

**CIMB GROUP HOLDINGS BERHAD**  
(Company Number 50841-W)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Note	The Group		The Company	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>ASSETS</b>					
Cash and short-term funds		41,667,884	26,709,687	182,809	587,828
Reverse repurchase agreements		6,484,687	5,315,287	-	-
Deposits and placements with banks and other financial institutions		4,055,330	2,307,968	-	-
Financial assets held for trading	A8	21,657,212	22,768,648	-	-
Derivative financial instruments	A23	8,447,957	12,006,184	-	-
Financial investments available-for-sale	A9	32,403,986	31,530,263	1,433,024	1,432,249
Financial investments held-to-maturity	A10	36,921,215	30,381,305	3,518,264	2,012,667
Loans, advances and financing	A11	316,557,012	315,372,898	-	-
Other assets	A12	12,147,332	16,525,138	42,195	632
Tax recoverable		129,072	64,338	109,243	37,921
Deferred tax assets		386,850	387,306	-	-
Statutory deposits with central banks		8,630,454	8,484,387	-	-
Amount owing by subsidiaries net of allowance of doubtful debts		-	-	-	1
Investment in subsidiaries		-	-	27,052,448	27,173,351
Investment in associates and joint ventures		259,930	251,341	3,834	3,834
Property, plant and equipment		1,991,646	2,140,479	1,117	1,491
Investment properties		-	-	417	435
Prepaid lease payments		101,913	113,929	-	-
Goodwill		8,225,745	8,472,340	-	-
Intangible assets		1,820,369	2,036,600	-	-
		<b>501,888,594</b>	<b>484,868,098</b>	<b>32,343,351</b>	<b>31,250,409</b>
Non-current assets held for sale		4,610,938	898,789	1,038,859	7,862
<b>TOTAL ASSETS</b>		<b>506,499,532</b>	<b>485,766,887</b>	<b>33,382,210</b>	<b>31,258,271</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	A13	348,518,277	331,518,138	-	-
Investment accounts of customers	A14	907,763	254,408	-	-
Deposits and placements of banks and other financial institutions	A15	19,751,576	28,377,775	-	-
Repurchase agreements		6,122,273	4,397,454	-	-
Financial liabilities designated at fair value	A16	4,773,440	4,367,577	-	-
Derivative financial instruments	A23	8,751,383	12,137,592	-	-
Bills and acceptances payable		3,177,182	3,661,743	-	-
Other liabilities	A17	17,789,579	18,425,685	1,717	2,070
Recourse obligation on loans and financing sold to Cagamas		5,195,248	4,498,369	-	-
Provision for taxation		507,940	341,487	-	-
Deferred tax liabilities		80,943	56,556	361	353
Bonds, sukuk and debentures	B6(i)	14,895,625	7,635,784	-	-
Other borrowings	B6(ii)	10,057,295	9,289,859	3,553,113	4,060,493
Subordinated obligations	B6(iii)	12,532,965	13,725,302	6,904,556	5,399,121
		<b>453,061,489</b>	<b>438,687,729</b>	<b>10,459,747</b>	<b>9,462,037</b>
Non-current liabilities held for sale		3,631,608	-	-	-
<b>TOTAL LIABILITIES</b>		<b>456,693,097</b>	<b>438,687,729</b>	<b>10,459,747</b>	<b>9,462,037</b>
Ordinary share capital		22,183,226	8,868,384	22,183,226	8,868,384
Reserves		26,062,859	36,440,397	739,280	12,927,893
Less: Shares held under trust		(563)	(563)	-	-
Treasury shares, at cost		(43)	(43)	(43)	(43)
		<b>48,245,479</b>	<b>45,308,175</b>	<b>22,922,463</b>	<b>21,796,234</b>
Perpetual preference shares		200,000	200,000	-	-
Non-controlling interests		1,360,956	1,570,983	-	-
<b>TOTAL EQUITY</b>		<b>49,806,435</b>	<b>47,079,158</b>	<b>22,922,463</b>	<b>21,796,234</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>506,499,532</b>	<b>485,766,887</b>	<b>33,382,210</b>	<b>31,258,271</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A24 (a)	<b>875,879,316</b>	<b>888,167,213</b>	<b>-</b>	<b>-</b>
<b>Net assets per share attributable to owners of the Parent (RM)</b>		<b>5.23</b>	<b>5.11</b>	<b>2.48</b>	<b>2.46</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB GROUP HOLDINGS BERHAD**  
*(Company Number 50841-W)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	The Group			
		4th quarter ended		Twelve months ended	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	4,815,246	4,878,585	19,508,690	18,826,017
Interest expense	A19	<u>(2,288,870)</u>	<u>(2,233,770)</u>	<u>(9,049,593)</u>	<u>(9,000,091)</u>
Net interest income		2,526,376	2,644,815	10,459,097	9,825,926
Income from Islamic Banking operations	A28(c)	613,982	427,931	2,131,813	1,704,043
Net non-interest income	A20	<u>1,339,470</u>	<u>1,240,873</u>	<u>4,997,265</u>	<u>4,386,014</u>
		4,479,828	4,313,619	17,588,175	15,915,983
Gain/(loss) on deemed disposal/disposal of subsidiary and associate		<u>35,667</u>	<u>(495)</u>	<u>38,321</u>	<u>149,272</u>
		4,515,495	4,313,124	17,626,496	16,065,255
Overheads	A21	<u>(2,307,820)</u>	<u>(2,230,953)</u>	<u>(9,133,575)</u>	<u>(8,651,690)</u>
Profit before allowances		2,207,675	2,082,171	8,492,921	7,413,565
Allowance made for impairment losses on loans, advances and financing	A22	(578,055)	(751,593)	(2,230,907)	(2,408,883)
Allowance (written back)/made for impairment losses on other receivables		(26,615)	10,431	(76,103)	(87,160)
Allowance (made)/written back for commitments and contingencies		(5,881)	(30,461)	10,364	(30,461)
Allowance made for other impairment losses		<u>(65,232)</u>	<u>(115,622)</u>	<u>(99,064)</u>	<u>(118,605)</u>
		1,531,892	1,194,926	6,097,211	4,768,456
Share of results of joint ventures		2,480	1,425	12,895	4,236
Share of results of associates		<u>1,007</u>	<u>15,303</u>	<u>(121)</u>	<u>111,452</u>
		1,535,379	1,211,654	6,109,985	4,884,144
Profit before taxation and zakat	B4	<u>(441,988)</u>	<u>(333,233)</u>	<u>(1,502,019)</u>	<u>(1,251,187)</u>
Profit for the financial period/year		<u>1,093,391</u>	<u>878,421</u>	<u>4,607,966</u>	<u>3,632,957</u>
Profit for the financial period/year attributable to :					
Owners of the Parent		1,060,229	854,385	4,475,175	3,564,190
Non-controlling interests		<u>33,162</u>	<u>24,036</u>	<u>132,791</u>	<u>68,767</u>
		<u>1,093,391</u>	<u>878,421</u>	<u>4,607,966</u>	<u>3,632,957</u>
Earnings per share (sen):					
- Basic	B8(a)	11.57	9.67	49.63	41.02
- Fully diluted	B8(b)	N/A	N/A	N/A	N/A

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**CIMB GROUP HOLDINGS BERHAD**  
*(Company Number 50841-W)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED**  
**31 DECEMBER 2017**

	The Group			
	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period/year	<b>1,093,391</b>	878,421	<b>4,607,966</b>	3,632,957
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of post employment benefits obligation				
- Actuarial (loss)/gain	<b>(49,767)</b>	19,443	<b>(50,252)</b>	(28,134)
- Income tax effects	<b>(1,988)</b>	(4,527)	<b>(1,988)</b>	7,269
- Currency translation difference	<b>145</b>	(1,433)	<b>(1,152)</b>	(1,524)
	<b>(51,610)</b>	13,483	<b>(53,392)</b>	(22,389)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	<b>16,235</b>	(221,419)	<b>373,584</b>	299,400
- Net gain/(loss) from change in fair value	<b>60,390</b>	(284,568)	<b>579,942</b>	528,612
- Realised (gain)/loss transferred to statement of income on disposal and impairment	<b>(55,244)</b>	48,682	<b>(156,244)</b>	(175,175)
- Income tax effects	<b>6,849</b>	45,791	<b>(56,850)</b>	(30,712)
- Currency translation difference	<b>4,240</b>	(31,324)	<b>6,736</b>	(23,325)
Net investment hedge	<b>205,234</b>	(297,984)	<b>393,257</b>	(228,739)
Hedging reserve - cash flow hedge	<b>1,264</b>	(9,430)	<b>7,498</b>	13,767
- Net gain/(loss) from change in fair value	<b>1,882</b>	(12,507)	<b>10,295</b>	19,698
- Income tax effects	<b>(618)</b>	3,077	<b>(2,797)</b>	(5,931)
Exchange fluctuation reserve	<b>(1,066,137)</b>	1,258,392	<b>(2,121,728)</b>	1,426,527
- Disposal of joint ventures and associates	<b>(9,391)</b>	21,620	<b>(9,628)</b>	27,100
- Currency translation differences in respect of foreign operations	<b>(1,056,746)</b>	1,236,772	<b>(2,112,100)</b>	1,399,427
Share of other comprehensive (expense)/income of associates and joint ventures	<b>(57)</b>	(2,039)	<b>2,654</b>	(859)
	<b>(843,461)</b>	727,520	<b>(1,344,735)</b>	1,510,096
Total other comprehensive (expense)/income for the financial period/year, net of tax	<b>(895,071)</b>	741,003	<b>(1,398,127)</b>	1,487,707
Total comprehensive income for the financial period/year	<b>198,320</b>	1,619,424	<b>3,209,839</b>	5,120,664
Total comprehensive income for the financial period/year attributable to:				
Owners of the Parent	<b>209,054</b>	1,554,799	<b>3,162,280</b>	4,977,320
Non-controlling interests	<b>(10,734)</b>	64,625	<b>47,559</b>	143,344
	<b>198,320</b>	1,619,424	<b>3,209,839</b>	5,120,664

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**CIMB GROUP HOLDINGS BERHAD**  
*(Company Number 50841-W)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	The Company			
		4th quarter ended		Twelve months ended	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Interest income	A18	59,040	44,694	204,824	153,609
Interest expense	A19	(121,750)	(110,814)	(470,471)	(436,832)
Net interest expense		(62,710)	(66,120)	(265,647)	(283,223)
Net non-interest (expense)/income	A20	(44,572)	4,961	1,831,118	1,804,543
Overheads	A21	(107,282)	(61,159)	1,565,471	1,521,320
		(2,629)	(2,331)	(13,519)	(10,777)
(Loss)/profit before allowances		(109,911)	(63,490)	1,551,952	1,510,543
Allowance made for other impairment losses		-	(150,310)	(22,265)	(150,310)
(Loss)/profit before taxation		(109,911)	(213,800)	1,529,687	1,360,233
Taxation	B4	(1,615)	1,773	(2,332)	(4,018)
(Loss)/profit for the financial period/year		(111,526)	(212,027)	1,527,355	1,356,215

**CIMB GROUP HOLDINGS BERHAD**  
*(Company Number 50841-W)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	The Company			
	4th quarter ended		Twelve months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
(Loss)/profit for the financial period/year	(111,526)	(212,027)	1,527,355	1,356,215
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	(6,086)	12,769	1,213	25,406
- Net (loss)/gain from change in fair value	(6,086)	12,769	1,213	25,406
Other comprehensive (expense)/income, net of tax	(6,086)	12,769	1,213	25,406
Total comprehensive (expense)/income for the financial period/year	(117,612)	(199,258)	1,528,568	1,381,621

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**CIMB GROUP HOLDINGS BERHAD**  
(Company Number 50841-W)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

The Group 31 December 2017	← Attributable to owners of the Parent →															
	Ordinary share capital RM'000	Share premium- 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	Revaluation reserve - financial investments available- for-sale 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	Non-controlling interests RM'000	Total RM'000
At 1 January 2017	8,868,384	11,476,201	6,576,724	137,104	2,447,052	(563)	(43)	134,247	(1,710,752)	51,447	1,321,640	16,006,734	45,308,175	200,000	1,570,983	47,079,158
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	4,475,175	4,475,175	-	132,791	4,607,966
Other comprehensive (expense)/income (net of tax)	-	-	(196)	-	(2,023,789)	-	-	365,229	347,363	(1,502)	-	(1,312,895)	(1,312,895)	-	(85,232)	(1,398,127)
- financial investments available-for-sales	-	-	-	-	-	-	-	365,229	-	-	-	365,229	-	-	8,355	373,584
- net investment hedge	-	-	-	-	-	-	-	-	393,257	-	-	393,257	-	-	-	393,257
- hedging reserve - cash flow hedge	-	-	-	-	-	-	-	-	7,498	-	-	7,498	-	-	-	7,498
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	-	(53,392)	-	-	(53,392)	-	-	-	(53,392)
- currency translation difference	-	-	(196)	-	(2,026,443)	-	-	-	-	(1,502)	-	(2,028,141)	-	(93,587)	(2,121,728)	
- share of other comprehensive income of associate and joint venture	-	-	-	-	2,654	-	-	-	-	-	-	2,654	-	-	2,654	
Total comprehensive (expense)/income for the financial year	-	-	(196)	-	(2,023,789)	-	-	365,229	347,363	(1,502)	-	4,475,175	3,162,280	-	47,559	3,209,839
Transition to no-par value regime on 31 January 2017 <sup>^</sup>	11,476,201	(11,476,201)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- single tier second interim dividend	-	-	-	-	-	-	-	-	-	-	-	(1,064,206)	(1,064,206)	-	-	(1,064,206)
Dividend for the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- single tier first interim dividend	-	-	-	-	-	-	-	-	-	-	-	(1,176,774)	(1,176,774)	-	-	(1,176,774)
Non-controlling interest share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,017)	(32,017)	
Transfer from statutory reserve	-	-	(6,444,510)	-	-	-	-	-	-	-	-	6,444,510	-	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	180,880	(180,880)	-	-	-	
Liquidation of a subsidiary	-	-	(863)	-	-	-	-	-	-	-	-	(863)	-	-	(863)	
Arising from dilution/(accretion) of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	179,382	179,382	-	(180,957)	(1,575)
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,003	28,003
Non-controlling interest share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(72,615)	(72,615)	
Share-based payment expense	-	-	-	-	-	-	-	-	-	56,617	-	56,617	-	-	56,617	
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	52,782	(46,560)	-	6,222	-	-	6,222	
Purchase of shares in relation to Equity Ownership Plan	-	-	-	-	-	-	-	-	(63,995)	-	-	(63,995)	-	-	(63,995)	
Issuance of shares through dividend reinvestment scheme	1,838,641	-	-	-	-	-	-	-	-	-	-	1,838,641	-	-	1,838,641	
At 31 December 2017	22,183,226	-	131,155	137,104	423,263	(563)	(43)	499,476	(1,374,602)	60,002	1,502,520	24,683,941	48,245,479	200,000	1,360,956	49,806,435

<sup>^</sup> The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

The Group  
31 December 2016

	← Attributable to owners of the Parent →															
	Ordinary share capital RM'000	Share premium- 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	Revaluation reserve - financial investments available- for-sale 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	Non-controlling interests RM'000	Total RM'000
<b>At 1 January 2016</b>	8,527,272	10,404,339	6,440,445	137,104	1,085,258	(563)	(43)	(152,566)	(1,519,721)	91,985	1,021,683	15,015,585	41,050,778	200,000	981,850	42,232,628
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	3,564,190	3,564,190	-	68,767	3,632,957
Other comprehensive(expense)/ income (net of tax)	-	-	479	-	1,361,794	-	-	286,813	(237,361)	1,405	-	-	1,413,130	-	74,577	1,487,707
- financial investments available-for-sales	-	-	-	-	-	-	-	289,137	-	-	-	-	289,137	-	10,263	299,400
- net investment hedge	-	-	-	-	-	-	-	(228,739)	-	-	-	-	(228,739)	-	-	(228,739)
- hedging reserve - cash flow hedge	-	-	-	-	-	-	-	13,767	-	-	-	-	13,767	-	-	13,767
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	(22,389)	-	-	-	-	(22,389)	-	-	(22,389)
- currency translation difference	-	-	479	-	1,360,329	-	-	-	-	1,405	-	-	1,362,213	-	64,314	1,426,527
- share of other comprehensive income of associate and joint ventures	-	-	-	-	1,465	-	-	(2,324)	-	-	-	-	(859)	-	-	(859)
Total comprehensive income for the financial year	-	-	479	-	1,361,794	-	-	286,813	(237,361)	1,405	-	3,564,190	4,977,320	-	143,344	5,120,664
Dividend for the financial year ended 31 December 2015 - single tier second interim dividend	-	-	-	-	-	-	-	-	-	-	-	(937,999)	(937,999)	-	-	(937,999)
Dividend for the financial year ended 31 December 2016 - special interim dividend in specie	-	-	-	-	-	-	-	-	-	-	-	(205,048)	(205,048)	-	-	(205,048)
Dividend for the financial year ended 31 December 2016 - single tier first interim dividend	-	-	-	-	-	-	-	-	-	-	-	(698,309)	(698,309)	-	-	(698,309)
Non-controlling interest share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,574)	(21,574)
Transfer to statutory reserve	-	-	135,800	-	-	-	-	-	-	-	-	(135,800)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	299,957	(299,957)	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,510)	(14,510)
Arising from dilution of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(295,928)	(295,928)	-	481,881	185,953
Arising from increase in capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Purchase of treasury shares	-	-	-	-	-	-	*	-	-	-	-	-	-	-	-	-
Share-based payment expense	-	-	-	-	-	-	-	-	-	55,104	-	-	55,104	-	-	55,104
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	102,526	(97,047)	-	-	5,479	-	-	5,479
Purchase of shares in relation to Equity Ownership Plan	-	-	-	-	-	-	-	-	(56,196)	-	-	-	(56,196)	-	-	(56,196)
Issuance of shares through dividend reinvestment scheme	341,112	1,071,862	-	-	-	-	-	-	-	-	-	-	1,412,974	-	-	1,412,974
<b>At 31 December 2016</b>	8,868,384	11,476,201	6,576,724	137,104	2,447,052	(563)	(43)	134,247	(1,710,752)	51,447	1,321,640	16,006,734	45,308,175	200,000	1,570,983	47,079,158

\* denote RM478

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB GROUP HOLDINGS BERHAD**  
(Company Number 50841-W)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	← Non-distributable →				Distributable		Total RM'000
	Ordinary share capital RM'000	Share premium RM'000	Capital reserve RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Retained earnings RM'000	
<b>The Company</b>							
<b>At 1 January 2017</b>	8,868,384	11,476,201	55,982	(43)	25,406	1,370,304	21,796,234
Profit for the financial year	-	-	-	-	-	1,527,355	1,527,355
Other comprehensive income (net of tax)	-	-	-	-	1,213	-	1,213
- financial investments available-for-sales	-	-	-	-	1,213	-	1,213
Total comprehensive income for the financial year	-	-	-	-	1,213	1,527,355	1,528,568
Transition to no-par value regime on 31 January 2017 <sup>^</sup>	11,476,201	(11,476,201)	-	-	-	-	-
Dividend for the financial year ended 31 December 2016	-	-	-	-	-	(1,064,206)	(1,064,206)
- single tier second interim dividend	-	-	-	-	-	(1,176,774)	(1,176,774)
Dividend for the financial year ended 31 December 2017	-	-	-	-	-	-	-
- single tier first interim dividend	-	-	-	-	-	-	-
Issuance of shares through dividend reinvestment scheme	1,838,641	-	-	-	-	-	1,838,641
<b>At 31 December 2017</b>	22,183,226	-	55,982	(43)	26,619	656,679	22,922,463

<sup>^</sup> The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

	← Non-distributable →				Distributable		Total RM'000
	Ordinary share capital RM'000	Share premium RM'000	Capital reserve RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Retained earnings RM'000	
<b>The Company</b>							
<b>At 1 January 2016</b>	8,527,272	10,404,339	55,982	(43)	-	1,855,445	20,842,995
Profit for the financial year	-	-	-	-	-	1,356,215	1,356,215
Other comprehensive income (net of tax)	-	-	-	-	25,406	-	25,406
- financial investments available-for-sales	-	-	-	-	25,406	-	25,406
Total comprehensive income for the financial year	-	-	-	-	25,406	1,356,215	1,381,621
Second interim dividend for the financial year ended 31 December 2015	-	-	-	-	-	(937,999)	(937,999)
Special interim dividend in specie for the financial year ending 31 December 2016	-	-	-	-	-	(205,048)	(205,048)
First interim dividend for the financial year ended 31 December 2016	-	-	-	-	-	(698,309)	(698,309)
Issuance of shares through dividend reinvestment scheme	341,112	1,071,862	-	-	-	-	1,412,974
Purchase of treasury shares	-	-	-	*	-	-	-
<b>At 31 December 2016</b>	8,868,384	11,476,201	55,982	(43)	25,406	1,370,304	21,796,234

\* denote RM478

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB GROUP HOLDINGS BERHAD**  
*(Company Number 50841-W)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	The Group		The Company	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Profit before taxation and zakat	6,109,985	4,884,144	1,529,687	1,360,233
Adjustments for non-operating and non-cash items	<b>2,020,695</b>	2,385,881	<b>(1,527,636)</b>	(1,352,066)
Operating profit before changes in working capital	<b>8,130,680</b>	7,270,025	<b>2,051</b>	8,167
Net changes in operating assets	<b>(2,292,008)</b>	(26,876,773)	<b>(112,833)</b>	(191)
Net changes in operating liabilities	<b>14,213,148</b>	21,727,887	<b>15,488</b>	10,154
	<b>11,921,140</b>	(5,148,886)	<b>(97,345)</b>	9,963
Cash flows generated from/(used in) operations	<b>20,051,820</b>	2,121,139	<b>(95,294)</b>	18,130
Taxation paid	<b>(1,403,507)</b>	(1,103,631)	<b>(1,937)</b>	(6,177)
Net cash flows generated from/(used in) from operating activities	<b>18,648,313</b>	1,017,508	<b>(97,231)</b>	11,953
Net cash flows (used in)/generated from investing activities	<b>(7,362,141)</b>	(3,442,511)	<b>(453,073)</b>	437,778
Net cash flows generated from/ (used in) financing activities	<b>7,843,969</b>	(2,300,005)	<b>145,285</b>	78,524
Net increase/(decrease) in cash and cash equivalents during the financial year	<b>19,130,141</b>	(4,725,008)	<b>(405,019)</b>	528,255
Effects of exchange rate changes	<b>(3,724,125)</b>	2,115,865	-	-
Cash and short-term funds at beginning of the financial year	<b>26,709,687</b>	29,318,830	<b>587,828</b>	59,573
Cash and cash equivalent for asset classified as held for sale	<b>(447,819)</b>	-	-	-
<b>Cash and short-term funds at end of the financial year</b>	<b>41,667,884</b>	26,709,687	<b>182,809</b>	587,828
Statutory deposits with Bank Indonesia*	<b>(3,444,702)</b>	(4,452,880)	-	-
Monies held in trust	<b>(96,921)</b>	(91,343)	-	-
<b>Cash and cash equivalents at end of the financial year</b>	<b>38,126,261</b>	22,165,464	<b>182,809</b>	587,828

\* 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.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016*



## **PART A - EXPLANATORY NOTES**

### **A1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the financial year ended 31 December 2017 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, derivative financial instruments, investment properties and non-current assets/disposal groups held for sale and financial liabilities designated at fair value, that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad’s Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the Group’s and the Company’s audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 “Statement of Cash Flows - Disclosure Initiative”
- Amendments to MFRS 112 “Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses”
- Annual improvement to MFRSs 2014 - 2016 Cycle:
  - Amendments to MFRS 12, “Disclosure of Interests in Other Entities”

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of the new standards, amendments to published standards and interpretations are not expected to have impact on the financial results of the Group and the Company.

With effective from the financial year beginning on/after 1 January 2018, the Group and the Company will apply MFRS 9 “Financial Instruments” ,replacing MFRS 139 “Financial Instruments: Recognition and Measurement”, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments. Comparatives for 2017 will not be restated.

The unaudited condensed interim 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 Shariah principles.

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

### **A2. CHANGES IN ESTIMATES**

There were no material changes to financial estimates made in respect of the current financial period that had previously been announced or disclosed.

### **A3. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

Other than detailed below, there were no other new shares issuance, repayment of debt securities, share buy backs and share cancellations, or resale of shares held as treasury shares during the financial year ended 31 December 2017:-

- (a) On 28 February 2017, the Company announced that it will seek its shareholders’ approval at its 60th Annual General Meeting (“AGM”) to be convened on a later announced date for the proposed renewal of the authority for the Company to purchase its own shares of up to 10% of the issued and paid-up capital of the Company. Shareholders’ approval was subsequently obtained at the AGM which was held on 28 April 2017.

### A3. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES (Continued)

(b) The entitlement date pursuant to Single Tier Second Interim Dividend for financial year ended 31 December 2016 and the corresponding DRS was fixed for 30 March 2017. The Group had, on 28 April 2017, issued and allotted 183,726,322 new ordinary shares ("New CIMB Shares"). The New CIMB Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m., Tuesday, 2 May 2017. With the listing of the New Shares, the enlarged issued and paid-up share capital of CIMBGH is 9,052,110,498 shares.

The entitlement date pursuant to Single Tier First Interim Dividend for financial year ending 31 December 2017 and the corresponding DRS was fixed for 12 October 2017. The Group had, on 10 November 2017, issued and allotted 173,436,944 new ordinary shares ("New CIMB Shares"). The New CIMB Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m., Monday, 13 November 2017. With the listing of the New Shares, the enlarged issued and paid-up share capital of CIMBGH is 9,225,547,442 shares.

(c) On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank Berhad, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights offering of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion.

Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank has increased from 93.71% to 94.11% 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.

(d) On 8 March 2017, CIMB Bank Berhad 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.

(e) On 15 March 2017, CIMB Bank Berhad issued USD600 million 3-year senior floating rate notes (the "FRN Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FRN 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.

(f) On 15 March 2017, CIMB Bank Berhad 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.

(g) On 23 March 2017, CIMB Bank Berhad completed the capital injection of USD12.5 million into new ordinary shares of CIMB Bank PLC. The new 12,500,000 ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank Berhad.

(h) On 28 March 2017 and 27 April 2017, CIMB Bank Berhad 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. 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.

(i) On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank Berhad, 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, CIMB Bank has undertaken a partial redemption of the MTN amounting to RM49.6 million.

(j) During the financial year, Ziya Capital Bhd ("Ziya"), an Islamic special purpose vehicle consolidated by CIMB Islamic Bank, undertook a partial redemption of its Sukuk amounting to RM124 million.

(k) On 8 May 2017, CIMB Bank Berhad has redeemed its HKD462 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(l) 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.

(m) On 9 May 2017, CIMB Bank Berhad 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.

(n) On 18 May 2017, CIMB Bank Berhad 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.

(o) On 9 June 2017, the Company issued RM350 million medium term notes ("MTNs") which will mature on 11 June 2018. The MTNs bear an interest rate of 4.05% per annum payable semi-annually in arrears. The MTNs were issued out of its existing conventional medium term notes programme which together with its Islamic medium term notes programme, has a combined limit of RM6.0 billion in nominal value.

(p) On 21 June 2017, CIMB Bank Berhad issued 91 million Rights Issue at RM5.39 for each Rights Share. The issuance has resulted in an increase in its ordinary shares of RM490 million. On 22 December 2017, CIMB Bank issued 168 million Rights Issue at RM 5.55 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM934 million.

### **A3. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES (Continued)**

- (q) On 8 July 2017, CIMB Niaga has redeemed in full, the IDR1,380,000 million unsecured subordinated notes on its maturity date.
- (r) On 26 July 2017, CIMB Bank has redeemed its USD350 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.
- (s) 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.
- (t) On 18 September 2017, CIMB Islamic Bank has redeemed in full, the third tranche of the Subordinated Sukuk of RM300 million on its first optional redemption date.
- (u) On 30 October 2017, CIMB Niaga has redeemed its 5 years series B Bond of IDR2,000,000 million bonds amounted to IDR1,400,000 million.
- (v) 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.
- (w) On 9 November 2017, CIMB Bank Thai exercised its option to early redeem all unsecured subordinated debentures amounting to THB3,000 million, maturing on 9 November 2022.
- (x) On 13 November 2017, CIMB Niaga has redeemed its series A Bond of IDR1,000,000 million bonds amounted to IDR432,000 million.
- (y) 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.
- (z) On 15 December 2017, CIMB Bank injected USD6.2 million into CIMB Bank PLC. CIMB Bank PLC obtained the approval from National Bank of Cambodia and Ministry of Commerce on the registration of its share capital on 19 January 2018 and 13 February 2018 respectively.
- (aa) On 28 December 2017, CIMB Islamic Bank 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.
- (ab) On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually.
- (ac) On 22 January 2018, CIMB Bank has redeemed its HKD171 million senior unsecured notes.

### **A4. DIVIDENDS PAID AND PROPOSED**

A single-tier second interim dividend of 12.00 sen per ordinary share, on 8,868,379,268 ordinary shares amounting to RM1,064,205,512 in respect of the financial year ended 31 December 2016 was approved by the Board of Directors on 26 January 2017. The dividend consists of an electable portion of 12.00 sen which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Scheme ("DRS"). Following the completion of the DRS, a total cash dividend of RM193,342,746 was paid on 28 April 2017.

A single-tier first interim dividend of 13.00 sen per ordinary share, on 9,052,105,590 ordinary shares amounting to RM1,176,773,727 in respect of the financial year ending 31 December 2017 was approved by the Board of Directors on 28 July 2017. The dividend consists of an electable portion of 13.00 sen which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Scheme ("DRS"). Following the completion of the DRS, a total cash dividend of RM208,995,579 was paid on 10 November 2017.

The Directors have proposed a single-tier second interim dividend of 12.00 sen per ordinary share, on 9,225,542,534 ordinary shares amounting to RM1,107 million in respect of the financial year ended 31 December 2017 under DRS.

#### **A5. STATUS OF CORPORATE PROPOSAL (CONTINUED)**

(a) 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").

CSI is a wholly-owned subsidiary of CIMBG, and is the holding company for the cash equities business comprising institutional and retail brokerage, equities research and associated securities businesses in Indonesia, Singapore, Thailand, Hong Kong, India, South Korea, United Kingdom and the United States of America.

The consideration for the Proposed Disposal amounts to approximately S\$167 million (approximately RM515 million), and is subject to completion audit adjustment, if any.

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. 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 is completed on 18 January 2018.

(b) On 30 December 2016, CIMB Bank proposed to dispose of a 18.21% stake in the Bank of Yingkou Co. Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million) to Shanghai Guozhjie Investment Development Co. Ltd. ("Proposed Divestment").

The Proposed Divestment has been completed on 19 December 2017.

(c) On 24 July 2017, Touch 'n Go Sdn. Bhd ("TnG"), a 52.22% subsidiary of CIMB Group has entered into an Investment Agreement with Alipay Singapore E-commerce Pte Ltd ("Alipay"), a subsidiary of Ant Financial Services Group to set up a joint venture entity to be incorporated in Malaysia, where TnG will participate as a majority shareholder and Alipay will participate as a minority shareholder to launch a new mobile platform for payments and other related financial services in Malaysia. On 8 November 2017, BNM has approved the incorporation of TNG Digital Sdn Bhd ("TNG Digital") which is intended to become the joint venture entity.

On 8 January 2018, BNM has granted to TNG Digital the approval to issue Designated Payment Instrument under Section 11 of the Financial Services Act 2013. On 14 February 2018, the Proposed joint venture has been completed.

(d) On 16 November 2017, CIMB Bank Berhad obtained an approval from Monetary Board of the Bangko Sentral ng Pilipinas to establish and operate a branch in Republic of the Philippines.

(e) On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CIMB-Principal Asset Management Bhd ("CPAM") to Principal International (Asia) Limited ("PIA") and 10% equity stake in CIMB-Principal Islamic Asset Management Sdn Bhd ("CPIAM") to Principal Financial Services Inc. ("PFI") for a total consideration of RM470,294,050 ("Proposed Divestment"). PIA and PFI are the existing shareholders of CPAM and CPIAM respectively, and are subsidiaries of Principal Financial Group Inc. Upon the completion of the Proposed Divestment, CPAM will cease to be a subsidiary of the Group and the Group is expected to recognise a gain on disposal of approximately RM950 million and a Common Equity Tier 1 ("CET1") ratio improvement of approximately 18 bps.

The proceeds raised from the corporate proposal will be used for working capital, general banking and other corporate purposes, as intended.

#### **A6. EVENTS DURING THE REPORTING PERIOD**

There was no significant events that had occurred during the current reporting period, other than those disclosed under Issuance and Repayment of Debts and Equity Securities, and Status of Corporate Proposal.

#### **A7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There is no significant events that had occurred between 31 December 2017 and the date of this announcement, other than those disclosed under Issuance and Repayment of Debts and Equity Securities, and Status of Corporate Proposal.

**PART A - EXPLANATORY NOTES****A8. FINANCIAL ASSETS HELD FOR TRADING**

	<b>The Group</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments:</b>		
<b>Unquoted</b>		
Malaysian Government Securities	365,484	651,044
Cagamas bonds	188,085	155,954
Malaysian Government treasury bills	25,298	184,701
Bank Negara Malaysia Monetary Notes	99,343	-
Negotiable instruments of deposit	6,288,869	5,746,031
Bankers' acceptances	22,149	-
Other Government securities	2,273,146	2,722,901
Other Government treasury bills	4,099,551	6,613,654
Commercial papers	72,816	14,864
Government Investment Issues	451,167	88,842
	<b>13,885,908</b>	<b>16,177,991</b>
<b>Quoted securities:</b>		
<i>In Malaysia:</i>		
Shares	819,147	445,965
<i>Outside Malaysia:</i>		
Shares	511,385	529,159
Corporate bond and Sukuk	289,339	169,861
Other Government bonds	942,214	1,002,564
Investment linked funds	18,133	82,132
	<b>2,580,218</b>	<b>2,229,681</b>
<b>Unquoted securities:</b>		
<i>In Malaysia:</i>		
Corporate bond and Sukuk	2,087,738	1,927,113
Shares	1	1
<i>Outside Malaysia:</i>		
Corporate bond and Sukuk	2,939,105	2,255,412
Private equity funds	164,242	178,450
	<b>5,191,086</b>	<b>4,360,976</b>
Total financial assets held for trading	<b>21,657,212</b>	<b>22,768,648</b>

**A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments:</b>				
<b>Unquoted</b>				
Malaysian Government Securities	289,569	492,289	-	-
Cagamas bonds	140,874	127,295	-	-
Khazanah bonds	132,052	167,700	-	-
Other Government securities	598,316	1,433,272	-	-
Government Investment Issues	696,373	202,788	-	-
Commercial papers	39,825	49,727	-	-
Negotiable instruments of deposit	482,401	597,838	-	-
Malaysian Government Sukuk	22,107	29,622	-	-
	<b>2,401,517</b>	<b>3,100,531</b>	<b>-</b>	<b>-</b>
<b>Quoted securities:</b>				
<i>In Malaysia:</i>				
Shares	159,003	167,493	-	-
<i>Outside Malaysia:</i>				
Shares	82,267	83,529	-	-
Corporate bond and Sukuk	2,051,746	1,872,670	-	-
Other Government bonds	5,602,641	3,480,792	-	-
Unit trusts	8,293	25,983	-	-
	<b>7,903,950</b>	<b>5,630,467</b>	<b>-</b>	<b>-</b>
<b>Unquoted securities:</b>				
<i>In Malaysia:</i>				
Corporate bond and Sukuk	13,763,383	13,118,868	1,433,024	1,432,249
Shares	1,172,471	1,138,312	-	-
Loan stocks	10,087	10,087	-	-
Property funds	355	350	-	-
Unit trusts	10,274	5,017	-	-
<i>Outside Malaysia:</i>				
Shares	52,734	52,846	-	-
Private equity funds and unit trust funds	480,263	504,091	-	-
Corporate bond and Sukuk	7,164,958	8,468,080	-	-
Loan stocks	1,105	1,445	-	-
	<b>22,655,630</b>	<b>23,299,096</b>	<b>1,433,024</b>	<b>1,432,249</b>
	<b>32,961,097</b>	<b>32,030,094</b>	<b>1,433,024</b>	<b>1,432,249</b>
<b>Allowance for impairment losses:</b>				
Corporate bond	(67,809)	(30,487)	-	-
Private equity funds	(124,472)	(145,715)	-	-
Quoted shares	(170,361)	(138,256)	-	-
Unquoted shares	(184,020)	(174,922)	-	-
Unit trusts	(362)	(364)	-	-
Loan stocks	(10,087)	(10,087)	-	-
	<b>(557,111)</b>	<b>(499,831)</b>	<b>-</b>	<b>-</b>
Total financial investments available-for-sale	<b>32,403,986</b>	<b>31,530,263</b>	<b>1,433,024</b>	<b>1,432,249</b>

**A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	The Group		The Company	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>Money market instruments:</b>				
<b>Unquoted</b>				
Malaysian Government Securities	2,978,916	2,122,657	-	-
Cagamas bonds	203,649	267,938	-	-
Other Government securities	1,004,223	1,499,993	-	-
Other Government treasury bills	2,311,257	20,089	-	-
Khazanah bonds	448,191	446,155	-	-
Government Investment Issues	8,328,896	7,035,108	-	-
	<b>15,275,132</b>	<b>11,391,940</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
<i>Outside Malaysia</i>				
Corporate bond	193,329	217,481	-	-
Islamic bonds	7,485	8,355	-	-
Other Government bonds	2,233,123	2,363,526	-	-
Bank Indonesia certificates	157,895	158,899	-	-
	<b>2,591,832</b>	<b>2,748,261</b>	<b>-</b>	<b>-</b>
<b>Unquoted securities</b>				
<i>In Malaysia</i>				
Corporate bond	16,613,688	13,665,073	3,518,264	2,012,667
Loan stocks	7,020	7,020	-	-
	<b>19,019,520</b>	<b>16,247,746</b>	<b>3,518,264</b>	<b>2,012,667</b>
<i>Outside Malaysia</i>				
Corporate bond and sukuk	2,398,812	2,575,653	-	-
	<b>19,019,520</b>	<b>16,247,746</b>	<b>3,518,264</b>	<b>2,012,667</b>
	<b>36,886,484</b>	<b>30,387,947</b>	<b>3,518,264</b>	<b>2,012,667</b>
Amortisation of premium, net of accretion of discount	47,031	6,283	-	-
Less : Allowance for impairment losses	(12,300)	(12,925)	-	-
Total financial investments held-to-maturity	<b>36,921,215</b>	<b>30,381,305</b>	<b>3,518,264</b>	<b>2,012,667</b>

## A11. LOANS, ADVANCES AND FINANCING

### (i) By type

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
<b>At amortised cost</b>		
Overdrafts	5,389,504	5,363,185
Term loans/financing		
- Housing loans/financing	87,868,442	81,362,800
- Syndicated term loans	16,393,012	20,564,303
- Hire purchase receivables	19,672,035	19,987,998
- Lease receivables	59,395	139,939
- Factoring receivables	13,225	38,594
- Other term loans/financing	113,732,153	121,719,863
Bills receivable	9,695,303	6,555,064
Trust receipts	1,822,183	1,704,124
Claims on customers under acceptance credits	5,050,615	4,850,336
Staff loans *	1,337,784	1,287,433
Credit card receivables	9,567,761	9,823,080
Revolving credits	52,726,001	48,796,358
Share margin financing	888,736	1,523,475
Other loans	1,905	3,007
Gross loans, advances and financing	<b>324,218,054</b>	323,719,559
Fair value changes arising from fair value hedge	<b>86,537</b>	149,815
	<b>324,304,591</b>	323,869,374
Less: Allowance for impairment losses		
- Individual impairment allowance	<b>(4,613,542)</b>	(4,735,298)
- Portfolio impairment allowance	<b>(3,134,037)</b>	(3,761,178)
	<b>(7,747,579)</b>	(8,496,476)
<b>Total net loans, advances and financing</b>	<b>316,557,012</b>	315,372,898

\* Included in staff loans of the Group are loans to Directors amounting to RM46,704,157(2016: RM54,800,014).

(a) Included in the Group's loans, advances and financing balances are RM39,767,000 (2016: RM44,994,000) 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 were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken fair value hedge on the interest rate risk of loans, advances and financing with RM4,271,223,000 (2016: RM4,647,826,000), using interest rate swaps.



**A11. LOANS, ADVANCES AND FINANCING (Continued)**
**(ii) By type of customers**

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
Domestic banking institutions	17,862	96,082
Domestic non-bank financial institutions		
- stockbroking companies	102,604	3
- others	3,887,681	2,083,165
Domestic business enterprises		
- small medium enterprises	48,873,016	51,055,378
- others	57,184,402	60,638,463
Government and statutory bodies	10,018,671	9,857,704
Individuals	159,515,156	154,666,779
Other domestic entities	5,449,813	4,337,367
Foreign entities	39,168,849	40,984,618
Gross loans, advances and financing	<b>324,218,054</b>	<b>323,719,559</b>

**(iii) By interest/profit rate sensitivity**

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- Housing loans/financing	2,523,614	2,845,154
- Hire-purchase receivables	11,684,046	11,361,142
- Other fixed rate loans	37,665,013	40,737,679
Variable rate		
- BLR plus	145,508,709	150,723,542
- Cost plus	41,836,963	42,368,628
- Other variable rates	84,999,709	75,683,414
Gross loans, advances and financing	<b>324,218,054</b>	<b>323,719,559</b>

**(iv) By economic purpose**

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
Personal use	13,116,119	12,429,682
Credit card	9,567,761	9,823,080
Purchase of consumer durables	90,220	100,997
Construction	12,261,920	11,877,324
Residential property (Housing)	90,672,129	84,219,483
Non-residential property	24,942,544	24,822,758
Purchase of fixed assets other than land and building	14,142,544	18,160,304
Mergers and acquisitions	2,241,907	4,600,566
Purchase of securities	25,104,374	26,587,098
Purchase of transport vehicles	21,587,679	22,720,915
Working capital	85,385,032	86,641,012
Other purposes	25,105,825	21,736,340
Gross loans, advances and financing	<b>324,218,054</b>	<b>323,719,559</b>

**A11. LOANS, ADVANCES AND FINANCING (Continued)**
**(v) By geographical distribution**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Malaysia	189,151,339	181,699,039
Indonesia	59,764,044	65,314,761
Thailand	30,691,840	30,454,951
Singapore	26,295,806	30,694,519
United Kingdom	3,890,933	4,331,749
Hong Kong	2,089,454	2,204,945
China	4,901,936	1,956,349
Other countries	7,432,702	7,063,246
Gross loans, advances and financing	<u>324,218,054</u>	<u>323,719,559</u>

**(vi) By residual contractual maturity**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Within one year	82,511,335	74,087,837
One year to less than three years	33,496,186	39,229,772
Three years to less than five years	29,526,751	35,849,237
Five years and more	178,683,782	174,552,713
Gross loans, advances and financing	<u>324,218,054</u>	<u>323,719,559</u>

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

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Personal use	432,552	346,573
Credit card	175,120	260,232
Purchase of consumer durables	342	329
Construction	1,520,589	1,268,991
Residential property (Housing)	1,417,968	1,596,083
Non-residential property	271,156	265,796
Purchase of fixed assets other than land and building	861,549	1,309,408
Mergers and acquisitions	152,701	-
Purchase of securities	143,268	172,356
Purchase of transport vehicles	296,207	369,322
Working capital	4,591,169	4,115,409
Other purpose	1,131,059	940,840
Gross impaired loans, advances and financing	<u>10,993,680</u>	<u>10,645,339</u>

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

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Malaysia	3,555,830	3,716,471
Indonesia	3,880,630	4,154,621
Thailand	2,557,106	2,127,898
Singapore	710,639	438,360
United Kingdom	7,499	4,855
China	23,234	67,095
Other countries	258,742	136,039
Gross impaired loans, advances and financing	<u>10,993,680</u>	<u>10,645,339</u>

**A11. LOANS, ADVANCES AND FINANCING (Continued)**

**(ix) Movements in impaired loans**

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
At 1 January	10,645,339	9,081,759
Classified as impaired during the financial year	6,823,059	6,641,453
Reclassified as not impaired during the financial year	(2,237,254)	(2,356,374)
Amount written back in respect of recoveries	(1,141,212)	(995,260)
Amount written off	(2,606,446)	(2,279,957)
Sale of impaired loans	(523,904)	-
Reclassification to non-current asset held for sale	(21,666)	-
Exchange fluctuation	55,764	553,718
At 31 December	<b>10,993,680</b>	<b>10,645,339</b>
Ratio of gross impaired loans to gross loans, advances and financing	<b>3.39%</b>	3.29%

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

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
<u>Individual impairment allowance</u>		
At 1 January	4,735,298	4,256,108
Net allowance made during the financial year	1,464,245	1,351,850
Amount written off	(1,013,707)	(1,052,020)
Amount transferred to portfolio impairment allowance	-	(11,402)
Allowance transferred to non-current asset held for sale	(22,223)	-
Allowance for impaired loan disposed to third party	(323,132)	-
Unwinding income	(35,836)	(9,274)
Exchange fluctuation	(191,103)	200,036
At 31 December	<b>4,613,542</b>	<b>4,735,298</b>
<u>Portfolio impairment allowance</u>		
At 1 January	3,761,178	3,435,066
Net allowance made during the financial year	1,264,288	1,399,726
Amount transferred from individual impairment allowance	-	11,402
Amount written off	(1,591,550)	(1,208,889)
Unwinding income	(47,517)	(52,341)
Allowance for impaired loan disposed to third party	(19,187)	-
Exchange fluctuation	(233,175)	176,214
At 31 December	<b>3,134,037</b>	<b>3,761,178</b>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing (excluding RPSIA financing) less individual impairment allowance	<b>1.49%</b>	1.64%

**A12. OTHER ASSETS**

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Due from brokers and clients net of allowance for doubtful debts	1,333,540	4,599,166	-	-
Other debtors, deposits and prepayments, net of allowance for doubtful debts	5,836,209	3,979,408	42,195	632
Due from a joint venture	1,060,030	1,197,832	-	-
Structured financing	1,393,843	1,997,845	-	-
Foreclosed assets net of allowance for impairment losses	225,572	300,527	-	-
Collateral for securities borrowings	65,702	189,851	-	-
Collateral pledged for derivative transactions	2,232,436	4,260,509	-	-
	<b>12,147,332</b>	<b>16,525,138</b>	<b>42,195</b>	<b>632</b>

**A13. DEPOSITS FROM CUSTOMERS**

	The Group	
	31 December	31 December
	2017	2016
	RM'000	RM'000
<u>By type of deposit</u>		
Demand deposits	79,756,629	73,468,034
Savings deposits	44,866,036	47,032,189
Fixed deposits	150,964,116	144,772,954
Negotiable instruments of deposit	757,296	596,189
Others	72,174,200	65,648,772
	<b>348,518,277</b>	<b>331,518,138</b>

By type of customer

Government and statutory bodies	12,138,585	11,292,422
Business enterprises	125,298,378	114,824,850
Individuals	152,824,739	142,911,827
Others	58,256,575	62,489,039
	<b>348,518,277</b>	<b>331,518,138</b>

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

Due within six months	128,680,616	125,549,363
Six months to less than one year	21,691,798	18,256,401
One year to less than three years	817,391	1,306,359
Three years to less than five years	503,703	257,020
Five years and more	27,904	-
	<b>151,721,412</b>	<b>145,369,143</b>

**A14. INVESTMENT ACCOUNTS OF CUSTOMERS**

	The Group	
	31 December	31 December
	2017	2016
	RM'000	RM'000
Unrestricted investment accounts	907,763	254,408

#### A15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Licensed banks	16,147,617	24,720,127
Licensed finance companies	1,223,313	892,184
Licensed investment banks	28,577	19,263
Bank Negara Malaysia	6,176	51,747
Other financial institutions	2,345,893	2,694,454
	<b>19,751,576</b>	<b>28,377,775</b>

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

Due within six months	18,474,877	25,269,266
Six months to less than one year	1,130,664	2,816,063
One year to less than three years	45,604	191,819
Three years to less than five years	100,431	100,627
	<b>19,751,576</b>	<b>28,377,775</b>

#### A16. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Deposits from customers - structured investments	1,903,205	2,006,644
Bills payables	650,016	1,553,052
Debentures	2,220,219	807,881
	<b>4,773,440</b>	<b>4,367,577</b>

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

The carrying amount of the Group at 31 December 2017 of financial liabilities designated at fair value were RM282,365,000 (2016: RM431,079,000) lower than the contractual amount at maturity for the structured investments, RM18,142,000 (2016: RM12,538,000) lower than the contractual amount at maturity for the debentures and RM345,801,000 (2016: RM182,391,000) higher than the contractual amount at maturity for the bills payable. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

#### A17. OTHER LIABILITIES

	The Group		The Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Due to brokers and clients	1,218,166	4,107,351	-	-
Expenditure payable	2,272,653	2,065,129	1,356	2,069
Provision for legal claims	72,959	65,601	-	-
Sundry creditors	3,941,563	1,495,400	-	1
Structured deposits	6,281,745	5,085,740	-	-
Post employment benefit obligations	469,270	467,151	-	-
Credit card expenditure payable	201,714	212,089	-	-
Collateral received for derivative transactions	1,626,637	3,148,558	-	-
Allowance for commitments and contingencies	32,592	43,169	-	-
Collateral for securities lending	72,023	10,559	-	-
Others	1,600,257	1,724,938	361	-
	<b>17,789,579</b>	<b>18,425,685</b>	<b>1,717</b>	<b>2,070</b>

## A18. INTEREST INCOME

	4th quarter ended		Twelve months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>The Group</b>				
Loans, advances and financing				
- Interest income	3,770,438	3,968,785	15,531,675	15,296,878
- Unwinding income <sup>^</sup>	47,078	36,291	157,743	112,277
Money at call and deposit placements with financial institutions	214,051	139,584	779,068	534,289
Reverse repurchase agreements	43,597	36,343	165,338	174,652
Financial assets held for trading	124,276	119,611	484,550	452,178
Financial investments available-for-sale	284,925	309,442	1,139,255	1,230,462
Financial investments held-to-maturity	311,509	267,500	1,194,351	1,036,976
Others	15,558	11,590	58,673	34,197
	<b>4,811,432</b>	<b>4,889,146</b>	<b>19,510,653</b>	<b>18,871,909</b>
Accretion of discounts, net of amortisation of premiums	3,814	(10,561)	(1,963)	(45,892)
	<b>4,815,246</b>	<b>4,878,585</b>	<b>19,508,690</b>	<b>18,826,017</b>
<b>The Company</b>				
Money at call and deposit placements with financial institutions	6,356	7,159	14,925	18,242
Financial investments available-for-sale	20,164	15,583	80,000	36,082
Financial investments held-to-maturity	32,520	26,076	109,899	103,409
	<b>59,040</b>	<b>48,818</b>	<b>204,824</b>	<b>157,733</b>
Accretion of discounts, net of amortisation of premiums	-	(4,124)	-	(4,124)
	<b>59,040</b>	<b>44,694</b>	<b>204,824</b>	<b>153,609</b>

<sup>^</sup> Unwinding income is interest income earned on impaired financial assets

## A19. INTEREST EXPENSE

	4th quarter ended		Twelve months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	90,988	73,372	359,625	261,805
Deposits from other customers	1,629,713	1,649,540	6,570,580	6,610,285
Repurchase agreements	27,877	33,764	104,086	198,741
Bonds, sukuk and debentures	122,712	76,119	406,322	295,401
Subordinated obligations	39,615	98,949	717,206	767,208
Financial liabilities designated at fair value	29,725	28,269	124,282	124,289
Negotiable certificates of deposits	16,847	37,535	110,807	169,824
Other borrowings	214,929	181,061	348,832	358,241
Recourse obligation on loan and financing sold to Cagamas	32,631	30,657	119,156	110,491
Structured deposits	56,084	16,086	143,296	82,246
Others	27,749	8,418	45,401	21,560
	<b>2,288,870</b>	<b>2,233,770</b>	<b>9,049,593</b>	<b>9,000,091</b>
<b>The Company</b>				
Subordinated obligations	87,565	76,541	328,284	278,585
Other borrowings	34,185	34,273	142,187	158,247
	<b>121,750</b>	<b>110,814</b>	<b>470,471</b>	<b>436,832</b>

**A20. NET NON-INTEREST INCOME**

	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
(a) Net fee income and commission income:				
Commissions	349,297	334,281	1,253,589	970,725
Fee on loans, advances and financing	146,984	212,292	542,324	582,133
Portfolio management fees	-	7,044	15	24,261
Service charges and fees	182,899	172,019	702,791	667,196
Corporate advisory and arrangement fees	25,574	15,168	55,650	51,198
Guarantee fees	17,193	21,899	65,919	66,553
Other fee income	61,528	98,296	245,616	283,655
Placement fees	3,017	3,950	18,094	19,002
Underwriting commission	1,960	7,589	15,809	15,226
Fee and commission income	788,452	872,538	2,899,807	2,679,949
Fee and commission expense	(187,193)	(210,827)	(701,845)	(648,159)
Net fee and commission income	601,259	661,711	2,197,962	2,031,790
(b) Gross dividend income from :				
<i>In Malaysia</i>				
- Financial assets held for trading	10,782	10,247	50,365	44,108
- Financial investments available-for-sale	17,179	4,604	30,031	18,237
<i>Outside Malaysia</i>				
- Financial assets held for trading	359	98	8,185	3,061
- Financial investments available-for-sale	245	1,038	1,757	2,301
	28,565	15,987	90,338	67,707
(c) Net gain/(loss) arising from financial assets held for trading	90,684	(289,478)	703,436	(48,551)
- realised ^	(60,617)	(56,706)	242,107	(153,409)
- unrealised	151,301	(232,772)	461,329	104,858
(d) Net (loss)/gain arising from derivative financial instruments	(99,558)	1,311,534	(439,123)	2,134,348
- realised	303,460	643,861	579,429	1,673,883
- unrealised	(403,018)	667,673	(1,018,552)	460,465
(e) Net gain/(loss) arising from financial liability designated at fair value	11,190	174,893	(231,351)	(229,823)
- realised	(3,257)	(3,791)	(26,167)	(10,391)
- unrealised	14,447	178,684	(205,184)	(219,432)
(f) Net gain/(loss) arising from hedging activities	660	(3,120)	(9,599)	(24,432)
(g) Net gain from sale of financial investments available-for-sale	60,123	52,612	174,206	204,925
(h) Net gain/(loss) from redemption of financial investment held-to-maturity	-	-	1,878	(6)
(h) Income from assets management and securities services	111,769	87,902	395,641	314,954
(i) Brokerage income	105,575	90,083	406,507	359,591
(j) Other non-interest income:				
Foreign exchange gain/(loss)	395,813	(884,579)	1,533,632	(642,461)
Rental income	6,225	5,538	30,322	28,843
Gain on disposal of property, plant and equipment/ assets held for sale	5,365	9,492	25,659	11,661
Gain on disposal of leased assets	212	181	212	181
Underwriting surplus before management expenses	-	-	-	6,020
Loss on disposal of foreclosed properties	(11,579)	(16,297)	(42,313)	(27,361)
Other non-operating income	33,167	24,414	159,858	198,628
	429,203	(861,251)	1,707,370	(424,489)
Total other operating income	1,339,470	1,240,873	4,997,265	4,386,014

^ Included in 2016 was a loss on early termination of unconsolidated structured entity of RM230,671,000.

**A20. NET NON-INTEREST INCOME (CONTINUED)**

	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>				
(b) Gross dividend income from :				
<i>In Malaysia</i>				
- Subsidiaries	168,000	-	2,036,853	1,982,412
- Associates	-	929	-	929
(d) Net gain arising from derivative financial instruments				
- realised	-	-	-	75
- unrealised	-	-	-	(74)
	-	-	-	1
(j) Other non-interest income:				
Foreign exchange loss	(212,643)	(93)	(206,019)	(4)
Rental income	71	71	284	284
Gain on disposal of property, plant and equipment/assets held for sale	-	3,987	-	3,987
Loss on redemption of redeemable preference shares	-	-	-	(183,133)
Other non-operating income	-	67	-	67
	(212,572)	4,032	(205,735)	(178,799)
	(44,572)	4,961	1,831,118	1,804,543

**A21. OVERHEADS**

	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Personnel costs				
- Salaries, allowances and bonus	1,058,755	992,279	4,176,924	3,846,875
- Pension cost	100,141	101,889	409,426	378,207
- Overtime	7,335	7,722	31,377	30,981
- Staff incentives and other staff payments	60,935	58,615	248,702	245,866
- Medical expenses	30,713	28,726	111,299	108,505
- Others	78,649	48,355	276,786	210,225
	1,336,528	1,237,586	5,254,514	4,820,659
Establishment costs				
- Depreciation of property, plant and equipment	86,599	79,171	352,028	325,874
- Amortisation of intangible assets	81,517	94,158	345,470	349,976
- Amortisation of prepaid lease payments	2,786	2,859	11,187	11,332
- Rental	110,267	144,142	511,008	516,354
- Repair and maintenance	108,174	114,267	518,916	489,042
- Outsourced services	17,098	29,753	83,047	97,308
- Security expenses	28,263	29,273	118,442	121,678
- Others	44,913	43,665	190,443	196,462
	479,617	537,288	2,130,541	2,108,026
Marketing expenses				
- Sales commission	2,533	2,359	6,459	8,191
- Advertisement	66,227	53,857	222,536	230,262
- Others	20,660	17,491	72,692	73,155
	89,420	73,707	301,687	311,608
Administration and general expenses				
- Legal and professional fees	40,738	53,606	178,037	175,599
- Stationery	16,618	16,371	60,218	60,925
- Communication	22,459	29,954	110,602	113,929
- Incidental expenses on banking operations	10,206	12,488	37,574	48,780
- Insurance	41,776	70,191	260,868	276,091
- Others	270,458	199,762	799,534	736,073
	402,255	382,372	1,446,833	1,411,397
	2,307,820	2,230,953	9,133,575	8,651,690



**A21. OVERHEADS (CONTINUED)**

	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>				
Personnel costs				
- Staff incentives and other staff payments	32	-	131	3,509
- Others	-	5	-	6
	32	5	131	3,515
Establishment costs				
- Depreciation of property, plant and equipment	211	(27)	374	138
- Depreciation of investment properties	4	4	18	18
- Repair and maintenance	11	9	24	27
- Others	1	1	76	70
	227	(13)	492	253
Marketing expenses				
- Others	-	-	-	3
	-	-	-	3
Administration and general expenses				
- Legal and professional fees	882	1,305	4,892	4,555
- Communication	1	3	26	5
- Others	1,487	1,031	7,978	2,446
	2,370	2,339	12,896	7,006
	2,629	2,331	13,519	10,777

**A22. ALLOWANCE MADE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING**

	4th quarter ended		Twelve months ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Allowance made for loans, advances and financing:				
Net allowance made during the financial period/year				
- Individual impairment allowance	492,538	471,098	1,464,245	1,351,850
- Portfolio impairment allowance	220,589	374,941	1,264,288	1,399,726
Impaired loans, advances and financing:				
- recovered	(139,374)	(98,890)	(516,611)	(359,051)
- written off	4,302	4,444	18,985	16,358
	578,055	751,593	2,230,907	2,408,883

## A23. 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 at the end of the reporting period, and do not represent amounts at risk.

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

At 31 December 2017	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Foreign exchange derivatives</u>			
Currency forward	<b>30,650,864</b>	<b>447,022</b>	<b>(847,056)</b>
- Less than 1 year	25,589,202	374,435	(577,935)
- 1 year to 3 years	4,258,040	70,555	(134,093)
- More than 3 years	803,622	2,032	(135,028)
Currency swaps	<b>191,607,681</b>	<b>1,573,517</b>	<b>(1,912,692)</b>
- Less than 1 year	190,540,762	1,521,788	(1,900,228)
- 1 year to 3 years	669,086	27,302	(8,730)
- More than 3 years	397,833	24,427	(3,734)
Currency spot	<b>3,721,198</b>	<b>4,093</b>	<b>(4,116)</b>
- Less than 1 year	3,721,198	4,093	(4,116)
Currency options	<b>20,909,231</b>	<b>288,249</b>	<b>(317,387)</b>
- Less than 1 year	18,055,237	142,115	(156,045)
- 1 year to 3 years	1,368,848	40,130	(42,368)
- More than 3 years	1,485,146	106,004	(118,974)
Cross currency interest rate swaps	<b>62,981,380</b>	<b>2,624,011</b>	<b>(2,639,922)</b>
- Less than 1 year	14,969,608	310,704	(615,139)
- 1 year to 3 years	20,683,076	1,049,313	(887,072)
- More than 3 years	27,328,696	1,263,994	(1,137,711)
	<b>309,870,354</b>	<b>4,936,892</b>	<b>(5,721,173)</b>
<u>Interest rate derivative</u>			
Interest rate swaps	<b>388,905,122</b>	<b>2,522,630</b>	<b>(1,716,361)</b>
- Less than 1 year	124,703,031	305,799	(281,144)
- 1 year to 3 years	129,982,397	755,858	(510,184)
- More than 3 years	134,219,694	1,460,973	(925,033)
Interest rate futures	<b>11,984,251</b>	<b>8,834</b>	<b>(7,682)</b>
- Less than 1 year	9,311,645	8,289	(6,953)
- 1 year to 3 years	2,165,607	545	(616)
- More than 3 years	506,999	-	(113)
Interest rate options	<b>559,753</b>	<b>3,162</b>	<b>(2,896)</b>
- Less than 1 year	373,126	2,896	(2,896)
- More than 3 years	186,627	266	-
	<b>401,449,126</b>	<b>2,534,626</b>	<b>(1,726,939)</b>
<u>Equity related derivatives</u>			
Equity futures	<b>343,155</b>	<b>782</b>	<b>(3,362)</b>
- Less than 1 year	343,155	782	(3,362)
Equity options	<b>10,164,147</b>	<b>57,553</b>	<b>(117,163)</b>
- Less than 1 year	4,177,734	6,472	(68,004)
- 1 year to 3 years	5,840,125	47,509	(46,139)
- More than 3 years	146,288	3,572	(3,020)
Equity swaps	<b>921,931</b>	<b>39,245</b>	<b>(1,618)</b>
- Less than 1 year	5,312	-	(662)
- 1 year to 3 years	89,002	38,106	-
- More than 3 years	827,617	1,139	(956)
	<b>11,429,233</b>	<b>97,580</b>	<b>(122,143)</b>

A23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2017	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Commodity related derivatives</u>			
Commodity swaps	<b>2,542,518</b>	<b>297,788</b>	<b>(350,028)</b>
- Less than 1 year	2,247,712	282,310	(232,654)
- 1 year to 3 years	294,806	15,478	(117,374)
Commodity futures	<b>1,147,390</b>	<b>111,671</b>	<b>(53,468)</b>
- Less than 1 year	1,147,390	111,671	(53,468)
Commodity options	<b>3,784,702</b>	<b>214,223</b>	<b>(217,139)</b>
- Less than 1 year	3,671,685	214,223	(217,139)
- 1 year to 3 years	113,017	-	-
	<b>7,474,610</b>	<b>623,682</b>	<b>(620,635)</b>
<u>Credit related contract</u>			
Credit default swaps	<b>2,826,699</b>	<b>4,249</b>	<b>(947)</b>
- Less than 1 year	271,116	339	(94)
- 1 year to 3 years	279,788	1,384	(220)
- More than 3 years	2,275,795	2,526	(633)
Total return swaps	<b>362,918</b>	<b>5,130</b>	<b>(5,820)</b>
- Less than 1 year	60,818	554	-
- More than 3 years	302,100	4,576	(5,820)
Credit Spread Option	<b>16,218</b>	<b>-</b>	<b>(310)</b>
- Less than 1 year	16,218	-	(310)
	<b>3,205,835</b>	<b>9,379</b>	<b>(7,077)</b>
<b>Bond contract</b>			
Bond Forward	<b>1,170,651</b>	<b>5,674</b>	<b>(15,830)</b>
- Less than 1 year	198,940	455	(2,681)
- 1 year to 3 years	335,711	495	(6,124)
- More than 3 years	636,000	4,724	(7,025)
	<b>1,170,651</b>	<b>5,674</b>	<b>(15,830)</b>
<b>Hedging derivatives</b>			
Interest rate swaps	<b>25,444,828</b>	<b>87,581</b>	<b>(280,685)</b>
- Less than 1 year	1,755,945	1,567	(10,871)
- 1 year to 3 years	6,335,536	17,253	(95,027)
- More than 3 years	17,353,347	68,761	(174,787)
Currency swaps	<b>4,149,117</b>	<b>147,419</b>	<b>(18,633)</b>
- Less than 1 year	4,149,117	147,419	(18,633)
Cross currency interest rate swaps	<b>4,158,467</b>	<b>5,124</b>	<b>(238,268)</b>
- Less than 1 year	225,545	-	(5,800)
- 1 year to 3 years	1,865,418	5,124	(159,755)
- More than 3 years	2,067,504	-	(72,713)
	<b>33,752,412</b>	<b>240,124</b>	<b>(537,586)</b>
Total derivative assets/(liabilities)	<b>768,352,221</b>	<b>8,447,957</b>	<b>(8,751,383)</b>

A23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2016	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Foreign exchange derivatives</u>			
Currency forward	<b>26,790,129</b>	<b>784,615</b>	<b>(931,449)</b>
- Less than 1 year	23,585,425	715,117	(387,623)
- 1 year to 3 years	2,147,931	46,597	(299,913)
- More than 3 years	1,056,773	22,901	(243,913)
Currency swaps	<b>157,975,307</b>	<b>1,743,656</b>	<b>(1,579,208)</b>
- Less than 1 year	155,783,003	1,691,985	(1,521,620)
- 1 year to 3 years	1,412,137	50,206	(34,427)
- More than 3 years	780,167	1,465	(23,161)
Currency spot	<b>3,088,239</b>	<b>5,456</b>	<b>(2,964)</b>
- Less than 1 year	3,088,239	5,456	(2,964)
Currency options	<b>15,616,068</b>	<b>545,674</b>	<b>(572,324)</b>
- Less than 1 year	12,931,158	283,550	(323,530)
- 1 year to 3 years	838,743	37,932	(42,281)
- More than 3 years	1,846,167	224,192	(206,513)
Cross currency interest rate swaps	<b>67,587,097</b>	<b>4,741,311</b>	<b>(4,845,664)</b>
- Less than 1 year	19,048,440	1,036,895	(681,236)
- 1 year to 3 years	21,714,304	1,468,501	(2,310,831)
- More than 3 years	26,824,353	2,235,915	(1,853,597)
	<b>271,056,840</b>	<b>7,820,712</b>	<b>(7,931,609)</b>
<u>Interest rate derivative</u>			
Interest rate swaps	<b>439,987,712</b>	<b>2,714,322</b>	<b>(2,029,719)</b>
- Less than 1 year	170,950,348	146,710	(151,805)
- 1 year to 3 years	121,428,928	791,409	(549,879)
- More than 3 years	147,608,436	1,776,203	(1,328,035)
Interest rate futures	<b>7,046,879</b>	<b>8,574</b>	<b>(9,312)</b>
- Less than 1 year	4,959,283	8,568	(7,516)
- 1 year to 3 years	1,300,940	6	(1,165)
- More than 3 years	786,656	-	(631)
Interest rate options	<b>62,135</b>	<b>14</b>	<b>(14)</b>
- Less than 1 year	62,011	13	(13)
- More than 3 years	124	1	(1)
	<b>447,096,726</b>	<b>2,722,910</b>	<b>(2,039,045)</b>
<u>Equity related derivatives</u>			
Equity futures	<b>265,830</b>	<b>1,219</b>	<b>(2,444)</b>
- Less than 1 year	265,830	1,219	(2,444)
Equity options	<b>9,974,663</b>	<b>145,919</b>	<b>(198,893)</b>
- Less than 1 year	2,608,354	57,439	(168,930)
- 1 year to 3 years	6,883,259	80,800	(22,297)
- More than 3 years	483,050	7,680	(7,666)
Equity swaps	<b>740,684</b>	<b>1,675</b>	<b>(7,391)</b>
- Less than 1 year	54,316	-	(5,700)
- More than 3 years	686,368	1,675	(1,691)
	<b>10,981,177</b>	<b>148,813</b>	<b>(208,728)</b>

A23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2016	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Commodity related derivatives</u>			
Commodity swaps	<b>3,684,103</b>	<b>320,888</b>	<b>(514,252)</b>
- Less than 1 year	3,054,547	272,582	(366,043)
- 1 year to 3 years	629,556	48,306	(148,209)
Commodity futures	<b>6,472,099</b>	<b>405,180</b>	<b>(191,328)</b>
- Less than 1 year	5,603,437	341,747	(176,720)
- 1 year to 3 years	868,662	63,433	(14,608)
Commodity options	<b>4,202,954</b>	<b>227,122</b>	<b>(205,748)</b>
- Less than 1 year	4,180,748	222,255	(189,004)
- 1 year to 3 years	22,206	4,867	(16,744)
	<b>14,359,156</b>	<b>953,190</b>	<b>(911,328)</b>
<u>Credit related contract</u>			
Credit default swaps	<b>6,646,528</b>	<b>56,699</b>	<b>(66,141)</b>
- Less than 1 year	2,167,497	17,909	(16,607)
- 1 year to 3 years	408,849	4,269	(2,908)
- More than 3 years	4,070,182	34,521	(46,626)
Total return swaps	<b>1,318,600</b>	<b>6,331</b>	<b>(37,090)</b>
- Less than 1 year	1,009,350	348	(29,613)
- More than 3 years	309,250	5,983	(7,477)
	<b>7,965,128</b>	<b>63,030</b>	<b>(103,231)</b>
<b>Bond contract</b>			
Bond forward	<b>265,216</b>	<b>14,388</b>	<b>(429)</b>
- Less than 1 year	137,643	10,040	-
- More than 3 years	127,573	4,348	(429)
<b>Hedging derivatives</b>			
Interest rate swaps	<b>25,791,078</b>	<b>115,783</b>	<b>(396,530)</b>
- Less than 1 year	5,118,165	18,994	(4,057)
- 1 year to 3 years	4,883,066	4,785	(80,897)
- More than 3 years	15,789,847	92,004	(311,576)
Currency forward	<b>129,976</b>	<b>78</b>	<b>-</b>
- Less than 1 year	129,976	78	-
Currency swaps	<b>4,971,124</b>	<b>60,331</b>	<b>(163,051)</b>
- Less than 1 year	4,971,124	60,331	(163,051)
Cross currency interest rate swaps	<b>4,355,932</b>	<b>106,949</b>	<b>(383,641)</b>
- Less than 1 year	589,611	38,405	(37,151)
- 1 year to 3 years	2,226,411	41,475	(275,370)
- More than 3 years	1,539,910	27,069	(71,120)
	<b>35,248,110</b>	<b>283,141</b>	<b>(943,222)</b>
Total derivative assets/(liabilities)	<b>786,972,353</b>	<b>12,006,184</b>	<b>(12,137,592)</b>

## A23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Group's and the Company's derivative financial instruments are subject to market, credit risk and liquidity risk, as follows:

### **Market Risk**

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

### **Credit Risk**

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 31 December 2017, the amount of credit risk in the Group and the Company, measured in terms of the cost to replace the profitable contracts, was RM8,447,957,000 and Nil respectively (2016: RM12,006,184,000 and Nil respectively). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### **Liquidity Risk**

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

### **Cash requirements of the derivatives**

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 December 2017, the Group has posted cash collateral of RM2,232,436,000 (31 December 2016: RM4,260,509,000) on their derivative contracts.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts;
- c) the hedging policies in respect of foreign exchange and interest/profit rate exposures; and
- d) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group are disclosed in the audited annual financial statements for the financial year ended 31 December 2016 and the Risk Management section of the 2016 Annual Report.

## A24. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of business, the Group enter into various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the Group's assets except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>The Group</b>		
<u>Credit-related</u>		
Direct credit substitutes	7,515,388	7,031,342
Certain transaction-related contingent items	7,579,091	7,076,233
Short-term self-liquidating trade-related contingencies	3,767,991	4,437,262
Obligations under underwriting agreement	-	13,500
Irrevocable commitments to extend credit		
- maturity not exceeding one year	57,735,266	51,984,418
- maturity exceeding one year	29,785,979	28,267,348
Miscellaneous commitments and contingencies	1,143,380	2,384,757
Total credit-related commitments and contingencies	<b>107,527,095</b>	<b>101,194,860</b>
<u>Treasury-related</u>		
<u>Foreign exchange related contracts</u>		
- less than one year	257,250,669	220,126,813
- one year to five years	46,084,413	46,805,928
- more than five years	14,842,856	13,581,131
	<b>318,177,938</b>	<b>280,513,872</b>
<u>Interest rate related contracts</u>		
- less than one year	136,143,747	181,089,807
- one year to five years	232,259,484	243,159,661
- more than five years	58,490,723	48,638,336
	<b>426,893,954</b>	<b>472,887,804</b>
<u>Equity related contracts</u>		
- less than one year	4,526,201	2,928,500
- one year to five years	6,026,265	7,630,301
- more than five years	876,767	422,376
	<b>11,429,233</b>	<b>10,981,177</b>
<u>Credit related contracts</u>		
- less than one year	348,152	3,176,847
- one year to five years	1,616,354	3,924,885
- more than five years	1,241,329	863,396
	<b>3,205,835</b>	<b>7,965,128</b>
<u>Commodity related contracts</u>		
- less than one year	7,066,787	12,838,732
- one year to five years	407,823	1,520,424
	<b>7,474,610</b>	<b>14,359,156</b>
<u>Bond contracts</u>		
- less than one year	198,940	137,643
- one year to five years	851,711	37,573
- more than five years	120,000	90,000
	<b>1,170,651</b>	<b>265,216</b>
Total treasury-related commitments and contingencies	<b>768,352,221</b>	<b>786,972,353</b>
	<b>875,879,316</b>	<b>888,167,213</b>

- (b) 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 2017 from Inland Revenue Board ("IRB"), and obtained a stand over of taxes from IRB on 13 April 2017. No provision has been made in the financial statements for any potential contingent liabilities up to the reporting date, based on independent legal advice.

## A25. CAPITAL ADEQUACY

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 (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015 and then subsequently on 4 August 2017; the revised guidelines took effect for all banking institutions on 1 January 2016 and 4 August 2017 respectively and will take effect for all financial holding companies on 1 January 2019. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 28 November 2012 and was subsequently updated on 1 August 2016 and 2 March 2017.

The IRB Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach. 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) guidelines issued on 8 November 2012. The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand (BOT) requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNoRSor. 12/2555 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The 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, amended by circular 06/2016/TT-NHNN dated 27 May 2016 with minimum compliance of 9%. 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 .



A25. CAPITAL ADEQUACY (Continued)

**31 December 2017**

(a) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	CIMB							
	CIMB Bank **	Islamic Bank	CIMB Thai Bank	CIMB Bank Group	Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
Common equity tier 1 ratio	12.866% ^	13.286%	12.471%	12.942% ^	35.950%	17.010%	N/A	N/A
Tier 1 ratio	14.333% ^	13.892%	12.471%	14.095% ^	35.950%	17.010%	N/A	N/A
Total capital ratio	17.784% ^	16.291%	16.631%	17.700% ^	35.950%	18.225%	16.622%	332.242%
<b>After deducting proposed dividend</b>								
Common equity tier 1 ratio	11.879% ^	13.286%	12.471%	12.227% ^	30.867%	17.010%	N/A	N/A
Tier 1 ratio	13.347% ^	13.892%	12.471%	13.381% ^	30.867%	17.010%	N/A	N/A
Total capital ratio	16.797% ^	16.291%	16.631%	16.986% ^	30.867%	18.225%	16.622%	332.242%

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

	CIMB							
	CIMB Bank **	Islamic Bank	CIMB Thai Bank	CIMB Bank Group	Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk	138,811,146	27,492,260	23,081,198	193,146,506	1,110,035	52,021,720	1,912,198	172,160
Market risk	11,050,726	629,312	4,560,714	14,125,733	56,342	807,243	-	-
Operational risk	14,330,500	2,371,944	2,146,905	19,782,736	643,358	7,428,716	-	-
Large exposure risk	768,600	-	-	768,600	-	-	-	-
	164,960,972	30,493,516	29,788,817	227,823,575	1,809,735	60,257,679	1,912,198	172,160

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

	CIMB							
	CIMB Bank	Islamic Bank	CIMB Thai Bank	CIMB Bank Group	Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Common Equity Tier I capital</b>								
Ordinary share capital	17,610,939 *	1,000,000	1,882,481	17,610,939 *	100,000	409,368	253,406	571,904
Other reserves	13,904,088 *	3,575,715	2,010,652	20,007,741 *	583,317	10,118,418	25,858	42
Qualifying non-controlling interests	-	-	-	152,698	-	-	-	-
Less: Proposed dividends	(1,627,553)	-	-	(1,627,553)	(92,000)	-	-	-
Common Equity Tier I capital before regulatory adjustments	29,887,474	4,575,715	3,893,133	36,143,825	591,317	10,527,786	279,264	571,946
Less: Regulatory adjustments								
Goodwill	(3,555,075)	(136,000)	-	(5,177,536)	(964)	-	-	-
Intangible assets	(832,713)	(78,777)	(36,301)	(951,237)	-	-	(1,705)	-
Deferred tax assets	(157,309)	(18,110)	(127,240)	(382,224)	(21,344)	(45,207)	-	-
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,260,702)	-	-	-	(6,859)	(232,828)	-	-
Deduction in excess of Tier 1 & Tier 2 capital	-	-	-	-	(1,417)	-	-	-
Shortfall of eligible provisions to expected losses	-	-	-	-	-	-	-	-
Others	(1,485,929)	(291,600)	(14,548)	(1,775,705)	(2,126)	-	(4,414)	-
Common Equity Tier I capital after regulatory adjustments	19,595,746	4,051,228	3,715,044	27,857,123	558,607	10,249,751	273,145	571,946
<b>Additional Tier I capital</b>								
Perpetual preference shares	200,000	185,000	-	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	-	-	-	30,301	-	-	-	-
Additional Tier I capital before regulatory adjustments	2,600,000	185,000	-	2,630,301	-	-	-	-
Less: Regulatory adjustments								
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(178,641)	-	-	(2,641)	-	-	-	-
Additional Tier I capital after regulatory adjustments	2,421,359	185,000	-	2,627,660	-	-	-	-
<b>Total Tier I Capital</b>	<b>22,017,105</b>	<b>4,236,228</b>	<b>3,715,044</b>	<b>30,484,783</b>	<b>558,607</b>	<b>10,249,751</b>	<b>273,145</b>	<b>571,946</b>
<b>Tier II capital</b>								
Subordinated notes	7,050,000	610,000	1,129,779	7,050,000	-	190,362	28,382	-
Redeemable preference shares	29,740	-	-	29,740	5	-	-	-
Surplus of eligible provision over expected loss	267,987	40,691	-	118,446	-	-	-	39
Qualifying capital instruments held by third parties	-	-	-	363,627	-	-	-	-
Portfolio impairment allowance & Regulatory reserve <sup>√</sup>	254,766	80,754	109,306	651,277	2,037	541,685	16,321	4
Tier II capital before regulatory adjustments	7,602,493	731,445	1,239,085	8,213,090	2,042	732,047	44,703	43
Less: Regulatory adjustments								
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,911,008)	-	-	(660)	(3,459)	-	-	-
<b>Total Tier II capital</b>	<b>5,691,485</b>	<b>731,445</b>	<b>1,239,085</b>	<b>8,212,430</b>	<b>-</b>	<b>732,047</b>	<b>44,703</b>	<b>43</b>
<b>Total capital base</b>	<b>27,708,590</b>	<b>4,967,673</b>	<b>4,954,129</b>	<b>38,697,213</b>	<b>558,607</b>	<b>10,981,798</b>	<b>317,848</b>	<b>571,989</b>

<sup>√</sup> The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2017 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM165million, RM151 million and RM14 million respectively.

\* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of CIMB Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of CIMB Bank's share premium account has become part of its share capital. Notwithstanding this provision, CIMB Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

\*\* Includes the operations of CIMB Bank (L) Limited.

<sup>^</sup> CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of CIMB Bank, successfully completed its ninth Dividend Reinvestment Scheme ("DRS") of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.

CIMB Group successfully completed its tenth DRS of which RM968 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM934 million into CIMB Bank via rights issue which was completed on 22 December 2017.

CIMB Group implemented a DRS for the second interim dividend in respect of the financial year ended 2017. 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.

A25. CAPITAL ADEQUACY (Continued)

**31 December 2016**

(a) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	CIMB Bank **	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank Group	CIMB Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC
<b>Before deducting proposed dividend</b>							
Common equity tier 1 ratio	12.064% ^	14.711%	10.156%	11.942% ^	35.635%	16.321%	N/A
Tier 1 ratio	13.567% ^	15.526%	10.156%	13.156% ^	35.635%	16.321%	N/A
Total capital ratio	16.699% ^	18.025%	15.583%	16.771% ^	35.635%	17.714%	15.926%
<b>After deducting proposed dividend</b>							
Common equity tier 1 ratio	11.549% ^	14.711%	10.156%	11.556% ^	32.344%	16.321%	N/A
Tier 1 ratio	13.051% ^	15.526%	10.156%	12.770% ^	32.344%	16.321%	N/A
Total capital ratio	16.183% ^	18.025%	15.583%	16.385% ^	32.344%	17.714%	15.926%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is 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
Credit risk	138,362,816	20,854,131	23,225,101	185,063,333	1,080,354	55,449,429	1,647,272
Market risk	11,249,430	537,923	4,416,296	14,567,619	53,653	537,912	-
Operational risk	13,500,836	2,166,412	2,090,505	18,282,144	597,796	7,935,282	-
Large exposure risk	719,612	-	-	719,612	-	-	-
	163,832,694	23,558,466	29,731,902	218,632,708	1,731,803	63,922,623	1,647,272

(c) Components of Common Equity Tier I, additional Tier I and Tier II capital 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
<b>Common Equity Tier I capital</b>							
Ordinary share capital	5,276,655	1,000,000	1,551,447	5,276,655	100,000	537,939	224,300
Other reserves	23,251,046	2,930,140	1,822,707	28,982,224	542,491	10,358,077	33
Qualifying non-controlling interests	-	-	-	307,549	-	-	-
Less: Proposed dividends	(844,265)	-	-	(844,265)	(57,000)	-	-
Common Equity Tier I capital before regulatory adjustments	27,683,436	3,930,140	3,374,154	33,722,163	585,491	10,896,016	224,333
Less: Regulatory adjustments							
Goodwill	(3,555,075)	(136,000)	-	(5,188,198)	(964)	-	-
Intangible assets	(833,024)	(80,961)	(27,290)	(934,211)	-	-	(1,767)
Deferred tax assets	(164,602)	(15,507)	(134,724)	(384,082)	(15,891)	(83,073)	-
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,963,652)	-	-	(531,812)	(5,102)	(380,348)	-
Deduction in excess of Tier 2 capital	-	-	-	-	(1,193)	-	-
Shortfall of eligible provisions to expected losses	-	(30,571)	-	-	-	-	-
Others	(1,246,394)	(201,344)	(192,648)	(1,419,044)	(2,207)	-	(5,264)
Common Equity Tier I capital after regulatory adjustments	18,920,689	3,465,757	3,019,492	25,264,816	560,134	10,432,595	217,302
<b>Additional Tier I capital</b>							
Perpetual preference shares	200,000	192,000	-	200,000	-	-	-
Innovative Tier I Capital	1,000,000	-	-	1,000,000	-	-	-
Perpetual subordinated capital securities	1,400,000	-	-	1,400,000	-	-	-
Qualifying capital instruments held by third parties	-	-	-	60,423	-	-	-
Additional Tier I capital before regulatory adjustments	2,600,000	192,000	-	2,660,423	-	-	-
Less: Regulatory adjustments							
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(138,568)	-	-	(6,568)	-	-	-
Additional Tier I capital before and after regulatory adjustments	2,461,432	192,000	-	2,653,855	-	-	-
<b>Total Tier I Capital</b>	<b>21,382,121</b>	<b>3,657,757</b>	<b>3,019,492</b>	<b>27,918,671</b>	<b>560,134</b>	<b>10,432,595</b>	<b>217,302</b>
<b>Tier II capital</b>							
Subordinated notes	7,050,000	520,000	1,513,752	7,050,000	-	320,498	31,402
Redeemable preference shares	29,740	-	-	29,740	6	-	-
Surplus of eligible provision over expected loss	375,461	-	-	180,808	-	-	-
Qualifying capital instruments held by third parties	-	-	-	407,064	-	-	-
Portfolio impairment allowance & Regulatory reserve <sup>√</sup>	247,139	68,594	100,026	596,054	2,203	570,138	13,643
Tier II capital before regulatory adjustments	7,702,340	588,594	1,613,778	8,263,666	2,209	890,636	45,045
Less: Regulatory adjustments							
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,571,006)	-	-	(359,121)	(3,402)	-	-
<b>Total Tier II capital</b>	<b>5,131,334</b>	<b>588,594</b>	<b>1,613,778</b>	<b>7,904,545</b>	<b>-</b>	<b>890,636</b>	<b>45,045</b>
<b>Total capital base</b>	<b>26,513,455</b>	<b>4,246,351</b>	<b>4,633,270</b>	<b>35,823,216</b>	<b>560,134</b>	<b>11,323,231</b>	<b>262,347</b>

<sup>√</sup> The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2016 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM186 million, RM166 million and RM20 million respectively.

\*\*Includes the operations of CIMB Bank (L) Limited.

<sup>^</sup> On 26 April 2016, CIMB Group Holdings Berhad ("CIMB Group") completed its seventh Dividend Reinvestment Scheme ("DRS") of which RM814 million was reinvested into new CIMB Group shares. There was no reinvestment made into CIMB Bank post the successful completion of the DRS.

CIMB Group successfully completed its eighth DRS of which RM599 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM675 million into CIMB Bank via right issue which was completed on 15 December 2016.

## **A26. SEGMENTAL REPORT**

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

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

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

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

### Business segment reporting

#### Definition of segments:

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

#### ***Consumer Banking***

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

#### **Commercial Banking**

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

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

#### ***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.

**A26. SEGMENTAL REPORT** (Continued)

***Wholesale Banking (Continued)***

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.

***Group Asset Management and Investments***

Group Asset Management and Investments consists of the Group's public and private asset management portfolios.

Public Markets consists of CIMB Principal Assets Management Group. Private Marktes consists of other private equity investments and strategic investments.

***Group Funding and Others***

Group Funding and Others consists of the Group's assets and liabilities management, capital's investment in fixed income investments and investment in the Group's proprietary capital and funding.

A26. SEGMENTAL REPORT (Continued)

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
<b>31 December 2017</b>						
Net interest income						
- external income	5,486,000	1,520,244	2,753,373	30,557	668,923	10,459,097
- inter-segment (expense)/income	(413,189)	57,011	395,836	(184)	(39,474)	-
	<u>5,072,811</u>	<u>1,577,255</u>	<u>3,149,209</u>	<u>30,373</u>	<u>629,449</u>	<u>10,459,097</u>
Income from Islamic Banking operations	934,842	209,612	692,598	(25)	294,786	2,131,813
Net non-interest income	1,893,126	396,439	2,117,146	488,183	102,371	4,997,265
Gain on deemed disposal/disposal of joint venture and associate	-	-	-	2,655	35,666	38,321
	<u>7,900,779</u>	<u>2,183,306</u>	<u>5,958,953</u>	<u>521,186</u>	<u>1,062,272</u>	<u>17,626,496</u>
Overheads	(4,393,153)	(1,155,546)	(2,825,746)	(304,209)	(454,921)	(9,133,575)
of which:						
- Depreciation of property, plant and equipment	(142,606)	(6,347)	(48,293)	(7,749)	(147,033)	(352,028)
- Amortisation of prepaid lease payments	-	(46)	(168)	-	(10,973)	(11,187)
- Amortisation of intangible assets	(57,234)	(3,791)	(28,810)	(12,932)	(242,703)	(345,470)
	<u>3,507,626</u>	<u>1,027,760</u>	<u>3,133,207</u>	<u>216,977</u>	<u>607,351</u>	<u>8,492,921</u>
Profit before allowances						
Allowance made for impairment losses on loans, advances and financing	(938,965)	(800,158)	(490,857)	-	(927)	(2,230,907)
Allowance (made)/written back for losses on other receivables	(5,995)	(4,279)	(17,337)	(50,701)	2,209	(76,103)
Allowance written back/(made) for commitments and contingencies	-	12,586	(2,222)	-	-	10,364
Allowance written back/(made) for other impairment losses	13	(140)	(55,507)	(42,128)	(1,302)	(99,064)
	<u>2,562,679</u>	<u>235,769</u>	<u>2,567,284</u>	<u>124,148</u>	<u>607,331</u>	<u>6,097,211</u>
Segment results						
Share of results of joint ventures	4,659	-	-	8,236	-	12,895
Share of results of associates	-	-	-	(121)	-	(121)
	<u>2,567,338</u>	<u>235,769</u>	<u>2,567,284</u>	<u>132,263</u>	<u>607,331</u>	<u>6,109,985</u>
Profit before taxation and zakat	<u>42.0</u>	<u>3.9</u>	<u>42.0</u>	<u>2.2</u>	<u>9.9</u>	<u>100.0</u>
% of profit before taxation and zakat						
Taxation and zakat						(1,502,019)
<b>Profit for the financial year</b>						<u>4,607,966</u>

**A26. SEGMENTAL REPORT (Continued)**

	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Wholesale Banking RM'000</b>	<b>Group Asset Management and Investments RM'000</b>	<b>Group Funding and Others RM'000</b>	<b>Total RM'000</b>
<b>31 December 2016</b>						
Net interest income						
- external income	5,154,549	1,439,530	2,778,888	38,519	414,440	9,825,926
- inter-segment (expense)/income	(427,992)	79,719	271,789	(116)	76,600	-
	4,726,557	1,519,249	3,050,677	38,403	491,040	9,825,926
Income from Islamic Banking operations	835,343	183,562	491,743	2,430	190,965	1,704,043
Net non-interest income	1,690,500	320,798	1,872,145	442,011	60,560	4,386,014
Gain on deemed disposal/disposal of joint venture and associate	-	-	-	(606)	149,878	149,272
Net income	7,252,400	2,023,609	5,414,565	482,238	892,443	16,065,255
Overheads	(4,127,250)	(1,106,889)	(2,663,121)	(320,453)	(433,977)	(8,651,690)
of which:						
- Depreciation of property, plant and equipment	(132,353)	(8,621)	(51,189)	(21,254)	(112,457)	(325,874)
- Amortisation of prepaid lease payments	627	(49)	(173)	-	(11,737)	(11,332)
- Amortisation of intangible assets	(71,798)	(5,238)	(29,074)	(13,396)	(230,470)	(349,976)
Profit before allowances	3,125,150	916,720	2,751,444	161,785	458,466	7,413,565
Allowance made for impairment losses on loans, advances and financing	(827,782)	(596,798)	(984,102)	-	(201)	(2,408,883)
Allowance (made)/written back for losses on other receivables	(3,143)	(1,759)	(89,537)	5,633	1,646	(87,160)
Allowance written back for commitments and contingencies	-	(30,461)	-	-	-	(30,461)
Allowance written back/(made) for other impairment losses	-	-	124	(62,745)	(55,984)	(118,605)
Segment results	2,294,225	287,702	1,677,929	104,673	403,927	4,768,456
Share of results of joint ventures	2,254	-	-	1,982	-	4,236
Share of results of associates	-	-	-	111,452	-	111,452
Profit before taxation and zakat	2,296,479	287,702	1,677,929	218,107	403,927	4,884,144
% of profit before taxation and zakat	47.0	5.9	34.3	4.5	8.3	100.0
Taxation and zakat						(1,251,187)
<b>Profit for the financial year</b>						<b>3,632,957</b>

A26. SEGMENTAL REPORT (Continued)

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
<b>31 December 2017</b>						
<b>Group</b>						
Segment assets	169,224,525	52,685,568	235,661,389	1,234,602	34,341,542	493,147,626
Investment in associates and joint ventures	169,687	-	-	90,067	176	259,930
	169,394,212	52,685,568	235,661,389	1,324,669	34,341,718	493,407,556
Unallocated assets	-	-	-	-	-	13,091,976
<b>Total assets</b>	<b>169,394,212</b>	<b>52,685,568</b>	<b>235,661,389</b>	<b>1,324,669</b>	<b>34,341,718</b>	<b>506,499,532</b>
Segment liabilities	164,841,096	52,193,495	208,342,179	668,320	19,023,300	445,068,390
Unallocated liabilities	-	-	-	-	-	11,624,707
<b>Total liabilities</b>	<b>164,841,096</b>	<b>52,193,495</b>	<b>208,342,179</b>	<b>668,320</b>	<b>19,023,300</b>	<b>456,693,097</b>
<b>Other segment items</b>						
Incurred capital expenditure	354,354	5,672	61,705	29,543	260,645	711,919
Investment in joint ventures	169,687	-	-	14,044	-	183,731
Investment in associates	-	-	-	76,023	176	76,199

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
<b>31 December 2016</b>						
<b>Group</b>						
Segment assets	161,601,169	53,394,071	215,494,612	1,898,210	33,052,317	465,440,379
Investment in associates and joint ventures	165,028	-	-	53,247	33,066	251,341
	161,766,197	53,394,071	215,494,612	1,951,457	33,085,383	465,691,720
Unallocated assets	-	-	-	-	-	20,075,167
<b>Total assets</b>	<b>161,766,197</b>	<b>53,394,071</b>	<b>215,494,612</b>	<b>1,951,457</b>	<b>33,085,383</b>	<b>485,766,887</b>
Segment liabilities	150,671,545	52,075,479	204,502,872	632,917	18,636,838	426,519,651
Unallocated liabilities	-	-	-	-	-	12,168,078
<b>Total liabilities</b>	<b>150,671,545</b>	<b>52,075,479</b>	<b>204,502,872</b>	<b>632,917</b>	<b>18,636,838</b>	<b>438,687,729</b>
<b>Other segment items</b>						
Incurred capital expenditure	370,657	8,793	68,009	6,081	583,555	1,037,095
Investment in joint ventures	165,028	-	-	8,652	-	173,680
Investment in associates	-	-	-	44,595	33,066	77,661

## A27. 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.

### 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. 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 Group Market Risk Committee;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.



**A27. FAIR VALUE ESTIMATION (Continued)**

- (i). The following table represents the Group's and the Company's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 31 December 2017 and 31 December 2016.

<b>The Group</b>	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Recurring fair value measurements</b>					
<b><u>Financial assets</u></b>					
Financial assets held for trading					
- Money market instruments	13,885,908	-	13,885,908	-	13,885,908
- Quoted securities	2,580,218	2,290,879	289,339	-	2,580,218
- Unquoted securities	5,191,086	-	5,026,843	164,243	5,191,086
Financial investments available-for-sale					
- Money market instruments	2,401,517	-	2,401,517	-	2,401,517
- Quoted securities	7,733,589	4,367,944	3,365,645	-	7,733,589
- Unquoted securities	22,268,880	-	20,914,524	1,354,356	22,268,880
Derivative financial instruments					
- Trading derivatives	8,207,833	122,342	8,029,095	56,396	8,207,833
- Hedging derivatives	240,124	-	240,124	-	240,124
<b>Total</b>	<b>62,509,155</b>	<b>6,781,165</b>	<b>54,152,995</b>	<b>1,574,995</b>	<b>62,509,155</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	8,213,797	157,099	8,032,594	24,104	8,213,797
- Hedging derivatives	537,586	-	537,586	-	537,586
Financial liabilities designated at fair value	4,773,440	-	4,378,382	395,058	4,773,440
<b>Total</b>	<b>13,524,823</b>	<b>157,099</b>	<b>12,948,562</b>	<b>419,162</b>	<b>13,524,823</b>
<b>31 December 2016</b>					
<b>Recurring fair value measurements</b>					
<b><u>Financial assets</u></b>					
Financial assets held for trading					
- Money market instruments	16,177,991	-	16,177,991	-	16,177,991
- Quoted securities	2,229,681	1,978,190	251,491	-	2,229,681
- Unquoted securities	4,360,976	-	4,182,525	178,451	4,360,976
Financial investments available-for-sale					
- Money market instruments	3,100,531	-	3,100,531	-	3,100,531
- Quoted securities	5,492,211	2,682,646	2,809,565	-	5,492,211
- Unquoted securities	22,937,521	-	21,608,982	1,328,539	22,937,521
Derivative financial instruments					
- Trading derivatives	11,723,043	423,619	11,203,242	96,182	11,723,043
- Hedging derivatives	283,141	-	283,141	-	283,141
<b>Total</b>	<b>66,305,095</b>	<b>5,084,455</b>	<b>59,617,468</b>	<b>1,603,172</b>	<b>66,305,095</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	11,194,370	270,504	10,783,356	140,510	11,194,370
- Hedging derivatives	943,222	-	943,222	-	943,222
Financial liabilities designated at fair value	4,367,577	-	3,981,115	386,462	4,367,577
<b>Total</b>	<b>16,505,169</b>	<b>270,504</b>	<b>15,707,693</b>	<b>526,972</b>	<b>16,505,169</b>

**A27. FAIR VALUE ESTIMATION (Continued)**

- (i). The following table represents the Group's and Company's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 31 December 2017 and 31 December 2016.

<b>The Company</b>	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Recurring fair value measurements</i>					
<u>Financial assets</u>					
Financial investments available-for-sale					
- Unquoted securities	1,433,024	-	1,433,024	-	1,433,024
<b>Total</b>	<b>1,433,024</b>	<b>-</b>	<b>1,433,024</b>	<b>-</b>	<b>1,433,024</b>

<b>The Company</b>	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Recurring fair value measurements</i>					
<u>Financial assets</u>					
Financial investments available-for-sale					
- Unquoted securities	1,432,249	-	1,432,249	-	1,432,249
<b>Total</b>	<b>1,432,249</b>	<b>-</b>	<b>1,432,249</b>	<b>-</b>	<b>1,432,249</b>

**A27. FAIR VALUE ESTIMATION** (Continued)

(ii). The following represents the movement in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group.

	Financial Assets			Total	Financial Liabilities		
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Financial liabilities designated at fair value	Derivative financial instruments	Total
	Unquoted securities	Unquoted securities	Trading derivatives			Trading derivatives	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>							
At 1 January	178,451	1,328,539	96,182	1,603,172	(386,462)	(140,510)	(526,972)
Total gains/(losses) recognised in Statement of Income	3,136	(6,572)	(38,693)	(42,129)	(32,607)	64,662	32,055
Total gains recognised in Other Comprehensive Income	-	76,463	-	76,463	-	-	-
Purchases	-	27,412	36,054	63,466	-	(44,016)	(44,016)
Sales and redemptions	-	(38,358)	-	(38,358)	-	-	-
Settlements	-	-	(36,621)	(36,621)	24,011	95,329	119,340
Exchange fluctuation	(17,344)	(33,128)	(526)	(50,998)	-	431	431
At 31 December	164,243	1,354,356	56,396	1,574,995	(395,058)	(24,104)	(419,162)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December 2017 under:							
- net non-interest income	3,136	(6,094)	(38,693)	(41,651)	(15,465)	64,662	49,197
- interest expense	-	-	-	-	(17,142)	-	(17,142)
- allowances for other impairment losses	-	(478)	-	(478)	-	-	-
Total gains recognised in Other Comprehensive Income for the financial year ended 31 December 2017 under "revaluation reserves"	-	76,463	-	76,463	-	-	-
Change in unrealised gains/(losses) recognised in Statement of Income relating to assets held on 31 December 2017 under "net non-interest income"	3,136	-	2,577	5,713	(15,465)	18,127	2,662

**A27. FAIR VALUE ESTIMATION** (Continued)

(ii). The following represents the movement in Level 3 instruments for the financial year ended 31 December 2017 and 31 December 2016 for the Group. (Continued)

	Financial Assets			Total	Financial Liabilities		
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Financial liabilities designated at fair value	Derivative financial instruments	Total
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000		RM'000	Trading derivatives RM'000	RM'000
<b>2016</b>							
At 1 January	157,385	1,352,769	132,878	1,643,032	(359,089)	(216,627)	(575,716)
Total gains/(losses) recognised in Statement of Income	12,927	(34,136)	(69,781)	(90,990)	(46,608)	107,021	60,413
Total gains recognised in Other Comprehensive Income	-	83,973	-	83,973	-	-	-
Purchases	-	123,496	39,369	162,865	-	(38,421)	(38,421)
Sales and redemptions	-	(210,353)	-	(210,353)	-	-	-
Settlements	-	-	(5,665)	(5,665)	19,235	6,246	25,481
Exchange fluctuation	8,139	12,790	(619)	20,310	-	1,271	1,271
At 31 December	178,451	1,328,539	96,182	1,603,172	(386,462)	(140,510)	(526,972)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December 2016 under:							
- net non-interest income	12,927	(30,278)	(69,781)	(87,132)	(30,236)	107,021	76,785
- interest expense	-	-	-	-	(16,372)	-	(16,372)
- allowances for other impairment losses	-	(3,858)	-	(3,858)	-	-	-
Total gains recognised in Other Comprehensive Income for financial year ended 31 December 2016 under "revaluation reserves"	-	83,973	-	83,973	-	-	-
Change in unrealised gains/(losses) recognised in Statement of Income relating to assets held on 31 December 2016 under "net non-interest income"	12,927	-	11,111	24,038	(30,236)	62,697	32,461

**A27. FAIR VALUE ESTIMATION (Continued)**

The following represents the Group's and the Company's non-financial assets measured at fair value and classified by level with the following fair value measurement hierarchy as at 31 December 2017 and 31 December 2016.

Investment properties (Recurring)

The investment properties of the Group 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.

Non-current assets held for sales (Non-recurring)

In accordance with MFRS5, the non-current assets held for sales were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2017, the property plant and equipment and investment properties held for sales of the Group that were stated at fair value less cost to sell was RM4,612,000 (2016: RM4,573,000). 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.

**A28. OPERATIONS OF ISLAMIC BANKING****A28a. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

		The Group	
	Note	31 December 2017 RM'000	31 December 2016 RM'000
<b>ASSETS</b>			
Cash and short-term funds		14,672,304	9,110,838
Deposits and placements with banks and other financial institutions		2,456,177	761,871
Financial assets held for trading		3,547,420	2,949,804
Islamic derivative financial instruments		662,899	885,452
Financial investments available-for-sale		2,707,721	1,951,060
Financial investments held-to-maturity		5,241,403	3,838,845
Financing, advances and other financing/loans	A28d(i)	67,914,990	54,888,460
Deferred tax assets		17,917	15,452
Amount due from conventional operations		2,506,840	4,864,731
Statutory deposits with Bank Negara Malaysia		1,554,286	1,384,859
Property, plant and equipment		8,790	13,124
Other assets		1,417,469	1,933,435
Goodwill		136,000	136,000
Intangible assets		79,584	81,877
<b>TOTAL ASSETS</b>		<b>102,923,800</b>	<b>82,815,808</b>
<b>LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>			
Deposits from customers	A28(e)	74,879,644	59,581,884
Investment accounts of customers	A28(f)	907,763	254,408
Deposits and placements of banks and other financial institutions		1,897,975	2,264,927
Investment accounts due to designated financial institutions	A28(g)	8,145,684	3,912,011
Islamic derivative financial instruments		707,081	985,995
Financial liabilities designated at fair value	A28(h)	2,233	2,181
Amount due to conventional operations		1,208,445	1,545,256
Provision for taxation		56,012	45,676
Other liabilities		4,443,630	5,100,164
Other borrowings		246,633	183,511
Recourse obligation on loans and financing sold to Cagamas		2,072,300	1,353,390
Sukuk		463,257	586,488
Subordinated Sukuk		615,006	617,563
<b>TOTAL LIABILITIES</b>		<b>95,645,663</b>	<b>76,433,454</b>
Ordinary share capital		1,000,000	1,000,000
Islamic banking funds		55,696	55,696
Perpetual preference shares		220,000	220,000
Reserves		5,976,274	5,091,007
		7,251,970	6,366,703
Non-controlling interests		26,167	15,651
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>7,278,137</b>	<b>6,382,354</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>102,923,800</b>	<b>82,815,808</b>

**A28b. UNAUDITED CONSOLIDATED STATEMENTS OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	The Group			
	4th quarter ended		Twelve months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	1,002,422	706,598	3,611,871	2,785,090
Income derived from investment of investment account	74,364	47,220	252,057	188,683
Net income derived from investment of shareholders' funds	133,205	150,546	403,380	448,025
Allowance made for impairment losses on financing, advances and other financing/loans	(68,160)	(43,295)	(171,693)	(77,058)
Allowance written back/(made) for impairment losses on other receivables	19	256	(29)	(255)
Allowance for other impairment losses	-	(3,160)	-	(3,160)
<b>Total distributable income</b>	<b>1,141,850</b>	<b>858,165</b>	<b>4,095,586</b>	<b>3,341,325</b>
Income attributable to depositors and others	(596,214)	(476,506)	(2,152,295)	(1,722,819)
Profit distributed to investment account holder	(57,411)	(32,881)	(188,508)	(133,058)
<b>Total net income</b>	<b>488,225</b>	<b>348,778</b>	<b>1,754,783</b>	<b>1,485,448</b>
Other operating expenses	(157,286)	(133,410)	(615,049)	(548,919)
<b>Profit before taxation and zakat</b>	<b>330,939</b>	<b>215,368</b>	<b>1,139,734</b>	<b>936,529</b>
Taxation and zakat	(38,824)	(46,430)	(184,593)	(194,091)
<b>Profit for the financial period/year</b>	<b>292,115</b>	<b>168,938</b>	<b>955,141</b>	<b>742,438</b>
Profit for the financial period/year attributable to:				
Owners of the Parent	289,129	166,619	943,338	738,145
Non-controlling interests	2,986	2,319	11,803	4,293
	<b>292,115</b>	<b>168,938</b>	<b>955,141</b>	<b>742,438</b>

**A28c. UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	The Group			
	4th quarter ended		Twelve months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period/year	292,115	168,938	955,141	742,438
Other comprehensive (expense)/income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	(7,011)	(20,992)	16,120	(563)
- Net (loss)/gain from change in fair value	(7,903)	(25,090)	21,018	7,813
- Realised gain transferred to statement of income on disposal	(1,221)	(1,599)	(4,621)	(7,797)
- Income tax effects	964	6,016	(1,523)	(260)
- Currency translation difference	1,149	(319)	1,246	(319)
Exchange fluctuation reserve	(12,757)	5,922	(20,120)	(3,607)
Other comprehensive expense for the financial period/year, net of tax	(19,768)	(15,070)	(4,000)	(4,170)
Total comprehensive income for the financial period/year	<b>272,347</b>	<b>153,868</b>	<b>951,141</b>	<b>738,268</b>
Total comprehensive income for the financial period/year attributable to:				
Owners of the Parent	272,827	153,560	952,428	737,808
Non-controlling interests	(480)	308	(1,287)	460
	<b>272,347</b>	<b>153,868</b>	<b>951,141</b>	<b>738,268</b>
<u>Income from Islamic operations (per page 2)</u>				
Total net income	488,225	348,778	1,754,783	1,485,448
Add: Allowance made for impairment losses on financing, advances and other financing/loans	68,160	43,295	171,693	77,058
Add: Allowance (written back)/made for impairment losses on other receivables	(19)	(256)	29	255
Add: Allowance for other impairment losses	-	3,160	-	3,160
	<b>556,366</b>	<b>394,977</b>	<b>1,926,505</b>	<b>1,565,921</b>
Elimination for transaction with conventional operations	57,616	32,954	205,308	138,122
	<b>613,982</b>	<b>427,931</b>	<b>2,131,813</b>	<b>1,704,043</b>

A28d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS

(i) By type and Shariah contract

31 December 2017

	Sale-based contracts					The Group Lease-based contracts		Profit sharing contracts		Loan contract	Others		Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma al-Bai'	Mudharabah	Musharakah	Qard	Rahnu	Ujrah	
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	14,452	4,221	-	777,355	-	-	-	-	2,064	-	-	798,092
Term financing													
House Financing	341,350	6,329,300	-	-	6,775,695	1,433,334	-	-	1,098,957	-	-	-	15,978,636
Syndicated Financing	496,721	-	228,506	-	2,092,012	59,738	-	739	-	-	-	-	2,877,716
Hire purchase receivables	344,084	-	-	-	-	-	5,709,622	-	-	-	-	-	6,053,706
Other term financing	1,703,832	1,720,870	9,305,762	-	19,486,424	206,666	-	39,271	508,663	-	-	-	32,971,488
Bills receivable	-	-	-	1,567,399	-	-	-	-	-	292	-	-	1,567,691
Islamic Trust receipts	153,508	-	-	-	-	-	-	-	-	-	-	-	153,508
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,729	-	-	-	1,466	-	-	-	59,195
Revolving credits	-	-	-	-	4,929,326	-	-	-	-	-	-	-	4,929,326
Credit card receivables	-	-	-	-	-	-	-	-	-	194,741	-	128,947	323,688
Share purchase financing	3,737	-	-	-	-	-	-	5,246	1,698,569	-	-	-	1,707,552
Other financing	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross financing, advances and other financing/loans	3,742,909	8,064,622	9,538,489	1,720,130	34,118,541	1,699,738	5,709,622	45,256	3,307,655	197,097	-	128,947	68,273,006
Fair value changes arising from fair value hedge	-	-	-	-	-	-	-	-	-	-	-	-	69,873
													68,342,879
Less: Allowance for impairment losses													
- Individual impairment allowance													(134,937)
- Portfolio impairment allowance													(292,952)
													(427,889)
<b>Net financing, advances and other financing/loans</b>													<b>67,914,990</b>



A28d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (Continued)

(i) By type and Shariah contract (Continued)

31 December 2016

	Sale-based contracts					The Group Lease-based contracts		Profit sharing contracts		Loan contract	Others		Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntabiah Bi al- Tamlik	Al-Ijarah Thumma al- Bai'	Mudharabah	Musharakah	Qard	Rahnu	Ujrah	
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line <sup>^</sup>	-	30,336	11,772	-	639,697	-	-	-	-	4,283	-	-	686,088
Term financing													
House Financing	441,974	6,938,888	-	-	3,707,156	1,478,984	-	-	376,040	-	-	-	12,943,042
Syndicated Financing	25,862	-	260,465	-	2,239,750	110,216	-	898	-	-	-	-	2,637,191
Hire purchase receivables	591,207	-	-	-	-	-	4,004,807	-	-	-	-	-	4,596,014
Other term financing	1,746,933	1,971,036	10,090,242	-	14,043,365	57,511	-	129	40,436	-	-	-	27,949,652
Bills receivable	-	-	-	57,210	-	-	-	-	-	-	-	-	57,210
Islamic Trust receipts	157,584	-	-	-	-	-	-	-	-	-	-	-	157,584
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	-	-	-	427,776
Staff financing	-	-	-	-	15,205	-	-	-	-	-	-	-	15,205
Revolving credits	-	-	-	-	3,917,703	-	-	-	-	-	-	-	3,917,703
Credit card receivables	-	-	-	-	-	-	-	-	-	173,682	-	121,558	295,240
Share purchase financing	16,264	-	-	-	-	-	-	-	665,524	-	-	-	681,788
Ar Rahnu	-	-	-	-	-	-	-	-	-	-	104	-	104
Other financing	775,135	-	-	-	-	14,937	-	14,359	-	-	-	-	804,431
Gross financing, advances and other financing/loans	4,124,223	8,940,260	10,362,479	115,722	24,562,876	1,661,648	4,004,807	15,386	1,082,000	177,965	104	121,558	55,169,028
Fair value changes arising from fair value hedge													110,982
													55,280,010
Less: Allowance for impairment losses													
- Individual impairment allowance													(87,298)
- Portfolio impairment allowance													(304,252)
<b>Net financing, advances and other financing/loans</b>													<b>(391,550)</b>
													<b>54,888,460</b>

<sup>^</sup> Includes current account in excess

**A28d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (Continued)****(i) By type and Shariah contract (Continued)**

(a) During the financial year, the Group has undertaken fair value hedges on RM3,695,054,000 (2016: RM3,575,000,000) financing using profit rate swaps.

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

As at 31 December 2017, the gross exposures to RPSIA financing is RM6,123,712,000 (2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM10,248,000 (2016: RM5,374,000) is recognised in the Financial Statements of CIMB Bank Berhad.

There was no individual impairment provided on this RPSIA financing.

**c) Movement of Qard financing**

	<b>The Group</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	177,965	82,677
New disbursement	126,993	124,764
Repayment	(86,859)	(41,077)
Exchange fluctuation	(21,002)	11,601
At 31 December	<u>197,097</u>	<u>177,965</u>
Sources of Qard fund:		
Depositors' fund	196,961	177,709
Shareholders' fund	136	256
	<u>197,097</u>	<u>177,965</u>
Uses of Qard fund:		
Personal use	194,903	174,346
Business use	2,194	3,619
	<u>197,097</u>	<u>177,965</u>

**(ii) By geographical distribution**

	<b>The Group</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	57,877,095	47,536,921
Indonesia	5,071,479	3,509,711
Singapore	4,150,641	2,885,809
Other countries	1,173,791	1,236,587
Gross financing, advances and other financing/loans	<u>68,273,006</u>	<u>55,169,028</u>

**(iii) Impaired financing, advances and other financing/loans by geographical distribution**

	<b>The Group</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	456,100	558,920
Indonesia	64,525	38,938
Singapore	8,369	12,050
Other countries	29,792	-
Gross impaired financing, advances and other financing/loans	<u>558,786</u>	<u>609,908</u>

**A28d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (Continued)**

**(iv) Movements in impaired financing, advances and other financing/loans:**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
At 1 January	609,908	466,538
Classified as impaired during the financial year	522,673	729,045
Reclassified as not impaired during the financial year	(310,749)	(300,429)
Amount recovered	(107,680)	(139,867)
Amount written off	(185,734)	(179,620)
Exchange fluctuation	30,368	34,241
At 31 December	<u>558,786</u>	<u>609,908</u>
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	<u>0.82%</u>	<u>1.11%</u>

**(v) Movements in allowance for impaired financing, advances and other financing/loans:**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
<b>Individual impairment allowance</b>		
At 1 January	87,298	79,321
Net allowance made during the financial year	62,718	5,947
Amount written off	(9,800)	-
Exchange fluctuation	(5,279)	2,030
At 31 December	<u>134,937</u>	<u>87,298</u>
<b>Portfolio impairment allowance</b>		
At 1 January	304,252	357,976
Net allowance made during the financial year	164,727	118,152
Amount written off	(175,934)	(179,694)
Allowance transferred to conventional operations	(73)	(596)
Exchange fluctuation	(20)	8,414
At 31 December	<u>292,952</u>	<u>304,252</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other loans (excluding RPSIA financing) less individual impairment allowance	<u>1.06%</u>	<u>1.13%</u>

**A28e. DEPOSITS FROM CUSTOMERS**
**(i) By type of deposits**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Savings deposit		
Wadiah	3,999,138	3,786,238
Qard	610	-
Mudharabah	743,600	596,643
Commodity Murabahah (via Tawarruq arrangement)	10,451	-
	<b>4,753,799</b>	<b>4,382,881</b>
Demand deposit		
Wadiah	11,725,297	9,379,174
Qard	210,386	201,919
Mudharabah	105,832	118,037
	<b>12,041,515</b>	<b>9,699,130</b>
Term deposit		
Commodity Murabahah (via Tawarruq arrangement) *	53,531,392	43,348,305
Islamic negotiable instruments	398,199	-
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	398,199	-
Short term money market deposit-i	21,477	198,010
Wakalah	11,961	20,415
Wadiah	9,516	177,595
Other term deposit	8,981	10,147
Wadiah	8,981	10,147
General investment account	3,993,941	1,814,729
Mudharabah	3,993,941	1,814,729
Specific investment account	113,014	114,978
Mudharabah	113,014	114,978
	<b>58,067,004</b>	<b>45,486,169</b>
Others - Qard	17,326	13,704
	<b>74,879,644</b>	<b>59,581,884</b>

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

**(ii) By maturity structures of term deposit**

Due within six months	51,988,978	42,181,669
Six months to one year	5,850,344	3,156,766
One year to three years	112,556	30,113
Three years to five years	2,114	2,643
More than five years	113,012	114,978
	<b>58,067,004</b>	<b>45,486,169</b>

**(iii) By type of customer**

Government and statutory bodies	3,745,450	4,006,241
Business enterprises	31,504,977	21,293,514
Individuals	19,805,459	17,482,982
Others	19,823,758	16,799,147
	<b>74,879,644</b>	<b>59,581,884</b>

**A28f. INVESTMENT ACCOUNTS OF CUSTOMERS**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
Unrestricted investment accounts		
- without maturity		
Special Mudharabah Investment Account	289,203	254,408
- with maturity		
Term Investment Account-i	618,560	-
	<b>907,763</b>	<b>254,408</b>

**A28g. INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS**

	The Group	
	31 December 2017 RM'000	31 December 2016 RM'000
Restricted investment accounts		
Mudharabah	8,145,684	3,912,011
By type of counterparty		
Licensed banks	8,145,684	3,912,011

**A28h. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE**

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

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

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

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

**A29. CHANGE IN COMPARATIVES**

Certain comparatives were restated to adjust the principal amount of derivative financial instruments. There was no impact to the financial performance and position for the financial year ended 31 December 2016.

	Note	Principal Amount		As restated RM'000
		As previously reported RM'000	Adjustment RM000	
<b>Derivative financial instruments (Principal Amount)</b>	<b>A23</b>			
<b>Trading derivatives</b>				
<u>Foreign exchange derivatives</u>				
Currency options		21,015,778	(5,399,710)	15,616,068
<u>Interest rate derivatives</u>				
Interest rate swaps		358,599,763	81,387,949	439,987,712
<b>Hedging derivatives</b>				
Interest rate swaps		31,182,045	(5,390,967)	25,791,078
<b>Commitments and contingencies</b>	<b>A24 (a)</b>	817,569,941	70,597,272	888,167,213

**A30. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<b>The Group</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<b>10,315,907</b>	15,003,886
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>2.51%</b>	3.93%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<b>0.00%</b>	0.00%

## **Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

### **B1. GROUP PERFORMANCE REVIEW COMPARISON WITH THE PRECEDING QUARTER'S RESULTS**

#### **CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) results**

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) reported a Profit Before Tax (“PBT”) of RM6.11 billion for financial year 2017 (“FY17”). On a year-on-year (“Y-o-Y”) basis, the Group’s FY17 operating income expanded 9.7%, translating to a 14.6% Y-o-Y improvement in Pre-Provision Operating Profit (“PPOP”) and a 25.6% Y-o-Y growth in Net Profit to RM4.48 billion. The FY17 net Earnings Per Share (“EPS”) stood at 49.6 sen with a net Return On average Equity (“ROE”) of 9.6%. The Group declared a second interim net dividend of 12.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). For FY17, the total dividend amounted to 25.00 sen or RM2.28 billion, translating to a dividend payout ratio of 51.0% of FY17 profits.

The Group is pleased to have met its key financial targets for 2017 and to report its highest ever PBT of RM6.11 billion, an increase of 25.1% Y-o-Y, on the back of record operating income of RM17.63 billion, continued cost discipline and lower provisions. Both Wholesale and Consumer Banking had a good year, posting PBT growth of 53.0% and 11.8% respectively. The Group’s Commercial Banking performance was tempered by higher-than-expected provisions in Singapore and Thailand, although Malaysia performed well. CIMB Niaga’s PBT increased by 45.7% and CIMB Thai returned to profitability.

The Group’s Cost-to-Income ratio came in at 51.8%, while CET1 strengthened to 12.2% following sustained capital management efforts. The Group has declared a 12.00 sen second interim dividend, representing a 51.0% payout ratio for FY17.

#### **CIMB Group FY17 Y-o-Y Performance**

	<b>The Group</b>			
	<b>Twelve months ended</b>		<b>Variance</b>	
	<b>31 December</b>	<b>31 December</b>	<b>RM'000</b>	<b>%</b>
	<b>2017</b>	<b>2016</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Key Profit or Loss Items:</b>				
Operating income	17,626,496	16,065,255	1,561,241	9.7%
Profit before tax expense and zakat	6,109,985	4,884,144	1,225,841	25.1%
Net profit for the financial period attributable to Owners of the Parent	4,475,175	3,564,190	910,985	25.6%

CIMB Group’s FY17 operating income grew 9.7% Y-o-Y to RM17.63 billion largely driven by a 12.8% growth in non-interest income, in line with better capital market activity and improved fee income and an 8.4% growth in net interest income. Operating expenses rose 5.6% Y-o-Y but was only 3.4% higher after excluding foreign currency translation effects as the Group sustained its cost management efforts. The positive JAW brought about the 14.6% improvement in the Group’s PPOP. The Group’s PBT was 25.1% higher at RM6.11 billion, with loan provisions declining 7.4% Y-o-Y.

The Group’s Regional Consumer Bank PBT was 11.8% higher Y-o-Y in FY17 at RM2.57 billion, making up 42% of Group PBT. Revenue growth was underpinned by a strong non-interest income performance and net interest income from loans and deposits growth, with sustained cost management. The Regional Commercial Banking PBT declined by 18.1% Y-o-Y as the revenue expansion from strong non-interest income growth was offset by higher provisions. The Group’s Regional Wholesale Banking PBT improved 53.0% Y-o-Y to RM2.57 billion from a combination of increased capital market activity, loans growth and lower provisions. Group Asset Management and Investments (“GAMI”) PBT was 39.4% lower Y-o-Y following the disposal of the Bank of Yingkou. Group Funding PBT was 50.5% higher Y-o-Y from lower funding costs and FX translation gains.

Non-Malaysia PBT contribution to the Group rose to 31% in FY17 compared to 22% in FY16. Indonesia’s PBT expanded by 48.5% Y-o-Y to RM1.37 billion in tandem with the improving financial performance at CIMB Niaga. Thailand’s PBT contribution of RM184 million increased by 1,214.3% Y-o-Y arising from lower provisions. Total PBT contribution from Singapore was 46.9% higher at RM354 million on the back of improved revenues.

The Group’s total gross loans (excluding the bad bank) grew by 0.2% Y-o-Y (+3.1% excluding FX effects), while total deposits grew 5.5% Y-o-Y. The Group’s Loan to Deposit Ratio (“LDR”) stood at 90.8% compared to 95.6% in FY16.

The Group’s gross impairment ratio stood at 3.4% as at end-December 2017, with an allowance coverage of 70.5%. The Group’s Cost-to-Income Ratio improved to 51.8% compared with 53.9% in FY16, in line with stronger revenues and sustained cost management. The Group’s Net Interest Margin (“NIM”) was unchanged at 2.63% in line with continued liability management.

As at 31 December 2017, CIMB Group’s total capital ratio stood at 16.5% while the Common Equity Tier 1 (“CET1”) capital ratio strengthened to 12.2%.

**B1. GROUP PERFORMANCE REVIEW COMPARISON WITH THE PRECEDING QUARTER'S RESULTS (CONTINUED)**

**CIMB Group 4Q17 vs. 4Q16 Performance**

	<b>The Group 4th quarter ended</b>		<b>Variance</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>		
	<b>RM'000</b>	<b>RM'000</b>		
<b>Key Profit or Loss Items:</b>				
Operating income	4,515,495	4,313,124	202,371	4.7%
Profit before tax expense and zakat	1,535,379	1,211,654	323,725	26.7%
Net profit for the financial period attributable to Owners of the Parent	1,060,229	854,385	205,844	24.1%

On a Y-o-Y basis, the 4.7% operating income growth in 4Q17 was underpinned by the 17.3% improvement in non-interest income. Consumer Banking PBT grew 14.8% Y-o-Y from lower provisions in Indonesia. Regional Commercial Banking PBT was 16.7% lower Y-o-Y from higher provisions. Wholesale Banking PBT increased by 29.6% Y-o-Y owing to improved performance across all business units given the better capital markets. GAMI PBT was 54.2% higher Y-o-Y due to better performance in public markets, while Group Funding PBT rose 67.7% from lower funding costs. The Group's 4Q17 net profit grew 24.1% Y-o-Y to RM1.06 billion from the better overall performance.

**CIMB Group 4Q17 Q-o-Q Performance  
Current quarter against preceding quarter**

	<b>The Group Quarter ended</b>		<b>Variance</b>	
	<b>31 December 2017</b>	<b>30 September 2017</b>		
	<b>RM'000</b>	<b>RM'000</b>		
<b>Key Profit or Loss Items:</b>				
Operating income	4,515,495	4,423,144	92,351	2.1%
Profit before tax expense and zakat	1,535,379	1,527,351	8,028	0.5%
Net profit for the financial period attributable to Owners of the Parent	1,060,229	1,132,224	(71,995)	-6.4%

On a quarter-on-quarter ("Q-o-Q") basis, 4Q17 operating income was 2.1% higher at RM4.52 billion buoyed by the 10.7% growth in non-interest income and partially offset by a 1.8% decline in net interest income. Consumer Banking PBT was 9.3% lower Q-o-Q largely due to a better performance in 3Q17. Regional Commercial Banking PBT declined by 231.3% Q-o-Q from increased provisions. Wholesale Banking PBT increased by 18.9% Q-o-Q mainly due to the better capital markets in 4Q17 and lower loan provisions. GAMI PBT was 428.6% higher Q-o-Q due to better performance in private markets, while Group Funding PBT increased by 1.8% due to lower funding costs. The Group's 4Q17 net profit was 6.4% lower Q-o-Q at RM1.06 billion owing to higher other provisions.

**CIMB Islamic**

CIMB Islamic's FY17 PBT increased by 12.2% Y-o-Y to RM813 million, driven by the strong 18.3% operating income growth which was partially offset by increased impairments due to provision writebacks in FY16. CIMB Islamic's gross financing assets increased by 21.9% Y-o-Y to RM57.8 billion, accounting for 17.8% of total Group loans. Total deposits increased by 22.9% Y-o-Y to RM64.9 billion.

**B2. CORPORATE DEVELOPMENTS**

**Capital Management**

- On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights issue of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1.00 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion. Subsequent to the completion of the exercise, CIMB Bank's shareholding in CIMB Thai increased from 93.71% to 94.11% following subscription of excess shares not taken up by the minority shareholders.
- On 28 April 2017, CIMB Group issued and allotted 183,726,322 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY16. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2017.



## **B2. CORPORATE DEVELOPMENTS (Continued)**

### **Capital Management (Continued)**

- On 8 July 2017, CIMB Niaga redeemed the IDR1,380,000 million unsecured subordinated notes on its maturity date.
- On 18 September 2017, CIMB Islamic Bank redeemed its RM300 million Basel II Tier-2 Junior Sukuk on its first optional redemption date.
- On 9 November 2017, CIMB Bank Thai exercised the option for the early redemption of its THB3,000 million unsecured subordinated debentures, maturing on 9 November 2022.
- On 10 November 2017, CIMB Group issued and allotted 173,436,944 new CIMB Group shares pursuant to the DRS arising from the First Interim Dividend announcement for FY17. The new shares were listed and quoted on the Main Market of Bursa Securities on 13 November 2017.
- On 30 November 2017, CIMB Bank completed an issuance of RM1,500 million Basel 3-compliant Tier 2 Subordinated Debt back to back with CIMB Group to replace the redemption of the RM1,500 million Basel 2 Tier 2 Subordinated debt at CIMB Bank.
- On 23 March 2017, CIMB Bank completed the capital injection of USD12.5 million into new ordinary shares of CIMB Bank PLC. On 15 December 2017, CIMB Bank injected USD6.2 million into CIMB Bank PLC. CIMB Bank PLC obtained the approval from National Bank of Cambodia and Ministry of Commerce on the registration of its share capital on 19 January 2018 and 13 February 2018 respectively.
- On 28 December 2017, CIMB Islamic completed an issuance of RM300 million Tier-2 Junior Sukuk due on 28 December 2027.

### **Mergers and Acquisitions**

- On 6 June 2017, CIMB Group signed a conditional Share Purchase Agreement with China Galaxy International Financial Holdings Limited (“CGI”) for the sale of 50% interest in CIMB Securities International Pte Ltd (“CSI”). CSI is the holding company for the cash equities business in Singapore, Indonesia, Thailand, Hong Kong, India, South Korea, United Kingdom and United States of America. On 6 September 2017, CIMB Group Sdn Bhd signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities for RM55 million cash. The proposed acquisition is in connection with the proposed partnership with CGI, wherein Jupiter Securities shall be the platform for the partnership’s Malaysia operations. On 18 January 2018, the disposal of the 50% interest in CSI was completed for approximately SGD167 million (approximately RM500 million) based on a multiple of 1.3x the consolidated net asset value of CSI.
- On 30 December 2016, CIMB Bank proposed to dispose of a 18.21% stake in the Bank of Yingkou Co. Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million) to Shanghai Guozhjie Investment Development Co. Ltd. On 26 September 2017, the China Banking Regulatory Commission approved the proposed divestment. On 19 December 2017, the proposed divestment was completed.
- On 24 July 2017, CIMB Group’s 52.22% subsidiary Touch ‘n Go Sdn Bhd (“TNG”) entered into an Investment Agreement with Alipay Singapore E-Commerce Pte Ltd, a subsidiary of Ant Financial Services Group, to form a JV, in which TNG will be the majority shareholder, to launch a new mobile platform for payments and other related financial services in Malaysia. On 8 November 2017, BNM approved the incorporation of the JV entity, TNG Digital Sdn Bhd. On 8 January 2018, the JV entity received BNM approval to operate and offer mobile e-wallet services in Malaysia.
- On 16 November 2017, CIMB Bank received approval from the Monetary Board of the Bangko Sentral ng Pilipinas to establish and operate a branch in the Republic of the Philippines. The first retail branch is expected to be fully operational by 4Q18.
- On 11 January 2018, CIMB Group Sdn Bhd entered into sale and purchase agreements to divest 20% of CIMB-Principal Asset Management Bhd and 10% of CIMB-Principal Islamic Asset Management to Principal Financial Group for RM470.3 million. CIMB Group will retain 40% ownership in both entities.

### **Others**

- On 21 February 2017, Moody’s reaffirmed CIMB Niaga’s long-term and short-term foreign currency deposits rating at Baa3 and P-3 respectively. The outlook was revised from stable to positive due to a change in outlook on Indonesia’s Baa3 sovereign rating from stable to positive.
- On 3 April 2017, Fitch Ratings reaffirmed CIMB Thai’s long-term and short-term national rating at AA(tha) and F1+(tha) respectively. The outlook is stable.

## **B2. CORPORATE DEVELOPMENTS (CONTINUED)**

### **Others (Continued)**

- On 10 April 2017, CIMB Group announced the appointment of Olivier Crespin as the Chief FinTech Officer. On 22 June 2017, CIMB Group announced the appointment of Ramesh Narayanaswamy as Group Chief Information and Operations Officer. On 23 October 2017, CIMB Group announced the appointment of Effendy Shahul Hamid as CEO of Group Commercial Banking effective 1 November 2017, replacing Yong Jiunn Run.
- On 13 June 2017, Moody's reaffirmed CIMB Niaga's long-term and short-term foreign currency deposits rating at Baa3 and P-3 respectively. The outlook is positive.
- On 14 June 2017, Moody's reaffirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 7 July 2017, RAM reaffirmed CIMB Thai's long-term and short-term financial institution ratings at AA2 and P1 respectively. Also, RAM reaffirmed CIMB Thai's RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA3. The outlook is stable.
- On 24 August 2017, Fitch Ratings reaffirmed CIMB Niaga's long-term and short-term issuer default ratings at BBB and F3, as well as long-term and short-term national ratings at AAA(idn) and F1+(idn). The outlook is stable.
- On 20 September 2017, The Bank of Tokyo-Mitsubishi UFJ ("BTMU") sold its entire stake of 412 million shares (equivalent to a 4.6% stake) as part of the Mitsubishi UFJ Financial Group's ("MUFG") strategic global masterplan.
- On 16 October 2017, S&P reaffirmed CIMB Bank's and CIMB Investment Bank's long-term and short-term issuer credit ratings at A- and A-2 respectively. The outlook for all is stable.
- On 17 October 2017, Moody's reaffirmed CIMB Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. Moody's also reaffirmed CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook for all is stable.
- On 23 October 2017, Moody's reaffirmed CIMB Islamic Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. The outlook is stable.
- On 20 November 2017, MARC's reaffirmed CIMB Islamic Bank's long term and short term foreign financial institution ratings of AAA/MARC-1 and concurrently affirms its AA+IS rating on the RM5.0 billion Basel III-compliant Tier 2 Junior Sukuk Programme and RM2.0 billion Tier 2 Sukuk Programme.
- On 20 November 2017, MARC's reaffirmed its financial institution rating on CIMB Bank Berhad at AAA/MARC-1 with stable outlook. Concurrently, MARC has affirmed its corporate debt ratings on CIMB Bank's existing subordinated debt and hybrid securities.
- On 18 December 2017, RAM assigned an AAA/Stable rating to CIMB Islamic's proposed RM10.0 billion Sukuk Wakalah Programme. Concurrently, RAM reaffirmed the Bank's AAA/Stable/P1 financial institution ratings.
- On 22 December 2017, RAM reaffirmed CIMB Bank's AAA/Stable/P1 financial institution ratings and the issue ratings of its debt instruments. Concurrently RAM reaffirmed CIMB Group's AA1/Stable/P1 corporate credit ratings and the issue ratings of its debt instruments.
- On 22 December 2017, RAM reaffirmed CIMB Investment Bank's AAA/Stable/P1 financial institution ratings.
- On 29 January 2018, Moody's reaffirmed CIMB Investment Bank's long term and short term issuer ratings at A3 and P-2 respectively. The outlook is stable.

## **B3. PROSPECTS FOR THE CURRENT FINANCIAL PERIOD**

CIMB Group is optimistic about 2018 and confident of achieving its T18 targets, on the back of continued momentum in Malaysia and the expectation of further improvement in loan growth and asset quality across Indonesia, Thailand and Singapore. This year will also see the Group completes its presence in all 10 ASEAN countries with its first branch opening in the Philippines by end-2018. The Group is also excited to launch its digital banking proposition in Vietnam in 1H18. The Group strongly believes that these, coupled with its strengthened foundation, strategic partnerships and extensive ASEAN network will help to deliver real value to all its stakeholders and further entrench CIMB's position as a leading ASEAN universal bank.

**B4. TAXATION AND ZAKAT**

	4th quarter ended		Twelve months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Major components of tax expense and zakat:				
Current tax expense	581,271	354,150	1,591,828	1,165,879
Deferred tax expense	(114,709)	(55,382)	(65,625)	(34,258)
(Over)/under provision in prior years	(25,824)	34,165	(25,434)	119,266
	<b>440,738</b>	<b>332,933</b>	<b>1,500,769</b>	<b>1,250,887</b>
Zakat	1,250	300	1,250	300
	<b>441,988</b>	<b>333,233</b>	<b>1,502,019</b>	<b>1,251,187</b>

**Reconciliation**

Profit before taxation and zakat	1,535,379	1,211,654	6,109,985	4,884,144
Less: Share of results of joint venture	(2,480)	(1,425)	(12,895)	(4,236)
Share of results of associates	(1,007)	(15,303)	121	(111,452)
	<b>1,531,892</b>	<b>1,194,926</b>	<b>6,097,211</b>	<b>4,768,456</b>
Tax at statutory income tax rate of 24%	367,654	286,782	1,463,331	1,144,429
Effect of different tax rates in other countries and change in tax rates	77,203	(22,485)	(127,483)	(178,104)
Due to expenses not deductible for tax purposes and income not subject to income tax	21,705	34,471	190,355	165,296
(Over)/under provision in prior years	(25,824)	34,165	(25,434)	119,266
Tax expenses	<b>440,738</b>	<b>332,933</b>	<b>1,500,769</b>	<b>1,250,887</b>

**The Company**

Major components of tax expense:

Current tax expense	1,613	(1,429)	3,650	4,290
Deferred tax expense	2	(79)	8	(7)
Over provision in prior years	-	(265)	(1,326)	(265)
	<b>1,615</b>	<b>(1,773)</b>	<b>2,332</b>	<b>4,018</b>

**Reconciliation**

(Loss)/profit before taxation	(109,911)	(213,800)	1,529,687	1,360,233
Tax at statutory income tax rate of 24%	(26,379)	(51,312)	367,125	326,456
Due to expenses not deductible for tax purposes and income not subject to income tax	27,994	49,804	(363,467)	(322,173)
Under/(Over) provision in prior years	-	(265)	(1,326)	(265)
Tax expenses	<b>1,615</b>	<b>(1,773)</b>	<b>2,332</b>	<b>4,018</b>

**B5. PARTICULARS OF PURCHASE AND SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no material gains or losses on disposal of investments or properties during the period under review other than in the ordinary course of business.

**B6. BORROWINGS AND DEBT SECURITIES**

	The Group	
	31 December 2017	31 December 2016
	RM'000	RM'000
<b>(i) Bonds, sukuk and debentures</b>		
<b>Unsecured</b>		
One year or less (short term)		
- USD	-	1,591,965
- IDR	648,235	619,838
- THB	766,947	754,241
- SGD	367,976	-
- HKD	86,056	271,292
- CNY	134,001	-
More than one year (medium/long term)		
- USD	5,882,696	1,326,088
- RM	4,282,087	586,488
- HKD	1,259,554	998,948
- IDR	984,005	476,132
- AUD	325,939	338,803
- CNY	158,129	299,863
- SGD	-	372,126
	<b>14,895,625</b>	<b>7,635,784</b>

**B6. BORROWINGS AND DEBT SECURITIES (Continued)**

	The Group		The Company	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<b>(ii) Other borrowing</b>				
<b>Unsecured</b>				
One year or less (short term)				
- USD	800,504	2,849,017	-	-
- RM	2,353,007	-	2,553,113	200,063
- SGD	-	698,584	-	-
- IDR	439,712	364,606	-	-
- INR	-	16,190	-	-
More than one year (medium/long term)				
- RM	1,025,212	3,002,503	1,000,000	3,002,072
- USD	5,072,143	1,542,343	-	858,358
- IDR	366,717	816,616	-	-
	<b>10,057,295</b>	<b>9,289,859</b>	<b>3,553,113</b>	<b>4,060,493</b>
<b>(iii) Subordinated obligations</b>				
<b>Unsecured</b>				
One year or less (short term)				
- RM	2,078,031	1,467,756	-	-
- IDR	-	473,663	-	-
More than one year (medium/long term)				
- RM	9,976,427	10,803,567	6,904,556	5,399,121
- THB	-	446,547	-	-
- IDR	478,507	533,769	-	-
	<b>12,532,965</b>	<b>13,725,302</b>	<b>6,904,556</b>	<b>5,399,121</b>

**B7. MATERIAL LITIGATION**

At the date of this report, there are no pending material litigation not in the ordinary course of business which would have materially affected the Group's financial position.

**B8. COMPUTATION OF EARNINGS PER SHARE (EPS)****a) Basic EPS**

The Group's basic EPS is 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 period.

	The Group			
	4th quarter ended		Twelve months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Net profit for the financial period/year after non-controlling interests	1,060,229	854,385	4,475,175	3,564,190
Weighted average number of ordinary shares in issue ('000)	9,148,250	8,825,916	9,016,943	8,689,362
Basic earnings per share (expressed in sen per share)	11.57	9.67	49.63	41.02

**b) Diluted EPS**

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