874,337
Construction	2,480,818	3,160,719
Transport, storage and communications	3,447,094	4,184,459
Education, health and others	4,504,328	5,973,245
Wholesale and retail trade, and restaurants and hotels	4,784,083	4,144,368
Finance, insurance/takaful, real estate and business activities	12,037,316	11,204,877
Household	51,308,988	42,444,984
Others	4,159,595	3,100,807
	93,809,992	84,797,398

(viii) Credit impaired financing, advances and other financing/loans by economic purposes

	2019 RM'000	2018 RM'000
Personal use	17,449	17,717
Credit cards	2,009	7,476
Purchase of consumer durables	134	336
Residential property	312,688	201,169
Non-residential property	102,319	61,027
Purchase of fixed assets other than land and building	71	75
Construction	1,488	29,020
Purchase of securities	1,220	1,485
Purchase of transport vehicles	70,869	63,595
Working capital	955,122	234,677
Other purpose	58,851	144,022
	1,522,220	760,599

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(ix) Credit impaired financing, advances and other financing/loans by geographical distributions

	2019 RM'000	2018 RM'000
Malaysia	1,254,274	483,673
Indonesia	116,160	89,794
Singapore	60,296	68,319
Other countries	91,490	118,813
	1,522,220	760,599

(x) Credit impaired financing, advances and other financing/loans by economic sector

	2019 RM'000	2018 RM'000
Primary agriculture	37,012	19,049
Mining and quarrying	168,796	184,612
Manufacturing	747,255	28,146
Construction	9,705	26,145
Transport, storage and communications	19,706	124,127
Education, health and others	4,576	10,613
Wholesale and retail trade, and restaurants and hotels	62,902	16,466
Finance, insurance/takaful, real estate and business activities	47,080	44,369
Household	366,235	255,247
Others	58,953	51,825
	1,522,220	760,599

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)**

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

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
Financing, advances and other financing/loans at amortised cost				
At 1 January 2019	332,545	170,509	300,321	803,375
Changes in expected credit losses due to transfer within stages:	185,637	(138,705)	(46,932)	–
Transferred to stage 1	233,064	(208,341)	(24,723)	–
Transferred to stage 2	(46,316)	159,715	(113,399)	–
Transferred to stage 3	(1,111)	(90,079)	91,190	–
Total charge to Income Statement:	(165,039)	149,068	154,200	138,229
New financial assets originated	299,709	571	40,537	340,817
Financial assets that have been derecognised	(174,102)	(21,768)	–	(195,870)
Writeback in respect of full recoveries	–	–	(122,633)	(122,633)
Change in credit risk	(290,646)	170,265	236,296	115,915
Write-offs	–	–	(202,073)	(202,073)
Exchange fluctuation	23,128	(15,823)	4,234	11,539
Other movements	(1,055)	–	19,734	18,679
At 31 December 2019	375,216	165,049	229,484	769,749
Financing, advances and other financing/loans at amortised cost				
At 1 January 2018	227,031	133,224	263,934	624,189
Changes in expected credit losses due to transfer within stages:	220,297	(176,073)	(44,224)	–
Transferred to stage 1	276,077	(232,989)	(43,088)	–
Transferred to stage 2	(55,220)	123,811	(68,591)	–
Transferred to stage 3	(560)	(66,895)	67,455	–
Total charge to Income Statement:	(123,236)	210,666	225,732	313,162
New financial assets originated	228,339	44,036	1,125	273,500
Financial assets that have been derecognised	(138,268)	(6,461)	–	(144,729)
Writeback in respect of full recoveries	–	–	(10,351)	(10,351)
Change in credit risk	(213,307)	173,091	234,958	194,742
Write-offs	–	–	(141,185)	(141,185)
Exchange fluctuation	7,599	(3,841)	(11,105)	(7,347)
Other movements	854	6,533	7,169	14,556
At 31 December 2018	332,545	170,509	300,321	803,375

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

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

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

	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	760,599	760,599
Transfer within stages	436,712	436,712
New financial assets originated	935,851	935,851
Write-offs	(202,073)	(202,073)
Amount fully recovered	(385,419)	(385,419)
Other changes in financing, advances and other financing/loans	(32,326)	(32,326)
Exchange fluctuation	8,876	8,876
At 31 December 2019	1,522,220	1,522,220

	2019
Ratio of credit impaired financing to total financing, advances and other financing/loans	1.62%

	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	713,797	713,797
Transfer within stages	260,774	260,774
New financial assets originated	2,576	2,576
Write-offs	(141,185)	(141,185)
Amount fully recovered	(57,250)	(57,250)
Other changes in financing, advances and other financing/loans	(26,075)	(26,075)
Exchange fluctuation	7,962	7,962
At 31 December 2018	760,599	760,599

	2018
Ratio of credit impaired financing to total financing, advances and other financing/loans	0.90%

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(i) OTHER ASSETS**

	2019 RM'000	2018 RM'000
Deposits and prepayments	992,961	766,343
Clearing accounts	149,145	368,022
Collateral pledged for derivative transactions	25,250	239,940
Other debtors net of expected credit losses	592,611	1,103,614
	1,759,967	2,477,919

(j) DEFERRED TAXATION

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

	2019 RM'000	2018 RM'000
Deferred tax assets	22,238	81,882
Deferred tax liabilities	-	-
	22,238	81,882

Further breakdown are as follows:

	2019 RM'000	2018 RM'000
Deferred tax assets		
Expected credit losses	17,642	69,401
Debt instruments at fair value through other comprehensive income	-	2,009
Other temporarily differences	296	231
Lease liability	685	-
Provision for expenses	12,455	12,355
	31,078	83,996
Offsetting	(8,840)	(2,114)
	22,238	81,882
Deferred tax liabilities		
Accelerated tax depreciation	(293)	(1,908)
Intangible assets	(1,251)	(206)
Debt instruments at fair value through other comprehensive income	(6,631)	-
Rights-of-use assets	(665)	-
	(8,840)	(2,114)
Offsetting	8,840	2,114
	-	-

60 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:

Deferred tax assets/ (liabilities) Note	Debt instruments at fair value through other comprehensive income RM'000			Other temporary differences RM'000	Right-of-use assets RM'000	Intangible assets RM'000	Lease liability RM'000	Provision for expenses RM'000	Total RM'000
	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Other comprehensive income RM'000						
2019									
At 1 January	69,401	(1,908)	2,009	231	-	(206)	-	12,355	81,882
- Effect of adopting MFRS 16	-	-	-	(830)	-	830	-	-	-
As restated	69,401	(1,908)	2,009	231	(830)	(206)	830	12,355	81,882
Credited/(charged) to statement of income (am)	1,104	(714)	-	65	165	66	(145)	100	641
(Under)/over provision in prior year	(52,863)	2,329	-	-	-	(1,111)	-	-	(51,645)
Transferred to equity	-	-	(8,640)	-	-	-	-	-	(8,640)
At 31 December 2019	17,642	(293)	(6,631)	296	(665)	(1,251)	685	12,455	22,238
2018									
At 1 January	-	(1,570)	3,948	177	-	(315)	-	12,355	14,595
Credited to statement of income (am)	69,401	545	-	54	-	143	-	-	70,143
Under provision in prior year	-	(883)	-	-	-	(34)	-	-	(917)
Transferred from equity	-	-	(1,939)	-	-	-	-	-	(1,939)
At 31 December 2018	69,401	(1,908)	2,009	231	-	(206)	-	12,355	81,882

Notes to the Financial Statements

for the financial year ended 31 December 2019

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(k) STATUTORY DEPOSITS WITH CENTRAL BANKS**

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

(l) PROPERTY, PLANT AND EQUIPMENT

	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2019				
Cost				
At 1 January	11,400	508	25,388	37,296
Additions	2,087	–	2,057	4,144
Disposals	(2,720)	–	(3,368)	(6,088)
Exchange fluctuation	259	–	138	397
At 31 December	11,026	508	24,215	35,749
Accumulated depreciation				
At 1 January	9,224	244	22,987	32,455
Charge for the financial year	785	78	2,500	3,363
Disposals	(2,204)	–	(3,177)	(5,381)
Exchange fluctuation	199	–	110	309
At 31 December	8,004	322	22,420	30,746
Net book value at 31 December	3,022	186	1,795	5,003
2018				
Cost				
At 1 January	11,944	508	25,125	37,577
Additions	1,240	3	642	1,885
Disposals	(1,413)	(3)	(181)	(1,597)
Exchange fluctuation	(371)	–	(198)	(569)
At 31 December	11,400	508	25,388	37,296
Accumulated depreciation				
At 1 January	9,210	166	19,411	28,787
Charge for the financial year	710	78	3,900	4,688
Disposals	(409)	–	(154)	(563)
Exchange fluctuation	(287)	–	(170)	(457)
At 31 December	9,224	244	22,987	32,455
Net book value at 31 December	2,176	264	2,401	4,841

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) RIGHT-OF-USE ASSETS

Carrying amount of Right-of-use assets by class of underlying assets are as follows:

	2019 RM'000	2018 RM'000
Buildings	3,986	-

There are additions to the Right-of-use assets during the financial year of RM37,000. Depreciation charge during the financial year for Right-of-use assets are RM1,583,000.

At 31 December 2019, the short-term leases expense and low-value leases expense that are not included in lease liabilities are RM1,207,000 and RM398 respectively.

(n) GOODWILL

	2019 RM'000	2018 RM'000
At 1 January/31 December	136,000	136,000

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

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2020 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 4.22% (2018: 4.27%). 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 7.50% (2018: 8.90%). 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 2019 and 31 December 2018.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(o) INTANGIBLE ASSETS**

	2019 RM'000	2018 RM'000
Computer software		
Cost		
At 1 January	140,861	138,717
Additions	4,027	2,345
Disposals	(469)	–
Exchange fluctuation	146	(201)
At 31 December	144,565	140,861
Accumulated amortisation		
At 1 January	68,966	59,133
Charge for the financial year	9,139	10,042
Disposal	(371)	(32)
Exchange fluctuation	133	(177)
At 31 December	77,867	68,966
Net book value at 31 December	66,698	71,895

The above intangible assets include computer software under construction at cost of RM1,097,936 (2018: RM659,650).

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

Computer Software 1 – 15 years

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	2019 RM'000	2018 RM'000
Savings deposit		
Wadiah	778,815	713,640
Mudharabah	1,399,429	904,678
Commodity Murabahah (via Tawarruq arrangement)*	4,265,350	3,429,924
	6,443,594	5,048,242
Demand deposit		
Wadiah	702,456	666,732
Qard	14,237,532	10,069,627
Mudharabah	128,940	116,974
Commodity Murabahah (via Tawarruq arrangement)*	2,919,061	1,995,413
	17,987,989	12,848,746
Term deposit		
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	68,309,729	64,436,553
Fixed Return Income Account-i (via Tawarruq arrangement)*	34,825,284	39,946,997
General investment account	33,484,445	24,489,556
Mudharabah	6,634,666	4,392,620
Specific investment account	6,634,666	4,392,620
Mudharabah	101,368	104,791
Others	101,368	104,791
Qard	28,084	20,156
	99,505,430	86,851,108

* Included Qard contract of RM1,657,518,000 (2018: RM1,368,862,000)

(ii) By maturity structures of term deposits and investment account are as follows:

	2019 RM'000	2018 RM'000
Due within six months	65,520,389	59,824,647
Six months to one year	9,213,033	8,932,231
One year to three years	208,523	71,667
Three years to five years	78,735	80,363
More than five years	25,083	25,056
	75,045,763	68,933,964

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(p) DEPOSITS FROM CUSTOMERS (CONTINUED)****(iii) By type of customer**

	2019 RM'000	2018 RM'000
Government and statutory bodies	4,577,868	3,827,034
Business enterprises	35,328,906	36,689,863
Individuals	35,319,728	25,430,926
Others	24,278,928	20,903,285
	99,505,430	86,851,108

Wadiah (Yad Dhamanah)

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

Commodity Murabahah

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

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 categorised into two types:

- a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.
- b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised 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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) DEPOSITS FROM CUSTOMERS (CONTINUED)

(iii) By type of customer

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.

Tawarruq vis-à-vis Commodity Murabahah

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

(q) INVESTMENT ACCOUNTS OF CUSTOMERS

	Note	2019 RM'000	2018 RM'000
Unrestricted investment accounts			
– without maturity			
Special Mudharabah Investment Account		694,396	465,733
– with maturity			
Term Investment Account-i		2,754,568	1,303,537
	23	3,448,964	1,769,270

(i) Movement in the investment accounts of customers

	2019 RM'000	2018 RM'000
Mudharabah		
Unrestricted Investment Account		
At 1 January	1,769,270	907,763
<i>Funding inflows/outflows</i>		
New placement during the year	3,127,076	7,559,711
Redemption during the year	(1,486,460)	(6,786,033)
Income from investment	75,607	121,229
<i>Company's share of profit</i>		
Profit distributed to mudarib	(36,529)	(33,400)
At 31 December	3,448,964	1,769,270
Investment asset:		
House financing	2,026,931	1,057,671
Hire purchase receivables	1,031,027	624,727
Other term financing	391,006	86,872
Total investment	3,448,964	1,769,270

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(q) INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)****(ii) Profit Sharing Ratio and Rate of Return**

	2019		2018	
	Investment account holder	Average profit sharing ratio (%)	Investment account holder	Average profit sharing ratio (%)
Unrestricted investment accounts:				
no specific tenure	5.00	0.21	5.00	0.22
between 3 to 6 months	65.63	3.82	71.21	4.37

(iii) By type of customers

	2019 RM'000	2018 RM'000
Business enterprises	314,860	205,280
Individuals	3,133,989	1,563,749
Others	115	241
	3,448,964	1,769,270

(r) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 RM'000	2018 RM'000
Licensed banks	1,391,349	1,589,418
Licensed investment banks	226,720	29,433
Other financial institutions	954,597	1,546,112
	2,572,666	3,164,963

(s) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	2019 RM'000	2018 RM'000
Restricted investment accounts		
Mudharabah	5,021,974	8,216,809
By type of counterparty		
Licensed banks	5,021,974	8,216,809

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (CONTINUED)

(i) Movement in the investment accounts due to designated financial institutions

	2019 RM'000	2018 RM'000
At 1 January	8,216,809	8,145,684
<i>Funding inflows/outflows</i>		
New placement during the year	5,254,108	9,828,394
Redemption during the year	(8,717,833)	(10,108,126)
Income from investment	343,313	434,290
<i>CIMB Islamic Bank's share of profit</i>		
Profit distributed to mudarib	(3,433)	(4,343)
Incentive fee	(70,990)	(79,090)
At 31 December	5,021,974	8,216,809
<i>Investment asset:</i>		
Other term financing	4,480,574	6,809,449
Marketable securities	247,748	1,211,980
Miscellaneous other assets	293,652	195,380
Total investment	5,021,974	8,216,809

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

	2019			2018		
	Investment account holder	Investment account holder	Investment account holder	Investment account holder	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	3.68	0.99	99.00	3.75	0.84

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM5,021,974,000 (2018: RM8,216,809,000) for tenures within 4 months (2018: within 6 months) at indicative profit rates from 3.11% to 3.80% per annum (2018: 2.79% to 4.12% per annum). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(t) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2019 RM'000	2018 RM'000
Deposits from customers – structured investments	95,499	21,918

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS9. 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 financial liabilities designated at fair value of the Group as at 31 December 2019 was RM3,044,000 (2018: RM1,235,000) 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.

(u) OTHER LIABILITIES

	2019 RM'000	2018 RM'000
Clearing accounts	4,226,913	2,585,304
Due to brokers	–	1,074
Structured deposits	46,525	165,478
Accruals and other payables	328,343	87,107
Expected credit losses for loan commitments and financial guarantee contracts	(i) 54,901	76,224
Others	2,194,556	1,760,435
	6,851,238	4,675,622

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) OTHER LIABILITIES (CONTINUED)

(i) Expected credit losses for loan commitments and financial guarantee contracts

Movement in the expected credit losses for loan commitments and financial guarantee contracts are as follows:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	69,500	5,173	1,551	76,224
Changes in expected credit losses due to transfer within stages:				
Transferred to Stage 1	16,606	(13,634)	(2,972)	–
Transferred to Stage 2	17,920	(14,663)	(3,257)	–
Transferred to Stage 3	(1,280)	3,390	(2,110)	–
	(34)	(2,361)	2,395	–
Total charge to Income Statement:	(41,489)	15,744	3,804	(21,941)
New exposures	86,746	4	–	86,750
Exposures derecognised or matured	(14,734)	(1,325)	(116)	(16,175)
Change in credit risk	(113,501)	17,065	3,920	(92,516)
Exchange fluctuation	553	1	–	554
Other movements	(337)	283	118	64
At 31 December 2019	44,833	7,567	2,501	54,901
At 1 January 2018	62,863	3,489	1,423	67,775
Changes in expected credit losses due to transfer within stages:				
Transferred to Stage 1	5,001	(5,413)	412	–
Transferred to Stage 2	6,366	(6,278)	(88)	–
Transferred to Stage 3	(1,352)	1,537	(185)	–
	(13)	(672)	685	–
Total charge to Income Statement:	1,734	6,827	(284)	8,277
New exposures	73,945	–	–	73,945
Exposures derecognised or matured	(41,187)	(349)	(5)	(41,541)
Change in credit risk	(31,024)	7,176	(279)	(24,127)
Other movements	(98)	270	–	172
At 31 December 2018	69,500	5,173	1,551	76,224

The gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM855,000 (2018: RM4,126,000).

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(v) LEASE LIABILITIES**

	2019 RM'000	2018 RM'000
Buildings	3,619	-

(w) RE COURSE 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.

(x) SUKUK

	2019 RM'000	2018 RM'000
Ziya Capital Berhad Sukuk	(a) 266,222	358,265
IDR1,000,000 million bonds (Series A: 2018/2019; Series B: 2018/2021)	(b) 166,233	287,508
IDR2,000,000 million bonds (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024)	(c) 593,539	-
	1,025,994	645,773

- (a) On 12 August 2016, Ziya issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM92 million (2018: RM104 million) of the Sukuk was partially redeemed during the year.
- (b) On 15 November 2018, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk is divided into two series. Nominal value of 1-year Series A Sukuk and 3-year Series B Sukuk amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively.
- On 25 November 2019, CIMB Niaga redeemed its 1-year Series A Sukuk amounted to IDR441,000 million.
- (c) On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Bond, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(y) OTHER BORROWINGS

	2019 RM'000	2018 RM'000
Interbank – borrowing Mudharabah IDR100 million	–	28,604
	<hr/>	<hr/>
	–	28,604

(z) SUBORDINATED SUKUK

	2019 RM'000	2018 RM'000
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(a) – (b) 10,124 (c) 300,077 (d) 808,054	304,752 10,126 300,155 –
Subordinated Sukuk 2016/2028 RM10 million	(b)	10,126
Subordinated Sukuk 2017/2027 RM300 million	(c)	300,155
Subordinated Sukuk 2019/2029 RM800 million	(d)	–
	<hr/>	<hr/>
	1,118,255	615,033

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(z) SUBORDINATED SUKUK (CONTINUED)**

- (a) CIMB Islamic redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

CIMB Islamic redeemed in full, the first tranche of the Sukuk of RM300 million on its first optional redemption date of 25 September 2019.

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, 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.

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

- (b) On 21 September 2016, CIMB Islamic 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 is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

- (c) On 28 December 2017, CIMB Islamic had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

- (d) On 25 September 2019, CIMB Islamic issued RM800 million 10 years non-callable 5 years Tier II Junior Sukuk at 3.75% per annum, which was fully subscribed by CIMB Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) ORDINARY SHARE CAPITAL AND PERPETUAL PREFERENCE SHARES

	2019 RM'000	2018 RM'000
Ordinary shares		
Issued and fully paid		
At 1 January/31 December	1,000,000	1,000,000
Perpetual preference shares		
Issued and fully paid		
At 1 January/31 December	220,000	220,000

(ab) RESERVES

- (a) Share-based payment reserve arose from the Employee Ownership Plan, the Group's share-based compensation benefits.
- (b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018. BNM Guidelines on Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.
- (c) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the CIMB Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (d) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.
- (e) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(ac) RESTRICTED AGENCY INVESTMENT ACCOUNT

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

RAIA arrangement

	2019 RM'000	2018 RM'000
Financing and advances	6,231,742	5,530,998
Commitments and contingencies	-	700,000
	6,231,742	6,230,998
Total RWA for Credit Risk	343,110	316,179

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(ac) RESTRICTED AGENCY INVESTMENT ACCOUNT (CONTINUED)**

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

RAIA arrangement (Continued)

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

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group.

- (ii) Movement in the Investment Account

Wakalah

Restricted Agency Investment Account – RAIA

	2019 RM'000	2018 RM'000
At 1 January	5,530,998	–
<u>Funding inflows/outflows</u>		
New placement during the year	2,200,000	5,500,000
Redemption during the year	(1,500,000)	–
Income from investment	744	31,020
<u>Group's share of profit</u>		
Wakalah fee	–	(22)
At 31 December	6,231,742	5,530,998
<u>Investment asset:</u>		
Revolving credit	2,201,326	1,501,107
Other term financing	4,030,416	4,029,891
Total investment	6,231,742	5,530,998

- (iii) Rate of Return

	Investment account holder	Average rate of return
	2019 (%)	2018 (%)
Restricted investment accounts:		
1 month or less	4.05%	–
more than 1 month to 3 months	3.89%	4.04%
more than 5 years	4.80%	4.84%

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2019 RM'000	2018 RM'000
Income derived from investment of:		
(i) General investment deposits	4,110,835	3,065,605
(ii) Specific investment deposits	3,110	3,223
(iii) Other deposits	1,119,611	1,136,930
	5,233,556	4,205,758
(i) Income derived from investment of general investment deposits		
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	3,203,119	2,486,893
– Unwinding income*	21,821	9,491
Money at call and deposit with financial institutions	235,156	203,403
Reverse repurchased agreement	–	1,078
Debt instruments at fair value through other comprehensive income	109,583	83,014
Debt instrument at amortised cost	217,091	159,557
Others	19,545	14,942
	3,806,315	2,958,378
Accretion of discount less amortisation of premium	(6,329)	(1,417)
	3,799,986	2,956,961
Other finance income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	70,706	34,025
– Financing, advances and other financing/loan at fair value through profit or loss	8,920	–
– Net accretion of discount less amortisation	69,153	54,729
Total finance income and hibah	3,948,765	3,045,715
Other operating income:		
Foreign exchange loss	(33,201)	(47,702)
Net gain from sale of debt instruments at fair value through other comprehensive income	63,372	4,729
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(1,820)	–
Net gain/(loss) arising from financial investments at fair value through profit or loss		
– Realised	20,646	(476)
– Unrealised	8,718	(2,521)
	57,715	(45,970)
Fees and commission income:		
Fee on financing and advances	48,345	19,719
Guarantee fees	9,971	6,468
Service charges and fees	40,962	36,519
Other fee income	183	213
	99,461	62,919
Other income	4,894	2,941
	4,110,835	3,065,605

* Unwinding income is income earned on credit impaired financial assets

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(ad) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTINUED)**

	2019 RM'000	2018 RM'000
(ii) Income derived from investment of specific investment		
Money at call and deposit with financial institutions	3,110	3,223
	3,110	3,223
(iii) Income derived from investment of other deposits		
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	839,726	874,434
– Unwinding income*	8,070	4,580
Money at call and deposit with banks and other financial institutions	71,417	97,189
Debt instruments at fair value through other comprehensive income	35,617	32,826
Debt instrument at amortised cost	79,028	71,885
	1,033,858	1,080,914
Accretion of discount less amortisation of premium	(1,997)	(543)
	1,031,861	1,080,371
Other profit income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	25,874	15,342
– Financing, advances and other financing/loans	3,325	–
– Net accretion of discount less amortisation of premium	25,197	26,341
	1,086,257	1,122,054
Other operating income:		
Foreign exchange (loss)/gain	(832)	4,925
Net gain from sale of debt instruments at fair value through other comprehensive income	22,848	2,313
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(654)	–
Net gain from financial investments at fair value through profit or loss		
– Realised	7,424	1,935
– Unrealised	762	1,922
	29,548	11,095
Fees and commission income:		
Fee on financing and advances	–	8
Guarantee fees	3,654	3,078
Service charges and fees	38	–
Facility fees	114	695
	3,806	3,781
	1,119,611	1,136,930

* Unwinding income is income earned on credit impaired financial assets

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT

	2019 RM'000	2018 RM'000
Financing, advances and other financing/loans:		
– Profit income	387,308	495,972
– Unwinding income*	–	8
Money at call and deposit with financial institutions	28,342	59,583
Fees and commission income		
– Service charges and fees	20	–
	415,670	555,563

* Unwinding income is income earned on credit impaired financial assets

(af) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	2019 RM'000	2018 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	204,559	165,718
– Unwinding income*	1,885	835
Money at call and deposit with financial institutions	18,549	28,287
Debt instruments at fair value through other comprehensive income	8,708	6,393
Debt instrument at amortised cost	59,403	48,396
	293,104	249,629
Accretion of discount less amortisation of premium	(507)	(107)
	292,597	249,522
Other profit income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	6,289	2,698
– Financing, advances and other financing/loans at fair value through profit or loss	777	–
– Net accretion of discount less amortisation of premium	5,973	4,817
Total finance income and hibah	305,636	257,037

* Unwinding income is income earned on credit impaired financial assets

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(af) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)**

	2019 RM'000	2018 RM'000
Other operating income:		
Net loss from hedging activities	(2,169)	(2,248)
Foreign exchange loss	(2,003)	(2,430)
Net gain from sale of debt instruments at fair value through other comprehensive income	5,460	414
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(157)	–
Net gain arising from financial investments at fair value through profit or loss	1,795	406
– Realised	43	32
– Unrealised	1,752	384
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss	(839)	3
– Realised	1,840	1,236
Net gain/(loss) arising from Islamic derivative financial instrument	114,252	157,909
– Realised	(11,669)	(22,076)
	106,553	133,246
Net fees and commission income:		
Advisory fees	1,180	711
Guarantee fees	863	571
Service charges and fees	66,764	82,650
Placement fees	6,750	568
Underwriting commission	280	27
Other fee income	103,801	88,831
Fee and commission income	179,638	173,358
Fee and commission expense	(20,105)	(5,539)
Net fees and commission income	159,533	167,819
Other income	2,114	2,726
	573,836	560,828

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ag) EXPECTED CREDIT LOSS ON FINANCING, ADVANCES AND OTHER FINANCING/LOANS

	2019 RM'000	2018 RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost:		
– Expected credit losses on financing, advances and other financing/loans	138,229	313,162
Credit impaired financing, advances and other financing/loans:		
– Recovered	(68,959)	(65,646)
– Written-off	2,033	3,222
	71,303	250,738

(ah) OTHER EXPECTED CREDIT LOSSES (WRITTEN BACK)/MADE

	2019 RM'000	2018 RM'000
Other expected credit losses made/(written back) on:		
– Debt instrument at fair value through other comprehensive income	362	563
– Debt instrument at amortised cost	(97)	(905)
– Other receivables	(1,077)	(434)
	(812)	(776)

(ai) INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	2019 RM'000	2018 RM'000
Deposits from customers		
– Mudharabah	415,670	265,775
– Non-Mudharabah	2,541,805	2,170,909
– Others	2,274	1,978
Deposits and placements of banks and other financial institutions		
– Mudharabah	75	14
– Non-Mudharabah	72,099	75,924
– Others	59,260	16,542
Financial liabilities designated at fair value through profit or loss	1,786	67
Subordinated Sukuk	35,409	32,131
Recourse obligation on loan and financing sold to Cagamas	69,188	84,259
Sukuk	10,710	13,972
Structured deposits	767	551
Others	722	6,022
	3,209,765	2,668,144

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(aj) PROFIT DISTRIBUTED TO INVESTMENT ACCOUNT HOLDER**

	2019 RM'000	2018 RM'000
– Restricted	268,890	350,857
– Unrestricted	39,078	87,829
	307,968	438,686

(ak) PERSONNEL EXPENSES

	2019 RM'000	2018 RM'000
– Salaries, allowances and bonuses	55,061	51,362
– Pension costs (defined contribution plan)	4,913	4,609
– Staff incentives and other staff payments	1,895	2,802
– Transformation initiative expenses	3,062	–
– Medical expenses	671	518
– Others	7,441	5,435
	73,043	64,726

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM847,000 (2018: RM857,000).

(al) OTHER OVERHEADS AND EXPENDITURES

	2019 RM'000	2018 RM'000
Establishment costs		
– Depreciation of property, plant and equipment	3,363	4,688
– Rental	911	4,747
– Repairs and maintenance	2,747	1,027
– Depreciation of Right-of-use assets	1,583	–
– Amortisation of intangible assets	9,139	10,042
– Security expenses	846	783
– Utility expenses	542	591
– Others	2,535	3,950
	21,666	25,828
Marketing expenses		
– Advertisement and publicity	6,314	5,061
– Others	6,612	1,604
	12,926	6,665

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ai) OTHER OVERHEADS AND EXPENDITURES (CONTINUED)

	2019 RM'000	2018 RM'000
Administration and general expenses		
– Legal and professional fees	603	990
– Stationery	830	780
– Communication	949	1,158
– Incidental expenses on banking operations	4,684	4,579
– Service expense [#]	853,772	–
– Others	59,326	43,501
	920,164	51,008
Shared service cost[#]	11,137	533,983
	965,893	617,484

In 2019, CIMB Bank has changed its shared services operating model from cost sharing arrangement to service agreement arrangement.

(am) TAXATION AND ZAKAT

(i) Tax expense for the financial year

	Note	2019 RM'000	2018 RM'000
Current year tax			
– Malaysian income tax		286,059	265,202
Deferred taxation	(j)	(641)	(70,143)
Under/(over) provision in prior year		53,380	(3,826)
		338,798	191,233
Zakat		3,700	2,100
		342,498	193,333

Notes to the Financial Statements

for the financial year ended 31 December 2019

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**(am) TAXATION AND ZAKAT (CONTINUED)****(ii) Numerical reconciliation of income tax expense**

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

	2019 RM'000	2018 RM'000
Profit before taxation and zakat	1,617,843	1,274,870
Tax calculated at tax rate of 24% (2018: 24%)	388,282	305,969
– Effect of different tax rates	(3,528)	(3,680)
– Income not subject to tax	(107,302)	(112,453)
– Expenses not deductible for tax purposes	7,966	5,223
Under/(over) provision in prior year	53,380	(3,826)
	338,798	191,233

(an) SOURCES AND USES OF CHARITY FUNDS

	2019 RM'000	2018 RM'000
Sources of charity funds		
Balance as at 1 January	8,138	8,448
Gharamah/penalty charges	4,738	4,380
Non-shariah compliance income	316	285
Exchange fluctuation	300	(325)
Disposal of equities business	(5)	–
Total sources of charity funds during the financial year	13,487	12,788
Uses of charity funds		
Contribution to non-profit organisation	4,665	4,650
Total uses of charity funds during the financial year	4,665	4,650
Undistributed charity funds as at 31 December	8,822	8,138

61 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 10 March 2020.

CIMB Bank Group
CIMB Islamic Bank Group
CIMB Investment Bank Group

Basel II Pillar 3

Disclosure for 2019

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Abbreviations

A-IRB Approach	: Advanced Internal Ratings Based Approach	EL	: Expected Loss
ALM COE	: Asset Liability Management Centre of Excellence	EP	: Eligible Provision
ASB	: Amanah Saham Bumiputra	EVE	: Economic Value of Equity
BI	: Banking Institutions	EWRM	: Enterprise Wide Risk Management
BIA	: Basic Indicator Approach	Group EXCO	: Group Executive Committee
BNM	: Bank Negara Malaysia	GSOC	: Group Strategic Oversight Committee
BRCC	: Board Risk & Compliance Committee	F-IRB Approach	: Foundation Internal Ratings Based Approach
CAF	: Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework	Fitch	: Fitch Ratings
CAFIB	: Capital Adequacy Framework for Islamic Banks	GALCO	: Group Asset Liability Management Committee
CAR	: Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio	GCC	: Group Credit Committee
CBSM	: Capital and Balance Sheet Management	GIBD	: Group Islamic Banking Division
CCR	: Counterparty Credit Risk	GMRC	: Group Market Risk Committee
CIMBBG	: CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad, CIMB Bank (Vietnam) Limited and non-financial subsidiaries	GRCC	: Group Risk & Compliance Committee
CIMBIBG	: CIMB Investment Bank Berhad, CIMB Futures Sdn Bhd and non-financial subsidiaries	GRD	: Group Risk Division
CIMBISLG	: CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd	GUC	: Group Underwriting Committee
CIMBGH Group	: Group of Companies under CIMB Group Holdings Berhad	HPE	: Hire Purchase Exposures
CIMBTH	: CIMB Thai Bank Public Company Ltd and its subsidiaries	IRB Approach	: Internal Ratings Based Approach
CIMB Bank	: CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company)	IRRBB	: Interest Rate Risk in the Banking Book
CIMB Group or the Group	: Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure	KRI	: Key Risk Indicators
CIMB IB	: CIMB Investment Bank Berhad	LGD	: Loss Given Default
CIMB Islamic	: CIMB Islamic Bank Berhad	MARC	: Malaysian Rating Corporation Berhad
CRM	: Credit Risk Mitigants	MDBs	: Multilateral Development Banks
CRO	: Chief Risk Officer	Moody's	: Moody's Investors Service
CSA	: Credit Support Annexes, International Swaps and Derivatives Association Agreement	MRMWG	: Model Risk Management Working Group
DFIs	: Development Financial Institutions	MTM	: Mark-to-Market and/or Mark-to-Model
EAD	: Exposure At Default	ORM	: Operational Risk Management
EAR	: Earnings-at-Risk	ORMF	: Operational Risk Management Framework
ECAIs	: External Credit Assessment Institutions	OTC	: Over the Counter
		PD	: Probability of Default
		PSEs	: Non-Federal Government Public Sector Entities
		PSIA	: Profit Sharing Investment Accounts
		QRRE	: Qualifying Revolving Retail Exposures
		R&I	: Rating and Investment Information, Inc
		RAM	: RAM Rating Services Berhad
		RAROC	: Risk Adjusted Return on Capital
		RORBB	: Rate of Return Risk in the Banking Book
		RRE	: Residential Real Estate
		RWA	: Risk-Weighted Assets
		RWCAF	: Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
		S&P	: Standard & Poor's
		SA	: Standardised Approach
		SMEs	: Small and Medium Enterprises
		SNC	: Shariah Non Compliance
		SRM	: Shariah Risk Management
		VaR	: Value at Risk

Overview of Basel II and Pillar 3

The ‘International Convergence of Capital Measurement and Capital Standards: A Revised Framework’ or commonly known as ‘Basel II’ issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribes a number of different approaches to risk calculation that allow the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution’s risk management capabilities. The Basel II requirements are stipulated within three broad ‘Pillars’ or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as ‘CIMBBG’), apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as ‘CIMB Group’ or the ‘Group’) adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosures in accordance with requirements aimed to encourage market discipline in a manner that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

FREQUENCY OF DISCLOSURE

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group’s half yearly reporting cycles.

MEDIUM AND LOCATION OF DISCLOSURE

These disclosures are also available on CIMBGH Group’s corporate website (www.cimb.com). The individual disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available at the CIMBGH Group’s 2019 Annual Report and corporate website.

BASIS OF DISCLOSURE

These disclosures herein are formulated in accordance with the requirements of BNM’s guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2019.

The basis of consolidation for financial accounting purposes is described in the 2019 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term ‘credit exposure’ as used in the disclosures is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2019 financial statements as the credit risk exposure definition within the ambit of accounting standards represents the balance outstanding as at balance sheet date and does not take into account the expected undrawn/undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2019 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in the disclosures are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

Risk Management

Overview

Our Group embraces risk management as an integral part of our 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 of their propositions, thus enabling risk to be priced appropriately in relation to the return.

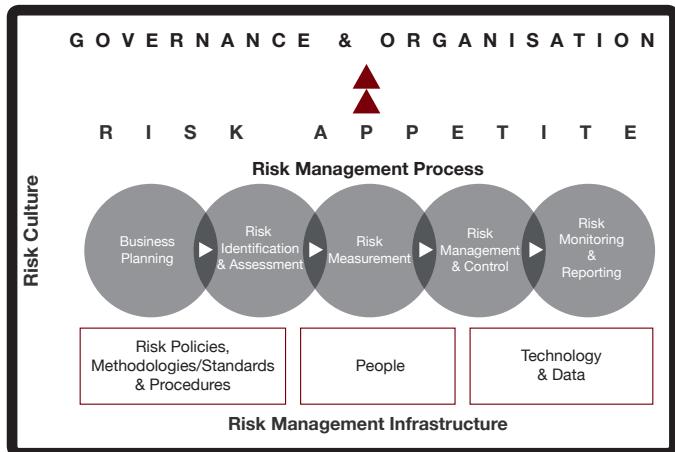
Generally, the objectives of our risk management activities are to:

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

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Our Group employs a Group Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. The Group EWRM framework provides our Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



The design of the Group EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM framework include:

- a) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defence approach, whereby risks are initially managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.
- b) **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.
- c) **Risk Appetite:** It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.
- d) **Risk Management Process:**
 - Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
 - Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standards and procedures.
 - Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
 - Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
 - Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

Risk Management Overview

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (CONTINUED)

e) Risk Management Infrastructure

- Risk Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

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 BRCC reports directly into the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of our GRCC.

To facilitate the effective implementation of the Group EWRM framework, our BRCC has established various specialised/sub-risk committees within our Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of supervising risk management functions is delegated to our GRCC, comprised of senior management, and reports directly to our BRCC. Our GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of our Group. Our GRCC is supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

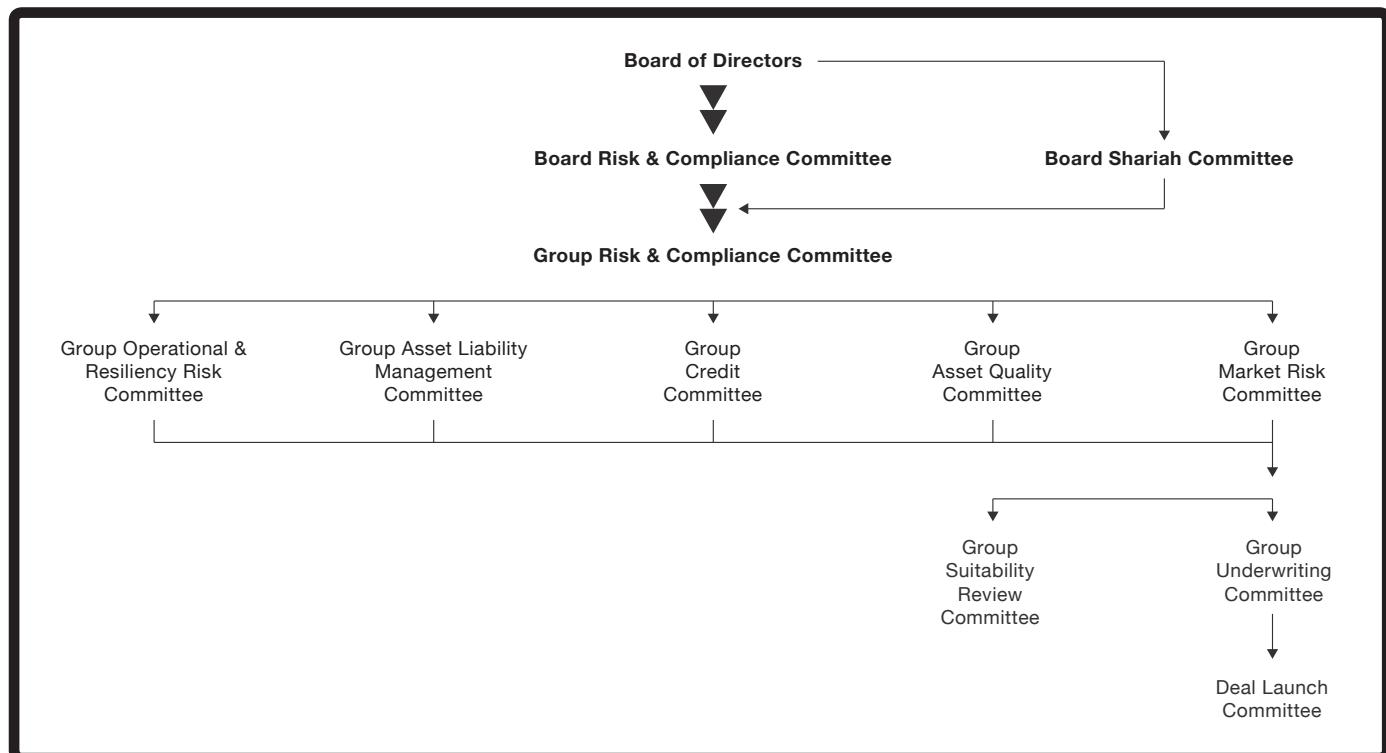
- (i) Market risk, arising from fluctuations in the value of the trading or investment exposure due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

- (ii) Credit risk, arising from the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- (iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- (iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- (v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movements in interest rates/profit rates;
- (vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction on our Group, thereby resulting in a potential capital charge; and
- (vii) SNC risk, arising from risk of possible failure to comply with the Shariah requirements determined by the Shariah Advisory Council ("SAC") of BNIM and Securities Commission ("SC"), Board Shariah Committee ("BSC") of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

Risk Management Overview

RISK GOVERNANCE (CONTINUED)

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



Our 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, our Group strives to ensure a consistent and standardised approach in its risk governance process. As such, our Group and regional committees have consultative and advisory responsibilities on regional matters across our Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing our Board with a comprehensive view of the activities within our Group.

THREE LINES OF DEFENCE

Our Group's risk management culture is embodied through the adoption of the Three Lines of Defence philosophy, whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across our Group and risk management as an enabler of business units. As a first line of defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight and performs independent monitoring of business activities and reporting to the Board and

management to ensure that our Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line of defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

THE ROLES OF GROUP CRO AND GROUP RISK DIVISION

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

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. Our Group CRO:

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

Risk Management Overview

THE ROLES OF GROUP CRO AND GROUP RISK DIVISION (CONTINUED)

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

(A) CRO

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

(B) RISK CENTRES OF EXCELLENCE

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

• Risk Analytics CoE

The Risk Analytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

• Credit Risk Infrastructure CoE

The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

• Market Risk CoE

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

• Non-Financial Risk Management CoE

The Non-Financial Risk Management (NFRM) 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 and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

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

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

• Asset Liability Management CoE

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

• Credit Risk CoE

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

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

STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

Shariah Governance Disclosure

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank Berhad to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank Berhad.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

Shariah Advisory & Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Corporate Assurance Division respectively.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Corporate Assurance Division respectively.

SHARIAH NON-COMPLIANCE INCOME DURING THE YEAR

During the year ended 31 December 2019, there was no SNC income.

Capital Management

KEY CAPITAL MANAGEMENT PRINCIPLES

The key driving principles of CIMBGH Group'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 CIMBGH Group, 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 Group Exco who periodically assess and review 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 are also provided to the Board of Directors.

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

CAPITAL STRUCTURE AND ADEQUACY

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components)/Capital Adequacy Framework for Islamic Banks (Capital Components), of which the latest revisions were issued on 5 February 2020. These guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III and were made applicable for all banking institutions and financial holding companies on 1 January 2018 and 1 January 2019 respectively.

The risk-weighted assets of the CIMB Bank Group (other than CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets)/Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019. The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The risk-weighted assets of CIMB Investment Bank Group are computed in accordance with Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II – Risk Weighted Assets). The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components).

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below present the Capital Position of CIMBBG, CIMBISLG and CIMBIBG respectively.

Table 1(a): Capital Position for CIMBBG

(RM'000)	CIMBBG	
	2019	2018
Common Equity Tier I Capital		
Ordinary shares capital	21,323,364	20,088,345
Other reserves	23,319,349	20,539,125
Qualifying non-controlling interests	166,801	156,841
Less Proposed dividends	(1,227,104)	(1,135,854)
Common Equity Tier I capital before regulatory adjustments	43,582,410	39,648,457
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,328,766)	(5,213,838)
Intangible assets	(1,166,642)	(975,612)
Deferred tax assets	(431,009)	(776,984)
Regulatory reserve	(2,133,057)	(1,542,976)
Others	(90,667)	(2,182)
Common equity Tier I capital after regulatory adjustments	34,432,269	31,136,865
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	34,557	32,685
Additional Tier I capital before regulatory adjustments	2,634,557	2,632,685
<u>Less: Regulatory adjustments</u>		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(3,047)	(5,956)
Additional Tier I capital after regulatory adjustments	2,631,510	2,626,729
Total Tier I capital	37,063,779	33,763,594

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(a): Capital Position for CIMBBG (Continued)

(RM'000)	CIMBBG	2019	2018
Tier II Capital			
Subordinated notes	8,700,000	7,900,000	
Redeemable preference shares	29,740	29,740	
Surplus of eligible provisions over expected loss	315,136	325,153	
Qualifying capital instruments held by third parties	186,954	408,443	
General provisions	705,490	659,423	
Tier II capital before regulatory adjustments	9,937,320	9,322,759	
Less: Regulatory adjustments			
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	(759)	
Total Tier II Capital	9,937,320	9,322,000	
Total Capital	47,001,099	43,085,594	
RWA			
Credit risk	213,867,489	203,544,033	
Market risk	18,425,825	16,395,328	
Operational risk	22,213,549	20,794,460	
Large exposure risk requirements	866,895	881,647	
Total RWA	255,373,758	241,615,468	
Capital Adequacy Ratios			
Before deducting proposed dividends			
Common equity tier I ratio	13.964%	13.357%	
Tier I ratio	14.994%	14.444%	
Total capital ratio	18.885%	18.302%	
After deducting proposed dividends			
Common equity tier I ratio	13.483%	12.887%	
Tier I ratio	14.514%	13.974%	
Total capital ratio	18.405%	17.832%	

The Total Capital ratio increased in 2019 compared to 2018 primarily due to (i) higher retained earnings; (ii) higher share capital arising from the reinvestment of cash dividend surplus from CIMB Group's 13th and 14th Dividend Reinvestment Scheme ("DRS"); and (iii) issuance of RM800 million 10 years non-callable 5 years Tier II subordinated debt. The increase in RWA is mainly due to higher Credit RWA.

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(b): Capital Position for CIMBISLG

(RM'000)	CIMBISLG 2019	CIMBISLG 2018
Common Equity Tier I Capital		
Ordinary shares capital	1,000,000	1,000,000
Other reserves	5,110,814	4,294,476
Common Equity Tier I capital before regulatory adjustments	6,110,814	5,294,476
<u>Less: Regulatory adjustments</u>		
Goodwill	(136,000)	(136,000)
Intangible assets	(63,256)	(71,330)
Deferred tax assets	(23,402)	(77,454)
Regulatory reserve	(513,533)	(404,378)
Others	(12,530)	–
Common equity Tier I capital after regulatory adjustments	5,362,093	4,605,314
Additional Tier I capital		
Perpetual preference shares	171,000	178,000
Additional Tier I capital before regulatory adjustments	171,000	178,000
<u>Less: Regulatory adjustments</u>		
	–	–
Additional Tier I capital after regulatory adjustments	171,000	178,000
Total Tier I capital	5,533,093	4,783,314
Tier II capital		
Subordinated Sukuk	1,110,000	610,000
Surplus eligible provisions over expected loss	116,788	67,113
General provisions	59,548	62,110
Total Tier II capital	1,286,336	739,223
Total Capital	6,819,429	5,522,537
RWA		
Credit risk	36,238,040	30,912,773
Market risk	689,054	452,745
Operational risk	3,241,495	2,742,472
Total RWA	40,168,589	34,107,990
Capital Adequacy Ratios		
Common equity tier I ratio	13.349%	13.502%
Tier I ratio	13.775%	14.024%
Total capital ratio	16.977%	16.191%

Total capital ratio increased in 2019 compared to 2018 mainly due to (i) higher retained earnings, and (ii) issuance of RM800 million 10 years non-callable 5 years Tier II Junior Sukuk; offset by (iii) redemption of RM300 million Tier II Junior Sukuk on its first optional redemption date. The increase in RWA is mainly due to higher Credit RWA.

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(c): Capital Position for CIMBIBG

(RM'000)	CIMBIBG	
	2019	2018
Common Equity Tier I Capital		
Ordinary shares capital	100,000	100,000
Other reserves	549,360	515,322
Less: Proposed dividends	(68,000)	(15,990)
Common Equity Tier I capital before regulatory adjustments	581,360	599,332
Less: Regulatory adjustments		
Goodwill	–	(964)
Deferred tax assets	(16,895)	(19,239)
Deductions in excess of Tier II capital	(450)	(4,251)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(9,212)	(9,311)
Regulatory reserve	(116)	–
Others	–	–
Common equity Tier I capital after regulatory adjustments/total Tier I capital	554,687	565,567
Tier II capital		
Redeemable preference shares	3	4
General provisions	116	–
Tier II capital before regulatory adjustments	119	4
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(569)	(4,255)
Total Tier II capital	–	–
Total Capital	554,687	565,567
RWA		
Credit risk	341,536	898,080
Market risk	4,925	397,868
Operational risk	554,745	573,431
Total RWA	901,206	1,869,379
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common equity tier I ratio	69.095%	31.110%
Tier I ratio	69.095%	31.110%
Total capital ratio	69.095%	31.110%
After deducting proposed dividend		
Common equity tier I ratio	61.549%	30.254%
Tier I ratio	61.549%	30.254%
Total capital ratio	61.549%	30.254%

Total capital ratio increased in 2019 compared to 2018 mainly due to higher retained earnings from gain on sale of cash equity business of RM432 million offset with special dividend paid of RM400 million. RWA decreased due to lower Credit RWA and Market RWA.

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2019 (RM'000) Exposure Class	CIMBBG				Minimum capital requirement at 8%	
	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA		
Credit Risk						
Exposures under the SA						
Sovereign/Central Banks	63,205,430	63,205,430	243,294	243,294	19,464	
Public Sector Entities	7,734,756	7,734,668	46,934	46,934	3,755	
Banks, DFIs & MDBs	11,293,417	11,291,517	4,576,457	4,576,457	366,117	
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,192,053	3,155,449	2,213,097	2,213,097	177,048	
Corporate	28,418,843	23,211,293	22,220,255	22,193,660	1,775,493	
Regulatory Retail	23,426,824	21,824,312	15,631,344	15,506,770	1,240,542	
Residential Mortgages/RRE Financing	12,282,092	12,277,329	6,580,513	6,575,692	526,055	
Higher Risk Assets	1,117,749	1,117,749	1,676,624	1,676,624	134,130	
Other Assets	15,536,770	15,536,770	3,342,565	3,342,565	267,405	
Securitisation	310,369	310,369	62,074	62,074	4,966	
Equity Exposure	2,003	2,003	2,003	2,003	160	
Total for SA	166,520,303	159,666,887	56,595,159	56,439,169	4,515,134	
Exposures under the IRB Approach						
Sovereign/Central Banks	—	—	—	—	—	
Public Sector Entities	—	—	—	—	—	
Banks, DFIs & MDBs	22,835,502	22,835,502	6,099,734	6,099,734	487,979	
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	—	—	—	—	—	
Corporate	136,700,324	136,700,324	90,716,083	90,682,777	7,254,622	
Residential Mortgages/RRE Financing	85,925,363	85,925,363	18,202,385	17,933,580	1,434,686	
Qualifying Revolving Retail	13,067,134	13,067,134	8,016,962	8,016,962	641,357	
Hire Purchase	16,738,545	16,738,545	9,504,186	8,975,933	718,075	
Other Retail	61,305,765	61,305,765	16,812,999	16,808,296	1,344,664	
Securitisation	—	—	—	—	—	
Total for IRB Approach	336,572,634	336,572,634	149,352,349	148,517,283	11,881,383	
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)						
	503,092,937	496,239,521	214,908,649	213,867,489	17,109,399	
Large Exposure Risk Requirement	866,895	866,895	866,895	866,895	69,352	
Market Risk (SA)						
Interest Rate Risk/Profit Rate Risk			15,397,573	15,397,573	1,231,806	
Foreign Currency Risk			1,034,385	1,034,385	82,751	
Equity Risk			724,911	724,911	57,993	
Commodity Risk			616,235	616,235	49,299	
Options Risk			652,721	652,721	52,218	
Total Market Risk			18,425,825	18,425,825	1,474,066	
Operational Risk (BIA)			22,213,549	22,213,549	1,777,084	
Total RWA and Capital Requirement			256,414,918	255,373,758	20,429,901	

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (Continued)

2018 (RM'000) Exposure Class	CIMBBG			Total RWA after effects of PSIA	Minimum capital requirement at 8%		
	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA				
Credit Risk							
Exposures under the SA							
Sovereign/Central Banks	61,427,503	61,427,503	611,168	611,168	48,893		
Public Sector Entities	9,655,818	9,353,236	70,647	70,647	5,652		
Banks, DFIs & MDBs	9,913,929	9,911,527	3,358,016	3,358,016	268,641		
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,078,569	3,074,109	2,135,913	2,135,913	170,873		
Corporate	27,909,373	23,313,075	22,589,477	22,587,034	1,806,963		
Regulatory Retail	18,410,175	16,847,901	12,775,005	12,774,420	1,021,954		
Residential Mortgages/RRE Financing	10,297,811	10,295,352	6,233,295	6,231,879	498,550		
Higher Risk Assets	1,118,173	1,118,173	1,677,260	1,677,260	134,181		
Other Assets	11,155,765	11,155,765	3,251,501	3,251,501	260,120		
Securitisation	268,519	268,519	53,704	53,704	4,296		
Equity Exposure	2,290	2,290	2,290	2,290	183		
Total for SA	153,237,927	146,767,450	52,758,276	52,753,832	4,220,307		
Exposures under the IRB Approach							
Sovereign/Central Banks	—	—	—	—	—		
Public Sector Entities	—	—	—	—	—		
Banks, DFIs & MDBs	18,792,848	18,792,848	5,507,326	5,507,326	440,586		
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	—	—	—	—	—		
Corporate	132,231,968	132,231,968	89,591,366	89,510,311	7,160,825		
Residential Mortgages/RRE Financing	76,407,008	76,407,008	15,798,963	15,714,197	1,257,136		
Qualifying Revolving Retail	13,195,966	13,195,966	7,868,778	7,868,778	629,502		
Hire Purchase	15,949,976	15,949,976	9,053,774	8,730,476	698,438		
Other Retail	59,365,086	59,365,086	14,930,276	14,923,818	1,193,905		
Securitisation	—	—	—	—	—		
Total for IRB Approach	315,942,853	315,942,853	142,750,484	142,254,907	11,380,393		
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)							
	469,180,780	462,710,303	204,073,788	203,544,033	16,283,523		
Large Exposure Risk Requirement	881,647	881,647	881,647	881,647	70,532		
Market Risk (SA)							
Interest Rate Risk/Profit Rate Risk			12,627,194	12,627,194	1,010,176		
Foreign Currency Risk			800,915	800,915	64,073		
Equity Risk			521,180	521,180	41,694		
Commodity Risk			1,595,968	1,595,968	127,677		
Options Risk			—	—	—		
Total Market Risk			16,395,328	16,395,328	1,311,626		
Operational Risk (BIA)			20,794,460	20,794,460	1,663,557		
Total RWA and Capital Requirement			242,145,223	241,615,468	19,329,237		

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG

2019 (RM'000) Exposure Class	CIMBISLG				Minimum capital requirement at 8%	
	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA		
Credit Risk						
Exposures under the SA						
Sovereign/Central Banks	18,036,722	18,036,722	-	-	-	
Public Sector Entities	3,696,314	3,696,314	39,263	39,263	3,141	
Banks, DFIs & MDBs	5,117	5,117	2,558	2,558	205	
Takaful Operators, Securities Firms & Fund Managers	15,464	15,464	3,093	3,093	247	
Corporate	1,411,799	1,385,406	886,822	860,227	68,818	
Regulatory Retail	6,239,410	6,014,188	3,905,591	3,781,017	302,481	
RRE Financing	39,260	39,260	19,420	14,600	1,168	
Higher Risk Assets	-	-	-	-	-	
Other Assets	97,766	97,766	59,034	59,034	4,723	
Securitisation	20,379	20,379	4,076	4,076	326	
Total for SA	29,562,230	29,310,616	4,919,858	4,763,868	381,109	
Exposures under the IRB Approach						
Sovereign/Central Banks	-	-	-	-	-	
Public Sector Entities	-	-	-	-	-	
Banks, DFIs & MDBs	1,301,557	1,301,557	258,697	258,697	20,696	
Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-	
Corporate	26,576,431	26,576,431	16,075,599	14,651,511	1,172,121	
RRE Financing	20,765,279	20,765,279	5,443,912	5,175,107	414,009	
Qualifying Revolving Retail	278,485	278,485	213,475	213,475	17,078	
Hire Purchase	9,015,762	9,015,762	5,222,189	4,693,936	375,515	
Other Retail	24,906,423	24,906,423	4,704,592	4,699,889	375,991	
Securitisation	-	-	-	-	-	
Total for IRB Approach	82,843,938	82,843,938	31,918,463	29,692,616	2,375,409	
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)						
	112,406,168	112,154,554	38,753,429	36,238,040	2,899,043	
Large Exposure Risk Requirement						
Market Risk (SA)						
Benchmark Rate Risk			625,893	625,893	50,071	
Foreign Currency Risk			63,161	63,161	5,053	
Equity Risk			-	-	-	
Commodity Risk			-	-	-	
Options Risk			-	-	-	
Total Market Risk			689,054	689,054	55,124	
Operational Risk (BIA)						
			3,241,495	3,241,495	259,320	
Total RWA and Capital Requirement			42,683,978	40,168,589	3,213,487	

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG (Continued)

2018 (RM'000) Exposure Class	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	CIMBISLG		Minimum capital requirement at 8%			
			RWA	Total RWA after effects of PSIA				
Credit Risk								
Exposures under the SA								
Sovereign/Central Banks	19,140,796	19,140,796	–	–	–			
Public Sector Entities	5,315,313	5,315,313	63,063	63,063	5,045			
Banks, DFIs & MDBs	176,064	176,064	5,138	5,138	411			
Takaful Operators, Securities Firms & Fund Managers	15,758	15,248	3,050	3,050	244			
Corporate	2,781,972	2,756,519	2,621,537	2,605,599	208,448			
Regulatory Retail	2,638,263	2,593,541	2,231,567	2,230,981	178,478			
RRE Financing	27,813	27,813	13,775	12,359	989			
Higher Risk Assets	575	575	863	863	69			
Other Assets	71,285	71,285	43,547	43,547	3,484			
Securitisation	21,006	21,006	4,201	4,201	336			
Total for SA	30,188,845	30,118,160	4,986,740	4,968,800	397,504			
Exposures under the IRB Approach								
Sovereign/Central Banks	–	–	–	–	–			
Public Sector Entities	–	–	–	–	–			
Banks, DFIs & MDBs	1,619,133	1,619,133	350,506	336,571	26,926			
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–			
Corporate	27,223,174	27,223,174	16,583,627	11,897,559	951,805			
RRE Financing	16,860,233	16,860,233	4,277,123	4,192,358	335,389			
Qualifying Revolving Retail	272,379	272,379	207,112	207,112	16,569			
Hire Purchase	7,388,722	7,388,722	4,212,472	3,889,174	311,134			
Other Retail	21,055,250	21,055,250	3,959,130	3,952,672	316,214			
Securitisation	–	–	–	–	–			
Total for IRB Approach	74,418,890	74,418,890	29,589,971	24,475,447	1,958,036			
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)								
	104,607,736	104,537,050	36,352,109	30,912,773	2,473,022			
Large Exposure Risk Requirement								
Market Risk (SA)								
Benchmark Rate Risk			413,836	413,836	33,107			
Foreign Currency Risk			38,908	38,908	3,113			
Equity Risk			–	–	–			
Commodity Risk			–	–	–			
Options Risk			–	–	–			
Total Market Risk			452,745	452,745	36,220			
Operational Risk (BIA)								
			2,742,472	2,742,472	219,398			
Total RWA and Capital Requirement			39,547,326	34,107,991	2,728,639			

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2019 (RM'000) Exposure Class	CIMBIBG				Minimum capital requirement at 8%
	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	
Credit Risk (SA)					
Sovereign/Central Banks	466,539	466,539	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	259,746	209,818	87,018	87,018	6,961
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	146,842	146,842	146,842	146,842	11,747
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	107,696	107,696	107,676	107,676	8,614
Securitisation	-	-	-	-	-
Total Credit Risk	980,824	930,896	341,536	341,536	27,323
Large Exposure Risk Requirement					
Market Risk (SA)					
Interest Rate Risk			1,364	1,364	109
Foreign Currency Risk			3,561	3,561	285
Equity Risk			-	-	-
Commodity Risk			-	-	-
Options Risk			-	-	-
Total Market Risk			4,925	4,925	394
Operational Risk (BIA)					
Total RWA and Capital Requirement			901,206	901,206	72,096

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (Continued)

2018 (RM'000) Exposure Class	CIMBIBG				Minimum capital requirement at 8%
	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	
Credit Risk (SA)					
Sovereign/Central Banks	747,418	747,418	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,299,023	1,299,023	629,224	629,224	50,338
Insurance Cos, Securities Firms & Fund Managers	9,814	9,814	9,814	9,814	785
Corporate	1,444	1,444	1,483	1,483	119
Regulatory Retail	–	–	–	–	–
Residential Mortgages	2	2	1	1	0
Higher Risk Assets	–	–	–	–	–
Other Assets	257,578	257,578	257,559	257,559	20,605
Securitisation	–	–	–	–	–
Total Credit Risk	2,315,278	2,315,278	898,080	898,080	71,846
Large Exposure Risk Requirement					
Market Risk (SA)					
Interest Rate Risk			7,197	7,197	576
Foreign Currency Risk			40,476	40,476	3,238
Equity Risk			6,446	6,446	516
Commodity Risk			–	–	–
Options Risk			343,750	343,750	27,500
Total Market Risk			397,868	397,868	31,829
Operational Risk (BIA)					
Total RWA and Capital Requirement			1,869,380	1,869,380	149,550

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

- a) Assessing the risk profile of the bank.
- b) Assessing the capital adequacy and capital management strategies.
- c) Monitoring compliance with regulatory requirement on capital adequacy.
- d) Reporting to management and regulator on ICAAP.
- e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRCC for approval and the Board for notification.

Credit Risk

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

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

CREDIT RISK MANAGEMENT

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

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

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

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

The GRCC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing 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 country sector limit, single customer and country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

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

It is our 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 our Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

SUMMARY OF CREDIT EXPOSURES**I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION**

The geographic distribution is based on the country in which the portfolio is geographically managed.

The following tables represent the Group's credit exposures by geographic region:

Table 3(a): Geographic Distribution of Credit Exposures for CIMBBG

(RM'000) Exposure Class	Malaysia	Singapore	Thailand	CIMBBG Other Countries	Total
2019					
Sovereign	53,111,574	3,313,260	6,158,625	621,971	63,205,430
PSE	7,734,756	–	–	–	7,734,756
Bank	16,057,419	3,682,013	8,820,620	5,568,867	34,128,919
Corporate	112,497,994	31,069,677	17,387,168	7,356,380	168,311,219
Mortgage/RRE Financing	80,593,302	6,200,128	11,171,837	242,188	98,207,455
HPE	16,738,545	–	–	–	16,738,545
QRRE	10,412,672	2,654,462	–	–	13,067,134
Other Retail	72,337,197	2,627,121	8,862,551	905,720	84,732,589
Other Exposures	6,292,554	700,900	9,087,565	885,871	16,966,890
Total Gross Credit Exposure	375,776,013	50,247,561	61,488,366	15,580,997	503,092,937
2018					
Sovereign	51,820,158	3,704,695	5,387,891	514,759	61,427,503
PSE	9,655,818	–	–	–	9,655,818
Bank	15,493,590	2,653,924	8,854,835	1,704,428	28,706,777
Corporate	108,924,131	31,206,124	16,596,867	6,492,788	163,219,911
Mortgage/RRE Financing	72,278,433	4,808,553	9,346,547	271,287	86,704,820
HPE	15,949,976	–	–	–	15,949,976
QRRE	10,580,220	2,615,746	–	–	13,195,966
Other Retail	67,380,603	2,246,890	7,380,662	767,108	77,775,262
Other Exposures	6,081,016	406,593	4,884,151	1,172,988	12,544,748
Total Gross Credit Exposure	358,163,944	47,642,525	52,450,952	10,923,358	469,180,780

Credit Risk**SUMMARY OF CREDIT EXPOSURES (CONTINUED)****I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)**

Table 3(b): Geographic Distribution of Credit Exposures for CIMBISLG

(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
2019					
Sovereign	18,036,722	—	—	—	18,036,722
PSE	3,696,314	—	—	—	3,696,314
Bank	1,306,674	—	—	—	1,306,674
Corporate	28,003,694	—	—	—	28,003,694
RRE Financing	20,804,539	—	—	—	20,804,539
HPE	9,015,762	—	—	—	9,015,762
QRRE	278,485	—	—	—	278,485
Other Retail	31,145,833	—	—	—	31,145,833
Other Exposures	118,145	—	—	—	118,145
Total Gross Credit Exposure	112,406,168	—	—	—	112,406,168
2018					
Sovereign	19,140,796	—	—	—	19,140,796
PSE	5,315,313	—	—	—	5,315,313
Bank	1,795,196	—	—	—	1,795,196
Corporate	30,020,904	—	—	—	30,020,904
RRE Financing	16,888,046	—	—	—	16,888,046
HPE	7,388,722	—	—	—	7,388,722
QRRE	272,379	—	—	—	272,379
Other Retail	23,693,513	—	—	—	23,693,513
Other Exposures	92,867	—	—	—	92,867
Total Gross Credit Exposure	104,607,736	—	—	—	104,607,736

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

(RM'000) Exposure Class	CIMBIBG				Total
	Malaysia	Singapore	Thailand	Other Countries	
2019					
Sovereign	466,539	–	–	–	466,539
Bank	259,746	–	–	–	259,746
Corporate	146,842	–	–	–	146,842
Mortgage	–	–	–	–	–
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	–	–	–	–	–
Other Exposures	107,696	–	–	–	107,696
Total Gross Credit Exposure	980,824	–	–	–	980,824
2018					
Sovereign	747,418	–	–	–	747,418
Bank	1,299,023	–	–	–	1,299,023
Corporate	11,257	–	–	–	11,257
Mortgage	2	–	–	–	2
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	–	–	–	–	–
Other Exposures	257,578	–	–	–	257,578
Total Gross Credit Exposure	2,315,278	–	–	–	2,315,278

Credit Risk

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

II) GROSS CREDIT EXPOSURES BY SECTOR

The following tables represent the Group's credit exposures analysed by sector:

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	CIMBBG								Others*	Total
				Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Real Estate and Business Activities	Finance, Insurance/ Takaful, and Education, Health and Business Activities	Household			
2019													
Sovereign	192,100	-	-	1,274,479	5,076,745	-	3,651,730	21,347,422	29,580,048	-	2,082,906	63,205,430	
PSE	2,703	-	-	-	-	-	-	172,304	7,559,401	-	347	7,734,756	
Bank	-	-	-	-	-	-	-	32,022,376	2,106,543	-	-	34,128,919	
Corporate	9,798,348	8,945,002	17,343,350	9,621,287	15,458,761	20,082,538	14,015,118	46,994,180	13,420,636	7,282,313	5,349,686	168,311,219	
Mortgage/RRE Financing	-	-	-	-	-	-	-	-	-	98,207,455	-	98,207,455	
HPE	-	-	-	-	-	-	-	-	-	16,738,545	-	16,738,545	
QRRE	-	-	-	-	-	-	-	-	-	13,067,134	-	13,067,134	
Other Retail	301,194	63,993	1,833,148	54,728	1,166,220	3,408,052	429,770	3,556,983	751,035	73,167,466	-	84,732,589	
Other Exposures	-	-	2,027	68,937	-	495	-	1,225,572	77,761	-	15,592,097	16,966,890	
Total Gross Credit Exposure	10,294,346	9,008,995	19,178,526	11,019,431	21,701,727	23,491,085	18,096,617	105,318,837	53,495,424	208,462,913	23,025,036	503,092,937	
2018													
Sovereign	255,949	-	-	1,115,226	3,423,142	-	3,900,777	26,705,327	24,332,055	-	1,695,027	61,427,503	
PSE	2,817	-	-	-	-	-	50	272,005	9,380,618	-	328	9,655,818	
Bank	-	-	-	-	-	-	-	28,706,777	-	-	-	28,706,777	
Corporate	8,453,103	9,217,775	13,421,794	9,353,689	17,826,373	18,578,151	16,122,245	47,330,180	11,574,605	7,322,781	4,019,213	163,219,911	
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	86,704,820	-	86,704,820	
HPE	-	-	-	-	-	-	-	-	-	15,949,976	-	15,949,976	
QRRE	-	-	-	-	-	-	-	-	-	13,195,966	-	13,195,966	
Other Retail	192,707	59,915	1,234,507	24,989	816,145	2,059,626	320,495	2,760,767	610,401	69,695,709	-	77,775,262	
Other Exposures	-	-	2,313	1,900	-	460	-	1,284,240	93,120	-	11,162,715	12,544,748	
Total Gross Credit Exposure	8,904,577	9,277,690	14,658,614	10,495,805	22,065,661	20,638,237	20,343,568	107,059,295	45,990,799	192,869,251	16,877,283	469,180,780	

* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)

Table 4(b): Distribution of Credit Exposures by Sector for CIMBISLG

(RM'000) Exposure Class	CIMBISLG												
	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total	
2019													
Sovereign	9,851	-	-	418,755	1,956,694	-	986,589	9,168,065	4,084,664	-	1,412,103	18,036,722	
PSE	-	-	-	-	-	-	-	172,121	3,524,193	-	-	3,696,314	
Bank	-	-	-	-	-	-	-	1,306,674	-	-	-	1,306,674	
Corporate	3,529,158	1,418,566	2,528,319	530,450	3,589,284	2,480,414	4,144,097	8,605,724	1,114,510	14,091	49,080	28,003,694	
RRE Financing	-	-	-	-	-	-	-	-	-	20,804,539	-	20,804,539	
HPE	-	-	-	-	-	-	-	-	-	9,015,762	-	9,015,762	
QRRE	-	-	-	-	-	-	-	-	-	278,485	-	278,485	
Other Retail	113,428	12,222	608,434	15,804	389,656	1,137,693	122,772	969,948	174,328	27,553,817	47,732	31,145,833	
Other Exposures	-	-	-	-	-	-	-	-	20,379	-	97,766	118,145	
Total Gross Credit Exposure	3,652,437	1,430,789	3,136,753	965,009	5,935,634	3,618,106	5,253,457	20,222,532	8,918,075	57,666,694	1,606,682	112,406,168	
2018													
Sovereign	54,814	-	-	221,175	1,210,734	-	1,001,651	12,071,350	3,378,888	-	1,202,183	19,140,796	
PSE	-	-	-	-	-	-	-	271,731	5,043,582	-	-	5,315,313	
Bank	-	-	-	-	-	-	-	1,795,196	-	-	-	1,795,196	
Corporate	2,367,624	1,658,636	2,579,253	461,822	5,134,881	2,312,588	4,791,532	9,058,999	1,125,297	421,304	108,968	30,020,904	
RRE Financing	-	-	-	-	-	-	-	-	-	16,888,046	-	16,888,046	
HPE	-	-	-	-	-	-	-	-	-	7,388,722	-	7,388,722	
QRRE	-	-	-	-	-	-	-	-	-	272,379	-	272,379	
Other Retail	17,270	8,285	68,833	1,765	76,705	158,586	12,647	203,692	38,576	23,079,979	27,176	23,693,513	
Other Exposures	-	-	-	-	-	-	-	-	575	21,006	-	71,285	92,867
Total Gross Credit Exposure	2,439,707	1,666,921	2,648,086	684,761	6,422,321	2,471,174	5,805,831	23,401,543	9,607,350	48,050,430	1,409,613	104,607,736	

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Credit Risk**SUMMARY OF CREDIT EXPOSURES (CONTINUED)****II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)**

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	CIMBIBG										Total
				Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Real Estate and Business Activities	Finance, Insurance/ Takaful,	Education, Health and Others	Household	Others*		
2019														
Sovereign	-	-	-	-	-	-	-	466,539	-	-	-	-	466,539	
Bank	-	-	-	-	-	-	-	259,746	-	-	-	-	259,746	
Corporate	-	-	-	-	-	-	-	7,032	-	-	139,811	-	146,842	
Mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	
HPE	-	-	-	-	-	-	-	-	-	-	-	-	-	
QRRE	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Exposures	-	-	-	-	-	-	-	-	-	-	107,696	-	107,696	
Total Gross Credit Exposure	-	-	-	-	-	-	-	733,317	-	-	247,507	-	980,824	
2018														
Sovereign	-	-	-	-	-	-	-	747,418	-	-	-	-	747,418	
Bank	-	-	-	-	-	-	-	1,299,023	-	-	-	-	1,299,023	
Corporate	-	-	-	-	-	-	-	652	214	229	10,162	-	11,257	
Mortgage	-	-	-	-	-	-	-	-	-	2	-	-	2	
HPE	-	-	-	-	-	-	-	-	-	-	-	-	-	
QRRE	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Exposures	-	-	-	-	-	-	-	-	-	293	257,285	-	257,578	
Total Gross Credit Exposure	-	-	-	-	-	-	-	2,047,093	214	524	267,447	-	2,315,278	

* Others are exposures which are not elsewhere classified.

Credit Risk

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY

The following tables represent the Group's credit exposures analysed by residual contractual maturity:

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

(RM'000) Exposure Class	CIMBBG				Total
	Less than 1 year	1 to 5 years	More than 5 years		
2019					
Sovereign	24,927,037	17,491,690	20,786,702	63,205,430	
PSE	3,054,776	520,568	4,159,412	7,734,756	
Bank	18,523,645	11,640,101	3,965,174	34,128,919	
Corporate	57,604,929	56,520,807	54,185,484	168,311,219	
Mortgage/RRE Financing	202,228	833,060	97,172,167	98,207,455	
HPE	123,559	5,399,134	11,215,851	16,738,545	
QRRE	13,067,134	—	—	13,067,134	
Other Retail	2,832,260	10,238,702	71,661,628	84,732,589	
Other Exposures	9,044,206	224,325	7,698,359	16,966,890	
Total Gross Credit Exposure	129,379,773	102,868,388	270,844,777	503,092,937	
2018					
Sovereign	25,023,513	13,371,340	23,032,650	61,427,503	
PSE	1,942,271	3,548,283	4,165,265	9,655,818	
Bank	13,533,743	12,628,215	2,544,819	28,706,777	
Corporate	60,122,547	52,427,576	50,669,788	163,219,911	
Mortgage/RRE Financing	38,946	727,736	85,938,137	86,704,820	
HPE	150,451	5,470,382	10,329,143	15,949,976	
QRRE	13,195,966	—	—	13,195,966	
Other Retail	3,031,568	7,968,439	66,775,255	77,775,262	
Other Exposures	4,814,925	204,346	7,525,477	12,544,748	
Total Gross Credit Exposure	121,853,929	96,346,318	250,980,534	469,180,780	

Credit Risk**SUMMARY OF CREDIT EXPOSURES (CONTINUED)****III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)**

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBISLG

(RM'000) Exposure Class	CIMBISLG			
	Less than 1 year	1 to 5 years	More than 5 years	Total
2019				
Sovereign	7,697,717	3,854,522	6,484,484	18,036,722
PSE	3,053,605	515,714	126,995	3,696,314
Bank	843,956	356,597	106,121	1,306,674
Corporate	7,538,267	7,587,222	12,878,204	28,003,694
RRE Financing	5,875	99,794	20,698,870	20,804,539
HPE	52,625	1,488,445	7,474,693	9,015,762
QRRE	278,485	—	—	278,485
Other Retail	69,116	783,847	30,292,870	31,145,833
Other Exposures	20,379	—	97,766	118,145
Total Gross Credit Exposure	19,560,024	14,686,140	78,160,004	112,406,168
2018				
Sovereign	10,042,309	2,172,341	6,926,145	19,140,796
PSE	1,639,371	3,543,079	132,863	5,315,313
Bank	1,122,752	511,503	160,941	1,795,196
Corporate	10,384,263	6,344,323	13,292,318	30,020,904
RRE Financing	6,058	77,601	16,804,386	16,888,046
HPE	81,128	1,540,447	5,767,148	7,388,722
QRRE	272,379	—	—	272,379
Other Retail	50,077	469,846	23,173,590	23,693,513
Other Exposures	502	20,504	71,860	92,867
Total Gross Credit Exposure	23,598,840	14,679,646	66,329,250	104,607,736

SUMMARY OF CREDIT EXPOSURES (CONTINUED)**III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)****Table 5(c): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBIBG**

(RM'000) Exposure Class	CIMBIBG				Total
	Less than 1 year	1 to 5 years	More than 5 years		
2019					
Sovereign	466,199	–	341	466,539	
Bank	247,469	–	12,277	259,746	
Corporate	114,352	–	32,490	146,842	
Mortgage	–	–	–	–	
HPE	–	–	–	–	
QRRE	–	–	–	–	
Other Retail	–	–	–	–	
Other Exposures	–	–	107,696	107,696	
Total Gross Credit Exposure	828,020	–	152,805	980,824	
2018					
Sovereign	747,065	–	353	747,418	
Bank	921,644	–	377,379	1,299,023	
Corporate	1	4	11,252	11,257	
Mortgage	–	–	2	2	
HPE	–	–	–	–	
QRRE	–	–	–	–	
Other Retail	–	–	–	–	
Other Exposures	293	–	257,285	257,578	
Total Gross Credit Exposure	1,669,004	4	646,270	2,315,278	

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING**I) PAST DUE BUT NOT IMPAIRED**

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

I) PAST DUE BUT NOT IMPAIRED (CONTINUED)

The following tables provide an analysis of the outstanding balances as at 31 December 2019 and 31 December 2018 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBBG

(RM'000)	CIMBBG	
	2019	2018
Primary Agriculture	51,147	99,945
Mining and Quarrying	5,362	16,630
Manufacturing	80,439	98,898
Electricity, Gas and Water Supply	763	172
Construction	112,804	99,975
Wholesale and Retail Trade, and Restaurants and Hotels	190,478	282,886
Transport, Storage and Communication	32,771	34,583
Finance, Insurance/Takaful, Real Estate and Business Activities	321,794	279,798
Education, Health and Others	45,103	114,452
Household	13,011,830	13,258,009
Others*	16,148	8,496
Total	13,868,639	14,293,844

* Others are exposures which are not elsewhere classified.

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBISLG

(RM'000)	CIMBISLG	
	2019	2018
Primary Agriculture	16,605	75,395
Mining and Quarrying	1,429	3,186
Manufacturing	6,891	10,209
Electricity, Gas and Water Supply	88	1
Construction	21,001	8,616
Wholesale and Retail Trade, and Restaurants and Hotels	27,755	40,179
Transport, Storage and Communication	5,370	923
Finance, Takaful, Real Estate and Business Activities	49,098	38,349
Education, Health and Others	6,659	8,523
Household	3,738,069	3,574,968
Others*	3,962	243
Total	3,876,927	3,760,592

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Table 6(c): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG as all the loans have been vested to CIMB Bank on 2 October 2018.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

I) PAST DUE BUT NOT IMPAIRED (CONTINUED)

Table 7(a): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG

(RM'000)	CIMBBG	
	2019	2018
Malaysia	11,484,586	12,106,238
Singapore	242,111	346,491
Thailand	2,128,042	1,702,816
Other Countries	13,900	138,299
Total	13,868,639	14,293,844

Table 7(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBISLG

(RM'000)	CIMBISLG	
	2019	2018
Malaysia	3,876,927	3,760,592
Singapore	-	-
Thailand	-	-
Other Countries	-	-
Total	3,876,927	3,760,592

Table 7(c): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG as all the loans have been vested to CIMB Bank on 2 October 2018.

II) CREDIT IMPAIRED LOANS/FINANCING

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

- (a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;
- (b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- (c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or
- (d) As soon as a default occurs where the principal and/or interest/profit repayments/payments are scheduled on intervals of 3 months or longer. For the purpose of ascertaining the period in arrears:
 - Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
 - Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.
- (e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

The Group classifies a loan, advances and financing as credit impaired when it meets one or more of the following criteria: (continued)

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its loans, advances and financing. The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

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

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

The following tables provide an analysis of the outstanding balances as at 31 December 2019 and 31 December 2018 which were credit impaired by sector and geographical respectively:

Table 8(a): Credit Impaired Loans, Advances and Financing by Sector for CIMBBG

(RM'000)	CIMBBG	
	2019	2018
Primary Agriculture	71,218	59,599
Mining and Quarrying	826,079	1,005,998
Manufacturing	1,415,675	795,068
Electricity, Gas and Water Supply	263,141	22,895
Construction	173,798	175,409
Wholesale and Retail Trade, and Restaurants and Hotels	718,596	615,999
Transport, Storage and Communications	1,057,266	1,117,145
Finance, Insurance/Takaful, Real Estate and Business Activities	462,405	481,067
Education, Health and Others	164,774	174,597
Household	2,435,398	1,861,832
Others*	6,457	7,543
Total	7,594,807	6,317,152

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

Table 8(b): Credit Impaired Loans, Advances and Financing by Sector for CIMBISLG

(RM'000)	CIMBISLG	
	2019	2018
Primary Agriculture	18,391	6,658
Mining and Quarrying	812	2,779
Manufacturing	747,255	28,146
Electricity, Gas and Water Supply	-	-
Construction	9,705	25,435
Wholesale and Retail Trade, and Restaurants and Hotels	49,806	9,706
Transport, Storage and Communications	861	56,614
Finance, Takaful, Real Estate and Business Activities	47,080	44,369
Education, Health and Others	4,576	10,613
Household	363,609	253,390
Others*	2	2
Total	1,242,097	437,712

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Table 8(c): Credit Impaired Loans, Advances and Financing by Sector for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG as all the loans have been vested to CIMB Bank on 2 October 2018.

Table 9(a): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG

(RM'000)	CIMBBG	
	2019	2018
Malaysia	4,854,446	3,533,099
Singapore	826,283	676,323
Thailand	1,905,197	1,669,515
Other Countries	8,881	438,215
Total	7,594,807	6,317,152

Table 9(b): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBISLG

(RM'000)	CIMBISLG	
	2019	2018
Malaysia	1,242,097	437,712
Singapore	-	-
Thailand	-	-
Other Countries	-	-
Total	1,242,097	437,712

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

Table 9(c): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG as all the loans have been vested to CIMB Bank on 2 October 2018.

III) EXPECTED CREDIT LOSSES

Table 10(a): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBBG

(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	CIMBBG Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
2019					
Primary Agriculture	26,454	11,118	26,169	–	63,741
Mining and Quarrying	16,572	324	209,375	–	226,271
Manufacturing	33,926	9,281	525,019	–	568,226
Electricity, Gas and Water Supply	3,272	135	23,910	–	27,317
Construction	20,374	5,614	98,716	–	124,704
Wholesale and Retail Trade, and Restaurants and Hotels	24,810	25,003	221,058	–	270,871
Transport, Storage and Communications	15,053	1,630	982,161	–	998,844
Finance, Insurance/Takaful, Real Estate and Business Activities	62,450	15,718	196,973	–	275,141
Education, Health and Others	13,224	2,290	18,601	–	34,115
Household	719,668	695,127	815,300	2,748	2,232,843
Others*	11,560	743	4,183	–	16,486
Total	947,363	766,983	3,121,465	2,748	4,838,559
2018					
Primary Agriculture	34,946	26,377	33,653	–	94,976
Mining and Quarrying	9,941	12,521	201,596	–	224,058
Manufacturing	58,221	70,411	521,296	–	649,928
Electricity, Gas and Water Supply	7,902	4,385	8,080	–	20,367
Construction	34,496	23,039	93,272	–	150,807
Wholesale and Retail Trade, and Restaurants and Hotels	100,566	60,653	254,612	–	415,831
Transport, Storage and Communications	23,573	16,261	1,086,967	–	1,126,801
Finance, Insurance/Takaful, Real Estate and Business Activities	126,617	50,860	212,473	–	389,950
Education, Health and Others	18,978	20,724	26,435	–	66,137
Household	790,515	346,497	740,493	2,552	1,880,057
Others*	10,338	28,052	5,103	–	43,493
Total	1,216,093	659,780	3,183,980	2,552	5,062,405

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 10(b): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBISLG (Continued)

(RM'000)	12-month expected credit losses (Stage 1)	CIMBISLG			Purchased credit impaired	Total
		Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)			
2019						
Primary Agriculture	4,327	2,020	944	–	–	7,291
Mining and Quarrying	1,413	–	–	–	–	1,413
Manufacturing	2,589	715	27,408	–	–	30,712
Electricity, Gas and Water Supply	87	–	–	–	–	87
Construction	1,906	273	4,106	–	–	6,285
Wholesale and Retail Trade, and Restaurants and Hotels	4,630	906	6,315	–	–	11,851
Transport, Storage and Communications	2,812	320	252	–	–	3,384
Finance, Takaful, Real Estate and Business Activities	4,106	2,587	2,192	–	–	8,885
Education, Health and Others	542	81	505	–	–	1,128
Household	112,083	125,036	126,303	–	–	363,422
Others*	72	116	2	–	–	190
Total	134,567	132,054	168,027	–	–	434,648
2018						
Primary Agriculture	3,623	1,764	1,965	–	–	7,352
Mining and Quarrying	1,397	6,623	306	–	–	8,326
Manufacturing	9,133	1,302	10,881	–	–	21,316
Electricity, Gas and Water Supply	251	–	–	–	–	251
Construction	5,363	2,298	18,740	–	–	26,401
Wholesale and Retail Trade, and Restaurants and Hotels	12,783	4,315	4,851	–	–	21,949
Transport, Storage and Communications	2,536	242	56,255	–	–	59,033
Finance, Takaful, Real Estate and Business Activities	16,498	2,736	4,313	–	–	23,547
Education, Health and Others	2,818	326	2,210	–	–	5,354
Household	117,083	55,079	99,525	–	–	271,687
Others*	611	357	2	–	–	970
Total	172,096	75,042	199,048	–	–	446,186

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 10(c): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBIBG (Continued)

There are no expected credit losses for CIMBIBG for 2019 and 2018.

Table 11(a): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBBG

(RM'000)	12-month expected credit losses (Stage 1)	CIMBBG			Total
		Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	
2019					
Malaysia	661,708	550,000	2,166,034	–	3,377,742
Singapore	107,842	31,456	205,628	–	344,926
Thailand	157,681	184,932	747,387	2,748	1,092,748
Other Countries	20,132	595	2,416	–	23,143
Total	947,363	766,983	3,121,465	2,748	4,838,559
2018					
Malaysia	737,217	481,377	1,936,484	–	3,155,078
Singapore	149,604	70,471	262,303	–	482,378
Thailand	279,520	103,960	779,448	2,552	1,165,480
Other Countries	49,752	3,972	205,745	–	259,469
Total	1,216,093	659,780	3,183,980	2,552	5,062,405

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 11(b): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBISLG

(RM'000)	CIMBISLG					Total
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired		
2019						
Malaysia	134,567	132,054	168,027	–	434,648	
Singapore	–	–	–	–	–	
Thailand	–	–	–	–	–	
Other Countries	–	–	–	–	–	
Total	134,567	132,054	168,027	–	434,648	
2018						
Malaysia	172,096	75,042	199,048	–	446,186	
Singapore	–	–	–	–	–	
Thailand	–	–	–	–	–	
Other Countries	–	–	–	–	–	
Total	172,096	75,042	199,048	–	446,186	

Table 11(c): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBIBG

There are no expected credit losses for CIMBIBG for 2019 and 2018.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(a): Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired for CIMBBG

(RM'000)	CIMBBG			
	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
2019				
Primary Agriculture	2,610	–	11,809	–
Mining and Quarrying	53,021	–	30,955	–
Manufacturing	166,061	–	102,475	–
Electricity, Gas and Water Supply	15,458	–	127	–
Construction	50,896	–	44,758	–
Wholesale and Retail Trade, and Restaurants and Hotels	37,616	–	50,275	–
Transport, Storage and Communications	(85,387)	–	44,634	–
Finance, Insurance/Takaful, Real Estate and Business Activities	27,058	–	44,378	–
Education, Health and Others	(2,299)	–	7,638	–
Household	1,015,945	–	843,437	–
Others*	(406)	–	871	–
Total	1,280,573	–	1,181,357	–
2018				
Primary Agriculture	3,414	–	3,343	–
Mining and Quarrying	58,809	–	2,947	–
Manufacturing	87,093	–	56,921	–
Electricity, Gas and Water Supply	7,470	–	22	–
Construction	35,177	–	7,314	–
Wholesale and Retail Trade, and Restaurants and Hotels	15,261	–	35,598	–
Transport, Storage and Communications	22,733	–	2,798	–
Finance, Insurance/Takaful, Real Estate and Business Activities	2,920	–	5,969	–
Education, Health and Others	412	–	2,272	–
Household	931,707	(3,121)	887,588	2,011
Others*	21,923	–	842	–
Total	1,186,919	(3,121)	1,005,614	2,011

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(b): Expected credit losses charges/(write back) and Write-off for Stage 3 and purchased credit impaired for CIMBISLG

(RM'000)	CIMBISLG			
	Charges/(write back)	Purchased credit impaired	Write-off	Purchased credit impaired
	Lifetime expected credit losses – credit impaired (Stage 3)		Lifetime expected credit losses – credit impaired (Stage 3)	
2019				
Primary Agriculture	545	–	1,604	–
Mining and Quarrying	1,289	–	583	–
Manufacturing	22,705	–	3,706	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	(4,230)	–	9,837	–
Wholesale and Retail Trade, and Restaurants and Hotels	5,696	–	4,078	–
Transport, Storage and Communications	(66,761)	–	47	–
Finance, Takaful, Real Estate and Business Activities	2,418	–	4,951	–
Education, Health and Others	(1,529)	–	32	–
Household	174,478	–	105,533	–
Others*	1	–	–	–
Total	134,612	–	130,371	–
2018				
Primary Agriculture	954	–	–	–
Mining and Quarrying	254	–	–	–
Manufacturing	4,803	–	8	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	16,926	–	429	–
Wholesale and Retail Trade, and Restaurants and Hotels	3,909	–	457	–
Transport, Storage and Communications	14,921	–	90	–
Finance, Takaful, Real Estate and Business Activities	(5,930)	–	4	–
Education, Health and Others	(916)	–	73	–
Household	141,557	–	117,673	–
Others*	6,839	–	–	–
Total	183,317	–	118,734	–

Note: All sectors above are Shariah compliant.

* Others are exposures which are not elsewhere classified.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(c): Expected credit losses charges/(write back) and write-off for Stage 3 and purchased credit impaired for CIMBIBG

There are no expected credit losses charges/write back and write-off for Stage 3 and purchased credit impaired for CIMBIBG for 2019 and 2018.

Table 13(a): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBBG

(RM'000)	12-month expected credit losses (Stage 1)	CIMBBG 2019			Total
		Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	
At 1 January 2019	1,216,093	659,780	3,183,980	2,552	5,062,405
Changes in expected credit losses due to transferred within stages	716,707	(493,019)	(223,688)	–	–
Transferred to Stage 1	1,072,666	(895,540)	(177,126)	–	–
Transferred to Stage 2	(353,463)	807,407	(453,944)	–	–
Transferred to Stage 3	(2,496)	(404,886)	407,382	–	–
Total charge to Income Statement	(997,706)	589,343	1,280,573	–	872,210
New financial assets originated	775,618	21,191	182,121	–	978,930
Financial assets that have been derecognised	(383,028)	(143,572)	–	–	(526,600)
Write back in respect of full recoveries	–	–	(258,181)	–	(258,181)
Change in credit risk	(1,390,296)	711,724	1,356,633	–	678,061
Write-offs	(782)	(120)	(1,181,357)	–	(1,182,259)
Exchange fluctuation	14,104	10,480	68,143	196	92,923
Other movements	(1,053)	519	(6,186)	–	(6,720)
At 31 December 2019	947,363	766,983	3,121,465	2,748	4,838,559

Credit Risk**CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)****III) EXPECTED CREDIT LOSSES (CONTINUED)**

Table 13(a): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBBG (Continued)

(RM'000)	CIMBBG 2018				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	1,025,503	763,907	3,355,289	7,561	5,152,260
Changes in expected credit losses due to transferred within stages	946,410	(800,647)	(145,763)	–	–
Transferred to Stage 1	1,370,646	(1,062,010)	(308,636)	–	–
Transferred to Stage 2	(370,278)	713,725	(343,447)	–	–
Transferred to Stage 3	(53,958)	(452,362)	506,320	–	–
Total charge to Income Statement	(759,279)	679,858	1,186,919	(3,121)	1,104,377
New financial assets originated	619,018	12,505	79,382	–	710,905
Financial assets that have been derecognised	(397,046)	(101,080)	–	–	(498,126)
Write back in respect of full recoveries	–	–	(144,189)	–	(144,189)
Change in credit risk	(981,251)	768,433	1,251,726	(3,121)	1,035,787
Write-offs	(1,931)	(225)	(1,005,614)	(2,011)	(1,009,781)
Exchange fluctuation	5,628	5,427	33,463	123	44,641
Transfer from related companies	49	51	792	–	892
Other movements	(287)	11,409	(241,106)	–	(229,984)
At 31 December 2018	1,216,093	659,780	3,183,980	2,552	5,062,405

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(b): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBISLG

(RM'000)	CIMBISLG 2019					Total
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired		
At 1 January 2019	172,096	75,042	199,048	–	446,186	
Changes in expected credit losses due to transferred within stages	183,922	(128,927)	(54,995)	–	–	–
Transferred to Stage 1	228,124	(204,504)	(23,620)	–	–	–
Transferred to Stage 2	(43,897)	153,736	(109,839)	–	–	–
Transferred to Stage 3	(305)	(78,159)	78,464	–	–	–
Total charge to Income Statement	(220,396)	185,939	134,612	–	100,155	
New financial assets originated	91,254	112	40,261	–	131,627	
Financial assets that have been derecognised	(52,554)	(9,565)	–	–	(62,119)	
Write back in respect of full recoveries	–	–	(116,886)	–	(116,886)	
Change in credit risk	(259,096)	195,392	211,237	–	147,533	
Write-offs	–	–	(130,371)	–	(130,371)	
Other movements	(1,055)	–	19,733	–	18,678	
At 31 December 2019	134,567	132,054	168,027	–	434,648	

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(b): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBISLG (Continued)

(RM'000)	CIMBISLG 2018				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	114,725	116,363	161,712	–	392,800
Changes in expected credit losses due to transferred within stages	219,579	(185,163)	(34,416)	–	–
Transferred to Stage 1	273,384	(230,727)	(42,657)	–	–
Transferred to Stage 2	(53,576)	110,989	(57,413)	–	–
Transferred to Stage 3	(229)	(65,425)	65,654	–	–
Total charge to Income Statement	(163,062)	137,309	183,317	–	157,564
New financial assets originated	161,688	56	462	–	162,206
Financial assets that have been derecognised	(107,361)	(1,295)	–	–	(108,656)
Write back in respect of full recoveries	–	–	(3,911)	–	(3,911)
Change in credit risk	(217,389)	138,548	186,766	–	107,925
Write-offs	–	–	(118,734)	–	(118,734)
Other movements	854	6,533	7,169	–	14,556
At 31 December 2018	172,096	75,042	199,048	–	446,186

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(c): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBIBG

There are no expected credit losses for loans, advances and financing for CIMBIBG for 2019.

(RM'000)	12-month expected credit losses (Stage 1)	CIMBIBG 2018			Purchased credit impaired	Total
		Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)			
At 1 January 2018	132	18	621	–	–	771
Changes in expected credit losses due to transferred within stages	34	(92)	58	–	–	–
Transferred to Stage 1	44	(36)	(8)	–	–	–
Transferred to Stage 2	(10)	43	(33)	–	–	–
Transferred to Stage 3	–	(99)	99	–	–	–
Total charge to Income Statement	(118)	125	113	–	–	120
New financial assets originated	–	–	–	–	–	–
Financial assets that have been derecognised	–	–	–	–	–	–
Write back in respect of full recoveries	–	–	–	–	–	–
Change in credit risk	(118)	125	113	–	–	120
Write-offs	–	–	–	–	–	–
Exchange fluctuation	–	–	–	–	–	–
Transfer to related companies	(48)	(51)	(792)	–	–	(891)
At 31 December 2018	–	–	–	–	–	–

CAPITAL TREATMENT FOR CREDIT RISK

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 14(a): Disclosure by Risk Weight under SA for CIMBBG

(RM'000) Risk Weights	CIMBBG											Total Exposures after Netting and Credit Risk Mitigation*	Total Risk- Weighted Assets
	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Firms & Fund Managers	Insurance Cos/Takaful Operators, Securities	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*		
2019													
0%	62,795,059	3,500,000	2,000,846	-	480,489	4,619	-	-	12,192,582	-	-	80,973,595	-
6%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	234,668	229,594	359,250	26,950	745,874	-	-	2,028	310,369	-	1,908,732	381,746
35%	-	-	-	-	-	-	6,396,557	-	-	-	-	6,396,557	2,238,795
50%	334,153	-	9,061,077	1,309,904	1,110,085	3,274,724	3,076,819	-	-	-	-	18,166,761	9,083,381
75%	-	-	-	-	-	15,892,302	2,581	-	-	-	-	15,894,883	11,921,162
100%	76,218	-	-	1,486,295	21,461,663	1,869,217	2,801,373	-	3,342,160	-	2,003	31,038,929	31,038,929
107%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	132,106	37,576	-	1,117,749	-	-	-	1,287,431	1,931,146
150% < RW <	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	63,205,430	3,734,668	11,291,517	3,155,449	23,211,293	21,824,312	12,277,329	1,117,749	15,536,770	310,369	2,003	155,666,887	56,595,159
Average Risk Weight	0%	1%	41%	70%	96%	72%	54%	150%	22%	20%	100%	36%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	
2018													
0%	60,681,883	5,000,000	3,056,213	-	617,823	2,420	-	-	7,902,731	-	-	77,261,070	-
6%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	353,236	221,517	506,813	85,001	483,812	-	-	1,916	268,519	-	1,920,814	384,163
35%	-	-	-	-	-	-	4,442,885	-	-	-	-	4,442,885	1,555,010
50%	268,905	-	6,627,426	1,065,492	392,366	588,934	2,345,705	-	-	-	-	11,288,829	5,644,414
75%	-	-	-	-	-	13,599,647	5,316	-	-	-	-	13,604,963	10,203,722
100%	476,715	-	-	1,501,804	21,901,069	2,151,180	3,501,445	-	3,251,117	-	2,290	32,785,622	32,785,622
107%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	316,816	21,907	-	1,118,173	-	-	-	1,456,896	2,185,344
150% < RW <	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	61,427,503	5,353,236	9,905,156	3,074,109	23,313,075	16,847,901	10,295,352	1,118,173	11,155,765	268,519	2,290	142,761,080	52,758,276
Average Risk Weight	1%	1%	34%	69%	97%	76%	61%	150%	29%	20%	100%	37%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	

* The total includes the portion which is deducted from Capital Base, if any.

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)**

Table 14(b): Disclosure by Risk Weight under SA for CIMBISLG

(RM'000) Risk Weights	CIMBISLG										Total Exposures after Netting and Credit Risk Mitigation*	Total Risk- Weighted Assets	
	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Firms & Fund Managers	Takaful Operators, Securities	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*		
2019													
0%	18,036,722	3,500,000	-	-	-	-	1,539	-	-	38,732	-	21,576,993	-
20%	-	196,314	-	15,464	1,342	325,356	-	-	-	20,379	558,854	111,771	
35%	-	-	-	-	-	-	1,398	-	-	-	1,398	489	
50%	-	-	5,117	-	996,629	3,242,254	37,862	-	-	-	4,281,862	2,140,931	
75%	-	-	-	-	-	905,224	-	-	-	-	905,224	678,918	
100%	-	-	-	-	385,829	1,538,495	-	-	-	59,034	-	1,983,358	1,983,358
100% < RW <													
1250%	-	-	-	-	1,607	1,320	-	-	-	-	-	2,927	4,391
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	18,036,722	3,696,314	5,117	15,464	1,385,406	6,014,188	39,260	-	97,766	20,379	29,310,616	4,919,858	
Average Risk Weight													
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	
2018													
0%	19,140,796	5,000,000	157,387	-	-	-	-	-	-	27,738	-	24,325,921	-
20%	-	315,313	14,001	15,248	81,421	232	-	-	-	21,006	447,222	89,444	
35%	-	-	-	-	-	-	877	-	-	-	877	307	
50%	-	-	4,675	-	139,714	563,246	26,936	-	-	-	734,571	367,286	
75%	-	-	-	-	-	323,028	-	-	-	-	323,028	242,271	
100%	-	-	-	-	2,535,362	1,705,850	-	-	43,547	-	4,284,759	4,284,759	
100% < RW <													
1250%	-	-	-	-	23	1,184	-	575	-	-	-	1,782	2,673
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19,140,796	5,315,313	176,064	15,248	2,756,519	2,593,541	27,813	575	71,285	21,006	30,118,160	4,986,740	
Average Risk Weight													
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	

* The total includes the portion which is deducted from Capital Base, if any.

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 14(c): Disclosure by Risk Weight under SA for CIMBIBG

(RM'000) Risk Weights	CIMBIBG										Total Exposures after Netting and Credit Risk Mitigation*	Total Risk- Weighted Assets	
	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities	Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*		
2019													
0%	466,539	-	-	-	-	-	-	-	-	20	-	466,560	-
20%	-	-	59,637	-	-	-	-	-	-	-	-	59,637	11,927
35%	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	150,182	-	-	-	-	-	-	-	-	150,182	75,091
75%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	146,842	-	-	-	-	107,676	-	254,518	254,518
100%<RW <													
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	466,539	-	209,818	-	146,842	-	-	-	-	107,696	-	930,896	341,536
Average Risk Weight													
Weight	0%	-	41%	-	100%	-	-	-	-	100%	-	37%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	
2018													
0%	747,418	-	-	-	-	-	-	-	-	20	-	747,438	-
20%	-	-	67,623	-	-	-	-	-	-	-	-	67,623	13,525
35%	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	1,231,400	-	-	-	-	2	-	-	-	1,231,401	615,701
75%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	9,814	1,366	-	0	-	257,559	-	268,738	268,738	
100%<RW <													
1250%	-	-	-	-	78	-	-	-	-	-	-	78	117
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	747,418	-	1,299,023	9,814	1,444	-	2	-	257,578	-	2,315,278	898,080	
Average Risk Weight													
Weight	0%	-	48%	100%	103%	-	50%	-	100%	-	39%		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	

* The total includes the portion which is deducted from Capital Base, if any.

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)**

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAs:

Table 15(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAs for CIMBBG

(RM'000) Exposure Class	CIMBBG				Total	
	Investment Grade	Non- Investment Grade	No Rating			
2019						
On and Off-Balance-Sheet Exposures						
Public Sector Entities	–	–	7,734,756	7,734,756		
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,808,778	–	1,383,275	3,192,053		
Corporate	905,194	686,008	26,827,641	28,418,843		
Sovereign/Central Banks	32,339,939	–	30,865,491	63,205,430		
Banks, MDBs and DFIs	1,391,679	–	9,901,738	11,293,417		
Total	36,445,589	686,008	76,712,901	113,844,498		
2018						
On and Off-Balance-Sheet Exposures						
Public Sector Entities	–	–	9,655,818	9,655,818		
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,847,266	–	1,231,303	3,078,569		
Corporate	390,839	254,851	27,263,684	27,909,373		
Sovereign/Central Banks	29,352,635	–	32,074,868	61,427,503		
Banks, MDBs and DFIs	693,704	–	9,220,224	9,913,929		
Total	32,284,445	254,851	79,445,898	111,985,193		

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 15(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAs for CIMBISLG

(RM'000) Exposure Class	CIMBISLG				Total	
	Investment Grade	Non-Investment Grade	No Rating			
2019						
On and Off-Balance-Sheet Exposures						
Public Sector Entities	–	–	3,696,314	3,696,314		
Takaful Operators, Securities Firms & Fund Managers	15,464	–	–	–	15,464	
Corporate	–	–	1,411,799	1,411,799		
Sovereign/Central Banks	8,975,340	–	9,061,382	18,036,722		
Banks, MDBs and DFIIs	5,117	–	–	–	5,117	
Total	8,995,921	–	14,169,494	23,165,415		
 2018						
On and Off-Balance-Sheet Exposures						
Public Sector Entities	–	–	5,315,313	5,315,313		
Takaful Operators, Securities Firms & Fund Managers	15,248	–	510	15,758		
Corporate	–	–	2,781,972	2,781,972		
Sovereign/Central Banks	7,165,418	–	11,975,378	19,140,796		
Banks, MDBs and DFIIs	18,676	–	157,387	176,064		
Total	7,199,342	–	20,230,560	27,429,902		

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)**

Table 15(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

(RM'000) Exposure Class	CIMBIBG			Total	
	Investment Grade	Non-Investment Grade	No Rating		
2019					
On and Off-Balance-Sheet Exposures					
Public Sector Entities	–	–	–	–	
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	
Corporate	114,351	–	32,491	146,842	
Sovereign/Central Banks	–	–	466,539	466,539	
Banks, MDBs and DFIs	160,918	–	98,828	259,746	
Total	275,269	–	597,859	873,128	
2018					
On and Off-Balance-Sheet Exposures					
Public Sector Entities	–	–	–	–	
Insurance Cos, Securities Firms & Fund Managers	–	–	9,814	9,814	
Corporate	0	–	1,444	1,444	
Sovereign/Central Banks	–	–	747,418	747,418	
Banks, MDBs and DFIs	1,245,188	–	53,835	1,299,023	
Total	1,245,188	–	812,510	2,057,698	

Table 16(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

(RM'000) Exposure Class	CIMBBG			Total	
	Investment Grade	Non-Investment Grade	No Rating		
2019					
On and Off-Balance-Sheet Exposures					
Securitisation	310,369	–	–	310,369	
2018					
On and Off-Balance-Sheet Exposures					
Securitisation	268,519	–	–	268,519	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 16(b): Disclosures of Securitisation under SA according to Ratings by ECAs for CIMBISLG

(RM'000) Exposure Class	CIMBISLG			Total	
	Investment Grade	Non-Investment Grade	No Rating		
2019					
On and Off-Balance-Sheet Exposures					
Securitisation	20,379	-	-	20,379	
2018					
On and Off-Balance-Sheet Exposures					
Securitisation	21,006	-	-	21,006	

As at 31 December 2019 and 31 December 2018, there is no Securitisation under SA according to Ratings by ECAs for CIMBIBG.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMBBG and CIMBISLG adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMBISLG to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and limit management purposes.

For non-retail exposures, internal ratings are one of the tools used to assist the approving committees in making informed decisions of the credit application.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by Group Risk with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRCC and subsequently BRCC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

RETAIL EXPOSURES

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/ financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages, business premises loans/financing and ASB financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. The models deployed for retail portfolio include application and behavioural scorecards or application and behavioural models, PD, LGD and EAD segmentation.

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective models risk estimate is developed based on expert judgment or aligned to available industry data with margins of conservatism applied.

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of the long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as “Central Tendency”.

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan's/financing's EAD estimation includes the estimated net additional drawings for loans/financing defaulting over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
 - (i) Regularisation of defaulted accounts.
 - (ii) Sale proceeds from collaterals.
 - (iii) Cash receipts from borrowers/customers.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2019 and 31 December 2018:

Table 17(a): Retail Credit Exposures by PD Band for CIMBBG

(RM'000) PD Range of Retail Exposures	CIMBBG			
	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
2019				
Total Retail Exposure	129,416,233	44,815,753	2,804,822	177,036,807
Residential Mortgage/RRE Financing	75,737,581	8,311,089	1,876,693	85,925,363
QRRE	9,296,188	3,657,621	113,325	13,067,134
Hire Purchase	14,137,618	2,431,332	169,595	16,738,545
Other Retail	30,244,846	30,415,711	645,208	61,305,765
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	21%	27%	
QRRE	89%	89%	89%	
Hire Purchase	51%	52%	54%	
Other Retail	26%	19%	52%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	11%	73%	214%	
QRRE	30%	137%	227%	
Hire Purchase	51%	83%	167%	
Other Retail	20%	32%	162%	
2018				
Total Retail Exposure	120,758,891	41,895,294	2,263,852	164,918,037
Residential Mortgage/RRE Financing	66,959,102	7,998,704	1,449,203	76,407,008
QRRE	9,506,420	3,576,067	113,479	13,195,966
Hire Purchase	13,719,738	2,055,064	175,175	15,949,976
Other Retail	30,573,631	28,265,460	525,995	59,365,086
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	21%	27%	
QRRE	89%	89%	89%	
Hire Purchase	51%	52%	55%	
Other Retail	26%	18%	54%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	11%	71%	196%	
QRRE	29%	137%	224%	
Hire Purchase	51%	84%	193%	
Other Retail	19%	29%	155%	

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)****RETAIL EXPOSURES (CONTINUED)**

Table 17(b): Retail Credit Exposures by PD Band for CIMBISLG

(RM'000) PD Range of Retail Exposures	CIMBISLG			
	0% ≤ PD < 2%	2% ≤ PD < 100%	100% or Default	Total
2019				
Total Retail Exposure	33,032,564	21,291,877	641,509	54,965,950
RRE Financing	17,589,463	2,712,257	463,560	20,765,279
QRRE	156,880	119,503	2,103	278,485
Hire Purchase	7,344,550	1,599,104	72,108	9,015,762
Other Retail	7,941,672	16,861,014	103,738	24,906,423
Exposure Weighted Average LGD				
RRE Financing	21%	23%	28%	
QRRE	90%	90%	90%	
Hire Purchase	52%	53%	55%	
Other Retail	25%	10%	41%	
Exposure Weighted Average Risk Weight				
RRE Financing	13%	79%	228%	
QRRE	34%	128%	351%	
Hire Purchase	52%	81%	178%	
Other Retail	23%	16%	199%	
2018				
Total Retail Exposure	27,324,707	17,808,273	443,604	45,576,584
RRE Financing	14,229,041	2,314,089	317,103	16,860,233
QRRE	160,465	109,956	1,958	272,379
Hire Purchase	6,377,944	948,254	62,524	7,388,722
Other Retail	6,557,257	14,435,974	62,018	21,055,250
Exposure Weighted Average LGD				
RRE Financing	21%	22%	26%	
QRRE	90%	90%	90%	
Hire Purchase	52%	53%	56%	
Other Retail	25%	10%	45%	
Exposure Weighted Average Risk Weight				
RRE Financing	13%	78%	207%	
QRRE	32%	135%	365%	
Hire Purchase	52%	83%	206%	
Other Retail	23%	16%	160%	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

Table 18(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

(RM'000) EL Range of Retail Exposures	CIMBBG			
	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2019				
Total Retail Exposure	153,371,467	23,398,139	267,201	177,036,807
Residential Mortgage/RRE Financing	81,737,767	4,094,560	93,037	85,925,363
QRRE	7,806,116	5,260,305	712	13,067,134
Hire Purchase	14,156,864	2,572,088	9,593	16,738,545
Other Retail	49,670,720	11,471,187	163,859	61,305,765
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	25%	39%	
QRRE	89%	89%	90%	
Hire Purchase	51%	53%	54%	
Other Retail	19%	41%	85%	
2018				
Total Retail Exposure	143,305,402	21,366,699	245,935	164,918,037
Residential Mortgage/RRE Financing	72,687,124	3,640,537	79,347	76,407,008
QRRE	7,894,598	5,299,066	2,301	13,195,966
Hire Purchase	13,735,932	2,207,310	6,734	15,949,976
Other Retail	48,987,748	10,219,786	157,553	59,365,086
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	25%	40%	
QRRE	89%	89%	90%	
Hire Purchase	51%	53%	55%	
Other Retail	19%	38%	85%	

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)****RETAIL EXPOSURES (CONTINUED)**

Table 18(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBISLG

(RM'000) EL Range of Retail Exposures	CIMBISLG			
	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2019				
Total Retail Exposure	48,335,897	6,593,902	36,152	54,965,950
RRE Financing	19,366,442	1,379,097	19,740	20,765,279
QRRE	116,300	162,163	23	278,485
Hire Purchase	7,361,458	1,652,365	1,939	9,015,762
Other Retail	21,491,697	3,400,276	14,450	24,906,423
Exposure Weighted Average LGD				
RRE Financing	21%	26%	40%	
QRRE	90%	90%	90%	
Hire Purchase	52%	53%	57%	
Other Retail	14%	24%	56%	
2018				
Total Retail Exposure	39,991,283	5,552,591	32,710	45,576,584
RRE Financing	15,735,489	1,107,027	17,716	16,860,233
QRRE	112,066	160,313	–	272,379
Hire Purchase	6,387,235	1,000,655	832	7,388,722
Other Retail	17,756,493	3,284,595	14,162	21,055,250
Exposure Weighted Average LGD				
RRE Financing	21%	25%	41%	
QRRE	90%	90%	–	
Hire Purchase	52%	53%	56%	
Other Retail	14%	21%	55%	

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)****NON-RETAIL EXPOSURES**

Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2019 and 31 December 2018:

Table 19(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

(RM'000) Supervisory Categories	CIMBBG					Total
	Strong	Good	Satisfactory	Weak	Default	
2019						
Project Finance	725,188	3,443,807	–	33,719	1,673,357	5,876,072
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing						
Real Estate	2,786,074	10,421,442	305,351	490,172	248,956	14,251,994
RWA	1,794,648	10,504,866	351,153	1,309,729	–	13,960,396
2018						
Project Finance	1,027,411	4,258,789	42,529	238,888	1,686,076	7,253,692
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing						
Real Estate	1,615,730	12,031,430	736,021	317,042	195,593	14,895,815
RWA	1,385,713	12,662,871	895,332	1,389,824	–	16,333,741

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)****NON-RETAIL EXPOSURES (CONTINUED)**

Table 19(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBISLG

(RM'000) Supervisory Categories	CIMBISLG					
	Strong	Good	Satisfactory	Weak	Default	Total
2019						
Project Finance	88,049	228,613	–	–	–	316,661
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing						
Real Estate	117,481	1,129,527	29,779	90,379	2,064	1,369,230
RWA	102,765	943,720	34,246	225,947	–	1,306,677
2018						
Project Finance	175,378	332,430	–	13,500	–	521,308
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing						
Real Estate	37,415	1,529,366	143,533	27,852	1,970	1,740,135
RWA	106,396	1,460,221	165,063	103,380	–	1,835,060

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

NON-RETAIL EXPOSURES (CONTINUED)

Table 20(a): Non Retail Exposures under IRB Approach by Risk Grades for CIMBBG

(RM'000) Internal Risk Grading	1 – 3	4 – 9	10 – 13	Default	Total
2019					
Total Non-Retail Exposure	42,625,928	69,388,703	24,173,198	3,219,931	139,407,761
Sovereign/Central Banks	–	–	–	–	–
Bank	17,399,094	5,302,318	134,090	0	22,835,502
Corporate (excluding Specialised Lending/ Financing)	25,226,834	64,086,385	24,039,107	3,219,931	116,572,259
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	–
Bank	44%	44%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	43%	40%	37%	42%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	–
Bank	21%	42%	166%	–	–
Corporate (excluding Specialised Lending/ Financing)	15%	73%	109%	–	
2018					
Total Non-Retail Exposure	35,488,761	64,696,526	25,952,898	2,737,124	128,875,310
Sovereign/Central Banks	–	–	–	–	–
Bank	12,072,797	6,475,699	244,353	–	18,792,848
Corporate (excluding Specialised Lending/ Financing)	23,415,964	58,220,828	25,708,546	2,737,124	110,082,461
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	–
Bank	44%	44%	45%	–	–
Corporate (excluding Specialised Lending/ Financing)	45%	41%	36%	42%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	–
Bank	21%	40%	147%	–	–
Corporate (excluding Specialised Lending/ Financing)	15%	73%	106%	–	

Credit Risk**CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)****NON-RETAIL EXPOSURES (CONTINUED)**

Table 20(b): Non Retail Exposures under IRB Approach by Risk Grades for CIMBISLG

(RM'000) Internal Risk Grading	1 – 3	4 – 9	CIMBISLG 10 – 13	Default	Total
2019					
Total Non-Retail Exposure	8,679,178	11,198,194	5,426,843	887,883	26,192,097
Bank	1,192,753	108,768	37	–	1,301,557
Corporate (excluding Specialised Lending/ Financing)	7,486,425	11,089,426	5,426,806	887,883	24,890,539
Exposure Weighted Average LGD					
Bank	45%	41%	45%	–	
Corporate (excluding Specialised Financing)	44%	41%	37%	41%	
Exposure Weighted Average Risk Weight					
Bank	18%	42%	191%	–	
Corporate (excluding Specialised Financing)	10%	75%	104%	–	
2018					
Total Non-Retail Exposure	9,732,747	10,619,642	5,679,014	549,460	26,580,863
Bank	1,407,266	209,446	2,421	–	1,619,133
Corporate (excluding Specialised Financing)	8,325,481	10,410,196	5,676,593	549,460	24,961,730
Exposure Weighted Average LGD					
Bank	45%	45%	45%	–	
Corporate (excluding Specialised Financing)	45%	41%	38%	41%	
Exposure Weighted Average Risk Weight					
Bank	19%	42%	126%	–	
Corporate (excluding Specialised Financing)	8%	75%	110%	–	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

EXPECTED LOSSES VERSUS ACTUAL LOSSES BY PORTFOLIO TYPES

The following table summarises the expected losses versus actual losses by portfolio type:

Table 21(a): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBBG

(RM'000) Exposure Class	CIMBBG			
	2019		2018	
	Regulatory Expected Losses as at 31 December 2018	Actual Losses for the year ended 31 December 2019	Regulatory Expected Losses as at 31 December 2017	Actual Losses for the year ended 31 December 2018
Sovereign	—	—	—	—
Bank	15,085	0	11,796	0
Corporate	962,936	232,800	737,500	8,558
Mortgage/RRE Financing	232,541	90,163	253,751	92,456
HPE	155,361	230,763	152,844	231,276
QRRE	439,253	173,703	409,984	147,444
Other Retail	291,626	47,176	204,092	54,721
Total	2,096,803	774,605	1,769,967	534,456

Table 21(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBISLG

(RM'000) Exposure Class	CIMBISLG			
	2019		2018	
	Regulatory Expected Losses as at 31 December 2018	Actual Losses for the year ended 31 December 2019	Regulatory Expected Losses as at 31 December 2017	Actual Losses for the year ended 31 December 2018
Sovereign	—	—	—	—
Bank	484	—	754	—
Corporate	140,035	(40,921)	100,694	27,400
RRE Financing	68,666	27,508	61,361	18,739
HPE	65,451	93,261	60,753	83,289
QRRE	12,299	4,994	8,190	3,673
Other Retail	143,217	29,189	57,689	25,177
Total	430,153	114,032	289,441	158,279

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

Credit Risk

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

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2019 and 31 December 2018 there was no requirement for additional collateral to be posted.

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

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2019 and 31 December 2018:

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

(RM'000) Description	CIMBBG			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	3,558,525		3,558,525	2,309,338
Transaction Related Contingent Items	7,043,562		3,521,781	2,206,028
Short Term Self Liquidating Trade Related Contingencies	4,252,772		850,554	653,960
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	439,666		442,012	48,499
Foreign Exchange Related Contracts				
One year or less	21,900,382	92,831	326,377	237,941
Over one year to five years	511,135	4,422	33,525	29,131
Over five years	–	–	–	–
Interest/Profit Rate Related Contracts				
One year or less	790,192	5,407	12,267	9,568
Over one year to five years	4,216,214	99,952	208,481	138,233
Over five years	771,583	65,462	184,173	80,404

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (Continued)

2019 (RM'000) Description	CIMBBG			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Equity Related Contracts				
One year or less	72,097	1,168	5,494	8,686
Over one year to five years	178,546	54,538	68,822	102,155
Over five years	-	0	0	0
Commodity Contracts				
One year or less	451	646	691	1,712
Over one year to five years	497	1,025	1,084	2,687
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	959,593,717	4,725,810	18,282,977	9,557,425
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	38,931,992		33,989,718	11,619,959
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,716		3,343	3,225
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	112,492,126		-	-
Unutilised credit card lines	25,677,235		6,433,012	2,832,428
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	1,180,447,408	5,051,261	67,922,837	29,841,381

Credit Risk**OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)**

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (Continued)

(RM'000) Description	Principal Amount	CIMBBG		
		Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	3,225,835		3,225,835	2,037,826
Transaction Related Contingent Items	6,481,379		3,240,689	2,054,015
Short Term Self Liquidating Trade Related Contingencies	2,407,364		481,473	262,486
Assets Sold With Recourse	—		—	—
Forward Asset Purchases	—		—	—
Obligations under an On-going Underwriting Agreement	—		—	—
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	487,231		487,231	36,342
Foreign Exchange Related Contracts				
One year or less	23,312,356	172,206	413,783	247,663
Over one year to five years	785,659	3,452	49,189	30,139
Over five years	—	—	—	—
Interest/Profit Rate Related Contracts				
One year or less	2,687,446	163,393	189,850	186,575
Over one year to five years	7,890,790	189,320	419,999	202,874
Over five years	1,345,776	76,322	239,042	115,994
Equity Related Contracts				
One year or less	78,109	560	5,247	4,233
Over one year to five years	205,176	52,849	69,263	98,036
Over five years	—	—	—	—
Commodity Contracts				
One year or less	4,790	386	865	811
Over one year to five years	—	—	—	—
Over five years	—	—	—	—
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	940,040,176	3,331,376	16,134,224	8,890,399
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	38,957,008		33,657,045	11,517,195
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	385,634		281,933	123,319
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	98,324,607		—	—
Unutilised credit card lines	24,908,970		6,553,372	2,956,981
Off-balance sheet items for securitisation exposures	—		—	—
Off-balance sheet exposures due to early amortisation provisions	—		—	—
Total	1,151,528,307	3,989,866	65,449,041	28,764,887

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG

2019 (RM'000) Description	CIMBISLG			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	244,673		244,673	165,434
Transaction Related Contingent Items	854,087		427,044	273,915
Short Term Self Liquidating Trade Related Contingencies	35,640		7,128	5,680
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
Commitments to buy back Islamic securities under Sales and Buy Back agreement	-		-	-
Foreign Exchange Related Contracts				
One year or less	3,539,945	1,710	47,698	17,735
Over one year to five years	195,197	-	12,211	5,601
Over five years	-	-	-	-
Profit Rate Related Contracts				
One year or less	331,274	262	3,779	2,244
Over one year to five years	1,384,773	23,334	69,238	22,091
Over five years	388,835	39,201	126,995	25,399
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	22,474,126	149,781	416,402	110,509
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,916,641		9,642,170	3,272,200
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,654,799		-	-
Unutilised credit card lines	418,448		129,559	81,947
Off-balance sheet items for securitisation exposures	-		-	-
Total	48,438,439	214,288	11,126,898	3,982,755

Credit Risk**OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)**

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG (Continued)

(RM'000) Description	2018	CIMBISLG			
		Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	252,242			252,242	183,973
Transaction Related Contingent Items	752,698			376,349	235,878
Short Term Self Liquidating Trade Related Contingencies	51,161			10,232	4,994
Assets Sold With Recourse	—			—	—
Forward Asset Purchases	—			—	—
Obligations under an On-going Underwriting Agreement	—			—	—
Commitments to buy back Islamic securities under Sales and Buy Back agreement	—			—	—
Foreign Exchange Related Contracts					
One year or less	3,584,486	64,859	117,199	34,930	
Over one year to five years	627,346	—	36,827	13,996	
Over five years	—	—	—	—	
Profit Rate Related Contracts					
One year or less	773,812	16,575	22,583	5,252	
Over one year to five years	4,578,878	106,462	236,904	28,064	
Over five years	735,023	40,207	151,433	54,348	
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	28,557,406	90,220	388,929	129,878	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,479,473		9,173,423	2,935,266	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	—		—	—	
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,487,489		—	—	
Unutilised credit card lines	345,310		135,033	92,533	
Off-balance sheet items for securitisation exposures	—		—	—	
Total	58,225,324	318,323	10,901,153	3,719,112	

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2019 (RM'000) Description	CIMBIBG			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	154,770		154,770	134,560
Transaction Related Contingent Items	-		-	-
Short Term Self Liquidating Trade Related Contingencies	-		-	-
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-		-	-
Foreign Exchange Related Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	154,770	-	154,770	134,560

Credit Risk**OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)**

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (Continued)

(RM'000) Description	2018	CIMBIBG			
		Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
Direct Credit Substitutes	1,086,899			1,086,899	543,450
Transaction Related Contingent Items	–			–	–
Short Term Self Liquidating Trade Related Contingencies	–			–	–
Assets Sold With Recourse	–			–	–
Forward Asset Purchases	–			–	–
Obligations under an On-going Underwriting Agreement	–			–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–			–	–
Foreign Exchange Related Contracts					
One year or less	–	–	–	–	–
Over one year to five years	–	–	–	–	–
Over five years	–	–	–	–	–
Commodity Contracts					
One year or less	135,513	–	13,551	6,776	
Over one year to five years	–	–	–	–	–
Over five years	–	–	–	–	–
Credit Derivative Contracts					
One year or less	–	–	–	–	–
Over one year to five years	–	–	–	–	–
Over five years	131,300	–	9,814	9,814	
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	305			153	152
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–			–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–			–	–
Unutilised credit card lines	–			–	–
Off-balance sheet items for securitisation exposures	–			–	–
Off-balance sheet exposures due to early amortisation provisions	–			–	–
Total	1,354,017	–	1,110,417	560,191	

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 23(a): Disclosure on Credit Derivative Transactions for CIMBBG

(RM'000)	CIMBBG			
	2019		2018	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	984,783	1,935,192	515,564	1,770,420
Client Intermediation Activities	–	333,770	–	228,040
Total	984,783	2,268,962	515,564	1,998,460
Credit Default Swaps	984,783	1,832,867	515,564	1,644,309
Total Return Swaps	–	436,095	–	354,151
Total	984,783	2,268,962	515,564	1,998,460

Table 23(b): Disclosure on Credit Derivative Transactions for CIMBISLG

(RM'000)	CIMBISLG			
	2019		2018	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	–	–	–	–
Client Intermediation Activities	–	20,750	–	20,750
Total	–	20,750	–	20,750
Credit Default Swaps	–	–	–	–
Total Return Swaps	–	20,750	–	20,750
Total	–	20,750	–	20,750

Table 23(c): Disclosure on Credit Derivative Transactions for CIMBIBG

(RM'000)	CIMBIBG			
	2019		2018	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	–	–	–	–
Client Intermediation Activities	–	–	–	131,300
Total	–	–	–	131,300
Credit Default Swaps	–	–	–	–
Total Return Swaps	–	–	–	131,300
Total	–	–	–	131,300

Credit Risk

CREDIT RISK MITIGATION

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

I) COLLATERALS/SECURITIES

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

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land, 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.

III) NETTING

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

IV) PORTFOLIO DIVERSIFICATION FOR BETTER CLARITY

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

Credit Risk

CREDIT RISK MITIGATION (CONTINUED)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2019 and 31 December 2018:

Table 24(a): Disclosure on Credit Risk Mitigation for CIMBBG

2019 (RM'000) Exposure Class	Exposures before CRM	CIMBBG		
		Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	63,205,430	—	—	—
Public Sector Entities	7,734,756	7,500,000	88	—
Banks, DFIs & MDBs	34,128,919	1,784,709	641,280	—
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,192,053	—	36,604	—
Corporate	159,466,085	6,303,347	14,013,787	18,531,080
Residential Mortgages/RRE Financing	96,735,943	—	4,762	—
Qualifying Revolving Retail	12,960,906	—	—	—
Hire Purchase	16,568,950	—	—	—
Other Retail	84,004,337	750,492	1,598,653	—
Securitisation	310,369	—	—	—
Equity	2,003	—	—	—
Higher Risk Assets	1,117,749	—	—	—
Other Assets	15,536,770	—	—	—
Defaulted Exposures	4,830,102	121	117,657	444,800
Total Exposures	499,794,372	16,338,669	16,412,832	18,975,880

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk**CREDIT RISK MITIGATION (CONTINUED)**

Table 24(a): Disclosure on Credit Risk Mitigation for CIMBBG (Continued)

2018 (RM'000) Exposure Class	CIMBBG			
	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	61,427,503	–	–	–
Public Sector Entities	9,655,818	9,000,000	302,582	–
Banks, DFIs & MDBs	28,706,777	2,905,197	533,034	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,078,569	–	4,461	–
Corporate	154,971,933	6,729,877	11,570,465	18,005,096
Residential Mortgages/RRE Financing	85,625,400	–	2,459	–
Qualifying Revolving Retail	13,089,047	–	–	–
Hire Purchase	15,774,802	–	–	–
Other Retail	77,192,856	486,232	1,560,419	–
Securitisation	268,519	–	–	–
Equity	2,290	–	–	–
Higher Risk Assets	1,118,173	–	–	–
Other Assets	11,155,765	–	–	–
Defaulted Exposures	3,898,785	72	58,987	497,817
Total Exposures	465,966,240	19,121,378	14,032,407	18,502,913

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk

CREDIT RISK MITIGATION (CONTINUED)

Table 24(b): Disclosure on Credit Risk Mitigation for CIMBISLG

2019 (RM'000) Exposure Class	CIMBISLG			
	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	18,036,722	–	–	–
Public Sector Entities	3,696,314	3,500,000	–	–
Banks, DFIs & MDBs	1,306,674	–	20,617	–
Takaful Operators, Securities Firms & Fund Managers	15,464	–	–	–
Corporate	27,087,258	3,124,732	682,806	6,526,387
RRE Financing	20,569,815	–	–	–
Qualifying Revolving Retail	276,426	–	–	–
Hire Purchase	8,943,654	–	–	–
Other Retail	31,056,524	326,895	223,492	–
Securitisation	20,379	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	97,766	–	–	–
Defaulted Exposures	1,026,901	–	51,584	116,381
Total Exposures	112,133,897	6,951,627	978,499	6,642,768

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk**CREDIT RISK MITIGATION (CONTINUED)**

Table 24(b): Disclosure on Credit Risk Mitigation for CIMBISLG (Continued)

2018 (RM'000) Exposure Class	CIMBISLG			
	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	19,140,796	–	–	–
Public Sector Entities	5,315,313	5,000,000	–	–
Banks, DFIs & MDBs	1,795,196	–	1,822	–
Takaful Operators, Securities Firms & Fund Managers	15,758	–	510	–
Corporate	29,440,369	4,474,822	651,385	5,602,453
RRE Financing	16,735,171	–	–	–
Qualifying Revolving Retail	270,467	–	–	–
Hire Purchase	7,326,198	–	–	–
Other Retail	23,643,278	232	44,723	–
Securitisation	21,006	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	71,285	–	–	–
Defaulted Exposures	626,885	–	11	214,199
Total Exposures	104,402,297	9,475,054	698,450	5,816,652

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 24(c): Disclosure on Credit Risk Mitigation for CIMBIBG

2019 (RM'000) Exposure Class	CIMBIBG		
	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral
Performing Exposures			
Sovereign/Central Banks	466,539	-	-
Public Sector Entities	-	-	-
Banks, DFIs & MDBs	259,746	-	49,928
Insurance Cos, Securities Firms & Fund Managers	-	-	-
Corporate	146,842	-	-
Residential Mortgages	-	-	-
Qualifying Revolving Retail	-	-	-
Hire Purchase	-	-	-
Other Retail	-	-	-
Securitisation	-	-	-
Higher Risk Assets	-	-	-
Other Assets	107,696	-	-
Defaulted Exposures			
Total Exposures	980,824	-	49,928

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk**CREDIT RISK MITIGATION (CONTINUED)**

Table 24(c): Disclosure on Credit Risk Mitigation for CIMBIBG (Continued)

2018 (RM'000) Exposure Class	Exposures before CRM	CIMBIBG		
		Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	747,418	—	—	—
Public Sector Entities	—	—	—	—
Banks, DFIs & MDBs	1,299,023	—	—	—
Insurance Cos, Securities Firms & Fund Managers	9,814	—	—	—
Corporate	1,366	—	—	—
Residential Mortgages	2	—	—	—
Qualifying Revolving Retail	—	—	—	—
Hire Purchase	—	—	—	—
Other Retail	—	—	—	—
Securitisation	—	—	—	—
Higher Risk Assets	—	—	—	—
Other Assets	257,578	—	—	—
Defaulted Exposures	78	—	—	—
Total Exposures	2,315,278	—	—	—

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Securitisation

THE ROLE CIMB PLAYS IN THE SECURITISATION PROCESS

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets as a means of diversifying funding source, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

DISCLOSURE ON SECURITISATION FOR BANKING BOOK

The following tables show the disclosure on Securitisation for Banking Book for 31 December 2019 and 31 December 2018:

Table 25(a): Disclosure on Securitisation for Banking Book

(RM'000) Underlying Asset	CIMBBG			Gains/(Losses) Recognised during the year	
	Total Exposures Securitised	Past Due	Credit Impaired		
2019					
TRADITIONAL SECURITISATION (BANKING BOOK)					
Originated by the Banking Institution					
Hire Purchase Exposure	612,911	44,234	8,978	(1,402)	
2018					
TRADITIONAL SECURITISATION (BANKING BOOK)					
Originated by the Banking Institution					
Hire Purchase Exposure	1,027,547	60,141	10,219	(7,509)	

Table 25(b): Disclosure on Securitisation for Banking Book

(RM'000) Underlying Asset	CIMBISLG			Gains/(Losses) Recognised during the year	
	Total Exposures Securitised	Past Due	Credit Impaired		
2019					
TRADITIONAL SECURITISATION (BANKING BOOK)					
Originated by the Banking Institution					
Hire Purchase Exposure	187,803	23,186	5,132	(2,067)	
2018					
TRADITIONAL SECURITISATION (BANKING BOOK)					
Originated by the Banking Institution					
Hire Purchase Exposure	343,306	36,301	6,361	(3,219)	

There were no outstanding exposures securitised by CIMBISLG as at 31 December 2019 and 31 December 2018.

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 26(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	CIMBBG Distribution of Exposures after CRM according to Applicable Risk Weights									Risk- Weighted Assets			
			Rated Securitisation Exposures							Unrated (Look Through)					
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount				
Traditional Securitisation (Banking Book)															
<i>Non-originating Banking Institution</i>															
On-Balance Sheet															
Most senior	300,368	-	-	-	300,368	-	-	-	-		60,074				
Mezzanine	10,000	-	-	-	10,000	-	-	-	-		2,000				
First loss	-	-	-	-	-	-	-	-	-		-				
Off-Balance Sheet															
Rated eligible liquidity facilities	-	-			-	-	-	-	-		-				
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-		-				
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-		-				
Eligible servicer cash advance facilities	-	-			-	-	-	-	-		-				
Eligible underwriting facilities	-	-			-	-	-	-	-		-				
Guarantees and credit derivatives	-	-			-	-	-	-	-		-				
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-		-				
<i>Originating Banking Institution</i>															
On-Balance Sheet															
Most senior	-	-	-	-	-	-	-	-	-		-				
Mezzanine	-	-	-	-	-	-	-	-	-		-				
First loss	-	-	-	-	-	-	-	-	-		-				
Off-Balance Sheet															
Rated eligible liquidity facilities	-	-			-	-	-	-	-		-				
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-		-				
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-		-				
Eligible servicer cash advance facilities	-	-			-	-	-	-	-		-				
Eligible underwriting facilities	-	-			-	-	-	-	-		-				
Guarantees and credit derivatives	-	-			-	-	-	-	-		-				
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-		-				
Total Exposures	310,369	-	-	-	310,369	-	-	-	-	-	-	62,074			

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (Continued)

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	CIMBBG Distribution of Exposures after CRM according to Applicable Risk Weights									Risk-Weighted Assets			
			Rated Securitisation Exposures						Unrated (Look Through)						
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount				
Traditional Securitisation (Banking Book)															
<i>Non-originating Banking Institution</i>															
<i>On-Balance Sheet</i>															
Most senior	257,379	-	-	-	257,379	-	-	-	-	-	-	51,476			
Mezzanine	11,141	-	-	-	11,141	-	-	-	-	-	-	2,228			
First loss	-	-	-	-	-	-	-	-	-	-	-	-			
<i>Off-Balance Sheet</i>															
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-	-	-	-	-	-	-	-	-	-	-			
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-	-			
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Guarantees and credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-			
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-	-			
<i>Originating Banking Institution</i>															
<i>On-Balance Sheet</i>															
Most senior	-	-	-	-	-	-	-	-	-	-	-	-			
Mezzanine	-	-	-	-	-	-	-	-	-	-	-	-			
First loss	-	-	-	-	-	-	-	-	-	-	-	-			
<i>Off-Balance Sheet</i>															
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-	-	-	-	-	-	-	-	-	-	-			
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-	-			
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	-	-			
Guarantees and credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-			
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-	-			
Total Exposures	268,519	-	-	-	268,519	-	-	-	-	-	-	53,704			

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	CIMBISLG Distribution of Exposures after CRM according to Applicable Risk Weights									Risk- Weighted Assets			
			Rated Securitisation Exposures						Unrated (Look Through)						
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount				
Traditional Securitisation (Banking Book)															
<i>Non-originating Banking Institution</i>															
<i>On-Balance Sheet</i>															
Most senior	20,379	-	-	-	-	20,379	-	-	-	-	4,076				
Mezzanine	-	-	-	-	-	-	-	-	-	-	-				
First loss	-	-	-	-	-	-	-	-	-	-	-				
<i>Off-Balance Sheet</i>															
Rated eligible liquidity facilities	-	-				-	-	-	-	-	-				
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-				-	-	-	-	-	-				
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-				-	-	-	-	-	-				
Eligible servicer cash advance facilities	-	-				-	-	-	-	-	-				
Eligible underwriting facilities	-	-				-	-	-	-	-	-				
Guarantees and credit derivatives	-	-				-	-	-	-	-	-				
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-				-	-	-	-	-	-				
<i>Originating Banking Institution</i>															
<i>On-Balance Sheet</i>															
Most senior	-	-	-	-	-	-	-	-	-	-	-				
Mezzanine	-	-	-	-	-	-	-	-	-	-	-				
First loss	-	-	-	-	-	-	-	-	-	-	-				
<i>Off-Balance Sheet</i>															
Rated eligible liquidity facilities	-	-				-	-	-	-	-	-				
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-				-	-	-	-	-	-				
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-				-	-	-	-	-	-				
Eligible servicer cash advance facilities	-	-				-	-	-	-	-	-				
Eligible underwriting facilities	-	-				-	-	-	-	-	-				
Guarantees and credit derivatives	-	-				-	-	-	-	-	-				
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-				-	-	-	-	-	-				
Total Exposures	20,379	-	-	-	-	20,379	-	-	-	-	-	4,076			

Securitisation

SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG (Continued)

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	CIMBISLG									Risk-Weighted Assets						
			Distribution of Exposures after CRM according to Applicable Risk Weights								Unrated (Look Through)							
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount							
Traditional Securitisation (Banking Book)																		
<i>Non-originating Banking Institution</i>																		
<i>On-Balance Sheet</i>																		
Most senior	21,006	-	-	-	-	21,006	-	-	-	-	-	4,201						
Mezzanine	-	-	-	-	-	-	-	-	-	-	-	-						
First loss	-	-	-	-	-	-	-	-	-	-	-	-						
<i>Off-Balance Sheet</i>																		
Rated eligible liquidity facilities	-	-							-	-	-	-						
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-							-	-	-	-						
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-							-	-	-	-						
Eligible servicer cash advance facilities	-	-							-	-	-	-						
Eligible underwriting facilities	-	-							-	-	-	-						
Guarantees and credit derivatives	-	-							-	-	-	-						
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-							-	-	-	-						
<i>Originating Banking Institution</i>																		
<i>On-Balance Sheet</i>																		
Most senior	-	-	-	-	-	-	-	-	-	-	-	-						
Mezzanine	-	-	-	-	-	-	-	-	-	-	-	-						
First loss	-	-	-	-	-	-	-	-	-	-	-	-						
<i>Off-Balance Sheet</i>																		
Rated eligible liquidity facilities	-	-							-	-	-	-						
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-							-	-	-	-						
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-							-	-	-	-						
Eligible servicer cash advance facilities	-	-							-	-	-	-						
Eligible underwriting facilities	-	-							-	-	-	-						
Guarantees and credit derivatives	-	-							-	-	-	-						
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-							-	-	-	-						
Total Exposures	21,006	-	-	-	-	21,006	-	-	-	-	-	4,201						

As at 31 December 2019 and 31 December 2018, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

Securitisation

SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 27(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

2019 (RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	CIMBBG				
		Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk-Weighted Assets	
TRADITIONAL SECURITISATION						
Originated by Third Party						
On-Balance Sheet	55,517	-	2,063	1,120	39,793	
Off-Balance Sheet	-	-	-	-	-	
Sub-total	55,517	-	2,063	1,120	39,793	
Originated by Banking Institution						
On-Balance Sheet	-	-	-	-	-	
Off-Balance Sheet	-	-	-	-	-	
Sub-total	-	-	-	-	-	
Securitisation subject to Early Amortisation						
Seller's interest						
On-Balance Sheet	-	-	-	-	-	
Off-Balance Sheet	-	-	-	-	-	
Investor's interest						
On-Balance Sheet	-	-	-	-	-	
Off-Balance Sheet	-	-	-	-	-	
Sub-total	-	-	-	-	-	
TOTAL (TRADITIONAL SECURITISATION)	55,517	-	2,063	1,120	39,793	

Securitisation
SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE (CONTINUED)
Table 27(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG (Continued)

2018 (RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	CIMBBG				
		Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk-Weighted Assets	
TRADITIONAL SECURITISATION						
Originated by Third Party						
On-Balance Sheet	–	–	–	–	–	
Off-Balance Sheet	–	–	–	–	–	
<i>Sub-total</i>	–	–	–	–	–	
Originated by Banking Institution						
On-Balance Sheet	–	–	–	–	–	
Off-Balance Sheet	–	–	–	–	–	
<i>Sub-total</i>	–	–	–	–	–	
Securitisation subject to Early Amortisation						
Seller's interest						
On-Balance Sheet	–	–	–	–	–	
Off-Balance Sheet	–	–	–	–	–	
Investor's interest						
On-Balance Sheet	–	–	–	–	–	
Off-Balance Sheet	–	–	–	–	–	
<i>Sub-total</i>	–	–	–	–	–	
TOTAL (TRADITIONAL SECURITISATION)						
	–	–	–	–	–	

As at 31 December 2019 and 31 December 2018, CIMBISLG and CIMBBG have no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

Market Risk

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

MARKET RISK MANAGEMENT

Our Group adopts various measures as part of the risk management process. Our GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board.

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

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

Our Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

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

CAPITAL TREATMENT FOR MARKET RISK

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes strategic and reputation risks.

OPERATIONAL RISK MANAGEMENT OVERSIGHT

The NFRM CoE, a second line of defence function, provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks by the respective risk owners across the Group. The NFRM CoE also independently oversees the operational risk controls monitoring that resides within the first line of defence.

Identified risks are rated using a defined risk rating methodology applied across the Group's three lines of defence. Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

A strong governance structure is in place to ensure an effective and consistent implementation of the Group's Operational Risk 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 responsibility of risk management supervision and control is delegated to the Group Risk and Compliance Committee (GRCC), which reports to the Board Risk and Compliance Committee (BRCC). The GRCC, comprising Senior Management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by the Group Operational & Resiliency Risk Committee which is a specialised sub-committee providing oversight on operational risk matters across the Bank.

Escalation and reporting processes are well instituted through the various management Committees mentioned above. The responsibilities of the Committees and the Board include the following:

- i) Oversight and implementation of the Operational Risk Management Framework
- ii) Establish and monitor operational risk appetite
- iii) Establish effective policies, processes and systems for managing operational risk and an internal governance structure
- iv) Be aware of key operational risk issues
- v) Ensure that product risks are well managed and the needs and rights of consumers are appropriately addressed
- vi) Ensure compliance to regulatory and internal requirements including disclosures.

Group Corporate Assurance Division performs regular reviews and assessments of the operational risk management framework, processes and systems. Results are communicated to the Board and senior management.

OPERATIONAL RISK MANAGEMENT APPROACH

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisational-wide risk management discipline and culture. Our Group manages operational risks through the following key measures:

- i) Sound risk management practices in accordance with Basel regulatory guidelines;
- ii) Board and senior management oversight;
- iii) Well-defined responsibilities for all personnel concerned;
- iv) Establishment of a risk management culture; and
- v) Deployment of Operational Risk Management (ORM) tools that include:
 - Operational Event and Loss Data Management;
 - Risk & Control Self-Assessment;
 - Control Issue Management;
 - Key Risk Indicators;
 - New Product Approval Process; and
 - Scenario Analysis.

Operational Risk

OPERATIONAL RISK MANAGEMENT APPROACH (CONTINUED)

These tools form part of the operational risk framework that allows the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on their internal risk and control environment rating and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow is subjected to a rigorous risk review, where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within our Group, whereby the demand for integrity and honesty is non-negotiable, remains the core theme in our operational risk awareness program. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

Equity Exposures in Banking Book

The Group's banking book equity investments consist of:

- i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and
- ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are measured at fair value in accordance with Malaysian Financial Reporting Standards.

Realised and unrealised gains or losses arising from sales and liquidations of equities for the year ended 31 December 2019 and 31 December 2018 are as follows:

Table 28(a): Realised Gains/(Losses) from Sales and Liquidations, and Unrealised Gains of Equities for CIMBBG

(RM'000)	CIMBBG	2019	2018
Realised loss			
Shares, private equity funds and unit trusts		74	–
Unrealised gains			
Shares, private equity funds and unit trusts		23,375	73,880

There were no realised and unrealised gains or losses for equity holdings in banking book for CIMBISLG and CIMBBG as at 31 December 2019 and 31 December 2018.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2019 and 31 December 2018 for the Group:

Table 29(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

(RM'000)	CIMBBG			
	2019	Exposures subject to Risk-Weighting	RWA	2018
Privately held	1,106,163	1,659,244	1,111,223	1,664,147
Publicly traded	–	–	2,290	2,290
Total	1,106,163	1,659,244	1,113,514	1,666,437

Table 29(b): Analysis of Equity Investments by Grouping and RWA for CIMBISLG

(RM'000)	CIMBISLG			
	2019	Exposures subject to Risk-Weighting	RWA	2018
Privately held	–	–	575	863
Publicly traded	–	–	–	–
Total	–	–	575	863

Equity Exposures in Banking Book

Table 29(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

(RM'000)	CIMBIBG		
	2019	2018	
	Exposures subject to Risk-Weighting	Exposures subject to Risk-Weighting	RWA
Privately held	—	—	—
Publicly traded	—	—	—
Total	—	—	—

Interest Rate Risk/Rate of Return Risk in the Banking Book

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates.

IRRBB/RORBB MANAGEMENT

Our Group manages its exposure of fluctuations in the interest rates/profit rates through policies established by GALCO. IRRBB/RORBB undertaken by our Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by our Group. The risk appetite is established by the Board. The GALCO is a board-delegated committee which reports to the GRCC. With the support from ALM COE under Group Risk, and CBSM under Group Finance, our GALCO is responsible for the review and monitoring of the Group's balance sheet, business and hedging strategies, the overall interest rate risk/rate of return risk profile and ensuring that such risk profile is within the established risk appetite. Treasury & Markets is responsible for the day-to-day management of exposures and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- Economic Value of Equity sensitivity:**

measures the long term impact of sudden interest rate/profit rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity 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 so forth.

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from economic value perspective:

Table 30(a): IRRBB – Impact on Economic Value for CIMBBG

(RM'000) Currency	CIMBBG	
	2019	2018
+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)		
Ringgit Malaysia	(1,516,424)	(1,271,915)
US Dollar	(91,942)	(58,861)
Thai Baht	(262,715)	(248,323)
Singapore Dollar	(110,967)	(128,771)
Others	(13,010)	17,192
Total	(1,995,058)	(1,690,678)

Interest Rate Risk/Rate of Return Risk in the Banking Book

- **Economic Value of Equity sensitivity (Continued)**

Table 30(b): RORBB – Impact on Economic Value for CIMBISLG

(RM'000) Currency	CIMBISLG	
	2019	2018
+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)		
Ringgit Malaysia	(596,338)	(554,644)
US Dollar	(3,445)	(2,078)
Thai Baht	–	(7)
Singapore Dollar	(18)	(6)
Others	721	464
Total	(599,080)	(556,271)

Table 30(c): IRRBB – Impact on Economic Value for CIMBIBG

(RM'000) Currency	CIMBIBG	
	2019	2018
+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)		
Ringgit Malaysia	144	5,786
US Dollar	–	–
Thai Baht	–	–
Singapore Dollar	–	–
Others	–	–
Total	144	5,786

- **Earnings-at-Risk:**

is the potential impact of interest/profit rate changes on the Bank's accruing or reported earnings. It focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates/profit rate generally affect reported earnings through changes in the Bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities. Our Group's EAR is taking into consideration forecasts on budgeted, new business generation and product pricing strategies.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity 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 so forth.

Interest Rate Risk/Rate of Return Risk in the Banking Book

- **Earnings-at-Risk (Continued)**

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from the earnings perspective:

Table 31(a): IRRBB – Impact on Earnings for CIMBBG

(RM'000) Currency	CIMBBG	2019	2018
		+100bps	
Ringgit Malaysia		161,308	275,221
US Dollar		(152,095)	(147,068)
Thai Baht		(70,400)	(48,056)
Singapore Dollar		(6,153)	18,647
Others		54,706	41,812
Total		(12,634)	140,556

Table 31(b): RORBB – Impact on Earnings for CimbisLG

(RM'000) Currency	CimbisLG	2019	2018
		+100bps	
Ringgit Malaysia		(37,891)	(44,630)
US Dollar		(8,136)	(8,650)
Thai Baht		9	162
Singapore Dollar		425	146
Others		(10,097)	(1,174)
Total		(55,690)	(54,146)

Table 31(c): IRRBB – Impact on Earnings for CIMBIBG

(RM'000) Currency	Cimbibg	2019	2018
		+100bps	
Ringgit Malaysia		4,398	3,990
US Dollar		–	–
Thai Baht		–	–
Singapore Dollar		–	–
Others		(7)	(6)
Total		4,391	3,984

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