

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

**Reports and Financial Statements
for the financial year ended 31 December 2013**

CIMB Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2013

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CIMB Bank Berhad

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Directors' Report for the financial year ended 31 December 2013

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Bank Berhad ("CIMB Bank" or "the Bank") for the financial year ended 31 December 2013.

Principal activities

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

Financial results

| | The Group RM'000 | The Bank RM'000 |
|--|----------------------------|---------------------------|
| Profit after taxation attributable to: | | |
| - Owners of the Parent | 2,993,126 | 2,141,950 |
| - Non-controlling interests | 19,424 | - |
| | <u>3,012,550</u> | <u>2,141,950</u> |

Dividends

The dividends on ordinary shares and redeemable preference shares paid or declared by the Bank since 31 December 2012 were as follows:

| | RM'000 |
|---|----------------|
| In respect of the financial year ended 31 December 2012: | |
| Single tier second interim dividend of 25.48 sen per ordinary share, paid on 13 March 2013 | <u>959,000</u> |
| In respect of the financial year ended 31 December 2013: | |
| Single tier interim dividend of 21.52 sen per redeemable preference share, paid on 24 September 2013 | <u>639,993</u> |

The Directors have proposed a single tier second interim dividend of approximately 25.29 sen per share on 2,974,009,486 Redeemable Preference Shares of RM0.01 each, amounting to RM752 million in respect of the financial year ended 31 December 2013. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 10 February 2014.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2013.

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Reserves, provisions and allowances

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

Issuance of shares

On 9 May 2013, CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of the Bank, completed its first Dividend Reinvestment Scheme ("DRS") of which approximately RM1,153 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM601 million via the rights issue. The rights issue was done on basis of 1 rights share for every 30 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and Bank Negara Malaysia ("BNM") on 21 August 2013 and 23 August 2013 respectively. The rights issue was completed on 23 September 2013 with issuance of 125,481,828 units of new CIMB Bank ordinary shares of RM1.00 each.

On 31 October 2013, CIMB Group completed its second DRS of which approximately RM783 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM400 million and additional cash of RM735 million via the rights issue. The rights issue was done on basis of 1 rights share for every 16.11 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and BNM on 9 December 2013 and 27 December 2013. The rights issue was completed on 30 December 2013 with issuance of 241,459,687 units of new CIMB Bank ordinary shares of RM1.00 each.

Bad and doubtful debts, and financing

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

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

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

Change of circumstances

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

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Items of an unusual nature

In the opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 48 and 55 to the Financial Statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made.

Directors

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

Directors

Dato' Zainal Abidin bin Putih

Dato' Sri Mohamed Nazir bin Abdul Razak

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir

Dato' Sulaiman bin Mohd Tahir

Mr. Joseph Dominic Silva

Puan Rosnah Dato' Kamarul Zaman

Mr. Venkatachalam Krishnakumar

Mr. Renzo Christopher Viegas

Ms. Grace Yeoh Cheng Geok (appointed on 21 August 2013)

In accordance with Article 97 of the Bank's Articles of Association, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Mr. Joseph Dominic Silva will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 102 of the Bank's Articles of Association, Ms. Grace Yeoh Cheng Geok will retire from the Board at the forthcoming AGM and being eligible, offer herself for re-election.

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**Directors' Report
for the financial year ended 31 December 2013 (Continued)****Directors' interests in shares, share options and debentures**

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

| | Number of ordinary shares of RM1 each | | | |
|--|---------------------------------------|----------------------|----------|----------------------|
| | As at 1 January | Acquired/ Granted | Disposed | As at 31 December |
| Ultimate holding company | | | | |
| CIMB Group Holdings Berhad ("CIMB Group") | | | | |
| Dato' Sri Mohamed Nazir bin Abdul Razak [^] | 51,784,281 | 391,700 (a) | - | 52,175,981 |
| Dato' Zainal Abidin bin Putih [#] | 110,000 | 1,857 (b) | - | 111,857 |
| Dato' Sulaiman bin Mohd Tahir | 116,225 | 58,145 (a) | (70,000) | 104,370 |
| Mr. Renzo Christopher Viegas | 96,062 | 33,805 (a) | - | 129,867 |

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

| | Number of ordinary shares of RM1 each | | | |
|--|---------------------------------------|----------------------|----------|----------------------|
| | As at 1 January | Acquired/ Granted | Disposed | As at 31 December |
| [^] Dato' Azlina binti Abdul Aziz | 4,000,000 | - | - | 4,000,000 |
| [#] Datin Jasmine binti Abdullah Heng | 20,000 | 371 (b) | - | 20,371 |
| [#] Mohamad Ari Zulkarnain bin Zainal Abidin | 10,000 | - | - | 10,000 |

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

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

| | Debentures held | | | As at 31 December |
|---|--------------------|----------|----------|----------------------|
| | As at 1 January | Acquired | Disposed | |
| Related company | | | | |
| PT Bank CIMB Niaga Tbk | | | | |
| - Subordinated Notes | | | | |
| Dato' Sri Mohamed Nazir bin Abdul Razak | IDR4,500,000,000 | - | - | IDR4,500,000,000 |

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

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 41 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body, other than the Management Equity Scheme and Equity Ownership Plan of the ultimate holding company (shown in Note 40 to the Financial Statements) as disclosed in this Report.

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Directors' Report for the financial year ended 31 December 2013 (Continued)

2013 Business Plan And Strategy

The operating environment in 2013 was challenging with businesses being cautious due to the volatility in some of the ASEAN economies and the slow global recovery.

Amid this environment the focus was on high yield products to generate fee income and increase market share in key segments. The Bank also streamlined work processes to improve productivity and implemented prudent cost management.

The Group registered a pre-tax profit of RM3,655 million for the financial year ended 31 December 2013, RM226 million or 5.8% lower as compared to the pre-tax profit of RM3,881 million registered in the previous corresponding year. The lower profit in the financial year ended 31 December 2013 was mainly attributable to non-recurring expenses comprising the provision for Mutual Separation Scheme.

During the financial year under review, the Group registered higher net interest income by RM646 mil. This was offset by lower net non-interest income and increase in overheads.

Allowances for impairment losses on loans, advances and financing increased by RM335 million, allowances for other impairment losses increased by RM25 million, while allowances for commitments and contingencies written-back decreased by RM12 million.

The two main operating subsidiaries of the Bank are CIMB Islamic Bank Berhad and CIMB Thai Bank Public Company Limited. Their total assets contributed approximately 16.3% (2012: 19.2%) and 9.2% (2012: 7.5%) respectively to CIMB Bank's consolidated total assets, and their profit before taxation contributed approximately 13.4% (2012: 13.8%) and 7.6% (2012: 5.1%) to CIMB Bank's consolidated profit before taxation.

Outlook for 2014

For 2014, global recovery is expected to slowly gain momentum, while there could be continued volatility in some ASEAN economies. The Malaysian economy is expected to grow between 5 - 5.5% lead by growth in the construction and service sectors.

For the Bank, the accelerated implementation of the on-going Economic Transformation Programme ("ETP") projects is expected to provide opportunities for business growth. The Bank will continue to focus on growing high yielding product offerings, increase cross selling activities to generate higher returns from existing clients portfolio and grow non- interest income streams.

Given the highly competitive market environment, the Bank will need to differentiate itself by offering innovative products and higher value proposition to customers to gain market share, penetrate new markets and look for opportunities beyond borders.

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Ratings by External Rating Agencies

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

| Rating Agency | Rating Date | Rating Classification | Rating Accorded | Outlook |
|--|--------------|--|---|---------|
| Malaysian Rating Corporation Berhad (MARC) | June 2013 | <ol style="list-style-type: none"> 1. Long term Financial Institution Rating 2. Short term Financial Institution Rating 3. RM5.0 billion Subordinated Debt Programme 4. RM4.0 billion Perpetual Non-Innovative Tier I Stapled Capital Securities 5. RM1.0 billion Innovative Tier I Capital Securities 6. RM10.0 billion Tier II Subordinated Debt Programme | AAA MARC-1 AA+ AA AA AA+ | Stable |
| RAM Rating Services Berhad | October 2013 | <ol style="list-style-type: none"> 1. Long term Financial Institution Rating 2. Short term Financial Institution Rating 3. RM10.0 billion Tier II Subordinated Debt Programme (2013/2073) | AAA P1 AA ₁ | Stable |

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**Directors' Report
for the financial year ended 31 December 2013 (Continued)****Ratings by External Rating Agencies (Continued)**

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

| Rating Agency | Rating Date | Rating Classification | Rating Accorded | Outlook |
|---|---------------|---|--|--|
| Moody's Investors Services, Inc (Moody's) | November 2013 | 1. Long term Rating: Bank Deposits – Foreign Currency 2. Short term Rating: Bank Deposits – Foreign Currency 3. Long term Rating: Bank Deposits – Domestic Currency 4. Short term Rating: Bank Deposits – Domestic Currency 5. Bank Financial Strength 6. Baseline Credit Assessment 7. Adjusted Baseline Credit Assessment 8. USD1.0 billion Multi-Currency Euro Medium Term Notes Programme 9. USD350 million 5-year Senior Unsecured Notes | A3 P-2 A1 P-1 C- (baa1) (baa1) A3 A3 | Positive Positive Stable Stable Positive Positive |
| Standard & Poor's Rating Services (S&P) | December 2013 | 1. Long term Foreign Rating 2. Short term Foreign Rating 3. Long term Local Rating 4. Short term Local Rating 5. Long term Local ASEAN Rating 6. Short term Local ASEAN Rating 7. USD350 million 5-year Senior Unsecured Notes | A- A-2 A- A-2 axAA axA-1 A- | Stable Stable |
| Dagong Global Credit Rating Co. Ltd. | January 2014 | 1. Long term Foreign Currency Rating 2. Long term Local Currency Rating | AA- AA | Stable |

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Board Shariah Committee

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

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

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Professor Dr. Mohammad Hashim Kamali
2. Sheikh Nedham Mohamed Saleh Yaqoobi
3. Sheikh Dr. Haji Mohd Na'im bin Haji Mokhtar
4. Sheikh Associate Professor Dr. Shafaai bin Musa
5. Sheikh Dr. Yousef Abdullah Al Shubaily
6. Professor Dr. Noor Inayah Yaakub

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Board Shariah Committee (Continued)

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

Zakat obligations

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

Significant events during the financial year

Significant events during the financial year are disclosed in Note 48 to the Financial Statements.

Subsequent events after the financial year end

Subsequent events after the financial year end are disclosed in Note 49 to the Financial Statements.

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Statement of Directors' Responsibility

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

It is the responsibility of the Directors to ensure that the financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

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

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

The Statement by Directors pursuant to Section 169 (15) of the Companies Act, 1965 is set out on page 14 of the Directors' Report.

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Directors' Report for the financial year ended 31 December 2013 (Continued)

Ultimate holding company

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

Auditors

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

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

Dato' Zainal Abidin bin Putih

Director

Renzo Christopher Viegas

Director

Kuala Lumpur

7 March 2014

CIMB Bank Berhad

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Statement by Directors

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

We, Dato' Zainal Abidin bin Putih and Renzo Christopher Viegas, being two of the Directors of CIMB Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 22 to 358 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965, in Malaysia.

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

Dato' Zainal Abidin bin Putih

Director

Renzo Christopher Viegas

Director

Kuala Lumpur

7 March 2014

Statutory Declaration

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

I, Kim Kenny, being the officer primarily responsible for the financial management of CIMB Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 22 to 358 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Kim Kenny

Subscribed and solemnly declared by the abovenamed Kim Kenny at Kuala Lumpur before me, on 7 March 2014.

Commissioner for Oaths

CIMB Bank Berhad

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Board Shariah Committee's Report

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

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

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

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

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

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

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

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Board Shariah Committee's Report (Continued)

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

We continue to acknowledge that in 2013 the emplaced system of internal control in the Bank established in 2012 to meet the newly instituted enterprise wide Shariah governance framework by Bank Negara Malaysia is still relatively new with a lot of rooms for further improvement although significant progress has been made in the year. On balance, we are satisfied that the Management has put in place the appropriate level of control as required by us.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us except for 4 incidences of Shariah non-compliance at CIMB Islamic Bank Berhad ("CIMB Islamic").

| Nature of non-compliance | Number |
|---|--------|
| Failure to comply with Shariah requirement as set by Bank Negara Malaysia | 2 |
| Failure to comply with Shariah requirement set by the Board Shariah Committee | 2 |

Arising from the identified incidences, the Management had, following direction from us, provided an amount totalling RM366,144.90 over the course of the year, representing all the relevant income realised from the non-shariah compliant activities.

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Board Shariah Committee's Report (Continued)

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

1. Updating CIMB Islamic and where relevant the Bank's procedures and processes in the affected activities to reflect the Shariah requirements.
2. Enhance CIMB Islamic and where relevant the Bank's technology used in the affected activities to ensure specific facilitation of Shariah requirements.
3. Removed any elements that do not comply with Shariah requirements in CIMB Islamic's business communication immediately.

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

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2013 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

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Board Shariah Committee's Report (Continued)

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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the year ended 31 December 2013 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
7 March 2014

Independent Auditors' Report to the members of CIMB Bank Berhad

(Company No: 13491-P)
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Report on the Financial Statements

We have audited the Financial Statements of CIMB Bank Berhad, on pages 22 to 358, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 57.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the Financial Statements.

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

Independent Auditors' Report to the members of CIMB Bank Berhad (Continued)

(Company No: 13491-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

Independent Auditors' Report to the members of CIMB Bank Berhad (Continued)

(Company No: 13491-P)
(Incorporated in Malaysia)

Other Matters

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

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Soo Hoo Khoon Yean
(No. 2682/10/15(J))
Chartered Accountant

Kuala Lumpur
7 March 2014

CIMB Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2013

| | Note | The Group | | | The Bank | | |
|--|-------|-------------------------------|---|---|-------------------------------|---|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Assets | | | | | | | |
| Cash and short-term funds | 2 | 24,941,166 | 22,978,876 | 28,241,623 | 18,467,152 | 16,939,905 | 20,783,513 |
| Reverse repurchase agreements | | 7,993,092 | 5,379,786 | 3,957,059 | 5,321,399 | 5,179,726 | 3,957,059 |
| Deposits and placements with banks and other financial institutions | 3 | 3,666,536 | 3,737,020 | 4,045,865 | 7,950,214 | 10,708,711 | 10,848,583 |
| Financial assets held for trading | 4 | 21,837,868 | 24,148,212 | 12,627,696 | 17,575,173 | 17,626,483 | 9,471,491 |
| Derivative financial instruments | 25(a) | 4,719,347 | 3,956,310 | 4,135,377 | 3,909,190 | 3,945,552 | 4,080,924 |
| Financial investments available-for-sale | 5 | 26,185,496 | 25,637,990 | 15,735,494 | 22,065,746 | 21,279,447 | 13,199,586 |
| Financial investments held-to-maturity | 6 | 9,828,806 | 8,367,409 | 10,172,218 | 7,590,527 | 5,487,843 | 7,607,178 |
| Loans, advances and financing | 7 | 185,430,615 | 155,691,566 | 139,509,675 | 132,833,310 | 108,086,083 | 99,222,358 |
| Other assets | 8 | 3,481,239 | 2,335,148 | 2,092,494 | 2,546,780 | 1,710,386 | 1,631,450 |
| Tax recoverable | | 6,270 | 2,055 | 2,464 | - | - | - |
| Deferred taxation | 9 | 206,382 | 25,702 | 23,487 | 85,262 | - | - |
| Statutory deposits with central banks | 10 | 6,359,196 | 5,263,859 | 5,082,585 | 4,652,307 | 3,886,421 | 3,812,297 |
| Amounts due from ultimate holding company | 11 | 28,853 | 28,853 | 29,138 | - | - | 285 |
| Amounts due from subsidiaries | 12 | - | - | - | 138,004 | 316,086 | 456,073 |
| Amounts due from related companies | 13 | 1,092,848 | 1,417,749 | 1,673,748 | 1,091,544 | 1,415,341 | 1,671,621 |
| Investment in subsidiaries | 14 | - | - | - | 4,886,252 | 4,847,672 | 4,737,731 |
| Investment in joint venture | 15 | 158,307 | 153,557 | 149,208 | 125,000 | 125,000 | 125,000 |
| Investment in associates | 16 | 693,343 | 625,039 | 589,816 | 321,635 | 368,971 | 392,802 |
| Goodwill | 17 | 4,890,179 | 4,891,433 | 4,899,904 | 3,555,075 | 3,555,075 | 3,555,075 |
| Intangible assets | 18 | 1,015,035 | 845,097 | 721,647 | 978,712 | 805,837 | 676,428 |
| Prepaid lease payments | 19 | 1,346 | 1,648 | 1,964 | - | - | - |
| Property, plant and equipment | 20 | 866,332 | 893,952 | 906,185 | 507,240 | 507,265 | 487,730 |
| Investment properties | 21 | 4,000 | 17,451 | 8,653 | - | - | - |
| | | 303,406,256 | 266,398,712 | 234,606,300 | 234,600,522 | 206,791,804 | 186,717,184 |
| Non-current assets/disposal groups held for sale | 54 | 21,589 | 7,920 | 17,248 | 3,429 | 3,520 | 5,043 |
| Total assets | | 303,427,845 | 266,406,632 | 234,623,548 | 234,603,951 | 206,795,324 | 186,722,227 |
| Liabilities | | | | | | | |
| Deposits from customers | 22 | 220,247,690 | 200,238,233 | 176,440,334 | 156,115,031 | 145,415,162 | 131,569,745 |
| Deposits and placements of banks and other financial institutions | 23 | 19,999,833 | 15,751,204 | 11,742,105 | 30,417,708 | 18,988,395 | 16,387,969 |
| Repurchase agreements | | 5,922,788 | 3,083,499 | 1,083,039 | 2,276,152 | 2,783,408 | 1,083,039 |
| Financial liabilities designated at fair value | 24 | 2,132,170 | - | - | 1,985,954 | - | - |
| Derivative financial instruments | 25(a) | 5,794,713 | 3,986,306 | 4,087,789 | 4,879,637 | 3,782,923 | 3,778,176 |
| Bills and acceptances payable | | 3,257,202 | 3,295,081 | 6,771,502 | 1,917,838 | 1,844,389 | 3,291,625 |
| Amounts due to ultimate holding company | 11 | 1,450 | - | - | - | - | - |
| Amounts due to subsidiaries | 12 | - | - | - | 35,736 | 70,522 | 50,013 |
| Amounts due to related companies | 13 | 34,016 | 25,352 | 6,444 | 21,156 | 22 | - |
| Other liabilities | 26 | 3,978,664 | 3,229,530 | 3,197,369 | 3,177,941 | 2,413,524 | 2,559,744 |
| Provision for taxation and Zakat | | 217,221 | 181,804 | 301,868 | 221,857 | 190,404 | 301,254 |
| Deferred taxation | 9 | 2,188 | 22,034 | 85,287 | - | 5,848 | 39,249 |
| Bonds and debentures | 27 | 5,867,080 | 2,545,570 | 500,477 | 2,736,453 | 1,267,767 | - |
| Other borrowings | 28 | 1,968,211 | 2,235,865 | 2,131,308 | 1,968,211 | 2,418,068 | 2,594,028 |
| Subordinated obligations | 29 | 9,634,575 | 10,119,872 | 8,243,955 | 8,828,797 | 9,367,232 | 7,930,808 |
| Redeemable preference shares | 30(a) | 719,251 | 703,724 | 741,429 | - | - | - |
| Total liabilities | | 279,777,052 | 245,418,074 | 215,332,906 | 214,582,471 | 188,547,664 | 169,585,650 |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Financial Position
as at 31 December 2013 (continued)**

| | Note | The Group | | | The Bank | | |
|--|-------|-------------------------------|---|---|-------------------------------|---|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Equity | | | | | | | |
| Capital and reserves attributable to owners of the Parent | | | | | | | |
| Ordinary share capital | 31 | 4,131,410 | 3,764,469 | 3,764,469 | 4,131,410 | 3,764,469 | |
| Reserves | 33 | 18,954,705 | 16,676,700 | 15,017,498 | 15,660,330 | 13,142,368 | |
| | | 23,086,115 | 20,441,169 | 18,781,967 | 19,791,740 | 16,906,837 | |
| Perpetual preference shares | 32 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | |
| Redeemable preference shares | 30(b) | 29,740 | 29,740 | 29,740 | 29,740 | 29,740 | |
| Non-controlling interests | | 334,938 | 317,649 | 278,935 | - | - | |
| Total equity | | 23,650,793 | 20,988,558 | 19,290,642 | 20,021,480 | 17,136,577 | |
| Total equity and liabilities | | 303,427,845 | 266,406,632 | 234,623,548 | 234,603,951 | 206,795,324 | |
| Commitments and contingencies | 25(b) | 508,499,753 | 447,763,689 | 407,043,765 | 431,035,403 | 402,883,688 | |
| Net assets per ordinary share (RM) | | 5.59 | 5.43 | 4.99 | 4.79 | 4.79 | |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Income
for the financial year ended 31 December 2013**

| | Note | The Group | | The Bank | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Interest income | 34 | 9,468,437 | 8,361,169 | 8,387,957 | 7,613,878 |
| Interest expense | 35 | (4,294,061) | (3,833,092) | (3,804,657) | (3,445,235) |
| Net interest income | | 5,174,376 | 4,528,077 | 4,583,300 | 4,168,643 |
| Income from Islamic banking operations | 56 | 1,382,852 | 1,406,962 | 22,999 | 19,470 |
| Net non-interest income | 36 | 2,346,380 | 2,385,575 | 2,042,067 | 2,263,439 |
| Net income | | 8,903,608 | 8,320,614 | 6,648,366 | 6,451,552 |
| Overheads | 37 | (4,876,491) | (4,414,340) | (3,679,418) | (3,308,025) |
| Profit before allowances | | 4,027,117 | 3,906,274 | 2,968,948 | 3,143,527 |
| Allowances for impairment losses on loans, advances and financing | 38 | (470,868) | (135,981) | (231,871) | (48,202) |
| Allowances for losses on other receivables (made)/written-back | | (1,046) | 578 | (546) | 358 |
| Allowances for commitments and contingencies written-back | 26(c) | 1,334 | 13,473 | 1,334 | 10,957 |
| Allowances for other impairment losses | 39 | (26,358) | (1,114) | (8,850) | (1,498) |
| Profit after allowances | | 3,530,179 | 3,783,230 | 2,729,015 | 3,105,142 |
| Share of results of joint venture | 15 | 4,750 | 4,349 | - | - |
| Share of results of associates | 16 | 120,217 | 93,922 | - | - |
| Profit before taxation | | 3,655,146 | 3,881,501 | 2,729,015 | 3,105,142 |
| Taxation | 42 | (642,596) | (765,078) | (587,065) | (615,770) |
| Profit after taxation | | 3,012,550 | 3,116,423 | 2,141,950 | 2,489,372 |
| Profit for the financial year attributable to : | | | | | |
| Owners of the Parent | | 2,993,126 | 3,104,119 | 2,141,950 | 2,489,372 |
| Non-controlling interests | | 19,424 | 12,304 | - | - |
| | | 3,012,550 | 3,116,423 | 2,141,950 | 2,489,372 |
| Earnings per share attributable to ordinary equity holders of the Parent - basic (sen) | 43 | 78.76 | 82.46 | 56.36 | 66.13 |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Comprehensive Income
for the financial year ended 31 December 2013**

| | The Group | | The Bank | |
|--|-------------------------|------------------------------|-------------------------|------------------------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 (Restated) |
| Profit for the financial year | 3,012,550 | 3,116,423 | 2,141,950 | 2,489,372 |
| Other comprehensive (expense)/income: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Revaluation reserve-financial investments available-for-sale | (519,512) | 81,473 | (459,661) | 63,485 |
| - Net (loss)/gain from change in fair value | (390,194) | 345,498 | (376,100) | 308,005 |
| - Realised gain transferred to statement of income on disposal and impairment | (217,390) | (268,308) | (159,375) | (255,988) |
| - Disposal of subsidiary | - | (2,937) | - | - |
| - Income tax effects | 86,014 | 8,389 | 75,814 | 11,468 |
| - Currency translation difference | 2,058 | (1,169) | - | - |
| Net investment hedge | (135,684) | 79,813 | (135,684) | 57,719 |
| Cash flow hedge | (11,396) | (45) | (11,396) | (45) |
| - Net loss from change in fair value | (14,349) | (45) | (14,349) | (45) |
| - Income tax effects | 2,953 | - | 2,953 | - |
| Exchange fluctuation reserve | 166,700 | (121,852) | 82,013 | (21,147) |
| Share of other comprehensive expense of associate | (4,577) | (7,851) | - | - |
| | <u>(504,469)</u> | <u>31,538</u> | <u>(524,728)</u> | <u>100,012</u> |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Actuarial loss on post employment benefits obligations | (2,524) | (2,096) | - | - |
| | <u>(2,524)</u> | <u>(2,096)</u> | <u>-</u> | <u>-</u> |
| Other comprehensive (expense)/income during the financial year, net of tax | <u>(506,993)</u> | <u>29,442</u> | <u>(524,728)</u> | <u>100,012</u> |
| Total comprehensive income for the financial year | <u>2,505,557</u> | <u>3,145,865</u> | <u>1,617,222</u> | <u>2,589,384</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of the Parent | 2,487,602 | 3,137,026 | 1,617,222 | 2,589,384 |
| Non-controlling interests | 17,955 | 8,839 | - | - |
| | <u>2,505,557</u> | <u>3,145,865</u> | <u>1,617,222</u> | <u>2,589,384</u> |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Changes in Equity
for the financial year ended 31 December 2013**

| The Group | Note | Attributable to owners of the Parent | | | | | | | | | | | | | | | Total Equity RM'000 | |
|---|------|--------------------------------------|--------------------------------|------------------|----------------------|------------------------------------|---|--------------------|--------------------|--------------------|--------------------|-----------------------|---------------------|---------------------|-------------------|----------------------|---------------------------|------------------------------|
| | | Redeemable | | Share premium | Statutory reserve | Exchange fluctuation reserve | Revaluation reserve- financial investments available-for-sale | Merger deficit | Capital reserve | Hedging reserve | Share-based | | Defined | | Perpetual | | | |
| | | Share capital RM'000 | Preference Shares RM'000 | | | | | | | | payment reserve | Regulatory reserve | benefits reserve | Retained profits | Total | preference shares | | Non-controlling interests |
| At 1 January 2013 | | | | | | | | | | | | | | | | | | |
| As previously stated | | 3,764,469 | 29,740 | 5,033,633 | 4,494,970 | (67,331) | 667,987 | (1,085,928) | 735,457 | 20,590 | 23,360 | 1,173,577 | - | 5,682,990 | 20,473,514 | 200,000 | 317,649 | 20,991,163 |
| Effect of adopting MFRS 119 | | - | - | - | - | - | - | - | - | - | - | - | (2,605) | - | (2,605) | - | - | (2,605) |
| As restated | | 3,764,469 | 29,740 | 5,033,633 | 4,494,970 | (67,331) | 667,987 | (1,085,928) | 735,457 | 20,590 | 23,360 | 1,173,577 | (2,605) | 5,682,990 | 20,470,909 | 200,000 | 317,649 | 20,988,558 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | - | 2,993,126 | 2,993,126 | - | 19,424 | 3,012,550 |
| Other comprehensive income/(expense) (net of tax) | | - | - | - | - | 166,177 | (523,195) | - | - | (147,080) | 1,098 | - | (2,524) | - | (505,524) | - | (1,469) | (506,993) |
| - financial investments available-for-sale | | - | - | - | - | - | (518,618) | - | - | - | - | - | - | - | (518,618) | - | (894) | (519,512) |
| - net investment hedge | | - | - | - | - | - | - | - | - | (135,684) | - | - | - | - | (135,684) | - | - | (135,684) |
| - cash flow hedge | | - | - | - | - | - | - | - | - | (11,396) | - | - | - | - | (11,396) | - | - | (11,396) |
| - currency translation difference | | - | - | - | - | 166,177 | - | - | - | - | 1,098 | - | - | - | 167,275 | - | (575) | 166,700 |
| - actuarial loss from defined benefits | | - | - | - | - | - | - | - | - | - | - | - | (2,524) | - | (2,524) | - | - | (2,524) |
| - share of other comprehensive expense of associate | | - | - | - | - | - | (4,577) | - | - | - | - | - | - | - | (4,577) | - | - | (4,577) |
| Total comprehensive income/(expense) for the year | | - | - | - | - | 166,177 | (523,195) | - | - | (147,080) | 1,098 | - | (2,524) | 2,993,126 | 2,487,602 | - | 17,955 | 2,505,557 |
| Transfer to statutory reserve | | - | - | - | 626,878 | - | - | - | - | - | - | - | - | (626,878) | - | - | - | - |
| Transfer to regulatory reserve | | - | - | - | - | - | - | - | - | - | - | 570,306 | - | (570,306) | - | - | - | - |
| Second interim dividend for the financial year ended 31 December 2012 | 44 | - | - | - | - | - | - | - | - | - | - | - | - | (959,000) | (959,000) | - | - | (959,000) |
| Interim dividend for the financial year ended 31 December 2013 | 44 | - | - | - | - | - | - | - | - | - | - | - | (639,993) | (639,993) | - | - | - | (639,993) |
| Issue of shares from rights issue | | 366,941 | - | 1,368,977 | - | - | - | - | - | - | - | - | - | - | 1,735,918 | - | - | 1,735,918 |
| Dividend paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (666) | (666) |
| Share-based payment expense | | - | - | - | - | - | - | - | - | 43,675 | - | - | - | - | 43,675 | - | - | 43,675 |
| Shares released under Equity Ownership Plan | | - | - | - | - | - | - | - | - | (23,256) | - | - | - | - | (23,256) | - | - | (23,256) |
| At 31 December 2013 | | 4,131,410 | 29,740 | 6,402,610 | 5,121,848 | 98,846 | 144,792 | (1,085,928) | 735,457 | (126,490) | 44,877 | 1,743,883 | (5,129) | 5,879,939 | 23,115,855 | 200,000 | 334,938 | 23,650,793 |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)**

| The Group | Note | ← Attributable to owners of the Parent → | | | | | | | | | | | | | | | Total Equity RM'000 | |
|--|------|--|--------------------------------|----------------------------|--------------------------------|--|---|-----------------------------|------------------------------|------------------------------|------------------------------|---------------------------------|--|-------------------------------|-----------------|---|---------------------------|--|
| | | Redeemable | | Share premium RM'000 | Statutory reserve RM'000 | Exchange fluctuation reserve RM'000 | Revaluation reserve- financial investments available-for-sale RM'000 | Merger deficit RM'000 | Capital reserve RM'000 | Share-based | | Regulatory reserve RM'000 | Defined benefits reserve RM'000 | Retained profits RM'000 | Total RM'000 | Perpetual preference shares RM'000 | | Non-controlling interests RM'000 |
| | | Share capital RM'000 | Preference Shares RM'000 | | | | | | | Hedging reserve RM'000 | payment reserve RM'000 | | | | | | | |
| At 1 January 2012 | | | | | | | | | | | | | | | | | | |
| As previously stated | | 3,764,469 | 29,740 | 5,033,633 | 4,294,435 | 50,214 | 594,633 | (1,085,928) | 735,457 | (59,178) | 263,360 | 490,627 | - | 4,700,754 | 18,812,216 | 200,000 | 278,935 | 19,291,151 |
| Effect of adopting MFRS 119 | | - | - | - | - | - | - | - | - | - | - | - | (509) | - | (509) | - | - | (509) |
| As restated | | 3,764,469 | 29,740 | 5,033,633 | 4,294,435 | 50,214 | 594,633 | (1,085,928) | 735,457 | (59,178) | 263,360 | 490,627 | (509) | 4,700,754 | 18,811,707 | 200,000 | 278,935 | 19,290,642 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | - | 3,104,119 | 3,104,119 | - | 12,304 | 3,116,423 |
| Other comprehensive (expense)/income (net of tax) | | - | - | - | - | (117,545) | 73,354 | - | - | 79,768 | (574) | - | (2,096) | - | 32,907 | - | (3,465) | 29,442 |
| - financial investments available-for-sale | | - | - | - | - | - | 81,205 | - | - | - | - | - | - | - | 81,205 | - | 268 | 81,473 |
| - net investment hedge | | - | - | - | - | - | - | - | - | 79,813 | - | - | - | - | 79,813 | - | - | 79,813 |
| - cash flow hedge | | - | - | - | - | - | - | - | - | (45) | - | - | - | - | (45) | - | - | (45) |
| - currency translation difference | | - | - | - | - | (117,545) | - | - | - | - | (574) | - | - | - | (118,119) | - | (3,733) | (121,852) |
| - actuarial loss from defined benefits | | - | - | - | - | - | - | - | - | - | - | - | (2,096) | - | (2,096) | - | - | (2,096) |
| - share of other comprehensive expense of associate | | - | - | - | - | - | (7,851) | - | - | - | - | - | - | - | (7,851) | - | - | (7,851) |
| Total comprehensive (expense)/income for the year | | - | - | - | - | (117,545) | 73,354 | - | - | 79,768 | (574) | - | (2,096) | 3,104,119 | 3,137,026 | - | 8,839 | 3,145,865 |
| Transfer to statutory reserve | | - | - | - | 200,535 | - | - | - | - | - | - | - | - | (200,535) | - | - | - | - |
| Transfer to regulatory reserve | | - | - | - | - | - | - | - | - | - | - | 682,950 | - | (682,950) | - | - | - | - |
| Expiry of Management Equity Scheme | | - | - | - | - | - | - | - | - | - | (248,602) | - | - | 248,602 | - | - | - | - |
| Second interim dividends for the financial year ended 31 December 2011 | 44 | - | - | - | - | - | - | - | - | - | - | - | - | (827,000) | (827,000) | - | - | (827,000) |
| Interim dividend for the financial year ended 31 December 2012 | 44 | - | - | - | - | - | - | - | - | - | - | - | - | (660,000) | (660,000) | - | - | (660,000) |
| Right issues of a subsidiary | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 33,615 | 33,615 |
| Acquisition of remaining interest in subsidiary | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,740) | (3,740) |
| Share-based payment expense | | - | - | - | - | - | - | - | - | - | 36,320 | - | - | - | 36,320 | - | - | 36,320 |
| Shares released under Equity Ownership Plan | | - | - | - | - | - | - | - | - | - | (27,144) | - | - | - | (27,144) | - | - | (27,144) |
| At 31 December 2012 | | 3,764,469 | 29,740 | 5,033,633 | 4,494,970 | (67,331) | 667,987 | (1,085,928) | 735,457 | 20,590 | 23,360 | 1,173,577 | (2,605) | 5,682,990 | 20,470,909 | 200,000 | 317,649 | 20,988,558 |

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**Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)**

| The Bank | Note | ← Non-distributable Revaluation reserve → Distributable | | | | | | | | | | | | | | Total Equity |
|---|--------|---|-------------------|---------------|-------------------|------------------------------|--|----------------|-----------------|-----------------|--------------------|--------------------|--------------------|------------------|-----------------------------|--------------|
| | | Redeemable | | Share premium | Statutory reserve | Exchange fluctuation reserve | financial investments available-for-sale | Merger deficit | Capital reserve | Share-based | | | Regulatory reserve | Retained profits | Perpetual preference shares | |
| | | Share capital | Preference Shares | | | | | | | payment reserve | Regulatory reserve | Regulatory reserve | | | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2013 | | 3,764,469 | 29,740 | 5,033,633 | 3,964,469 | 33,074 | 584,892 | (1,047,872) | 746,852 | 109,119 | 22,817 | 930,953 | 3,875,514 | 18,047,660 | 200,000 | 18,247,660 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | 2,141,950 | 2,141,950 | - | 2,141,950 |
| Other comprehensive income/(expense) (net of tax) | | - | - | - | - | 80,632 | (459,661) | - | - | (147,080) | 1,381 | - | - | (524,728) | - | (524,728) |
| - financial investments available-for-sale | | - | - | - | - | - | (459,661) | - | - | - | - | - | - | (459,661) | - | (459,661) |
| - net investment hedge | | - | - | - | - | - | - | - | - | (135,684) | - | - | - | (135,684) | - | (135,684) |
| - cash flow hedge | | - | - | - | - | - | - | - | - | (11,396) | - | - | - | (11,396) | - | (11,396) |
| - currency translation difference | | - | - | - | - | 80,632 | - | - | - | - | 1,381 | - | - | 82,013 | - | 82,013 |
| Total comprehensive income/(expense) for the year | | - | - | - | - | 80,632 | (459,661) | - | - | (147,080) | 1,381 | - | 2,141,950 | 1,617,222 | - | 1,617,222 |
| Transfer to regulatory reserve | | - | - | - | - | - | - | - | - | - | - | 582,842 | (582,842) | - | - | - |
| Transfer to statutory reserve | | - | - | - | 535,488 | - | - | - | - | - | - | - | (535,488) | - | - | - |
| Second interim dividend for the financial year ended 31 December 2012 | 44 | - | - | - | - | - | - | - | - | - | - | - | (959,000) | (959,000) | - | (959,000) |
| Interim dividend for the financial year ended 31 December 2013 | 44 | - | - | - | - | - | - | - | - | - | - | - | (639,993) | (639,993) | - | (639,993) |
| Issue of shares from rights issue | | 366,941 | - | 1,368,977 | - | - | - | - | - | - | - | - | - | 1,735,918 | - | 1,735,918 |
| Share-based payment expense | | - | - | - | - | - | - | - | - | - | 42,405 | - | - | 42,405 | - | 42,405 |
| Shares released under Equity Ownership Plan | | - | - | - | - | - | - | - | - | - | (22,732) | - | - | (22,732) | - | (22,732) |
| At 31 December 2013 | | 4,131,410 | 29,740 | 6,402,610 | 4,499,957 | 113,706 | 125,231 | (1,047,872) | 746,852 | (37,961) | 43,871 | 1,513,795 | 3,300,141 | 19,821,480 | 200,000 | 20,021,480 |

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**Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)**

| The Bank | Note | Non-distributable | | | | | | | | | | Distributable | | | | Total Equity RM'000 |
|---|------|----------------------------|--------------------------------|------------------|----------------------|------------------------------------|---|--------------------|--------------------|--------------------|------------------------------|---------------------------------|-----------------------|---------------------|--|---------------------------|
| | | Redeemable | | Share premium | Statutory reserve | Exchange fluctuation reserve | Revaluation reserve- financial investments available-for-sale | Merger deficit | Capital reserve | Hedging reserve | Share-based | | Regulatory reserve | Retained profits | Perpetual preference Total shares | |
| | | Share capital RM'000 | Preference Shares RM'000 | | | | | | | | payment reserve RM'000 | Regulatory reserve RM'000 | | | | |
| At 1 January 2012 | | 3,764,469 | 29,740 | 5,033,633 | 3,964,469 | 53,917 | 521,407 | (1,047,872) | 746,852 | 51,445 | 245,281 | 431,514 | 3,141,722 | 16,936,577 | 200,000 | 17,136,577 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | 2,489,372 | 2,489,372 | - | 2,489,372 |
| Other comprehensive (expense)/income (net of tax) | | - | - | - | - | (20,843) | 63,485 | - | - | 57,674 | (304) | - | - | 100,012 | - | 100,012 |
| - financial investments available-for-sale | | - | - | - | - | - | 63,485 | - | - | - | - | - | - | 63,485 | - | 63,485 |
| - net investment hedge | | - | - | - | - | - | - | - | - | 57,719 | - | - | - | 57,719 | - | 57,719 |
| - cash flow hedge | | - | - | - | - | - | - | - | - | (45) | - | - | - | (45) | - | (45) |
| - currency translation difference | | - | - | - | - | (20,843) | - | - | - | - | (304) | - | - | (21,147) | - | (21,147) |
| Total comprehensive (expense)/income for the year | | - | - | - | - | (20,843) | 63,485 | - | - | 57,674 | (304) | - | 2,489,372 | 2,589,384 | - | 2,589,384 |
| Transfer to regulatory reserve | | - | - | - | - | - | - | - | - | - | - | 499,439 | (499,439) | - | - | - |
| Expiry of Management Equity Scheme | | - | - | - | - | - | - | - | - | - | (230,859) | - | 230,859 | - | - | - |
| Second interim dividend for the financial year ended 31 December 2011 | 44 | - | - | - | - | - | - | - | - | - | - | - | (827,000) | (827,000) | - | (827,000) |
| Interim dividend for the financial year ended 31 December 2012 | 44 | - | - | - | - | - | - | - | - | - | - | - | (660,000) | (660,000) | - | (660,000) |
| Share-based payment expense | | - | - | - | - | - | - | - | - | - | 35,140 | - | - | 35,140 | - | 35,140 |
| Shares released under Equity Ownership Plan | | - | - | - | - | - | - | - | - | - | (26,441) | - | - | (26,441) | - | (26,441) |
| At 31 December 2012 | | 3,764,469 | 29,740 | 5,033,633 | 3,964,469 | 33,074 | 584,892 | (1,047,872) | 746,852 | 109,119 | 22,817 | 930,953 | 3,875,514 | 18,047,660 | 200,000 | 18,247,660 |

CIMB Bank Berhad

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**Statements of Cash Flows
for the financial year ended 31 December 2013**

| | The Group | | The Bank | |
|--|------------------|------------------------------|------------------|------------------------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 (Restated) |
| Cash flows from operating activities | | | | |
| Profit before taxation | 3,655,146 | 3,881,501 | 2,729,015 | 3,105,142 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 194,789 | 200,418 | 139,797 | 148,549 |
| Amortisation of intangible assets | 174,895 | 164,515 | 156,474 | 142,555 |
| Amortisation of prepaid lease payments | 302 | 298 | - | - |
| Gain on disposal of property, plant and equipment/ assets held for sale/leased assets | (12,626) | (11,276) | (12,521) | (2,124) |
| Loss/(gain) on disposal of foreclosed properties | 41,458 | 9,492 | - | (6,676) |
| Gain on revaluation of investment properties | (1,021) | (4,755) | - | - |
| Property, plant and equipment written off | 2,668 | 692 | 2,662 | 689 |
| Net gain from sale of financial investments available-for-sale | (231,131) | (268,308) | (187,731) | (255,988) |
| Net gain from redemption of financial investments held-to-maturity | (126,917) | (35,581) | (126,866) | (35,587) |
| Net loss from hedging derivatives | 70,826 | 38,480 | 35,111 | 20,698 |
| Net gain from fair value hedge on redeemable preference shares | (31,457) | (17,088) | - | - |
| Unrealised loss/(gain) from financial assets held for trading | 197,046 | (49,826) | 199,892 | (42,838) |
| Unrealised gain from financial liabilities designated at fair value | (263,975) | - | (263,975) | - |
| Unrealised loss from derivative financial instruments | 240,435 | 212,626 | 156,267 | 220,829 |
| Unrealised gain on foreign exchange | (264,455) | (19,241) | (162,472) | (5,395) |
| Allowances for impairment losses on loans, advances and financing | 779,913 | 474,025 | 453,948 | 270,974 |
| Allowance for other impairment losses made on securities | 26,358 | 1,114 | 23,367 | 1,498 |
| Allowances for losses on other receivables made/(written-back) | 1,046 | (578) | 546 | (358) |
| Writeback for impairment loss in subsidiaries | - | - | (14,517) | - |
| Interest income on financial investments available-for-sale | (909,645) | (688,487) | (848,351) | (662,202) |
| Interest income on financial investments held-to-maturity | (295,140) | (348,308) | (228,635) | (283,688) |
| Interest expense on subordinated obligations | 355,717 | 317,698 | 364,399 | 344,977 |
| Interest expense on bonds and debentures | 97,069 | 27,971 | 31,839 | 11,408 |
| Interest expense on other borrowings | 53,900 | 99,608 | 39,339 | 37,223 |
| Interest expense on redeemable preference shares | 41,714 | 40,501 | - | - |
| Accretion of discount less amortisation of premium | (30,863) | (212,599) | (33,236) | (204,474) |
| Gain on disposal of subsidiaries | - | (8,405) | - | - |
| Gain on disposal of associate | - | (445) | - | (4,275) |
| Dividend income | (56,216) | (56,537) | (134,004) | (288,935) |
| Allowances for commitments and contingencies written-back | (1,334) | (13,473) | (1,334) | (10,957) |
| Share-based payment expense | 43,675 | 36,320 | 42,405 | 35,140 |
| Share of results of joint venture | (4,750) | (4,349) | - | - |
| Share of results of associates | (120,217) | (93,922) | - | - |
| | 3,627,210 | 3,672,081 | 2,361,419 | 2,536,185 |

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**Statements of Cash Flows
for the financial year ended 31 December 2013 (Continued)**

| | The Group | | The Bank | |
|---|------------------|------------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | (Restated) | | (Restated) |
| (Increase)/decrease in operating assets | | | | |
| Reverse repurchase agreements | (2,613,306) | (1,422,727) | (141,673) | (1,222,667) |
| Deposits and placements with banks and other financial institutions | 70,484 | 308,845 | 2,758,497 | 139,872 |
| Financial assets held for trading | 2,203,652 | (11,269,242) | (127,750) | (7,892,265) |
| Loans, advances and financing | (30,512,499) | (16,697,938) | (25,191,830) | (9,163,067) |
| Amount due from ultimate holding company | - | 285 | - | 285 |
| Amount due from subsidiaries | - | - | 178,082 | 139,987 |
| Amount due from related companies | 324,901 | 255,999 | 323,797 | 256,280 |
| Other assets | (947,784) | (248,930) | (1,041,519) | (94,068) |
| Statutory deposits with central banks | (1,095,337) | (181,274) | (765,886) | (74,124) |
| Increase/(decrease) in operating liabilities | | | | |
| Deposits from customers | 20,009,457 | 23,797,899 | 10,699,869 | 13,845,417 |
| Deposits and placements of banks and other financial institutions | 4,247,877 | 4,007,908 | 11,428,561 | 2,599,235 |
| Repurchase agreements | 2,839,289 | 2,000,460 | (507,256) | 1,700,369 |
| Derivative financial instruments | 507,504 | (98,949) | 753,090 | (86,880) |
| Bills and acceptances payable | (37,879) | (3,476,421) | 73,449 | (1,447,236) |
| Financial liabilities designated at fair value | 2,396,145 | - | 2,249,929 | - |
| Amount due to ultimate holding company | 1,450 | - | - | - |
| Amount due to subsidiaries | - | - | (34,786) | 20,509 |
| Amount due to related companies | 8,664 | 18,908 | 21,134 | 22 |
| Other liabilities | 768,234 | 47,912 | 925,748 | (143,626) |
| Cash flows generated from operations | 1,798,062 | 714,816 | 3,962,875 | 1,114,228 |
| Taxation paid | (746,197) | (945,936) | (565,480) | (734,617) |
| Net cash generated from/(used in) operating activities | 1,051,865 | (231,120) | 3,397,395 | 379,611 |

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**Statements of Cash Flows
for the financial year ended 31 December 2013 (Continued)**

| | Note | The Group | | The Bank | |
|--|----------|--------------------|------------------------------|--------------------|------------------------------|
| | | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 (Restated) |
| Cash flows from investing activities | | | | | |
| Proceeds from disposal of subsidiary | 53(a)(i) | - | 27,852 | - | - |
| Proceeds from disposal of associate | | - | 22,056 | - | 22,056 |
| Dividend from associate | | - | 21,763 | - | 21,763 |
| Dividend income | | 56,216 | 56,537 | 134,004 | 267,172 |
| Investment in subsidiaries | | - | - | (24,063) | (457,115) |
| Interest income received from financial investments available-for-sale | | 928,754 | 829,562 | 856,422 | 739,977 |
| Net purchase of financial investments available-for-sale | | (1,013,695) | (9,707,503) | (1,208,448) | (7,859,125) |
| Interest income received from financial investments held-to-maturity | | 296,958 | 340,243 | 255,616 | 275,691 |
| Net (purchase)/proceeds from financial investments held-to-maturity | | (1,348,093) | 1,864,464 | (2,016,212) | 2,177,012 |
| Purchase of property, plant and equipment | | (170,606) | (229,244) | (141,400) | (178,082) |
| Proceeds from disposal of property, plant and equipment/assets held for sale/leased assets | | 17,029 | 48,068 | 13,765 | 7,505 |
| Proceeds from disposal/write off of intangible assets | | 1,361 | 2,581 | 11 | - |
| Proceeds from disposal of prepaid lease payments | | 7 | - | - | - |
| Proceeds from disposal of investment properties | | 510 | 700 | - | - |
| Purchase of intangible assets | | (344,840) | (284,727) | (328,420) | (265,777) |
| Capital repayment from a subsidiary | | - | - | - | 347,175 |
| Capital repayment from an associate | | 47,336 | - | 47,336 | - |
| Net cash used in investing activities | | (1,529,063) | (7,007,648) | (2,411,389) | (4,901,748) |
| Cash flows from financing activities | | | | | |
| Dividends paid | | (1,599,659) | (1,487,000) | (1,598,993) | (1,487,000) |
| Interest expense paid on subordinated obligations | | (361,067) | (312,476) | (368,138) | (340,011) |
| Interest expense paid on redeemable preference shares | | (41,241) | (40,245) | - | - |
| Interest expense paid on other borrowings | | (53,932) | (98,417) | (39,727) | (36,348) |
| Interest expense paid on bond and debentures | | (81,432) | (15,086) | (29,012) | - |
| Proceeds from issuance of bonds and debentures | | 7,900,846 | 2,338,650 | 1,359,004 | 1,282,599 |
| Proceeds from other borrowings | | 98,310 | 305,900 | 98,310 | 305,900 |
| Proceeds from issuance of subordinated obligations | | 1,119,299 | 2,118,252 | 1,050,000 | 1,500,000 |
| Repayment of bonds and debentures | | (4,699,714) | (280,201) | - | - |
| Repayment of other borrowing | | (524,320) | (122,359) | (524,320) | (402,561) |
| Repayment of subordinated obligations | | (1,500,000) | (216,136) | (1,500,000) | - |
| Issuance of shares due to rights issue | | 1,735,918 | - | 1,735,918 | - |
| Net cash generated from financing activities | | 1,993,008 | 2,190,882 | 183,042 | 822,579 |
| Net increase/(decrease) in cash and cash equivalents during the financial year | | 1,515,810 | (5,047,886) | 1,169,048 | (3,699,558) |
| Effects of exchange rate differences | | 446,480 | (214,861) | 358,199 | (144,050) |
| Cash and cash equivalents at beginning of financial year | | 22,978,876 | 28,241,623 | 16,939,905 | 20,783,513 |
| Cash and cash equivalents at end of financial year | 2 | 24,941,166 | 22,978,876 | 18,467,152 | 16,939,905 |

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Summary of Significant Accounting Policies for the financial year ended 31 December 2013

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

A Basis of preparation

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 50.

CIMB Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

A Basis of preparation (Continued)

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

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2013 are as follows:

- MFRS 10 “Consolidated financial statements”
- MFRS 11 “Joint arrangements”
- MFRS 12 “Disclosures of interests in other entities”
- MFRS 13 “Fair value measurement”
- Revised MFRS 127 “Separate financial statements”
- Revised MFRS 128 “Investments in associates and joint ventures”
- MFRS 3 “Business Combinations” (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendment to MFRS 7 “Financial instruments: Disclosures – offsetting financial assets and financial liabilities”
- Amendment to MFRS 101 “Presentations of items of other comprehensive income”
- Amendment to MFRS 119 “Employee benefits”
- Amendment to MFRS 134 “Interim financial reporting”
- Amendment to MFRS 10, MFRS 11 and MFRS 12 “Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance”
- Annual improvements 2009-2011 Cycle
 - MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards” - Repeated application of MFRS 1 and borrowing costs
 - MFRS 101 “Presentation of Financial Statements” - Clarification of the requirements for comparative information
 - MFRS 116 “Property, Plant and Equipment” - Classification of servicing equipment
 - MFRS 132 “Financial Instruments: Presentation” - Tax effect of distribution to holders of equity instruments
 - MFRS 134 “Interim Financial Reporting” - Interim financial reporting and segment information for total assets and liabilities

The adoption of the new accounting standards, amendments and improvements to published standards did not have material impact on the financial statements of the Group and the Bank, except as disclosed in Note 55.

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(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

A Basis of preparation (Continued)

(b) Amendment to published standard that is early adopted by the Group and the Bank

The Group and the Bank have early adopted the following amendments to published standard for the financial year beginning 1 January 2013:

Amendment to MFRS 136 “Recoverable amount disclosures for non-financial assets” (effective from 1 January 2014) clarifies that disclosure of recoverable amount is required for an asset or cash generating unit when an impairment loss has been recognised or reversed during the period. When the recoverable amount of impaired assets is based on fair value less costs of disposal, additional information about fair value measurement is required. This amendment removes the unintended requirement to disclose the recoverable amount for a cash-generating unit (containing goodwill or indefinite lived intangible assets) when no impairment loss has been recognised or reversed during the period. The amendment is not mandatory for the Group and the Bank until 1 January 2014, however, the Group and the Bank has decided to early adopt the amendments as of 1 January 2013.

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

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

(i) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 “Financial instruments: Presentation” (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- Amendments to MFRS 10, MFRS 12 and MFRS 127 “Investment entities” (effective from 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

A Basis of preparation (Continued)

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

(i) Financial year beginning on/after 1 January 2014 (Continued)

- Amendment to MFRS 139 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provides relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria - the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.

(ii) Financial year beginning on/after 1 January 2017

- MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities” (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Bank except for MFRS 9. The Group has initiated the assessment of the potential effect of adopting MFRS 9 but is awaiting finalisation of the outstanding phases of MFRS 9 before the assessment can be completed. This standard is expected to have pervasive impact on the Group's and the Bank's financial statements.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group

(a) Subsidiaries

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

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

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Transaction with non-controlling interests

Transactions with non-controlling interests that do not result in loss in control are accounted as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interest are also recognised in equity.

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group (Continued)

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

The Group's interests in joint ventures are accounted for in the consolidated Financial Statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of the joint ventures in the statements of comprehensive income and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Associates

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

Investments in associates are accounted for in the consolidated Financial Statements by the equity method of accounting.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group (Continued)

(d) Associates (Continued)

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the statement of income.

(e) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group (Continued)

(f) Interests in subsidiaries, joint arrangements and associates

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

D Recognition of fees and other income

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

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

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

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

E Sale and repurchase agreements

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

F Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

F Financial assets (Continued)

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

F Financial assets (Continued)

(d) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial assets held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

G Financial liabilities

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

G Financial liabilities (Continued)

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

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

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

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

(b) Financial liabilities at amortised cost

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

H Derecognition of financial assets and financial liabilities

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

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

I Offsetting financial instruments

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

J Impairment of financial assets

(a) Assets carried at amortised cost

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

J Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

J Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

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

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

K Derivative financial instruments and hedge accounting

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

K Derivative financial instruments and hedge accounting (Continued)

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

K Derivative financial instruments and hedge accounting (Continued)

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

L Property, plant and equipment

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

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

M Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

(b) Other intangible assets

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

M Intangible assets (Continued)

(b) Other intangible assets (Continued)

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

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

N Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

Others

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

N Assets purchased under lease (Continued)

(b) Operating lease (Continued)

Others (Continued)

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

O Assets sold under lease

(a) Finance lease

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

(b) Operating lease

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

P Currency translations

(a) Functional and presentation currency

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

P Currency translations (Continued)

(b) Foreign currency transactions and balances

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

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

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

(c) Group companies

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

P Currency translations (Continued)

(c) Group companies (Continued)

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

Q Income and deferred taxes

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

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

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

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

Q Income and deferred taxes (Continued)

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

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

R Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

S Employee benefits

(a) Short term employee benefits

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

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

(b) Post employment benefits

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

Defined contribution plans

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

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

Defined benefit plans

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

S Employee benefits (Continued)

(b) Post employment benefits (Continued)

Defined benefit plans (Continued)

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

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

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

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

(c) Other long term employee benefits

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

(d) Termination benefits

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

(a) when the Group and the Bank can no longer withdraw the offer of those benefits; and

(b) when the Group and the Bank recognise costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

S Employee benefits (Continued)

(e) Bonus plans

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

(f) Share-based compensation benefits

Management Equity Scheme ("MES" or the "Scheme")

The Group and the Bank have an equity-settled, share-based compensation plan of the equities in CIMB Group, which is settled by a substantial shareholder of the ultimate holding company, CIMB Group Holdings Berhad ("CIMB Group"). The Group and the Bank receiving the employees services should account for the plan as equity settled when it has no obligation to settle the share-based payment transaction. The value of the employee services received in exchange for the grant of options of CIMB Group is recognised as an expense with a corresponding increase in the share option reserves over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At the end of each reporting period, the Group and the Bank revise its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimate to the statement of income, with a corresponding adjustment to the share option reserve over the remaining vesting period.

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

S Employee benefits (Continued)

(f) Share-based compensation benefits (Continued)

Employee Ownership Plan (“EOP”)

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

T Impairment of non-financial assets

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

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

U Foreclosed properties

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

V Provisions

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

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

Provisions are not recognised for future operating losses.

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

V Provisions (Continued)

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

W Financial guarantee contracts

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

X Cash and cash equivalents

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

Y Segment reporting

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

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

Z Non-current assets/disposal groups held for sale

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

CIMB Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

AA Investment properties

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

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

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

AB Contingent assets and contingent liabilities

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

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013****1 General information**

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

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

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

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

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

2 Cash and short-term funds

| | The Group | | The Bank | |
|--|--|-------------------------------|--|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Cash and balances with banks and other financial institutions | 4,377,315 | 3,792,766 | 3,369,348 | 3,224,348 |
| Money at call and deposit placements maturing within one month | 20,563,851 | 19,186,110 | 15,097,804 | 13,715,557 |
| | 24,941,166 | 22,978,876 | 18,467,152 | 16,939,905 |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****3 Deposits and placements with banks and other financial institutions**

| | The Group | | The Bank | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Licensed banks | 3,437,230 | 3,089,151 | 7,820,011 | 10,322,160 |
| Licensed investment banks | 100,200 | 507,895 | 100,200 | 361,534 |
| Bank Negara Malaysia and other central banks | 44,451 | 50,109 | - | - |
| Other financial institutions | 84,655 | 89,865 | 30,003 | 25,017 |
| | 3,666,536 | 3,737,020 | 7,950,214 | 10,708,711 |

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

As at 31 December 2013, the RPSIA placements amounted to RM2,469 million (2012: RM984 million) for a tenure between 1 to 5 months at indicative profit rates from 3.33% to 3.64% [2012: 3.42% to 3.61% (tenor 1 to 4 months)] per annum.

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****4 Financial assets held for trading**

| | The Group | | The Bank | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Money market instruments | | | | |
| Unquoted: | | | | |
| Malaysian Government Securities | 422,188 | 310,623 | 422,188 | 310,623 |
| Cagamas bonds | 14,891 | - | 14,891 | - |
| Khazanah bonds | - | 16,914 | - | 16,914 |
| Malaysian Government treasury bills | 75,075 | 215,116 | 75,075 | 146,661 |
| Other Government securities | 4,197,517 | 3,574,330 | 4,197,517 | 3,574,330 |
| Bank Negara Malaysia Monetary Notes | 3,638,917 | 7,647,761 | 1,454,575 | 4,106,863 |
| Bankers' acceptances and Islamic accepted bills | 345,728 | 584,737 | 345,728 | 434,536 |
| Negotiable instruments of deposit | 1,874,343 | 2,929,556 | 1,125,975 | 1,272,571 |
| Credit-linked notes | 49,347 | 46,291 | 49,347 | 46,291 |
| Commercial papers | 362,189 | 320,059 | 362,189 | 320,059 |
| Government Investment Issue | 106,451 | 413,357 | 78,804 | 161,553 |
| | 11,086,646 | 16,058,744 | 8,126,289 | 10,390,401 |
| Quoted securities: | | | | |
| <u>In Malaysia</u> | | | | |
| Shares | 1,532,268 | 1,002,337 | 1,532,268 | 1,002,337 |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 122,429 | 35,846 | - | - |
| Other Government bonds | 906,725 | 294,207 | - | - |
| | 1,029,154 | 330,053 | - | - |
| Unquoted securities: | | | | |
| <u>In Malaysia</u> | | | | |
| Shares | 6,716 | 6,544 | 6,716 | 6,544 |
| Private and Islamic debt securities | 5,325,099 | 4,868,623 | 5,118,247 | 4,421,725 |
| | 5,331,815 | 4,875,167 | 5,124,963 | 4,428,269 |
| <u>Outside Malaysia</u> | | | | |
| Private and Islamic debt securities | 2,791,653 | 1,822,142 | 2,791,653 | 1,805,476 |
| Shares | 66,332 | 59,769 | - | - |
| | 21,837,868 | 24,148,212 | 17,575,173 | 17,626,483 |

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****5 Financial investments available-for-sale**

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments | | | | |
| Unquoted: | | | | |
| Malaysian Government Securities | 656,270 | 860,826 | 621,477 | 826,565 |
| Khazanah bonds | 322,874 | 400,350 | 322,874 | 346,110 |
| Government Investment Issue | 2,518,856 | 3,480,923 | 2,141,065 | 2,340,545 |
| Other Government treasury bills | 27,052 | 49,398 | 27,052 | 49,398 |
| Other Government securities | 254,035 | 104,099 | 254,035 | 104,099 |
| Bank Negara Malaysia Monetary Notes | - | 497,386 | - | 497,386 |
| Cagamas bonds | 239,735 | 290,288 | 214,244 | 269,524 |
| Commercial papers | - | 9,999 | - | 9,999 |
| | 4,018,822 | 5,693,269 | 3,580,747 | 4,443,626 |
| Quoted securities: | | | | |
| <u>Outside Malaysia</u> | | | | |
| Shares | 27 | 289 | 27 | 289 |
| Other Government bonds | 2,363,788 | 1,107,829 | - | - |
| Unit trusts | 72,728 | 292,855 | - | - |
| Private debt securities | 255,070 | 91,723 | - | - |
| | 2,691,613 | 1,492,696 | 27 | 289 |
| Unquoted securities: | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 13,580,740 | 13,955,518 | 12,727,179 | 12,404,294 |
| Shares | 924,266 | 826,572 | 915,779 | 818,674 |
| Loan stocks | 10,433 | 18,507 | 10,433 | 18,507 |
| | 14,515,439 | 14,800,597 | 13,653,391 | 13,241,475 |
| <u>Outside Malaysia</u> | | | | |
| Shares | 27,511 | 33,719 | 1,028 | 6,749 |
| Private equity funds | 64,964 | 69,444 | - | - |
| Unit trusts | 16,119 | 18,847 | - | - |
| Private debt securities | 5,057,924 | 3,758,797 | 5,011,410 | 3,793,355 |
| | 5,166,518 | 3,880,807 | 5,012,438 | 3,800,104 |
| | 26,392,392 | 25,867,369 | 22,246,603 | 21,485,494 |
| Allowance for impairment losses: | | | | |
| Private debt securities | (100,236) | (117,466) | (96,603) | (117,466) |
| Unquoted shares | (95,841) | (95,454) | (73,821) | (74,020) |
| Loan stocks | (10,433) | (14,561) | (10,433) | (14,561) |
| Unit trusts | (386) | (1,898) | - | - |
| | (206,896) | (229,379) | (180,857) | (206,047) |
| | 26,185,496 | 25,637,990 | 22,065,746 | 21,279,447 |

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****5 Financial investments available-for-sale (Continued)**

Securities amounting to RM4,083 million (2012: RM4,329 million) were invested by asset management companies on behalf of the Group and the Bank.

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

| | The Group | | The Bank | |
|--|------------------|----------|-----------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 229,379 | 321,465 | 206,047 | 296,733 |
| Allowance made during the financial year | 27,780 | 1,606 | 23,367 | 1,498 |
| Disposal of securities | (48,557) | (92,184) | (48,557) | (92,184) |
| Exchange fluctuation | (1,706) | (1,508) | - | - |
| At 31 December | 206,896 | 229,379 | 180,857 | 206,047 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****6 Financial investments held-to-maturity**

| | The Group | | The Bank | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Money market instruments | | | | |
| Unquoted: | | | | |
| Malaysian Government Securities | 802,446 | - | 802,446 | - |
| Malaysian Government Investment Issue | 808,104 | 20,686 | 808,104 | 20,686 |
| Other government securities | 780,810 | 754,593 | 780,810 | 754,593 |
| Cagamas bonds | 160,997 | 4,834 | 160,997 | 4,834 |
| Khazanah bonds | 66,736 | - | 66,736 | - |
| | 2,619,093 | 780,113 | 2,619,093 | 780,113 |
| Quoted securities: | | | | |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 1,637,403 | 2,218,812 | - | - |
| Unquoted securities: | | | | |
| <u>In Malaysia</u> | | | | |
| Loans stocks | 27,388 | 28,813 | - | - |
| Danaharta Urus Sdn Bhd bonds | - | 130,139 | - | 130,139 |
| Private debt securities | 4,479,104 | 3,734,412 | 3,876,918 | 3,081,972 |
| | 4,506,492 | 3,893,364 | 3,876,918 | 3,212,111 |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 1,116,035 | 1,485,557 | 1,116,501 | 1,461,848 |
| Accretion of discount net of amortisation of premium | (22,698) | 23,913 | (21,985) | 33,771 |
| Less: Allowance for impairment losses | (27,519) | (34,350) | - | - |
| | 9,828,806 | 8,367,409 | 7,590,527 | 5,487,843 |

In 2013, the Group and the Bank reclassified a previously held financial investments available-to-sale to financial investments held-to-maturity. Given the long term nature of the holdings, the bonds were reclassified from financial investments available-to-sale to financial investments held-to-maturity as part of the Bank's Asset Liability Management. It reflects the Bank's positive intent and ability to hold them until maturity. The bonds were transferred at the prevailing mark-to-market prices.

The fair value and the carrying amount of the financial investments, and the balance of the revaluation reserve-financial investments available-for-sale at the date of reclassification is RM774,913,000, RM776,148,000 and RM1,235,000 respectively.

As at 31 December 2013, the remaining unamortised revaluation reserve-financial investments available-for-sale amounting to RM1,182,000.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****6 Financial investments held-to-maturity (Continued)**

Included in the financial investments held-to-maturity of the Group as at 31 December 2013 are 10-year promissory notes of THB9 million (2012: THB263 million) maturing between 2014 to 2015. The promissory notes were received from Thai Asset Management Corporation (“TAMC”) for settlement of impaired loans transferred by CIMB Thai Bank Public Company Limited (“CIMB Thai Bank”) to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer the impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. During the financial year, CIMB Bank Thai has recognised a gain of approximately RM113 million (2012: RM133 million) arising from the sharing arrangement.

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

| | The Group | | The Bank | |
|--|------------------|---------|-----------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 34,350 | 36,406 | - | - |
| Written back during the financial year | (1,422) | (492) | - | - |
| Redemption of securities | (5,409) | - | - | - |
| Exchange fluctuation | - | (1,564) | - | - |
| At 31 December | 27,519 | 34,350 | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing****(i) By type**

| | The Group | | The Bank | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 5,498,157 | 5,758,467 | 4,122,209 | 4,468,500 |
| Term loans/financing | | | | |
| - Housing loan/financing | 50,418,831 | 45,080,347 | 37,496,022 | 34,255,088 |
| - Syndicated term loan | 13,909,892 | 9,286,127 | 13,403,780 | 8,941,483 |
| - Other term loans/financing | 74,136,477 | 62,695,639 | 50,642,650 | 41,135,566 |
| - Factoring receivables | 22,312 | 19,007 | - | - |
| - Lease receivables | 52,638 | 73,811 | - | - |
| - Hire purchase receivables | 14,428,652 | 12,772,502 | 6,264,561 | 4,918,434 |
| Bills receivable | 9,198,490 | 3,675,350 | 6,327,629 | 1,057,156 |
| Trust receipts | 1,986,719 | 2,295,493 | 652,172 | 661,991 |
| Claim on customers under acceptance credit | 3,397,107 | 3,919,377 | 3,024,575 | 3,577,129 |
| Staff loans | 452,395 | 413,561 | 385,390 | 364,097 |
| Credit card receivables | 5,344,131 | 4,535,888 | 5,239,682 | 4,438,006 |
| Revolving credit | 9,424,452 | 7,857,212 | 7,239,751 | 6,379,846 |
| Share margin financing | 720,691 | 692,016 | 704,250 | 656,790 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |
| Fair value changes arising from fair value hedges | 140,453 | 360,979 | 102,195 | 139,919 |
| | 189,131,397 | 159,435,776 | 135,604,866 | 110,994,005 |
| Less: Individual impairment allowance | (1,767,230) | (1,902,985) | (1,526,098) | (1,652,134) |
| Less: Portfolio impairment allowance | (1,933,552) | (1,841,225) | (1,245,458) | (1,255,788) |
| Total net loans, advances and financing | 185,430,615 | 155,691,566 | 132,833,310 | 108,086,083 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

(i) By type (continued)

- (a) Included in the Group's and the Bank's loans, advances and financing balances are RM56,586,000 (2012: RM63,591,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatements of these loans have been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing of RM8,181,776,000 (2012: RM7,869,471,000) and RM1,788,383,000 (2012: RM1,326,031,000) respectively, using interest rate swaps.

| | The Group | | The Bank | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Gross loans hedged | 8,181,776 | 7,869,471 | 1,788,383 | 1,326,031 |
| Fair value changes arising from fair value hedges | 140,453 | 360,979 | 102,195 | 139,919 |
| | 8,322,229 | 8,230,450 | 1,890,578 | 1,465,950 |

The fair value loss of interest rate swaps of the Group and the Bank in these hedge transactions as at 31 December 2013 were RM100,531,414 (2012: RM311,304,935) and RM33,739,330 (2012: RM63,418,357) respectively.

- (c) As part of an arrangement with CIMB Islamic in relation to the RPSIA, the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement (See Note 3), whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances for bad and doubtful financing arising from the RPSIA financing.

As at 31 December 2013, the gross exposure and portfolio impairment allowance relating to RPSIA financing are RM2,476 million (2012: RM988 million) and RM11.3 million (2012: RM3.5 million) respectively.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

(ii) By type of customer:

| | The Group | | The Bank | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Domestic banking institutions | 1,707,606 | 1,814,205 | 1,673,733 | 1,436,110 |
| Domestic non-bank financial institutions | | | | |
| - stockbroking companies | 10,210 | 10,009 | 10,210 | 10,009 |
| - others | 2,572,679 | 1,807,723 | 811,748 | 911,334 |
| Domestic business enterprises | | | | |
| - small medium enterprises | 12,439,147 | 11,628,979 | 9,552,603 | 9,344,541 |
| - others | 35,983,520 | 31,229,335 | 21,941,915 | 18,303,675 |
| Government and statutory bodies | 11,885,181 | 12,883,567 | 5,133,700 | 6,128,639 |
| Individuals | 98,484,803 | 84,436,650 | 71,021,672 | 59,998,561 |
| Other domestic entities | 223,211 | 213,395 | 117,820 | 163,815 |
| Foreign entities | 25,684,587 | 15,050,934 | 25,239,270 | 14,557,402 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |

(iii) By interest rate sensitivity:

| | The Group | | The Bank | |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Fixed rate | | | | |
| - Housing loans | 1,697,993 | 1,763,136 | 918,107 | 1,139,268 |
| - Hire-purchase receivables | 14,414,001 | 12,750,776 | 6,242,650 | 4,893,719 |
| - Other fixed rate loans | 32,187,877 | 32,059,171 | 18,864,708 | 18,829,968 |
| Variable rate | | | | |
| - BLR plus | 75,043,234 | 63,241,398 | 66,094,967 | 55,314,729 |
| - Cost-plus | 31,711,148 | 26,088,231 | 21,269,784 | 16,924,618 |
| - Other variable rates | 33,936,691 | 23,172,085 | 22,112,455 | 13,751,784 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

(iv) By economic purpose:

| | The Group | | The Bank | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Personal use | 7,931,464 | 6,854,549 | 3,114,867 | 2,426,724 |
| Credit card | 5,344,131 | 4,535,888 | 5,239,682 | 4,438,006 |
| Purchase of consumer durables | 170,389 | 25,165 | 152,394 | 13,581 |
| Construction | 7,139,816 | 6,374,956 | 3,590,808 | 3,180,293 |
| Residential property (Housing) | 50,780,646 | 45,206,176 | 37,761,385 | 34,302,645 |
| Non-residential property | 17,775,165 | 15,844,104 | 14,568,495 | 13,270,216 |
| Purchase of fixed assets other than land and building | 2,915,178 | 2,077,105 | 2,371,977 | 1,451,923 |
| Merger and acquisition | 5,410,650 | 1,987,139 | 5,409,407 | 1,966,849 |
| Purchase of securities | 14,336,939 | 11,548,716 | 14,315,100 | 11,513,068 |
| Purchase of transport vehicles | 14,489,405 | 12,659,783 | 6,455,672 | 4,966,900 |
| Working capital | 47,207,201 | 34,549,290 | 34,205,710 | 22,699,923 |
| Other purpose | 15,489,960 | 17,411,926 | 8,317,174 | 10,623,958 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |

(v) By geographical distribution:

| | The Group | | The Bank | |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Malaysia | 140,617,289 | 125,176,653 | 104,944,286 | 91,715,591 |
| Indonesia | 1,886,152 | 823,457 | 1,833,295 | 763,223 |
| Thailand | 17,731,310 | 14,516,991 | 568,534 | 261,874 |
| Singapore | 18,551,524 | 12,966,678 | 18,551,524 | 12,966,678 |
| United Kingdom | 1,152,021 | 934,931 | 1,152,021 | 934,931 |
| Hong Kong | 636,761 | 1,119,775 | 636,761 | 1,119,775 |
| Other countries | 8,415,887 | 3,536,312 | 7,816,250 | 3,092,014 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

(vi) By residual contractual maturity:

| | The Group | | The Bank | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Maturing within one year | 43,412,675 | 32,190,584 | 34,549,208 | 23,574,442 |
| One year to less than three years | 14,945,686 | 18,570,972 | 12,151,916 | 16,394,066 |
| Three years to less than five years | 23,436,171 | 12,806,619 | 16,211,287 | 8,530,058 |
| Five years and more | 107,196,412 | 95,506,622 | 72,590,260 | 62,355,520 |
| Gross loans, advances and financing | 188,990,944 | 159,074,797 | 135,502,671 | 110,854,086 |

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

| | The Group | | The Bank | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personal use | 150,886 | 129,177 | 57,152 | 65,962 |
| Credit card | 79,870 | 19,443 | 77,585 | 19,024 |
| Purchase of consumer durables | 128 | 26 | 56 | 26 |
| Construction | 1,068,220 | 1,092,381 | 1,057,328 | 1,063,342 |
| Residential property (Housing) | 853,432 | 870,768 | 658,753 | 706,606 |
| Non-residential property | 167,774 | 220,496 | 138,572 | 185,348 |
| Purchased of fixed assets other than land and building | 12,402 | 40,625 | 5,980 | 25,590 |
| Purchase of securities | 151,740 | 150,494 | 151,517 | 150,484 |
| Purchase of transport vehicles | 288,377 | 285,033 | 146,097 | 163,200 |
| Working capital | 1,163,152 | 1,430,290 | 980,032 | 1,251,415 |
| Other purpose | 338,962 | 302,583 | 58,227 | 61,845 |
| Gross impaired loans | 4,274,943 | 4,541,316 | 3,331,299 | 3,692,842 |

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

| | The Group | | The Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 3,329,154 | 3,675,540 | 3,001,533 | 3,326,563 |
| Indonesia | 101,192 | 94,495 | 101,192 | 94,495 |
| Thailand | 598,558 | 499,497 | 615 | - |
| Singapore | 41,788 | 29,400 | 41,788 | 29,400 |
| United Kingdom | 3,636 | 2,310 | 3,636 | 2,310 |
| Other countries | 200,615 | 240,074 | 182,535 | 240,074 |
| Gross impaired loans, advances and financing | 4,274,943 | 4,541,316 | 3,331,299 | 3,692,842 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

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

| | The Group | | The Bank | |
|--|--------------------|---------------|------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 4,541,316 | 5,108,543 | 3,692,842 | 4,041,828 |
| Classified as impaired during the financial year | 2,677,680 | 2,621,969 | 1,818,887 | 2,089,168 |
| Reclassified as not impaired during the financial year | (1,190,196) | (1,132,311) | (879,878) | (949,068) |
| Amount written back in respect of recoveries | (950,462) | (1,052,310) | (725,958) | (917,220) |
| Amount written off | (849,993) | (1,062,380) | (599,489) | (688,049) |
| Reclassification from unwinding income | 21,266 | 135,686 | - | 114,742 |
| Amount transferred to related company | - | (68,504) | - | - |
| Disposal of subsidiary | - | (2,464) | - | - |
| Exchange fluctuation | 25,332 | (6,913) | 24,895 | 1,441 |
| At 31 December | 4,274,943 | 4,541,316 | 3,331,299 | 3,692,842 |
| Ratio of gross impaired loans to total loans, advances and financing | 2.26% | 2.85% | 2.46% | 3.33% |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****7 Loans, advances and financing (Continued)**

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

| | The Group | | The Bank | |
|---|------------------|------------------|------------------|------------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Individual impairment allowance | | | | |
| At 1 January | 1,902,985 | 2,062,708 | 1,652,134 | 1,633,574 |
| Net allowance made during the financial year | 104,894 | 150,751 | 113,315 | 138,153 |
| Allowance (written-back)/made and charged to deferred assets | (959) | 1,221 | (959) | 1,221 |
| Amount written off | (284,604) | (330,229) | (260,011) | (186,228) |
| Disposal of subsidiary | - | (2,429) | - | - |
| Amount transferred to portfolio impairment allowance | 1,043 | 9,598 | - | - |
| Amount transferred to related company | - | (56,608) | - | - |
| Unwinding income | 21,266 | 84,193 | - | 77,135 |
| Exchange fluctuation | 22,605 | (16,220) | 21,619 | (11,721) |
| At 31 December | 1,767,230 | 1,902,985 | 1,526,098 | 1,652,134 |
| Portfolio impairment allowance | | | | |
| At 1 January | 1,841,225 | 2,197,899 | 1,255,788 | 1,577,067 |
| Net allowance made during the financial year | 652,951 | 316,497 | 330,086 | 131,975 |
| Allowance (written back)/made and charged to deferred assets | 258 | (1,510) | 258 | (1,510) |
| Amount written off | (557,542) | (723,895) | (339,965) | (502,689) |
| Amount transferred from individual impairment allowance | (1,043) | (9,598) | - | - |
| Amount transferred to subsidiary | - | - | (2,715) | - |
| Amount transferred to related company | - | (1,553) | - | - |
| Unwinding income | - | 65,104 | - | 51,867 |
| Exchange fluctuation | (2,297) | (1,719) | 2,006 | (922) |
| At 31 December | 1,933,552 | 1,841,225 | 1,245,458 | 1,255,788 |
| Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance | 2.1% | 2.1% | 2.1% | 2.1% |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****8 Other assets**

| | Note | The Group | | | The Bank | | |
|--|------|-------------------------------|---|---|-------------------------------|---|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2012 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Deferred assets | (a) | 83,017 | 103,524 | 131,204 | 83,017 | 103,524 | 131,204 |
| Foreclosed properties | (b) | 136,348 | 120,549 | 116,848 | - | - | 8,557 |
| Due from brokers and clients | | - | - | 30,723 | - | - | - |
| Option premium receivables | | 193,721 | 246,723 | 249,461 | 193,721 | 246,723 | 249,461 |
| Collateral pledged for derivative transactions | | 1,582,685 | 691,593 | 595,738 | 1,269,613 | 591,182 | 510,251 |
| Other debtors, deposits and prepayments | | 1,485,468 | 1,172,759 | 968,520 | 1,000,429 | 768,957 | 731,977 |
| | | 3,481,239 | 2,335,148 | 2,092,494 | 2,546,780 | 1,710,386 | 1,631,450 |

- (a) Deferred assets comprise mainly the carrying value of the excess of liabilities over assets of Common Forge Berhad (now known as Southeast Asia Special Asset Management Berhad) taken over by SBB Berhad in 2000 and will be reduced progressively by a scheme of arrangement which has been agreed by Bank Negara Malaysia. Movements in deferred assets during the financial year are as follows:

| | The Group and The Bank | |
|---------------------------------|------------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| At 1 January | 103,524 | 131,204 |
| Recovery for the financial year | (19,806) | (27,391) |
| Impairment allowance made | (701) | (289) |
| At 31 December | 83,017 | 103,524 |

- (b) Movements in foreclosed properties during the financial year are as follows:

| | The Group | | The Bank | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| At 1 January | 120,549 | 116,848 | - | 8,557 |
| Acquired during the financial year | 120,442 | 82,877 | - | - |
| Disposed during the financial year | (104,474) | (77,424) | - | (8,557) |
| Disposal of subsidiary | - | (682) | - | - |
| Exchange difference | (169) | (1,070) | - | - |
| At 31 December | 136,348 | 120,549 | - | - |

Foreclosed properties are stated at lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2013. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using the sale comparison approach. Sale price of comparable land and building in close proximity are adjusted for differences in key attributes such as property size.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****9 Deferred taxation**

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

| | The Group | | The Bank | |
|--------------------------|-------------------------|------------------|-------------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets | 206,382 | 25,702 | 85,262 | - |
| Deferred tax liabilities | (2,188) | (22,034) | - | (5,848) |
| | 204,194 | 3,668 | 85,262 | (5,848) |

Further breakdown are as follows:

| | The Group | | The Bank | |
|---|-------------------------|------------------|-------------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets (before offsetting) | | | | |
| Individual/Portfolio impairment allowance | 62,490 | 3,316 | 301 | 377 |
| Property, plant and equipment | 5,950 | 2,508 | - | - |
| Revaluation reserve- financial investments available-for-sale | 5,476 | - | - | - |
| Provision for expenses | 274,018 | 236,174 | 252,596 | 215,853 |
| Cash flow hedge | 2,953 | - | 2,953 | - |
| Post employment benefit obligations | 20,786 | - | - | - |
| Other temporary differences | 58,213 | 61,108 | 36,794 | 20,643 |
| | 429,886 | 303,106 | 292,644 | 236,873 |
| Offsetting | (223,504) | (277,404) | (207,382) | (236,873) |
| Deferred tax assets (after offsetting) | 206,382 | 25,702 | 85,262 | - |
| Deferred tax liabilities (before offsetting) | | | | |
| Property, plant and equipment | (127,405) | (67,762) | (114,443) | (62,540) |
| Revaluation reserve- financial investments available-for-sale | (73,258) | (153,796) | (70,473) | (146,287) |
| Intangible assets | (24,865) | (36,001) | (22,466) | (33,894) |
| Other temporary differences | (164) | (41,879) | - | - |
| | (225,692) | (299,438) | (207,382) | (242,721) |
| Offsetting | 223,504 | 277,404 | 207,382 | 236,873 |
| Deferred tax liabilities (after offsetting) | (2,188) | (22,034) | - | (5,848) |

In 2012, deferred tax assets arising from unabsorbed tax losses amounted to RM152,170,000 have not been recognised in the financial statements at CIMB Bank Group. The unabsorbed tax losses has expired in 2013.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****9 Deferred taxation (Continued)**

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

| The Group | Note | Individual impairment allowance/ Portfolio impairment allowance RM'000 | Accelerated tax depreciation RM'000 | Revaluation reserve- financial investments available-for-sale RM'000 | Other temporary differences RM'000 | Intangible assets RM'000 | Provision for expenses RM'000 | Cash flow hedge RM'000 | Post employment benefit obligations RM'000 | Total RM'000 |
|--|------|---|--|---|---------------------------------------|-----------------------------|----------------------------------|---------------------------|---|-----------------|
| Deferred tax assets/(liabilities) | | | | | | | | | | |
| At 1 January 2013 | | 3,316 | (65,254) | (153,796) | 19,229 | (36,001) | 236,174 | - | - | 3,668 |
| Credited/(charged) to statements of income | 42 | 59,174 | (44,054) | - | 38,329 | 11,136 | 28,428 | - | 20,786 | 113,799 |
| (Under)/over accrual in prior year | | - | (12,147) | - | 491 | - | 9,416 | - | - | (2,240) |
| Transferred to equity | | - | - | 86,014 | - | - | - | 2,953 | - | 88,967 |
| At 31 December 2013 | | 62,490 | (121,455) | (67,782) | 58,049 | (24,865) | 274,018 | 2,953 | 20,786 | 204,194 |

| The Group | Note | Individual impairment allowance/ Portfolio impairment allowance RM'000 | Accelerated tax depreciation RM'000 | Revaluation reserve- financial investments available-for-sale RM'000 | Other temporary differences RM'000 | Intangible assets RM'000 | Provision for expenses RM'000 | Total RM'000 |
|--|------|---|--|---|---------------------------------------|-----------------------------|----------------------------------|-----------------|
| Deferred tax assets/(liabilities) | | | | | | | | |
| At 1 January 2012 | | 5,399 | (51,535) | (162,185) | (7,297) | (47,940) | 201,758 | (61,800) |
| (Charged)/credited to statements of income | 42 | (2,083) | (15,667) | - | 26,526 | 11,939 | 34,629 | 55,344 |
| Over/(under) accrual in prior year | | - | 1,948 | - | - | - | (213) | 1,735 |
| Transferred to equity | | - | - | 8,389 | - | - | - | 8,389 |
| At 31 December 2012 | | 3,316 | (65,254) | (153,796) | 19,229 | (36,001) | 236,174 | 3,668 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****9 Deferred taxation (Continued)**

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

| The Bank | Note | Portfolio impairment allowance RM'000 | Accelerated tax depreciation RM'000 | Revaluation reserve- financial investments available-for-sale RM'000 | Other temporary differences RM'000 | Intangible assets RM'000 | Provision for expenses RM'000 | Cash flow hedge RM'000 | Total RM'000 |
|--|------|--|---|--|--|-----------------------------|-------------------------------------|---------------------------|-----------------|
| Deferred tax assets/(liabilities) | | | | | | | | | |
| At 1 January 2013 | | 377 | (62,540) | (146,287) | 20,643 | (33,894) | 215,853 | - | (5,848) |
| (Charged)/credited to statements of income | 42 | (76) | (39,756) | - | 15,974 | 11,428 | 27,326 | - | 14,896 |
| (Under)/over accrual in prior year | | - | (12,147) | - | 177 | - | 9,417 | - | (2,553) |
| Transferred to equity | | - | - | 75,814 | - | - | - | 2,953 | 78,767 |
| At 31 December 2013 | | 301 | (114,443) | (70,473) | 36,794 | (22,466) | 252,596 | 2,953 | 85,262 |

| The Bank | Note | Portfolio impairment allowance RM'000 | Accelerated tax depreciation RM'000 | Revaluation reserve- financial investments available-for-sale RM'000 | Other temporary differences RM'000 | Intangible assets RM'000 | Provision for expenses RM'000 | Total RM'000 |
|--|------|--|---|--|--|-----------------------------|-------------------------------------|-----------------|
| Deferred tax assets/(liabilities) | | | | | | | | |
| At 1 January 2012 | | 1,214 | (51,019) | (157,755) | 23,498 | (45,321) | 190,134 | (39,249) |
| (Charged)/credited to statements of income | 42 | (837) | (12,462) | - | (2,855) | 11,427 | 25,649 | 20,922 |
| Over accrual in prior year | | - | 941 | - | - | - | 70 | 1,011 |
| Transferred to equity | | - | - | 11,468 | - | - | - | 11,468 |
| At 31 December 2012 | | 377 | (62,540) | (146,287) | 20,643 | (33,894) | 215,853 | (5,848) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****10 Statutory deposits with central banks**

| | The Group | | The Bank | |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Statutory deposits with | | | | |
| - Bank Negara Malaysia | 5,098,714 | 4,333,114 | 3,661,867 | 3,229,017 |
| - Other central banks | 1,260,482 | 930,745 | 990,440 | 657,404 |
| | <u>6,359,196</u> | <u>5,263,859</u> | <u>4,652,307</u> | <u>3,886,421</u> |

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

11 Amounts due from/(to) ultimate holding company

| | The Group | | The Bank | |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Amounts due from: | | | | |
| - ultimate holding company | <u>28,853</u> | <u>28,853</u> | <u>-</u> | <u>-</u> |
| Amount due to: | | | | |
| - ultimate holding company | <u>(1,450)</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

12 Amounts due from/(to) subsidiaries

| | The Bank | |
|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Amounts due from subsidiaries | <u>138,004</u> | <u>316,086</u> |
| Amounts due to subsidiaries | <u>(35,736)</u> | <u>(70,522)</u> |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****13 Amounts due from/(to) related companies**

| | The Group | | The Bank | |
|------------------------------------|--|-------------------------------|--|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Amounts due from related companies | 1,092,848 | 1,417,749 | 1,091,544 | 1,415,341 |
| Amounts due to related companies | (34,016) | (25,352) | (21,156) | (22) |

Included in amount due from related companies is an amount of RM1,059,473,000 (2012: RM1,285,914,000) due from PCSB. With the adoption of MFRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's and the Bank's loans, advances and financing as the risks and rewards relating to the cash flows of these hire purchase receivables have been substantially transferred to PCSB.

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

14 Investments in subsidiaries

| | The Bank | |
|-------------------------------------|--|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Unquoted shares, at cost | | |
| - ordinary and preference shares | (a) 4,900,665 | 4,876,602 |
| Less: Allowance for impairment loss | (14,413) | (28,930) |
| | 4,886,252 | 4,847,672 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)****(a) Ordinary shares**

- (i) On 21 January 2013, CIMB Bank has completed capital injection of USD8 million into new ordinary shares of CIMB Bank PLC. The capital injection is to enable CIMB Bank PLC to meet regulatory requirements of National Bank of Cambodia and to support its business growth.
- (ii) On 21 November 2012, CIMB Bank (L) Limited, a wholly-owned subsidiary of the Bank, made a capital repayment of USD100 million to the Bank as part of its capital reduction exercise.
- (iii) On 22 June 2012, CIMB Thai Bank, entered into a Share Sale Agreement with CIMB Securities International Pte Ltd., a 100% owned subsidiary of CIMBG, to dispose to the latter 109,999,993 ordinary shares in CIMB Securities (Thailand) Company Limited (“CIMBS”), representing 99.99% of CIMBS’s issued and paid-up share capital for a total consideration of THB1,117,600,000 (equivalent to approximately RM110,936,000). The disposal of CIMBS was completed on 2 July 2012.
- (iv) On 8 March 2012, CIMB Thai Bank, 93.71% owned subsidiary of the Bank, which in turn is a 99.99% owned subsidiary of CIMBG, announced a 3-for-10 rights issue at THB1 per share. The exercise was approved at the Annual General Meeting and approved by Thailand's Ministry of Finance on 12 April 2012 and 21 June 2012 respectively. The exercise was completed on 7 August 2012 and CIMB Thai Bank successfully raised a total capital of THB 4.769 billion.

Subsequent to the right issue, the Bank’s shareholding in CIMB Thai Bank has increased from 93.15% to 93.71% as other shareholders have not subscribed their portion of the rights issue.

- (b) The Bank had undertaken a net investment hedge on the foreign exchange risk of CIMB Bank (L) Limited using the following hedging instruments:

| | Fair value at 31 December 2013 RM'000 | Fair value at 31 December 2012 RM'000 |
|--------------------------------------|--|--|
| USD200 million subordinated loans | 655,400 | 611,800 |
| USD134 million interbank borrowings | 439,118 | 409,906 |
| USD70 million foreign currency swaps | (6,188) | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)**

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

| Name | Principal activities | Percentage of equity held: | | | |
|---|---|----------------------------|--------------------------|----------------------------|--------------------------|
| | | Directly by the Bank | | Through subsidiary company | |
| | | 31 December 2013 % | 31 December 2012 % | 31 December 2013 % | 31 December 2012 % |
| CIMB Group Nominees Sdn. Bhd. | Nominee services | 100 | 100 | - | - |
| CIMB Group Nominees (Tempatan) Sdn. Bhd. | Nominee services | 100 | 100 | - | - |
| CIMB Group Nominees (Asing) Sdn. Bhd. | Nominee services | 100 | 100 | - | - |
| Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan) | Nominee services | - | - | 100 | 100 |
| BC Management Services Ltd (Incorporated in the Federal Territory of Labuan) | Nominee services | - | - | 100 | 100 |
| Mutiara Aset Berhad | Dormant | 100 | 100 | - | - |
| CIMB Islamic Trustee Berhad | Trustee services | 20 | 20 | 40 | 40 |
| CIMB Trust Limited (Incorporated in the Federal Territory of Labuan) | Trustee services | 100 | 100 | - | - |
| CIMB FactorLease Berhad | Leasing, hire purchase financing, debt factoring, loan management and property management | 100 | 100 | - | - |
| CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan) | Offshore banking | 100 | 100 | - | - |
| Semerak Services Sdn. Bhd. | Service company | 100 | 100 | - | - |
| iCIMB (Malaysia) Sdn. Bhd. | Provision of management services and outsourcing | 100 | 100 | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)**

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

| Name | Principal activities | Percentage of equity held: | | | |
|--|---|----------------------------|---------------------|----------------------------|---------------------|
| | | Directly by the Bank | | Through subsidiary company | |
| | | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | | % | % | % | % |
| CIMB Islamic Bank Berhad | Islamic banking and related financial services | 100 | 100 | - | - |
| CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan) | Fund management | - | - | 100 | 100 |
| CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan) | Fund management | - | - | 100 | 100 |
| Mezzanine Capital Limited | Fund management | - | - | 100 | 100 |
| S.B. Venture Capital Corporation Sdn. Bhd. | Provision of risk capital and management services | 100 | 100 | - | - |
| CIMB Islamic Nominees (Tempatan) Sdn. Bhd. | Nominee services | - | 100 | 100 | - |
| CIMB Islamic Nominees (Asing) Sdn. Bhd. | Nominee services | - | 100 | 100 | - |
| SBB Capital Markets Sdn. Bhd. | Investment holding | 100 | 100 | - | - |
| CIMB Commerce Trustee Berhad | Trustee services | 20 | 20 | 40 | 40 |
| S.B. Properties Sdn. Bhd. | Property ownership and management | 100 | 100 | - | - |
| BHLB Properties Sdn. Bhd. | Property ownership and management | 100 | 100 | - | - |
| SIBB Berhad | Investment dealings | 80 | 80 | - | - |
| Perdana Nominees (Tempatan) Sdn. Bhd. | Nominee services | - | - | 80 | 80 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)**

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

| Name | Principal activities | Percentage of equity held: | | | |
|---|--|----------------------------|--------------------------|----------------------------|--------------------------|
| | | Directly by the Bank | | Through subsidiary company | |
| | | 31 December 2013 % | 31 December 2012 % | 31 December 2013 % | 31 December 2012 % |
| SFB Auto Berhad | Dormant | 100 | 100 | - | - |
| SFB Development Sdn. Bhd. | Property investment | 100 | 100 | - | - |
| CIMB Nominees (S) Pte Ltd (Incorporated in Republic of Singapore) ^a | Nominee services | 100 | 100 | - | - |
| SBB Capital Corporation | Special purpose vehicle | 100 | 100 | - | - |
| Perdana Visi Hartanah Sdn. Bhd. | Property investment | 100 | 100 | - | - |
| SBB Nominees (Tempatan) Sdn. Bhd. | Dormant | 100 | 100 | - | - |
| SBB Nominees (Asing) Sdn. Bhd. | Nominee services | 100 | 100 | - | - |
| Premier Fidelity Berhad | Dormant | - | 100 | - | - |
| CIMB Thai Bank Public Company Limited (Incorporated in the Kingdom of Thailand) ^a | Banking | 93.71 | 93.71 | - | - |
| Commerce Returns Berhad [∞] | Special purpose vehicle | - | - | - | - |
| CIMB Bank PLC (Incorporated in Cambodia) ^a | Commercial banking and related financial services | 100 | 100 | - | - |
| Merdeka Kapital Berhad | Engaged in the purchase from multi originators of receivables and the raising of funds and related activities | ** | ** | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)**

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

| Name | Principal activities | Percentage of equity held: | | | |
|---|------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | | Directly by the Bank | | Through subsidiary company | |
| | | 31 December 2013 % | 31 December 2012 % | 31 December 2013 % | 31 December 2012 % |
| CT Coll Company Limited (Incorporated in the Kingdom of Thailand) ^α | Debt collection service | - | - | 99.99 | 99.99 |
| Centre Auto Lease Company Limited (Incorporated in the Kingdom of Thailand) ^α | Leasing/hire purchase | - | - | 99.99 | 99.99 |
| Worldlease Company Limited (Incorporated in the Kingdom of Thailand) ^α | Hire purchase of motorcycles | - | - | 99.99 | 99.99 |

^α Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

** The silo of Merdeka Kapital Berhad is consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers Malaysia

∞ Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank

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

(d) Consolidation of the silo of Merdeka Kapital Berhad

In 2011, the Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad (“MKB”), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 “Consolidated Financial Statements” in 2013, the Group has consolidated the silo of MKB in relation to the Bank’s hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The adoption of MFRS 10 has been applied retrospectively; refer to Note 55 for the impact of the adoption of MFRS 10 to the comparatives.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****14 Investments in subsidiaries (Continued)**

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

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

| Name of subsidiaries | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non- controlling interests | | Accumulated non-controlling interests | |
|---|---|---------------------|---|---------------------|--|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | % | % | RM'000 | RM'000 | RM'000 | RM'000 |
| CIMB Thai Bank Public Company Limited and its subsidiaries (incorporated in the Kingdom of Thailand) | 6.3 | 6.3 | 17,904 | 10,753 | 320,466 | 304,905 |
| Individually immaterial subsidiaries with non-controlling interests | | | | | 14,472 | 12,744 |
| | | | | | 334,938 | 317,649 |

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

| | CIMB Thai Bank Public Company Limited Group As at 31 December | |
|---|---|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Total assets | 27,966,946 | 20,038,036 |
| Total liabilities | (25,743,790) | (18,173,231) |
| Net assets | 2,223,156 | 1,864,805 |
| | Year ended 31 December | |
| | 2013 RM'000 | 2012 RM'000 |
| Revenue | 1,101,145 | 912,040 |
| Profit before taxation | 277,458 | 197,861 |
| Taxation | 8,473 | (7,792) |
| Other comprehensive expense | (29,678) | (23,492) |
| Total comprehensive income | 256,253 | 166,577 |
| Profit allocated to non-controlling interest | 17,904 | 10,753 |
| Dividends paid to non-controlling interest | 666 | - |
| Net cash used in operating activities | (1,028,680) | (896,937) |
| Net cash used in investing activities | (475,964) | (742,200) |
| Net cash generated from financing activities | 1,800,091 | 1,444,627 |
| Net increase/(decrease) in cash and cash equivalents | 295,447 | (194,510) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****15 Investment in joint venture**

| | The Group | |
|-----------------|------------------|---------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At 1 January | 153,557 | 149,208 |
| Share of profit | 4,750 | 4,349 |
| At 31 December | 158,307 | 153,557 |

| | The Bank | |
|--------------------------|--------------------|-------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 125,000 | 125,000 |

(a) Information about joint venture

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

The direct joint venture of the Bank is:

| Name | Principal activity | Percentage of equity held | |
|---------------------------|-----------------------|---------------------------|------|
| | | 2013 | 2012 |
| | | % | % |
| Proton Commerce Sdn. Bhd. | Financing of vehicles | 50 | 50 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****15 Investment in joint venture (Continued)**

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

| | PCSB | |
|---|-------------------------------|----------------|
| | As at 31 December | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Non-current assets | 1,616,285 | 1,588,974 |
| Current assets | 136,964 | 301,092 |
| Current liabilities (non-trade) | (1,151,620) | (1,581,740) |
| Non-current liabilities (non-trade) | (285,015) | (1,212) |
| Net assets | <u>316,614</u> | <u>307,114</u> |
| The above amounts of assets include the following: | | |
| Cash and cash equivalents | <u>42,213</u> | <u>15,554</u> |
| | | |
| | Year ended 31 December | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Revenue | <u>91,134</u> | <u>103,797</u> |
| Profit for the financial year/Total comprehensive income for the financial year | <u>9,500</u> | <u>8,698</u> |
| | | |
| The above profit for the financial year include the following: | | |
| Interest income | 88,671 | 101,223 |
| Interest expense | (37,293) | (44,958) |
| Taxation | <u>(3,610)</u> | <u>(3,721)</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****15 Investment in joint venture (Continued)**

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

| | PCSB | |
|--|----------------|----------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Opening net assets as at 1 January | 307,114 | 298,416 |
| Profit for the financial year | 9,500 | 8,698 |
| Closing net assets as at 31 December | <u>316,614</u> | <u>307,114</u> |
| Interest in jointly controlled entity (%) | 50% | 50% |
| Interest in jointly controlled entity (RM'000) | <u>158,307</u> | <u>153,557</u> |

16 Investments in associates

| | The Group | |
|---|------------------|----------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At 1 January | 625,039 | 589,816 |
| Capital repayments | (47,336) | - |
| Disposal of certain percentage in an associate | - | (29,085) |
| Dividend from associate | - | (21,763) |
| Share of associate's other comprehensive income | (4,577) | (7,851) |
| Share of profit | 120,217 | 93,922 |
| At 31 December | <u>693,343</u> | <u>625,039</u> |
| | The Bank | |
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Unquoted shares outside Malaysia, at cost | <u>321,635</u> | <u>368,971</u> |

On 21 February 2012, CIMB Bank had completed the disposal of 6.8% stake in The South East Asian Strategic Assets Fund LP. to a third party. The Bank still has the significant influence over SEASAF subsequent to the disposal and continues to recognise as investment in associate.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****16 Investments in associates (Continued)**

(a) Information about associates:

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

The direct associates of the Bank are:

| Name | Principal activities | Percentage of equity held | |
|--|---|---------------------------|-------|
| | | 2013 | 2012 |
| | | % | % |
| Bank of Yingkou Co., Ltd (Incorporated in the People Republic of China) | Banking | 19.99 | 19.99 |
| The South East Asian Strategic Assets Fund LP (Incorporated in the Cayman Islands) | Investing in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries | 25.1 | 25.1 |
| SEASAF Power Sdn. Bhd. | Investment holding | 25.1 | 25.1 |
| SEASAF Highway Sdn. Bhd. | Investment holding | 25.1 | 25.1 |
| SEASAF Education Sdn. Bhd. | Investment holding | 25.1 | 25.1 |
| SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore) | Investment holding | 25.1 | 25.1 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****16 Investments in associates (Continued)**

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

| | Bank of Yingkou | |
|---|-------------------------------|------------------|
| | As at 31 December | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Total assets | 38,559,039 | 31,185,660 |
| Total liabilities | (35,466,900) | (28,573,240) |
| Net assets | <u>3,092,139</u> | <u>2,612,420</u> |
| | Year ended 31 December | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Revenue | <u>1,082,508</u> | <u>1,082,508</u> |
| Profit for the financial year/Total comprehensive income for the financial year | <u>479,719</u> | <u>447,903</u> |
| Dividends paid by the associate during the year | <u>-</u> | <u>108,815</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****16 Investments in associates (Continued)**

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

| | Bank of Yingkou | |
|--------------------------------------|------------------------|------------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Opening net assets as at 1 January | 2,612,420 | 2,273,332 |
| Profit for the financial year | 479,719 | 447,903 |
| Dividends | - | (108,815) |
| Closing net assets as at 31 December | <u>3,092,139</u> | <u>2,612,420</u> |
| Interest in associate (%) | 20% | 20% |
| Interest in associate (RM'000) | 618,428 | 522,484 |
| Goodwill | 7,797 | 7,797 |
| Carrying value | <u>626,225</u> | <u>530,281</u> |

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

| | 31 December | 31 December |
|--|--------------------|---------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| The Group's share of profit for the financial year | 24,273 | 4,341 |
| The Group's share of other comprehensive income for the financial year | (4,577) | (7,851) |
| The Group's share of total comprehensive income for the financial year | 19,696 | (3,510) |
| Aggregate carrying amount of the Group's interest in the associate | <u>67,117</u> | <u>94,758</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****17 Goodwill**

| | The Group | | The Bank | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | |
| At 1 January | 4,895,433 | 4,903,904 | 3,559,075 | 3,559,075 |
| Exchange fluctuation | (1,254) | (8,471) | - | - |
| At 31 December | <u>4,894,179</u> | <u>4,895,433</u> | <u>3,559,075</u> | <u>3,559,075</u> |
| Impairment | | | | |
| At 1 January/31 December | (4,000) | (4,000) | (4,000) | (4,000) |
| Net book value at 31 December | <u>4,890,179</u> | <u>4,891,433</u> | <u>3,555,075</u> | <u>3,555,075</u> |

Allocation of goodwill to cash-generating units

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

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

| | The Group | | The Bank | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Retail Financial Services | 1,101,075 | 1,101,075 | 1,101,075 | 1,101,075 |
| Commercial Banking | 911,000 | 911,000 | 911,000 | 911,000 |
| Corporate Banking | 419,000 | 419,000 | 419,000 | 419,000 |
| Islamic Banking | 136,000 | 136,000 | - | - |
| Direct Banking Group | 587,000 | 587,000 | 587,000 | 587,000 |
| Treasury | 537,000 | 537,000 | 537,000 | 537,000 |
| Foreign Banking operations | 1,199,277 | 1,199,277 | - | - |
| Goodwill | 4,890,352 | 4,890,352 | 3,555,075 | 3,555,075 |
| Exchange fluctuation | (173) | 1,081 | - | - |
| | <u>4,890,179</u> | <u>4,891,433</u> | <u>3,555,075</u> | <u>3,555,075</u> |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

17 Goodwill (Continued)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2014 financial budgets approved by the Board of Directors, projected for five years based on the average to year historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2012: 5.00%) for all cash generating units other than foreign banking operations which has used an estimated growth rate of 2.00% (2012: 2.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 6.55% (2012: 7.10%) and 9.78% (2012: 9.50%) for the foreign banking operations CGU. The discount rate is pre-tax and reflects the specific risks relating to the CGUs.

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

Impairment charge

There was no impairment charge for the financial year ended 31 December 2013 and 31 December 2012.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****18 Intangible assets**

| The Group | Note | Customer relationships RM'000 | Core deposits RM'000 | Computer software RM'000 | Licence fee RM'000 | Total RM'000 |
|---|-------------|--|---------------------------------|-------------------------------------|-------------------------------|-------------------------|
| 2013 | | | | | | |
| Cost | | | | | | |
| At 1 January | | 163,359 | 264,662 | 1,375,658 | - | 1,803,679 |
| Additions | | - | - | 344,550 | 290 | 344,840 |
| Disposals/write-off | | - | - | (3,128) | - | (3,128) |
| Reclassified to property, plant and equipment | 20 | - | - | (31) | - | (31) |
| Exchange fluctuation | | (1) | - | 2,372 | - | 2,371 |
| At 31 December | | 163,358 | 264,662 | 1,719,421 | 290 | 2,147,731 |
| Amortisation and impairment | | | | | | |
| At 1 January | | 91,455 | 214,710 | 652,417 | - | 958,582 |
| Amortisation during the financial year | | 13,918 | 33,083 | 127,808 | 86 | 174,895 |
| Disposals/write-off | | - | - | (1,767) | - | (1,767) |
| Exchange fluctuation | | (1) | - | 989 | (2) | 986 |
| At 31 December | | 105,372 | 247,793 | 779,447 | 84 | 1,132,696 |
| Net book value at 31 December 2013 | | 57,986 | 16,869 | 939,974 | 206 | 1,015,035 |
| 2012 | | | | | | |
| Cost | | | | | | |
| At 1 January | | 163,382 | 264,662 | 1,084,291 | 256 | 1,512,591 |
| Additions | | - | - | 284,727 | - | 284,727 |
| Disposals/write-off | | - | - | (7,896) | (256) | (8,152) |
| Reclassified from property, plant and equipment | 20 | - | - | 15,214 | - | 15,214 |
| Exchange fluctuation | | (23) | - | (678) | - | (701) |
| At 31 December | | 163,359 | 264,662 | 1,375,658 | - | 1,803,679 |
| Amortisation and impairment | | | | | | |
| At 1 January | | 76,800 | 181,627 | 532,414 | 103 | 790,944 |
| Amortisation during the financial year | | 14,677 | 33,083 | 116,755 | - | 164,515 |
| Disposals/write-off | | - | - | (5,468) | (103) | (5,571) |
| Reclassified from property, plant and equipment | 20 | - | - | 8,975 | - | 8,975 |
| Exchange fluctuation | | (22) | - | (259) | - | (281) |
| At 31 December | | 91,455 | 214,710 | 652,417 | - | 958,582 |
| Net book value at 31 December 2012 | | 71,904 | 49,952 | 723,241 | - | 845,097 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****18 Intangible assets (Continued)**

| | Customer relationships RM'000 | Core deposits RM'000 | Computer software RM'000 | Total RM'000 |
|---|--|-------------------------------------|---|-------------------------|
| The Bank | | | | |
| 2013 | | | | |
| Cost | | | | |
| At 1 January | 153,091 | 263,612 | 1,227,010 | 1,643,713 |
| Additions | - | - | 328,420 | 328,420 |
| Disposals/write-off | - | - | (652) | (652) |
| Exchange fluctuation | - | - | 1,897 | 1,897 |
| At 31 December | 153,091 | 263,612 | 1,556,675 | 1,973,378 |
| Amortisation | | | | |
| At 1 January | 82,922 | 214,184 | 540,770 | 837,876 |
| Amortisation during the financial year | 12,758 | 32,952 | 110,764 | 156,474 |
| Disposals/write-off | - | - | (641) | (641) |
| Exchange fluctuation | - | - | 957 | 957 |
| At 31 December | 95,680 | 247,136 | 651,850 | 994,666 |
| Net book value at 31 December 2013 | 57,411 | 16,476 | 904,825 | 978,712 |
| The Bank | | | | |
| 2012 | | | | |
| Cost | | | | |
| At 1 January | 153,091 | 263,612 | 947,103 | 1,363,806 |
| Additions | - | - | 265,777 | 265,777 |
| Disposals/write-off | - | - | (39) | (39) |
| Reclassified from property, plant and equipment | - | - | 13,807 | 13,807 |
| Exchange fluctuation | - | - | 362 | 362 |
| At 31 December | 153,091 | 263,612 | 1,227,010 | 1,643,713 |
| Amortisation | | | | |
| At 1 January | 70,164 | 181,232 | 435,982 | 687,378 |
| Amortisation during the financial year | 12,758 | 32,952 | 96,845 | 142,555 |
| Disposals/write-off | - | - | (39) | (39) |
| Reclassified from property, plant and equipment | - | - | 7,713 | 7,713 |
| Exchange fluctuation | - | - | 269 | 269 |
| At 31 December | 82,922 | 214,184 | 540,770 | 837,876 |
| Net book value at 31 December 2012 | 70,169 | 49,428 | 686,240 | 805,837 |

The above intangible assets include the software under construction at cost of the Group and the Bank of RM502,114,781 (2012: RM452,343,695) and RM496,834,958 (2012: RM446,299,253) respectively.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

18 Intangible assets (Continued)

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

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

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

| | |
|-------------------------|-----------------|
| Customer relationships: | |
| - credit card | 4.5 years |
| - overdraft | 1 year |
| Core deposits | 0.5 – 1.5 years |
| Computer software | 1 – 13 years |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****19 Prepaid lease payments**

| | Short term leasehold land RM'000 | Total RM'000 |
|---|---|-----------------|
| The Group 2013 | | |
| Cost | | |
| At 1 January | 5,384 | 5,384 |
| Disposals/write-off | (20) | (20) |
| Exchange fluctuation | (5) | (5) |
| At 31 December | <u>5,359</u> | <u>5,359</u> |
| Amortisation | | |
| At 1 January | 3,736 | 3,736 |
| Amortisation during the financial year | 302 | 302 |
| Disposals/write-off | (13) | (13) |
| Exchange fluctuation | (12) | (12) |
| At 31 December | <u>4,013</u> | <u>4,013</u> |
| Net book value at 31 December 2013 | <u>1,346</u> | <u>1,346</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****19 Prepaid lease payments (Continued)**

| The Group | Note | Short term leasehold land RM'000 | Total RM'000 |
|---|-------------|---|-------------------------|
| 2012 | | | |
| Cost | | | |
| At 1 January | | 5,433 | 5,433 |
| Reclassified to investment properties | 21 | (13) | (13) |
| Exchange fluctuation | | (36) | (36) |
| At 31 December | | <u>5,384</u> | <u>5,384</u> |
| Amortisation | | | |
| At 1 January | | 3,469 | 3,469 |
| Amortisation during the financial year | | 298 | 298 |
| Reclassified to investment properties | 21 | (7) | (7) |
| Exchange fluctuation | | (24) | (24) |
| At 31 December | | <u>3,736</u> | <u>3,736</u> |
| Net book value at 31 December 2012 | | <u>1,648</u> | <u>1,648</u> |

Future amortisation of prepaid land lease is as follows:

| The Group | Short term leasehold land | |
|--|--|--|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| - Not later than one year | 302 | 298 |
| - Later than one year and not later than five years | 1,044 | 1,192 |
| - More than five years | - | 158 |
| | <u>1,346</u> | <u>1,648</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment**

| The Group 2013 | Note | Freehold land | Leasehold land 50 years or more | Leasehold land less than 50 years | Buildings on freehold land | Buildings on leasehold land 50 years or more | Buildings on leasehold land less than 50 years | Renovations, office and plant equipment, furniture and fittings | Computer equipment and hardware | Motor vehicles | Computer equipment and software under lease | Total |
|---|------|---------------|---------------------------------------|---|-------------------------------|---|---|---|--|-------------------|--|-----------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | | | | | | | | | |
| At 1 January | | 68,179 | 8,532 | 1,804 | 327,280 | 47,957 | 57,815 | 903,034 | 808,453 | 78,447 | 44,557 | 2,346,058 |
| Additions | | - | - | - | - | - | 3,509 | 68,224 | 81,879 | 16,268 | 726 | 170,606 |
| Disposals/write-offs | | (807) | - | - | (4,368) | - | (2,181) | (119,558) | (30,533) | (12,131) | (1,481) | (171,059) |
| Reclassified from/(to) intangible assets | 18 | - | - | - | - | - | 53 | (22) | - | - | - | 31 |
| Reclassified to non-current assets held for sale | | (211) | (431) | - | (702) | - | - | - | - | - | - | (1,344) |
| Exchange fluctuation | | (57) | - | - | (191) | 1,603 | (42) | 2,354 | 1,573 | 194 | 367 | 5,801 |
| At 31 December | | 67,104 | 8,101 | 1,804 | 322,019 | 49,560 | 59,154 | 854,032 | 861,372 | 82,778 | 44,169 | 2,350,093 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment (Continued)**

| The Group 2013 | Freehold land RM'000 | Leasehold land 50 years or more RM'000 | Leasehold land less than 50 years RM'000 | Buildings on freehold land RM'000 | Buildings on leasehold land 50 years or more RM'000 | Buildings on leasehold land less than 50 years RM'000 | Renovations, office and plant equipment, furniture and fittings RM'000 | Computer equipment and hardware RM'000 | Motor vehicles RM'000 | Computer equipment and software under lease RM'000 | Total RM'000 |
|---|-------------------------|---|---|---|---|---|---|--|-----------------------------|--|-----------------|
| | | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | | |
| At 1 January | 8,767 | 2,939 | 1,004 | 111,119 | 22,756 | 28,300 | 637,996 | 575,884 | 27,703 | 35,638 | 1,452,106 |
| Charge for the financial year | - | 267 | - | 4,177 | 929 | 3,830 | 87,076 | 83,611 | 10,943 | 3,956 | 194,789 |
| Disposals/write-off | - | - | - | (3,999) | - | (956) | (118,775) | (30,153) | (9,890) | (1,538) | (165,311) |
| Reclassified to non-current assets held for sale | - | (99) | - | (129) | - | - | - | - | - | - | (228) |
| Exchange fluctuation | (9) | - | - | (166) | 327 | (106) | 1,538 | 682 | (27) | 166 | 2,405 |
| At 31 December | 8,758 | 3,107 | 1,004 | 111,002 | 24,012 | 31,068 | 607,835 | 630,024 | 28,729 | 38,222 | 1,483,761 |
| Net book value at 31 December 2013 | 58,346 | 4,994 | 800 | 211,017 | 25,548 | 28,086 | 246,197 | 231,348 | 54,049 | 5,947 | 866,332 |

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM66,559,681 for the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment (Continued)**

| The Group 2012 | Note | Freehold land | Leasehold land 50 years or more | Leasehold land less than 50 years | Buildings on freehold land | Buildings on leasehold land 50 years or more | Buildings on leasehold land less than 50 years | Renovations, office and plant equipment, furniture and fittings | Computer equipment and hardware | Motor vehicles | Computer equipment and software under lease | Total |
|--|------|---------------|---------------------------------------|---|-------------------------------|---|---|---|--|-------------------|--|-----------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | | | | | | | | | |
| As 1 January | | 71,099 | 9,111 | 1,804 | 341,960 | 55,206 | 54,249 | 959,459 | 719,132 | 53,336 | 61,624 | 2,326,980 |
| Additions | | 8 | - | - | - | 940 | 6,011 | 22,188 | 160,848 | 34,009 | 5,240 | 229,244 |
| Disposals/write-offs | | (2,675) | - | - | (6,230) | - | (1,880) | (76,596) | (57,270) | (8,795) | (22,271) | (175,717) |
| Reclassifications | | - | - | - | - | - | - | 41 | - | - | (41) | - |
| Reclassified to investment properties | 21 | - | - | - | - | (6,700) | - | - | - | - | - | (6,700) |
| Reclassified to intangible assets | 18 | - | - | - | - | - | - | (1,407) | (13,807) | - | - | (15,214) |
| Reclassified from/(to) non-current assets held for sale | | 153 | (579) | - | (7,132) | (1,560) | (295) | - | - | - | - | (9,413) |
| Exchange fluctuation | | (406) | - | - | (1,318) | 71 | (270) | (651) | (450) | (103) | 5 | (3,122) |
| At 31 December | | 68,179 | 8,532 | 1,804 | 327,280 | 47,957 | 57,815 | 903,034 | 808,453 | 78,447 | 44,557 | 2,346,058 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment (Continued)**

| The Group 2012 | Note | Freehold land | Leasehold land 50 years or more | Leasehold land less than 50 years | Buildings on freehold land | Buildings on leasehold land 50 years or more | Buildings on leasehold land less than 50 years | Renovations, office and plant equipment, furniture and fittings | Computer equipment and hardware | Motor vehicles | Computer equipment and software under lease | Total |
|--|------|---------------|---------------------------------------|---|-------------------------------|---|---|---|--|-------------------|--|----------------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January | | 8,830 | 2,988 | 978 | 111,684 | 23,967 | 26,424 | 609,779 | 558,049 | 23,926 | 54,170 | 1,420,795 |
| Charge for the financial year | | - | 262 | 26 | 4,817 | 1,266 | 3,684 | 96,548 | 79,930 | 11,080 | 2,805 | 200,418 |
| Disposals/write-off | | - | - | - | (3,492) | - | (1,466) | (67,124) | (53,866) | (7,341) | (21,364) | (154,653) |
| Reclassified to intangible assets | 18 | - | - | - | - | - | - | (1,262) | (7,713) | - | - | (8,975) |
| Reclassified to investment properties | 21 | - | - | - | - | (1,763) | - | - | - | - | - | (1,763) |
| Reclassified from/(to) non-current assets held for sale | | - | (311) | - | (1,266) | (708) | (236) | - | - | - | - | (2,521) |
| Exchange fluctuation | | (63) | - | - | (624) | (6) | (106) | 55 | (516) | 38 | 27 | (1,195) |
| At 31 December | | 8,767 | 2,939 | 1,004 | 111,119 | 22,756 | 28,300 | 637,996 | 575,884 | 27,703 | 35,638 | 1,452,106 |
| Net book value at 31 December 2012 | | 59,412 | 5,593 | 800 | 216,161 | 25,201 | 29,515 | 265,038 | 232,569 | 50,744 | 8,919 | 893,952 |

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM19,019,925 for the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment (Continued)**

| The Bank | Freehold land | Leasehold land 50 years or more | Leasehold land less than 50 years | Buildings on freehold land | Buildings on leasehold land 50 years or more | Buildings on leasehold land less than 50 years | Renovations, office and plant equipment, furniture and fittings | Computer equipment and hardware | Motor vehicles | Computer equipment and software under lease | Total |
|--|----------------------|--|--|-----------------------------------|---|---|--|--|-----------------------|--|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | | | | | | | | |
| At 1 January | 14,483 | 8,532 | 1,804 | 52,156 | 46,318 | 18,328 | 728,229 | 656,443 | 46,492 | 4,529 | 1,577,314 |
| Additions | - | - | - | - | - | - | 57,944 | 73,600 | 9,848 | 8 | 141,400 |
| Disposals/write-off | - | - | - | (899) | - | - | (118,236) | (29,413) | (10,176) | (19) | (158,743) |
| Reclassified to non-current assets held for sale | (211) | (431) | - | (702) | - | - | - | - | - | - | (1,344) |
| Exchange fluctuation | - | - | - | - | 1,486 | - | 1,875 | 1,297 | 110 | 367 | 5,135 |
| At 31 December | 14,272 | 8,101 | 1,804 | 50,555 | 47,804 | 18,328 | 669,812 | 701,927 | 46,274 | 4,885 | 1,563,762 |
| Accumulated depreciation | | | | | | | | | | | |
| At 1 January | - | 2,939 | 1,004 | 21,069 | 21,918 | 7,903 | 562,019 | 431,816 | 19,324 | 2,057 | 1,070,049 |
| Charge for the financial year | - | 267 | - | 1,434 | 887 | 458 | 69,179 | 62,930 | 4,350 | 292 | 139,797 |
| Disposals/write off | - | - | - | (774) | - | - | (117,569) | (29,062) | (8,627) | (12) | (156,044) |
| Reclassified to non-current assets held for sale | - | (99) | - | (129) | - | - | - | - | - | - | (228) |
| Exchange fluctuation | - | - | - | - | 265 | - | 1,499 | 964 | 54 | 166 | 2,948 |
| At 31 December | - | 3,107 | 1,004 | 21,600 | 23,070 | 8,361 | 515,128 | 466,648 | 15,101 | 2,503 | 1,056,522 |
| Net book value at 31 December 2013 | 14,272 | 4,994 | 800 | 28,955 | 24,734 | 9,967 | 154,684 | 235,279 | 31,173 | 2,382 | 507,240 |

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM64,783,977 for the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****20 Property, plant and equipment (Continued)**

| The Bank | | Freehold land | Leasehold land 50 years or more | Leasehold land less than 50 years | Buildings on freehold land | Buildings on leasehold land 50 years or more | Buildings on leasehold land less than 50 years | Renovations, office and plant equipment, furniture and fittings | Computer equipment and hardware | Motor vehicles | Computer equipment and software under lease | Total |
|---|-------------|----------------------|--|--|-----------------------------------|---|---|--|--|-----------------------|--|---------------|
| 2012 | Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | | | | | | | | | |
| At 1 January | | 14,411 | 9,111 | 1,804 | 51,948 | 47,744 | 18,623 | 748,217 | 583,186 | 34,285 | 4,567 | 1,513,896 |
| Additions | | - | - | - | - | - | - | 34,415 | 125,409 | 18,219 | 39 | 178,082 |
| Disposals/write-off | | (81) | - | - | (234) | - | - | (55,436) | (38,971) | (6,054) | (41) | (100,817) |
| Reclassifications | | - | - | - | - | - | - | 41 | - | - | (41) | - |
| Reclassified to intangible assets | 18 | - | - | - | - | - | - | - | (13,807) | - | - | (13,807) |
| Reclassified from/(to) non-current assets held for sale | | 153 | (579) | - | 442 | (1,560) | (295) | - | - | - | - | (1,839) |
| Exchange fluctuation | | - | - | - | - | 134 | - | 992 | 626 | 42 | 5 | 1,799 |
| At 31 December | | 14,483 | 8,532 | 1,804 | 52,156 | 46,318 | 18,328 | 728,229 | 656,443 | 46,492 | 4,529 | 1,577,314 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January | | - | 2,988 | 978 | 19,586 | 21,701 | 7,678 | 536,377 | 416,021 | 19,057 | 1,780 | 1,026,166 |
| Charge for the financial year | | - | 262 | 26 | 1,459 | 900 | 461 | 77,159 | 62,156 | 5,845 | 281 | 148,549 |
| Disposals/write off | | - | - | - | (32) | - | - | (52,291) | (38,923) | (5,633) | (31) | (96,910) |
| Reclassified to intangible assets | 18 | - | - | - | - | - | - | - | (7,713) | - | - | (7,713) |
| Reclassified from/(to) non-current assets held for sale | | - | (311) | - | 56 | (708) | (236) | - | - | - | - | (1,199) |
| Exchange fluctuation | | - | - | - | - | 25 | - | 774 | 275 | 55 | 27 | 1,156 |
| At 30 December | | - | 2,939 | 1,004 | 21,069 | 21,918 | 7,903 | 562,019 | 431,816 | 19,324 | 2,057 | 1,070,049 |
| Net book value at 31 December 2012 | | 14,483 | 5,593 | 800 | 31,087 | 24,400 | 10,425 | 166,210 | 224,627 | 27,168 | 2,472 | 507,265 |

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM16,730,984 for the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****21 Investment properties**

| | Freehold land RM'000 | Buildings on freehold land RM'000 | Buildings on short term leasehold land RM'000 | Buildings on long term leasehold land RM'000 | Total RM'000 |
|---|-------------------------|---|--|---|-----------------|
| The Group 2013 | | | | | |
| At 1 January | 27 | 6,423 | 6 | 10,995 | 17,451 |
| Reclassified to non-current assets held for sale | (27) | (6,375) | (4) | (7,556) | (13,962) |
| Disposals | - | (510) | - | - | (510) |
| Fair value adjustments | - | 462 | (2) | 561 | 1,021 |
| At 31 December | - | - | - | 4,000 | 4,000 |

| | Note | Freehold land RM'000 | Buildings on freehold land RM'000 | Buildings on short term leasehold land RM'000 | Buildings on long term leasehold land RM'000 | Total RM'000 |
|---|------|-------------------------|---|--|---|-----------------|
| The Group 2012 | | | | | | |
| At 1 January | | 437 | 5,922 | 2,212 | 82 | 8,653 |
| Reclassifications | | - | - | (2,212) | 2,212 | - |
| Reclassified from property, plant and equipment | 20 | - | - | - | 4,937 | 4,937 |
| Reclassified from prepaid lease payment | 19 | - | - | 6 | - | 6 |
| Reclassified to non-current assets held for sale | | - | - | - | (200) | (200) |
| Disposals | | - | (700) | - | - | (700) |
| Fair value adjustments | | (410) | 1,201 | - | 3,964 | 4,755 |
| At 31 December | | 27 | 6,423 | 6 | 10,995 | 17,451 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

21 Investment properties (Continued)

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

| | The Group | |
|--|--------------------|-------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Rental income | 197 | 236 |
| Operating expenses arising from investment properties that generated the rental income | (104) | (72) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****22 Deposits from customers****(a) By type of deposit**

| | The Group | | | The Bank | | |
|-----------------------------------|--|---|---|--|---|---|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Demand deposits | 50,785,507 | 46,830,058 | 40,989,837 | 42,008,751 | 38,636,591 | 35,269,691 |
| Saving deposits | 20,732,042 | 18,671,940 | 15,704,254 | 14,660,351 | 13,303,733 | 12,023,812 |
| Fixed deposits | 86,918,072 | 87,611,031 | 72,962,052 | 59,716,950 | 64,106,330 | 53,854,216 |
| Negotiable instruments of deposit | 6,434,760 | 3,486,671 | 3,158,825 | 529,467 | 1,028,429 | 620,623 |
| Others | 55,377,309 | 43,638,533 | 43,625,366 | 39,199,512 | 28,340,079 | 29,801,403 |
| | 220,247,690 | 200,238,233 | 176,440,334 | 156,115,031 | 145,415,162 | 131,569,745 |

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

| | The Group | | | The Bank | | |
|-------------------------------------|--|---|---|--|---|---|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Due within six months | 76,680,516 | 78,992,367 | 63,621,905 | 49,568,805 | 54,832,581 | 43,649,293 |
| Six months to less than one year | 14,416,673 | 9,294,948 | 9,473,621 | 9,279,737 | 7,689,285 | 7,962,978 |
| One year to less than three years | 1,749,805 | 1,599,009 | 1,457,823 | 921,019 | 1,441,003 | 1,318,312 |
| Three years to less than five years | 203,474 | 416,731 | 1,335,103 | 174,492 | 377,243 | 1,311,831 |
| Five years and more | 302,364 | 794,647 | 232,425 | 302,364 | 794,647 | 232,425 |
| | 93,352,832 | 91,097,702 | 76,120,877 | 60,246,417 | 65,134,759 | 54,474,839 |

(b) By type of customer

| | The Group | | | The Bank | | |
|---------------------------------|--|---|---|--|---|---|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Government and statutory bodies | 8,627,178 | 11,453,433 | 12,525,136 | 3,768,132 | 4,925,580 | 6,637,526 |
| Business enterprises | 87,597,022 | 78,839,090 | 72,328,323 | 57,113,656 | 56,055,142 | 54,538,807 |
| Individuals | 72,264,670 | 70,876,057 | 62,830,536 | 57,282,699 | 58,409,100 | 51,547,232 |
| Others | 51,758,820 | 39,069,653 | 28,756,339 | 37,950,544 | 26,025,340 | 18,846,180 |
| | 220,247,690 | 200,238,233 | 176,440,334 | 156,115,031 | 145,415,162 | 131,569,745 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****23 Deposits and placements of banks and other financial institutions**

| | The Group | | | The Bank | | |
|------------------------------|---------------------|-----------------------------------|---------------------------------|---------------------|-----------------------------------|---------------------------------|
| | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Licensed banks | 16,528,562 | 9,024,116 | 5,806,884 | 27,221,840 | 13,868,411 | 11,382,440 |
| Licensed finance companies | 223,121 | 405,675 | 129,555 | 26,044 | 233,513 | 95,612 |
| Licensed investment banks | 785,337 | 2,077,702 | 1,765,936 | 785,107 | 1,079,043 | 912,853 |
| Bank Negara Malaysia | 795,996 | 1,988,428 | 372,677 | 795,996 | 1,988,428 | 372,677 |
| Other financial institutions | 1,666,817 | 2,255,283 | 3,667,053 | 1,588,721 | 1,819,000 | 3,624,387 |
| | 19,999,833 | 15,751,204 | 11,742,105 | 30,417,708 | 18,988,395 | 16,387,969 |

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

| | The Group | | | The Bank | | |
|--------------------|---------------------|-----------------------------------|---------------------------------|---------------------|-----------------------------------|---------------------------------|
| | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| One year or less | 19,826,552 | 14,609,089 | 10,770,964 | 30,244,427 | 18,044,278 | 15,597,556 |
| More than one year | 173,281 | 1,142,115 | 971,141 | 173,281 | 944,117 | 790,413 |
| | 19,999,833 | 15,751,204 | 11,742,105 | 30,417,708 | 18,988,395 | 16,387,969 |

The Group and the Bank have undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM126,971,000 and RM100,000,000 respectively (31 December 2012: RM97,000,000 and RM70,000,000 respectively; 1 January 2012: RM70,000,000 and RM70,000,000 respectively) using interest rate swaps.

| | The Group | | | The Bank | | |
|--|---------------------|-----------------------------------|---------------------------------|---------------------|-----------------------------------|---------------------------------|
| | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) | 31 December 2013 | 31 December 2012 (Restated) | 1 January 2012 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Negotiable instruments of deposit | 126,971 | 97,000 | 70,000 | 100,000 | 70,000 | 70,000 |
| Fair value changes arising from fair value hedges | (3,267) | (2,141) | 721 | (3,517) | (2,025) | 721 |
| | 123,704 | 94,859 | 70,721 | 96,483 | 67,975 | 70,721 |

The fair value loss of interest rate swaps in this hedge transaction as at 31 December 2013 for the Group and the Bank were RM2,384,445 and RM2,554,000 respectively (31 December 2012: fair value loss of RM2,287,177 and RM2,165,165 respectively; 1 January 2012: fair value gain of RM3,577,351 and RM3,577,351 respectively).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****24 Financial liabilities designated at fair value**

| | The Group | | The Bank | |
|--|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers - structured investments | 2,132,170 | - | 1,985,954 | - |

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

Included in the above are individual and domestic other non-bank financial institution customers deposits with contractual amount due on maturity amounting to RM2,253,559,000 and RM151,118,000 respectively for the Group, and RM2,249,997,000 individual customers deposits for the Bank.

The carrying amount of the Group and the Bank at 31 December 2013 of financial liabilities designated at fair value were RM272,507,000 and RM264,043,000 respectively 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.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies****(a) Derivative financial instruments**

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

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

| | The Group | | | The Bank | | |
|--|-------------|------------------|-----------------------|-------------|------------------|-----------------------|
| | Principal | Fair values | | Principal | Fair values | |
| At 31 December 2013 | RM'000 | Assets RM'000 | Liabilities RM'000 | RM'000 | Assets RM'000 | Liabilities RM'000 |
| <u>Trading derivatives</u> | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Currency forward | 15,249,878 | 237,683 | (233,952) | 11,832,409 | 160,023 | (224,670) |
| Currency swaps | 72,670,565 | 844,626 | (984,887) | 47,264,144 | 430,115 | (478,908) |
| Currency spots | 7,041,465 | 6,139 | (12,534) | 6,661,501 | 6,066 | (12,346) |
| Currency options | 3,101,853 | 97,749 | (88,096) | 2,247,220 | 38,670 | (37,526) |
| Cross currency interest rate swaps | 30,515,357 | 877,411 | (825,810) | 24,474,295 | 743,835 | (644,238) |
| | 128,579,118 | 2,063,608 | (2,145,279) | 92,479,569 | 1,378,709 | (1,397,688) |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | 261,802,629 | 2,014,386 | (1,536,573) | 224,394,017 | 1,788,820 | (1,338,152) |
| Interest rate futures | 4,646,388 | 12,418 | (199) | 4,646,388 | 12,418 | (199) |
| Interest rate options | 598,180 | 1,701 | (7,776) | 598,180 | 1,701 | (7,776) |
| | 267,047,197 | 2,028,505 | (1,544,548) | 229,638,585 | 1,802,939 | (1,346,127) |
| Equity related derivatives | | | | | | |
| Equity swaps | 812,041 | 17,112 | (172,249) | 578,632 | 15,992 | (171,128) |
| Equity options | 7,319,356 | 103,069 | (1,400,625) | 6,911,442 | 90,678 | (1,388,233) |
| Index futures | 43,473 | - | (755) | 43,473 | - | (755) |
| | 8,174,870 | 120,181 | (1,573,629) | 7,533,547 | 106,670 | (1,560,116) |
| Commodity related derivatives | | | | | | |
| Commodity swaps | 1,961,518 | 106,882 | (105,682) | 1,977,648 | 107,255 | (105,989) |
| Commodity options | 238,781 | 158,512 | (48,376) | 222,731 | 158,116 | (48,088) |
| | 2,200,299 | 265,394 | (154,058) | 2,200,379 | 265,371 | (154,077) |
| Credit related contract | | | | | | |
| Credit default swaps | 9,051,826 | 55,142 | (114,688) | 8,935,866 | 54,556 | (114,102) |
| <u>Hedging derivatives</u> | | | | | | |
| Cross currency interest rate swaps | 2,224,201 | 5,004 | (43,841) | 2,224,201 | 5,004 | (44,490) |
| Interest rate swaps | 19,124,974 | 181,513 | (218,670) | 25,950,568 | 295,941 | (263,037) |
| Total derivatives assets/(liabilities) | 436,402,485 | 4,719,347 | (5,794,713) | 368,962,715 | 3,909,190 | (4,879,637) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies (continued)****(a) Derivative financial instruments (continued)**

| At 31 December 2012 | The Group Fair values | | | The Bank Fair values | | |
|--|--------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | Principal RM'000 | Assets RM'000 | Liabilities RM'000 | Principal RM'000 | Assets RM'000 | Liabilities RM'000 |
| <u>Trading derivatives</u> | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Currency forward | 13,738,830 | 171,642 | (170,835) | 10,426,406 | 134,227 | (121,587) |
| Currency swaps | 52,821,438 | 233,353 | (193,141) | 45,121,841 | 192,252 | (173,177) |
| Currency spots | 5,435,680 | 2,443 | (3,431) | 5,133,798 | 2,127 | (3,132) |
| Currency options | 1,017,353 | 7,400 | (6,418) | 735,527 | 4,678 | (5,291) |
| Cross currency interest rate swaps | 18,304,520 | 538,657 | (323,526) | 18,067,514 | 512,906 | (312,421) |
| | 91,317,821 | 953,495 | (697,351) | 79,485,086 | 846,190 | (615,608) |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | 249,636,465 | 1,990,490 | (1,628,561) | 219,735,739 | 1,851,022 | (1,514,380) |
| Interest rate futures | 8,199,677 | 20,571 | (605) | 8,190,488 | 20,495 | (605) |
| Interest rate options | 2,478,653 | 1,399 | (14,283) | 2,478,653 | 1,399 | (14,283) |
| | 260,314,795 | 2,012,460 | (1,643,449) | 230,404,880 | 1,872,916 | (1,529,268) |
| Equity related derivatives | | | | | | |
| Equity swaps | 340,784 | 937 | (945) | 340,784 | 937 | (945) |
| Equity options | 8,706,537 | 551,515 | (983,802) | 8,478,145 | 550,982 | (983,269) |
| Index futures | 1,245,998 | 15,325 | (15,336) | 2,884 | 1 | (12) |
| | 10,293,319 | 567,777 | (1,000,083) | 8,821,813 | 551,920 | (984,226) |
| Commodity related derivatives | | | | | | |
| Commodity swaps | 199,464 | 19,071 | (19,870) | 199,464 | 19,071 | (19,870) |
| Commodity futures | 135 | 15 | - | 135 | 15 | - |
| Commodity options | 521,350 | 141,740 | (141,752) | 521,350 | 141,740 | (141,752) |
| | 720,949 | 160,826 | (161,622) | 720,949 | 160,826 | (161,622) |
| Credit related contract | | | | | | |
| Credit default swaps | 5,767,741 | 33,238 | (112,517) | 5,645,981 | 31,604 | (110,883) |
| <u>Hedging derivatives</u> | | | | | | |
| Cross currency interest rate swaps | 991,872 | 13,780 | (12,266) | 1,059,622 | 13,780 | (14,280) |
| Interest rate swaps | 17,882,021 | 214,734 | (359,018) | 24,892,822 | 468,316 | (367,036) |
| Total derivatives assets/(liabilities) | 387,288,518 | 3,956,310 | (3,986,306) | 351,031,153 | 3,945,552 | (3,782,923) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies (continued)****(a) Derivative financial instruments (continued)****Fair value hedge**

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

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

| | The Group | | The Bank | |
|---|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Gain/(loss) on hedging instruments | 102,185 | (52,275) | (75,542) | (65,566) |
| (Loss)/gain on the hedged items attributable to the hedged risk | (139,269) | 30,883 | 38,575 | 44,868 |

Net investment hedge

Foreign exchange swaps and non derivative financial liabilities are used to hedge the Group and the Bank's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the foreign exchange swaps are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. The fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income during the year for the Group and the Bank of RM27,550,552 (2012: RM6,610,619).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies (continued)****(a) Derivative financial instruments (continued)****Cash flow hedge**

Cash flow hedges are used by the Group and the Bank to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group and the Bank hedge cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps. During the financial year ended 31 December 2012, the Group and the Bank have ceased cash flow hedge accounting with cumulative gain of RM134,657 remaining in equity as at 31 December 2013 (2012: RM180,525).

In 2013, the Group and the Bank also hedge senior bonds issued and interbank lending against foreign exchange and interest rate risks by using cross currency interest rate swaps. The notional amount of the outstanding cross currency interest rate swaps as at 31 December 2013 was RM1,436,275,900. The fixed interest rate vary from 1.09% to 5.125%. Gain and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged forecast cash flows affect profit or loss. Total gain of RM1,855,500 was recognised in the statement of income for the financial year ended 31 December 2013 due to hedge ineffectiveness from cash flow hedges.

Table below shows the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss as at 31 December 2013:

| | The Group and the Bank | | | | |
|-----------------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|
| | Up to 1 month | > 1-3 months | > 3-6 months | > 6-12 months | > 1-5 years |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash inflows (assets) | 657 | 5,768 | 3,272 | 10,249 | 58,428 |
| Cash outflows (liabilities) | (841) | (1,156) | (2,211) | (10,102) | (29,738) |
| Net cash (outflows)/inflows | <u>(184)</u> | <u>4,612</u> | <u>1,061</u> | <u>147</u> | <u>28,690</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies (continued)****(b) Commitments and contingencies**

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

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

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

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

| | The Group | | The Bank | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | Principal RM'000 | Principal RM'000 | Principal RM'000 | Principal RM'000 |
| <u>Credit-related</u> | | | | |
| Direct credit substitutes | 2,373,416 | 1,429,771 | 2,113,500 | 1,143,300 |
| Transaction-related contingent items | 4,575,789 | 4,824,655 | 3,164,293 | 3,397,275 |
| Short-term self-liquidating trade-related contingencies | 4,027,282 | 2,597,320 | 3,684,877 | 2,259,282 |
| Obligations under underwriting agreement | 163,500 | - | 163,500 | - |
| Irevocable commitments to extend credit : | | | | |
| - maturity not exceeding one year | 49,940,987 | 44,332,208 | 43,737,047 | 39,355,086 |
| - maturity exceeding one year | 8,604,067 | 5,829,416 | 7,712,497 | 4,912,481 |
| Miscellaneous commitments and contingencies | 2,412,227 | 1,461,801 | 1,496,974 | 785,111 |
| Total credit-related commitments and contingencies | 72,097,268 | 60,475,171 | 62,072,688 | 51,852,535 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****25 Derivative financial instruments, commitments and contingencies (continued)****(b) Commitments and contingencies (Continued)**

| | The Group | | The Bank | |
|--|--|--|--|--|
| | 31 December 2013 Principal RM'000 | 31 December 2012 Principal RM'000 | 31 December 2013 Principal RM'000 | 31 December 2012 Principal RM'000 |
| <u>Treasury-related</u> | | | | |
| Foreign exchange related contracts : | | | | |
| - up to one year | 97,264,923 | 72,130,980 | 67,601,220 | 61,910,822 |
| - more than one year to 5 years | 26,360,999 | 15,314,186 | 21,830,276 | 14,666,935 |
| - more than 5 years | 7,177,397 | 4,864,527 | 5,272,274 | 3,966,951 |
| | 130,803,319 | 92,309,693 | 94,703,770 | 80,544,708 |
| Interest rate related contracts : | | | | |
| - up to one year | 75,872,197 | 71,974,270 | 63,941,743 | 62,251,519 |
| - more than one year to 5 years | 184,470,911 | 164,119,221 | 155,485,516 | 146,795,294 |
| - more than 5 years | 25,829,063 | 42,103,325 | 36,161,894 | 46,250,889 |
| | 286,172,171 | 278,196,816 | 255,589,153 | 255,297,702 |
| Equity related contracts: | | | | |
| - up to one year | 2,833,547 | 3,943,985 | 2,833,547 | 3,233,352 |
| - more than one year to 5 years | 3,732,189 | 4,655,936 | 3,482,968 | 4,310,774 |
| - more than 5 years | 1,609,134 | 1,693,398 | 1,217,032 | 1,277,687 |
| | 8,174,870 | 10,293,319 | 7,533,547 | 8,821,813 |
| Credit related contracts : | | | | |
| - up to one year | 3,423,416 | 2,445,963 | 3,423,416 | 2,445,963 |
| - more than one year to 5 years | 4,238,782 | 2,256,998 | 4,238,782 | 2,256,998 |
| - more than 5 years | 1,389,628 | 1,064,780 | 1,273,668 | 943,020 |
| | 9,051,826 | 5,767,741 | 8,935,866 | 5,645,981 |
| Commodity related contracts: | | | | |
| - up to one year | 1,924,754 | 530,786 | 1,924,834 | 530,786 |
| - more than one year to 5 years | 275,545 | 190,163 | 275,545 | 190,163 |
| | 2,200,299 | 720,949 | 2,200,379 | 720,949 |
| Total treasury-related commitments and contingencies | 436,402,485 | 387,288,518 | 368,962,715 | 351,031,153 |
| | 508,499,753 | 447,763,689 | 431,035,403 | 402,883,688 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities**

| | 31 December 2013 | The Group | | | The Bank | |
|---|---------------------|------------------|---|---|-------------------------------|---|
| | | Note | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) |
| Due to brokers and clients | 40,757 | 53,194 | 103,439 | 40,757 | 53,194 | 70,715 |
| Accrued employee benefits | (a) 19,847 | 14,319 | 10,866 | 17,688 | 14,096 | 10,866 |
| Post employment benefit obligations | (b) 135,791 | 141,216 | 145,935 | 26,031 | 29,450 | 38,779 |
| Sundry creditors | 907,577 | 685,928 | 815,400 | 860,335 | 590,303 | 740,233 |
| Expenditure payable | 1,169,113 | 1,049,827 | 859,843 | 974,302 | 856,409 | 723,549 |
| Allowance for commitments and contingencies | (c) 13,824 | 15,188 | 29,232 | 2,492 | 3,826 | 14,783 |
| Provision for legal claims | 81,970 | 86,348 | 127,216 | 63,536 | 67,832 | 100,852 |
| Credit card expenditure payable | 91,183 | 120,790 | 89,291 | 91,183 | 118,540 | 87,686 |
| Call deposit borrowing | 926,272 | 456,832 | 436,242 | 787,817 | 417,304 | 402,705 |
| Others | 592,330 | 605,888 | 579,905 | 313,800 | 262,570 | 369,576 |
| | 3,978,664 | 3,229,530 | 3,197,369 | 3,177,941 | 2,413,524 | 2,559,744 |

(a) Accrued employee benefits

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

(b) Post employment benefit obligations

| | | The Group | | The Bank | |
|---------------------------------|------|-------------------------------|---|-------------------------------|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) |
| Defined contribution plan – EPF | (i) | 26,033 | 29,448 | 26,033 | 29,448 |
| Defined benefit plans | (ii) | 109,758 | 111,768 | (2) | 2 |
| | | 135,791 | 141,216 | 26,031 | 29,450 |

(i) Defined contribution plan of the Group and the Bank

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities (Continued)****(b) Post employment benefit obligations (continued)****(ii) Defined benefit plans of the Group and the Bank**

CIMB Bank and CIMB Thai Bank operate final salary defined benefit plans for employees, the assets of which are held in separate trustee - administered funds. CIMB Bank through the Trustee of the Scheme has on 13th January 2011 written to the Inland Revenue Board to notify on the Bank's intention to wind up the scheme. As a result of the winding up of the Scheme, all members cease to earn further benefits under the Scheme effective from 1 January 2011. As at 31 December 2013, 99.8% of the funds under the Scheme have been remitted to the Employee Provident Fund (EPF). The balance remaining unpaid is in respect of deceased staff. The latest actuarial valuation of the plans for CIMB Thai Bank was carried out as at 31 December 2013.

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

| | The Group | | | The Bank | |
|---------------------------------------|--|---|---|--|---|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) |
| Present value of funded obligations | 370 | 910 | 20,561 | 370 | 910 |
| Fair value of plan assets | (372) | (908) | (10,495) | (372) | (908) |
| Status of funded plan | (2) | 2 | 10,066 | (2) | 2 |
| Present value of unfunded obligations | 109,760 | 111,766 | 107,156 | - | - |
| Liability | 109,758 | 111,768 | 117,222 | (2) | 2 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities (Continued)****(b) Post employment benefit obligations (continued)****(ii) Defined benefit plans of the Group and the Bank (continued)**

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

| | The Group | | The Bank | |
|---|--|---|--|---|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) |
| Service cost: | | | | |
| Current service costs | 6,948 | 8,253 | - | - |
| Overprovision in prior year | (10,742) | - | - | - |
| Net interest expenses/(income) | 3,339 | 2,572 | (4) | (990) |
| Curtailement loss/amortisation of unrecognised loss | - | - | - | - |
| Components of defined benefits costs recognised in statements of income | (455) | 10,825 | (4) | (990) |
| Remeasurement: | | | | |
| - Actuarial losses/(gains): | | | | |
| - from changes in demographic assumptions | 5,752 | 2,096 | - | - |
| - from changes in financial assumptions | (5,113) | - | - | - |
| - Experience adjustments | 1,885 | - | - | - |
| Components of defined benefits costs recognised in statements of comprehensive income | 2,524 | 2,096 | - | - |
| | 2,069 | 12,921 | (4) | (990) |

The actual return on plan assets of the Group and the Bank were RM3,061 (2012: RM1,090,443).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities (Continued)****(b) Post employment benefit obligation (continued)****(ii) Defined benefit plans of the Group and the Bank (continued)**

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

| | The Group | | The Bank | |
|---|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 112,676 | 128,293 | 910 | 20,561 |
| Current services costs | 6,948 | 8,253 | - | - |
| Overprovision in prior year | (10,742) | - | - | - |
| Interest costs | 3,343 | 3,562 | - | - |
| | 112,225 | 140,108 | 910 | 20,561 |
| Remeasurement: | | | | |
| - Actuarial losses/(gains): | | | | |
| - from changes in demographic assumptions | 5,752 | 2,096 | - | - |
| - from changes in financial assumptions | (5,113) | - | - | - |
| - Experience adjustments | 1,885 | - | - | - |
| | 2,524 | 2,096 | - | - |
| Exchange fluctuation | (141) | (9,877) | - | - |
| Benefits paid | (4,478) | (19,651) | (540) | (19,651) |
| At 31 December | 110,130 | 112,676 | 370 | 910 |

The movements in the fair value of plan assets for the financial year are as follows:

| | The Group | | The Bank | |
|-----------------|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 908 | 10,495 | 908 | 10,495 |
| Interest income | 4 | 990 | 4 | 990 |
| | 912 | 11,485 | 912 | 11,485 |
| Contributions: | | | | |
| Benefits paid | (540) | (10,577) | (540) | (10,577) |
| At 31 December | 372 | 908 | 372 | 908 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities (Continued)****(b) Post employment benefit obligation (continued)****(ii) Defined benefit plans of the Group and the Bank (continued)**

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

| | 31 December 2013 | The Group 31 December 2012 | 1 January 2012 |
|---|-----------------------------|---|---------------------------|
| | % | % | % |
| Discount rates | 4.00 | 3.50 | 3.50 |
| Future salary increases | 5.00 | 5.00 | 5.00 |
| Rate of price inflation - other fixed allowance | 2.50 | 2.50 | 2.50 |

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

| | Impact on defined benefit obligation | | |
|-------------------------|---|-----------------------------------|-------------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rates | 0.5% | Decreased by 4.5% | Increased by 3.5% |
| Future salary increases | 1.0% | Increased by 6.0% | Decreased by 4.0% |

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

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

26 Other liabilities (Continued)

(b) Post employment benefit obligation (continued)

(ii) Defined benefit plans of the Group and the Bank (continued)

The expected contribution to post employment benefits plan for the financial year ended 31 December 2014 to the Group is RM2,731,000 (2012: RM12,416,000).

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****26 Other liabilities (Continued)****(c) Allowances for commitments and contingencies**

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

| | The Group | | The Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| At 1 January | 15,188 | 29,232 | 3,826 | 14,783 |
| Allowance written back during the financial year | (1,334) | (13,473) | (1,334) | (10,957) |
| Exchange fluctuation | (30) | (571) | - | - |
| At 31 December | 13,824 | 15,188 | 2,492 | 3,826 |

27 Bonds and debentures

| | Note | The Group | | | The Bank | | |
|-----------------------|------|-------------------------------|---|---|-------------------------------|---|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| HKD462 million notes | (a) | 198,266 | 188,499 | - | 198,266 | 188,499 | - |
| USD350 million notes | (b) | 1,141,492 | 1,079,268 | - | 1,141,492 | 1,079,268 | - |
| Structured debentures | (c) | 514,082 | 121,489 | - | - | - | - |
| Short term debentures | (d) | 2,116,464 | 656,153 | - | - | - | - |
| HKD171 million notes | (e) | 72,495 | - | - | 72,495 | - | - |
| HKD430 million notes | (f) | 182,157 | - | - | 182,157 | - | - |
| USD45 million notes | (g) | 147,711 | - | - | 147,711 | - | - |
| HKD350 million notes | (h) | 147,993 | - | - | 147,993 | - | - |
| SGD20 million notes | (i) | 51,121 | - | - | 51,121 | - | - |
| USD20 million notes | (j) | 65,704 | - | - | 65,704 | - | - |
| RM500 million bonds | (k) | 500,081 | 500,161 | 500,477 | - | - | - |
| HKD775 million notes | (l) | 327,820 | - | - | 327,820 | - | - |
| HKD950 million notes | (m) | 401,694 | - | - | 401,694 | - | - |
| | | 5,867,080 | 2,545,570 | 500,477 | 2,736,453 | 1,267,767 | - |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

27 Bonds and debentures (Continued)

(a) HKD462 million notes

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

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

| | The Group and The Bank | |
|---|-------------------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| HKD462 million notes, at cost | 180,462 | 180,462 |
| Fair value changes arising from fair value hedges | (216) | 3,116 |
| Foreign exchange translations and interest payables | 18,020 | 4,921 |
| | <u>198,266</u> | <u>188,499</u> |

The fair value gain of cross currency interest rate swaps in this hedge transaction as at 31 December 2013 were RM2,345,539 (2012: fair value gain of RM5,457,587).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****27 Bonds and debentures (Continued)****(b) USD350 million notes**

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

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

| | The Group and The Bank | |
|--|-------------------------------|------------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| USD350 million notes, at cost | 1,103,725 | 1,103,725 |
| Fair value changes arising from fair value hedges | (11,539) | 3,630 |
| Foreign exchange translations, interest payables and accretion of discount | 49,306 | (28,087) |
| | <u>1,141,492</u> | <u>1,079,268</u> |

The fair value loss of interest rate swaps in this hedge transaction as at 31 December 2013 were RM5,047,779 (2012: fair value gain of RM10,764,183).

(c) Structured debentures

During the financial year, CIMB Thai Bank issued various unsecured structured debentures amounted to THB5.1 billion with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rates ranges from 0% - 5.2 % per annum variable to index of THBFIX 6 months, payable semi annually. CIMB Thai has the option to early redeem the above structured debentures on any coupon dates. During the financial year, CIMB Thai Bank has early redeemed structured debentures amounted to THB 1,298 million.

(d) Short term debentures

The short term debentures carry fixed interest rates of 2.44% to 2.99%, payable at respective maturity dates. The maturity dates of the short term debentures ranging from 14 days to 6 months.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

27 Bonds and debentures (Continued)

(e) HKD171 million notes

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

(f) HKD430 million notes

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

(g) USD45 million notes

On 29 January 2013, CIMB Bank issued 2-year USD45 million senior unsecured floating rate notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on the interest payment date falling in or nearest to January 2015. The coupon rate is calculated based on the 3 month U.S.\$ LIBOR plus a margin of 0.70% per annum and coupon is payable quarterly in arrears.

(h) HKD350 million notes

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

(i) SGD20 million notes

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****27 Bonds and debentures (Continued)****(i) SGD20 million notes (Continued)**

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

| | The Group and The Bank | |
|---|-------------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 |
| SGD20 million notes, at cost | 49,826 | - |
| Fair value changes arising from fair value hedges | (910) | - |
| Foreign exchange translations and interest payables | 2,205 | - |
| | <u>51,121</u> | <u>-</u> |

The fair value loss of interest rate swaps in this hedge transaction as at 31 December 2013 were RM893,430 (2012: RMNil).

(j) USD20 million notes

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

(k) RM500 million bonds

In 2011, the Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, the Group has consolidated the silo of MKB in relation to the Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The adoption of MFRS 10 has been applied retrospectively; refer to Note 55 for the impact of the adoption of MFRS 10 to the comparatives.

The RM500 million funding received by the Bank from MKB is recognised under other borrowings (refer to Note 28) in the Financial Statements. However at the Group level, due to the consolidation of MKB, the RM500 million funding is eliminated and reclassified under bonds.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

27 Bonds and debentures (Continued)

(k) RM500 million bonds (Continued)

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

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

(l) HKD775 million notes

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

(m) HKD950 million notes

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

The Bank has undertaken cash flow hedge on the notes issue under item (e), (f), (h), (l) and (m).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****28 Other borrowings**

| | Note | The Group | | | The Bank | | |
|------------|------|-------------------------------|---|---|-------------------------------|---|---|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) | 31 December 2013 RM'000 | 31 December 2012 RM'000 (Restated) | 1 January 2012 RM'000 (Restated) |
| Term loans | (a) | 1,968,211 | 2,235,865 | 2,131,308 | 1,968,211 | 2,235,865 | 2,131,308 |
| Others | (b) | - | - | - | - | 182,203 | 462,720 |
| | | 1,968,211 | 2,235,865 | 2,131,308 | 1,968,211 | 2,418,068 | 2,594,028 |

(a) These loans were undertaken by the Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 25 March 2014 being the earliest to mature and 29 March 2019 being the longest to mature. Interest rates charged are between 0.64% to 1.26% per annum.

(b) The Bank obtained funding through the securitisation of its hire purchase receivables to a third party.

On 4 November 2011, the funding – 1st tranche of RM180 million is raised for an effective interest rate of 2.85% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and will mature on 28 October 2016.

On 16 December 2011, the funding – 2nd tranche of RM320 million is raised for an effective interest rate of 3.00% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and will mature on 28 October 2016.

The Group and the Bank continue to recognise the hire purchase receivables on its statements of financial position as at 31 December 2013, 31 December 2012 and 1 January 2012 as the Group and the Bank continue to retain the risk and rewards of the hire purchase receivables.

Arising from the adoption of MFRS 10 “Consolidated Financial Statements” in 2013, the Group has consolidated the silo of MKB in relation to the Bank’s hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The adoption of MFRS 10 has been applied retrospectively; refer to Note 55 for the impact of the adoption of MFRS 10 to the comparatives.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations**

| | Note | The Group | | The Bank | |
|-------------------------------------|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Subordinated loans - USD200 million | (a) | - | - | 719,251 | 703,724 |
| Subordinated bonds - RM1.5 billion | (b) | - | 1,510,496 | - | 1,510,496 |
| Subordinated bonds - RM1.0 billion | (c) | 1,015,786 | 1,015,603 | 1,015,786 | 1,015,603 |
| Subordinated bonds - RM1.0 billion | (d) | 980,009 | 994,303 | 980,009 | 994,303 |
| Subordinated notes - THB544 million | (e) | 54,392 | 54,450 | - | - |
| Subordinated Sukuk - RM850 million | (f) | 855,393 | 861,751 | - | - |
| Subordinated notes - RM1 billion | (g) | 1,010,663 | 1,018,754 | 1,010,663 | 1,018,754 |
| Subordinated notes - RM1 billion | (g) | 1,027,377 | 1,061,704 | 1,027,377 | 1,061,704 |
| Subordinated notes - RM1.5 billion | (h) | 1,532,881 | 1,557,190 | 1,532,881 | 1,557,190 |
| Subordinated notes - THB3 billion | (i) | 307,191 | 238,072 | - | - |
| Subordinated notes - RM1.5 billion | (j) | 1,478,962 | 1,505,458 | 1,478,962 | 1,505,458 |
| Subordinated notes - THB3 billion | (k) | 301,769 | 302,091 | - | - |
| Subordinated notes - RM1.05 billion | (l) | 1,063,868 | - | 1,063,868 | - |
| Hybrid THB2.5 billion | (m) | 6,284 | - | - | - |
| | | 9,634,575 | 10,119,872 | 8,828,797 | 9,367,232 |

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

- (a) The USD200 million 6.62% subordinated loans of the Bank were obtained from SBB Capital Corporation (“SCC”) from the net proceeds that SCC raised through the issuance of SCC Preference Shares. The loans bear interest at a rate of 6.62% per annum payable semi-annually in arrears on 2 May and 2 November up to and including 2 November 2015. Thereafter, interest will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November. The subordinated loans will mature on 2 November 2055. The USD200 million subordinated loans qualify as Tier-1 Capital for the purpose of the total capital ratio computation (subject to gradual phase-out treatment under Basel III).

The Bank has undertaken fair value hedge on the interest rate risk of the USD200 million subordinated loans using interest rate swaps.

| | The Bank | |
|--|-----------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated notes, at cost | 728,250 | 728,250 |
| Fair value changes arising from fair value hedges | 60,099 | 91,556 |
| Foreign exchange translations, interest payables and accretion of discount | (69,098) | (116,082) |
| | <u>719,251</u> | <u>703,724</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2013 were RM60,765,255 (2012: RM83,329,063).

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

- (b) The RM1.5 billion 10-year subordinated bonds (“the RM1.5 billion Bonds”) were issued by the Bank on 28 March 2008. The Bonds were issued at par and are callable with step-up in 2013. The Bonds bear an interest rate of 4.9% per annum payable semi-annually in arrears for the first 5 years, after which interest rate will be reset to 5.9% per annum until maturity date.

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

The Bank has exercised the option to redeem its RM1.5 billion 10-year subordinated bonds with callable maturity date on 28 March 2013.

The Bank has undertaken fair value hedge on the interest rate risk amounting to RM600 million of the RM1.5 billion Bonds using interest rate swaps. This hedge was discontinued in 2013 due to the redemption of bonds.

| | The Group and The Bank | |
|---|-------------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 |
| Subordinated notes, at cost | - | 600,000 |
| Fair value changes arising from fair value hedges | - | (8,634) |
| Interest payables | - | 7,652 |
| | <u>-</u> | <u>599,018</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2012 was RM4,598,938.

- (c) The RM1.0 billion subordinated bonds (“the RM1.0 billion Bonds”) were issued at par on 7 October 2008 under the Innovative Tier-1 Capital Securities Programme which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 callable with step-up on 7 October 2018. The bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

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

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

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

(d) The RM1.0 billion subordinated bonds (“the Bonds”) is part of the Non-Innovative Tier 1 Stapled Securities Issuance Programme which was approved by the Securities Commission on 17 December 2008. Under the programme, the Bank is allowed to raise Non-Innovative Tier 1 Capital of up to RM4.0 billion in nominal value outstanding at any one time comprising:

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

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

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

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

The Bank has undertaken fair value hedge on the interest rate risk amounting to RM800 million of the RM1.0 billion Bonds using interest rate swaps.

| | The Group and The Bank | |
|---|-------------------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated notes, at cost | 800,000 | 800,000 |
| Fair value changes arising from fair value hedges | (21,175) | (6,880) |
| Interest payables | 947 | 947 |
| | <u>779,772</u> | <u>794,067</u> |

The fair value loss of interest rate swaps in this hedge transaction as at 31 December 2013 was RM23,889,116 (2012: RM9,589,359).

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

- (e) The THB544 million subordinated notes (“the THB544 million Notes”) represent CIMB Thai Bank’s obligation with regards to the promissory notes previously issued by few financial institutions before a series of merger. The promissory notes, which are guaranteed by Financial Institutions Development Fund (“FIDF”) has been recalled as FIDF is of the opinion that CIMB Thai Bank has no obligations in respect to the related liabilities. However, CIMB Thai Bank has yet to return the promissory notes to FIDF in order to retain its right to claim compensation from FIDF should CIMB Thai Bank need to undertake any responsibility for any obligations in the future.
- (f) The RM850 million unsecured subordinated Sukuk (‘the Sukuk’) is part of the Tier-2 Junior Sukuk programme by the Bank’s direct subsidiary, CIMB Islamic which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

CIMB Islamic has undertaken fair value hedge on the profit rate risk of the RM250 million subordinated debts using Islamic profit rate swaps.

| | The Group | |
|---|-----------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 250,000 | 250,000 |
| Fair value changes arising from fair value hedges | 2,436 | 5,628 |
| Interest payables | 2,077 | 2,048 |
| | <u>254,513</u> | <u>257,676</u> |

The fair value gain of Islamic profit rate swaps in this hedge transaction as at 31 December 2013 was RM2,881,581 (2012: RM5,932,760).

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

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

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

| | The Group | |
|---|-----------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 300,000 | 300,000 |
| Fair value changes arising from fair value hedges | (6,023) | (2,351) |
| Interest payables | 3,481 | 3,480 |
| | <u>297,458</u> | <u>301,129</u> |

The fair value loss of Islamic profit rate swaps in this hedge transaction as at 31 December 2013 was RM5,864,579 (2012: RM2,302,664).

The RM850 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic (subject to the gradual phase-out treatment under Basel III).

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

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

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

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

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

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

In 2012, the Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts (maturity of 10 years) and RM1.0 billion subordinated debts (maturity of 15 years) using interest rate swaps. The fair value hedge was discontinued in 2013.

Subordinated debts with maturity of 10 years

| | The Group and The Bank | |
|---|-------------------------------|------------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 1,000,000 | 1,000,000 |
| Fair value changes arising from fair value hedges | - | 17,811 |
| Unamortised fair value adjustments | 9,603 | - |
| Interest payables | 1,060 | 943 |
| | <u>1,010,663</u> | <u>1,018,754</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2012 was RM15,087,833.

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)****(g) Subordinated debts with maturity of 15 years**

| | The Group and The Bank | |
|---|-------------------------------|------------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 1,000,000 | 1,000,000 |
| Fair value changes arising from fair value hedges | - | 60,652 |
| Unamortised fair value adjustments | 26,193 | - |
| Interest payables | 1,184 | 1,052 |
| | <u>1,027,377</u> | <u>1,061,704</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2012 was RM51,449,507.

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

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

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)****(h) RM1.35 billion Subordinated debts**

| | The Group and The Bank | |
|---|-------------------------------|------------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 1,350,000 | 1,350,000 |
| Fair value changes arising from fair value hedges | 8,669 | 26,142 |
| Interest payables | 21,796 | 22,410 |
| | <u>1,380,465</u> | <u>1,398,552</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2013 were RM12,339,335 (2012: RM29,818,318).

RM150 million Subordinated debts

| | The Group and The Bank | |
|---|-------------------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 150,000 | 150,000 |
| Fair value changes arising from fair value hedges | (327) | 5,819 |
| Interest payables | 2,743 | 2,819 |
| | <u>152,416</u> | <u>158,638</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2013 were RM320,673 (2012: RM6,478,919).

CIMB Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****29 Subordinated obligations (Continued)**

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

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

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

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

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

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

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

During the financial year, the Bank has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

| | The Group and The Bank | |
|---|-------------------------------|------------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Subordinated debts, at cost | 1,500,000 | 1,500,000 |
| Fair value changes arising from fair value hedges | (26,666) | - |
| Interest payables | 5,628 | 5,458 |
| | <u>1,478,962</u> | <u>1,505,458</u> |

The fair value loss of interest rate swaps in this hedge transaction as at 31 December 2013 were RM19,938,421 (2012: RMNil).

CIMB Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

29 Subordinated obligations (Continued)

- (k) On 9 November 2012, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 3,000,000 units unsecured 10-year subordinated notes. The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry fixed interest rate of 4.80% per annum payable semi annually on 9 November and 9 May.

The THB3 billion Notes will mature on 9 November 2022. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

29 Subordinated obligations (Continued)

- (l) On 1 August 2013 the Bank has successfully set up a Basel III Compliant Tier 2 Subordinated Debt Issuance Programme of up to RM10.0 Billion in nominal value ("Basel III Subordinated Debt Programme"). The Basel III Subordinated Debt Programme was approved by the Securities Commission on 10 June 2013.

The Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

The Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital for the purpose of the total capital ratio computation.

CIMB Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

29 Subordinated obligations (Continued)

- (m) On 27 March 2009, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 2,500,000 units cumulative hybrid instruments with a face value of THB1,000 each, or a total of THB2,500 million. The notes have a tenor of 10 years, maturing on 27 March 2019, with an early redemption call option 5 years after the issue date. They bear interest at 5.25% per annum, for the first 5 years, and 6.75% per annum for years 6-10. Interest is due every 27 March and 27 September (under the specified conditions).

There is a call option in the following two cases:

- If there are significant changes in tax laws that increase the tax liabilities of the issuer
- If the notes cannot be counted as hybrid Tier II debts of CIMB Thai Bank

In both cases, early redemption must be pre-approved by the Bank of Thailand.

Prior to 2013, the whole THB2,500 million notes were held by another wholly-owned subsidiary of CIMB Bank, and hence the whole amount were eliminated at consolidated level. In 2013, THB60 million was held by third party.

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****30 Redeemable preference shares**

(a)

| | The Group | |
|---|--------------------|----------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Redeemable preference shares of USD0.01 each | | |
| At 1 January/31 December | <u>8</u> | <u>8</u> |
| | | |
| | The Group | |
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Issued and fully paid | | |
| Redeemable preference shares of USD0.01 each | | |
| Non-cumulative guaranteed preference shares | <u>728,250</u> | <u>728,250</u> |

The Bank has undertaken fair value hedge on the interest rate risk of the USD200 million non-cumulative guaranteed preference shares using interest rate swaps.

| | The Group | |
|---|-----------------------|----------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Non-cumulative guaranteed preference shares, at cost | 728,250 | 728,250 |
| Fair value changes arising from fair value hedges | 60,099 | 91,556 |
| Foreign exchange translation, interest payables and accretion of discount | (69,098) | (116,082) |
| | <u>719,251</u> | <u>703,724</u> |

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2013 were RM60,765,255 (2012: RM83,329,063).

The USD200 million 6.62% Non-cumulative Guaranteed Preference Shares of USD0.01 each at a premium of USD999.99 per share were issued on 2 November 2005 by SBB Capital Corporation (“SCC”), a wholly owned subsidiary of the Bank incorporated in Labuan. The main features of the SCC Preference Shares are as follows:

- (i) The SCC Preference Shares are entitled to dividends which are payable in arrears on 2 May and 2 November up to and including 2 November 2015 at a fixed rate of 6.62% per annum.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****30 Redeemable preference shares (Continued)**

- (ii) On 2 November 2015 (First Optional Redemption Date) and on each dividend date thereafter, SCC may at its option, subject to the prior approval of Bank Negara Malaysia, redeem the SCC Preference Shares in whole but not in part, at their principal amount plus accrued but unpaid dividends. If the SCC Preference Shares are not called on 2 November 2015, dividends will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November.
- (iii) The SCC Preference Shares will not be convertible into ordinary shares.
- (iv) The SCC Preference Shares are guaranteed by the Bank on a subordinated basis. If the SCC Preference shares have not been redeemed in full on or prior to 2 November 2055, the Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by the Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatorily exchanged for such Substitute Preference Shares having economic terms which are in all material aspects equivalent to those of the SCC Preference Share.

The SCC Preference Shares were admitted to the Official List of the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc on 4 November 2005 and 24 November 2005 respectively and qualify as Tier I Capital for the purpose of the total capital ratio computation, subject to the limit as prescribed in the 'Guidelines on Innovative Tier 1 Capital Instruments' issued by Bank Negara Malaysia on 24 December 2004.

(b)

| | The Group and The Bank | |
|---|-------------------------------|---------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Redeemable preference shares of RM0.01 each (equity) | | |
| At 1 January/31December | 50,000 | 50,000 |
| | <hr/> | <hr/> |
| | | |
| | | |
| | | |
| Issued and fully paid | | |
| Redeemable preference shares of RM0.01 each (equity) | | |
| At 1 January/31December | 29,740 | 29,740 |
| | <hr/> | <hr/> |

CIMB Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

30 Redeemable preference shares (Continued)

On 30 January 2008, the Bank issued 2,974,009,486 RPS of nominal value RM0.01 each to the Bank's minority shareholders and to CIMB Group at an issue price of RM1.00 each, which was approved by the shareholders via an Extraordinary General Meeting on the same date.

The main features of the RPS are as follows:

- (i) The RPS will rank equal in all respects with each other and senior to ordinary shares.
- (ii) The RPS will be fully paid-up upon issue and allotment.
- (iii) The RPS will not carry any fixed dividend but ranks the most senior in terms of dividend distribution.
- (iv) The RPS will not carry any voting rights.
- (v) The RPS will only be redeemable, subject to BNM's approval, at the option of the Bank.
- (vi) The RPS will not be convertible.
- (vii) The RPS will not be earmarked to any particular assets or banking activities.
- (viii) The RPS will not represent any fixed charge on the earnings of the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****31 Ordinary share capital**

| | The Group and The Bank | |
|--|-------------------------------|------------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Ordinary shares of RM1.00 each: | | |
| At 1 January/31 December | <u>7,000,000</u> | <u>7,000,000</u> |
| | | |
| | The Group and The Bank | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Issued and fully paid | | |
| Ordinary shares of RM1.00 each: | | |
| At 1 January | 3,764,469 | 3,764,469 |
| Issue of shares from rights issue | <u>366,941</u> | <u>-</u> |
| At 31 December | <u>4,131,410</u> | <u>3,764,469</u> |

On 9 May 2013, CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of the Bank, completed its first Dividend Reinvestment Scheme ("DRS") of which approximately RM1,153 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM601 million via the rights issue. The rights issue was done on basis of 1 rights share for every 30 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and Bank Negara Malaysia ("BNM") on 21 August 2013 and 23 August 2013 respectively. The rights issue was completed on 23 September 2013 with issuance of 125,481,828 units of new CIMB Bank ordinary shares of RM1.00 each.

On 31 October 2013, CIMB Group completed its second DRS of which approximately RM783 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM400 million and additional cash of RM735 million via the rights issue. The rights issue was done on basis of 1 rights share for every 16.11 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and BNM on 9 December 2013 and 27 December 2013. The rights issue was completed on 30 December 2013 with issuance of 241,459,687 units of new CIMB Bank ordinary shares of RM1.00 each.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

32 Perpetual preference shares

| | The Group and The Bank | |
|--|-------------------------------|-----------------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Perpetual preference shares of RM1.00 each: | | |
| At 1 January/31 December | <u>500,000</u> | <u>500,000</u> |
| | | |
| | The Group and The Bank | |
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Issued and fully paid | | |
| Perpetual preference shares of RM1.00 each: | | |
| At 1 January/31 December | <u>200,000</u> | <u>200,000</u> |

The main features of the PPS are as follows:

- (a) The PPS have no right to dividends.
- (b) In the event of liquidation, dissolution or winding-up of the Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of the Bank.
- (c) The PPS rank pari passu in all aspects among themselves.
- (d) The Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 1965 and as approved by Bank Negara Malaysia.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

33 Reserves

- (a) The statutory reserve is maintained in compliance with BNM guidelines and is not distributable as cash dividends.
- (b) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). During the previous financial year, the Bank has fully utilised the credit in the Section 108 balance to distribute dividend payments to its shareholders as allowed by the transitional provision under the Finance Act, 2007. As at 31 December 2013, the Bank has sufficient tax exempt account balances of RM973,848,000 (2012: RM973,565,000) to pay tax exempt dividends.
- (c) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (d) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad (now known as Mutiara Aset Berhad) and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the predecessor basis of accounting in financial year 2006.
- (e) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****33 Reserves (Continued)**

- (f) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (g) Hedging reserve mainly arise from net investment hedge activities undertaken by the Bank on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed. Included in hedging reserve in 2012 are cash flow hedge undertaken by the Group and the Bank to hedge held-to-maturity debt securities against foreign exchange risk using currency swaps, which were subsequently terminated by the Bank with cumulative gain of RM134,657 (2012: RM180,525) remaining in equity. In 2013, the Group and the Bank has also entered cash flow hedge on senior bonds issued and interbank lending.
- (h) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (i) Share-based payment reserve arose from the Management Equity Scheme and Employee Ownership Plan, the Group's and the Bank's share-based compensation benefits. The management Equity Scheme lapsed in 2012.
- (j) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.
- (k) Share premium

| | The Group | | The Bank | |
|----------------------------------|------------------|----------------|------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Relating to | | | | |
| - Ordinary shares | | | | |
| At 1 January | 5,033,633 | 5,033,633 | 5,033,633 | 5,033,633 |
| Issued during the financial year | 1,368,977 | - | 1,368,977 | - |
| At 31 December | 6,402,610 | 5,033,633 | 6,402,610 | 5,033,633 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****34 Interest income**

| | The Group | | The Bank | |
|--|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | | | | |
| - interest income | 6,979,421 | 6,157,552 | 5,794,167 | 5,210,662 |
| - unwinding income [^] | 53,436 | 73,221 | 54,539 | 63,941 |
| Money at call and deposits with financial institutions | 479,966 | 444,694 | 748,196 | 771,052 |
| Reverse repurchase agreements | 283,304 | 149,083 | 262,040 | 140,447 |
| Financial assets held for trading | 431,334 | 276,184 | 413,465 | 266,371 |
| Financial investments available-for- sale | 909,645 | 688,487 | 848,351 | 662,202 |
| Financial investments held-to-maturity | 295,140 | 348,308 | 228,635 | 283,688 |
| Others | 5,328 | 11,041 | 5,328 | 11,041 |
| | <u>9,437,574</u> | <u>8,148,570</u> | <u>8,354,721</u> | <u>7,409,404</u> |
| Net accretion of discount less amortisation of premium | 30,863 | 212,599 | 33,236 | 204,474 |
| | <u>9,468,437</u> | <u>8,361,169</u> | <u>8,387,957</u> | <u>7,613,878</u> |

[^] Unwinding income is interest income earned on impaired financial assets**35 Interest expense**

| | The Group | | The Bank | |
|---|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 127,488 | 116,966 | 204,014 | 170,838 |
| Deposits from customers | 3,260,424 | 3,098,269 | 2,837,923 | 2,754,408 |
| Repurchase agreements | 189,951 | 32,119 | 164,802 | 27,814 |
| Financial liabilities designated at fair value | 40,368 | - | 40,368 | - |
| Negotiable certificates of deposits | 127,430 | 99,960 | 121,973 | 98,567 |
| Redeemable preference shares | 41,714 | 40,501 | - | - |
| Bonds and debentures | 97,069 | 27,971 | 31,839 | 11,408 |
| Subordinated obligations | 355,717 | 317,698 | 364,399 | 344,977 |
| Other borrowings | 53,900 | 99,608 | 39,339 | 37,223 |
| | <u>4,294,061</u> | <u>3,833,092</u> | <u>3,804,657</u> | <u>3,445,235</u> |

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(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****36 Net non-interest income**

| | The Group | | The Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Net fee and commission income | | | | |
| Commissions | 216,196 | 184,655 | 183,187 | 166,233 |
| Fee on loans and advances | 415,262 | 406,484 | 413,654 | 395,337 |
| Service charges and fees | 424,907 | 397,325 | 384,993 | 363,652 |
| Guarantee fees | 67,043 | 48,880 | 52,394 | 35,796 |
| Other fee income | 219,351 | 209,739 | 160,561 | 188,102 |
| Fee and commission income | 1,342,759 | 1,247,083 | 1,194,789 | 1,149,120 |
| Fee and commission expense | (287,463) | (289,975) | (287,463) | (289,975) |
| Net fee and commission income | 1,055,296 | 957,108 | 907,326 | 859,145 |
| Gross dividend income from: | | | | |
| <u>In Malaysia</u> | | | | |
| Subsidiaries | - | - | 95,012 | 222,630 |
| Financial assets held for trading | 30,416 | 33,745 | 30,416 | 33,662 |
| Financial investments available-for- sale | 8,728 | 11,024 | 8,576 | 10,880 |
| | 39,144 | 44,769 | 134,004 | 267,172 |
| <u>Outside Malaysia</u> | | | | |
| Financial assets held for trading | - | 8 | - | - |
| Financial investments available-for- sale | 17,072 | 11,760 | - | - |
| Associate | - | - | - | 21,763 |
| | 17,072 | 11,768 | - | 21,763 |
| Net (loss)/gain arising from financial assets held for trading | | | | |
| - realised | (198,741) | (40,367) | (204,038) | (46,148) |
| - unrealised | (197,046) | 49,826 | (199,892) | 42,838 |
| | (395,787) | 9,459 | (403,930) | (3,310) |
| Net loss arising from hedging derivatives | (39,369) | (21,392) | (35,111) | (20,698) |
| Net gain/(loss) arising from derivative financial instruments | | | | |
| - realised | 844,013 | 870,239 | 799,983 | 878,690 |
| - unrealised | (240,435) | (212,626) | (156,267) | (220,829) |
| | 603,578 | 657,613 | 643,716 | 657,861 |
| Net (loss)/gain arising from financial liabilities designated at fair value | | | | |
| - realised | (36,089) | - | (36,089) | - |
| - unrealised | 263,975 | - | 263,975 | - |
| | 227,886 | - | 227,886 | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****36 Net non-interest income (Continued)**

| | The Group | | The Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Net gain from sale of financial investments available-for-sale | 231,131 | 268,308 | 187,731 | 255,988 |
| Net gain from redemption of financial investments held-to-maturity | 126,917 | 35,581 | 126,866 | 35,587 |
| Brokerage income | - | 23,304 | - | - |
| Other non-interest income | | | | |
| Foreign exchange gain | 295,412 | 159,261 | 182,358 | 112,806 |
| Rental income | 11,849 | 9,450 | 8,824 | 6,553 |
| Gain on disposal of property, plant and equipment/assets held for sale | 12,588 | 11,108 | 12,521 | 2,124 |
| (Loss)/gain on disposal of foreclosed properties | (41,458) | (9,492) | - | 6,676 |
| Gain on disposal of leased assets | 38 | 168 | - | - |
| Gain on disposal of subsidiaries | - | 8,405 | - | - |
| Gain on disposal of associate | - | 445 | - | 4,275 |
| Gain on revaluation of investment properties | 1,021 | 4,755 | - | - |
| Share of gain from recovery of impaired loans | 113,190 | 133,464 | - | - |
| Others | 87,872 | 81,493 | 49,876 | 57,497 |
| | 480,512 | 399,057 | 253,579 | 189,931 |
| | 2,346,380 | 2,385,575 | 2,042,067 | 2,263,439 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****37 Overheads**

| | The Group | | The Bank | |
|--|-----------|-----------|-----------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 2,063,772 | 1,964,048 | 1,648,961 | 1,584,366 |
| - Pension cost (defined contribution plan) | 192,648 | 184,148 | 174,058 | 165,894 |
| - Pension cost (defined benefit plan) | (455) | 3,925 | - | (7,999) |
| - Mutual Separation Scheme | 208,612 | - | 200,160 | - |
| - Overtime | 15,624 | 15,518 | 10,172 | 10,180 |
| - Staff incentives and other staff payments | 146,494 | 160,343 | 136,147 | 156,073 |
| - Medical expenses | 72,682 | 65,698 | 67,075 | 61,026 |
| - Others | 75,500 | 65,985 | 52,556 | 46,824 |
| | 2,774,877 | 2,459,665 | 2,289,129 | 2,016,364 |
| Establishment costs | | | | |
| - Depreciation of property, plant and equipment | 194,789 | 200,418 | 139,797 | 148,549 |
| - Amortisation of prepaid lease payments | 302 | 298 | - | - |
| - Rental | 217,668 | 211,139 | 172,704 | 166,020 |
| - Repairs and maintenance | 238,176 | 192,729 | 216,781 | 169,613 |
| - Outsourced services | 155,110 | 162,340 | 236,307 | 242,452 |
| - Security expenses | 103,411 | 95,516 | 107,369 | 100,286 |
| - Utility expenses | 45,456 | 47,223 | 35,260 | 37,111 |
| - Others | 51,338 | 51,348 | 38,450 | 36,812 |
| | 1,006,250 | 961,011 | 946,668 | 900,843 |
| Marketing expenses | | | | |
| - Sales commission | 3,677 | 10,286 | 89 | 3,033 |
| - Advertisement | 157,582 | 114,712 | 138,171 | 97,139 |
| - Others | 31,436 | 21,413 | 20,175 | 13,508 |
| | 192,695 | 146,411 | 158,435 | 113,680 |
| Administration and general expenses | | | | |
| - Communication | 53,641 | 51,649 | 46,920 | 44,619 |
| - Consultancy and professional fees | 72,060 | 55,606 | 57,616 | 46,082 |
| - Legal expenses | 8,624 | 10,194 | 5,249 | (6,749) |
| - Stationery | 41,893 | 36,006 | 33,731 | 28,268 |
| - Amortisation of intangible assets | 174,895 | 164,515 | 156,474 | 142,555 |
| - Postages | 41,760 | 45,731 | 30,352 | 35,948 |
| - Administrative travelling and vehicle expenses | 34,525 | 32,546 | 24,470 | 22,332 |
| - Incidental expenses on banking operations | 34,982 | 32,944 | 19,587 | 21,859 |
| - Insurance | 109,954 | 84,108 | 26,856 | 21,154 |
| - Others | 110,474 | 143,442 | 37,589 | 77,500 |
| | 682,808 | 656,741 | 438,844 | 433,568 |
| Shared service cost | 219,861 | 190,512 | (153,658) | (156,430) |
| | 4,876,491 | 4,414,340 | 3,679,418 | 3,308,025 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****37 Overheads (Continued)**

The above expenditure includes the following statutory disclosures:

| | The Group | | The Bank | |
|--|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors' remuneration (excluding benefits-in-kind) (Note 41) | 9,822 | 6,134 | 9,455 | 5,780 |
| Hire of equipment | 3,445 | 5,069 | 2,852 | 4,453 |
| Lease rental | 2,010 | 371 | 1,998 | 371 |
| Auditors' remuneration: | | | | |
| PwC Malaysia (audit) | | | | |
| - statutory audit | 2,678 | 2,291 | 2,228 | 1,957 |
| - limited review | 718 | 680 | 656 | 625 |
| - other audit related | 330 | 160 | 210 | 100 |
| PwC Malaysia (non audit) | 723 | 760 | 566 | 695 |
| Other member firms of PwC International Limited (audit) | | | | |
| - statutory audit | 1,148 | 1,111 | 742 | 688 |
| - limited review | 595 | 630 | - | - |
| - other audit related | 220 | 230 | 21 | 53 |
| Other member firms of PwC International Limited (non audit) | 305 | 288 | 241 | 76 |
| Property, plant and equipment written-off | 2,668 | 692 | 2,662 | 689 |

PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****38 Allowances for impairment losses on loans, advances and financing**

| | The Group | | The Bank | |
|---|------------------|-----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for bad and doubtful debts on loans and financing | | | | |
| Individual impairment allowance | | | | |
| - Net allowance made during the financial year | 104,894 | 150,751 | 113,315 | 138,153 |
| Portfolio impairment allowance | | | | |
| - Net allowance made during the financial year | 652,951 | 316,497 | 330,086 | 131,975 |
| Impaired loans and advances | | | | |
| - recovered | (309,045) | (338,044) | (222,077) | (222,772) |
| - written off | 22,068 | 6,777 | 10,547 | 846 |
| | 470,868 | 135,981 | 231,871 | 48,202 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****39 Allowances for other impairment losses made/(written-back)**

| | | The Group | | The Bank | |
|--|------|---------------|--------------|--------------|--------------|
| | Note | 2013 | 2012 | 2013 | 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments available-for-sale | | | | | |
| - net allowance made during the financial year | | 27,780 | 1,606 | 23,367 | 1,498 |
| Financial investments held-to-maturity | | | | | |
| - net allowance written back during the financial year | | (1,422) | (492) | - | - |
| Subsidiaries | | | | | |
| - written-back during the financial year | (a) | - | - | (14,517) | - |
| | | <u>26,358</u> | <u>1,114</u> | <u>8,850</u> | <u>1,498</u> |

- (a) The write-back of allowance for impairment losses on the Bank's certain subsidiaries was due to the recoverable amounts being higher than the cost of investment of these subsidiaries.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

40 Significant related party transactions and balances

(a) The related parties of, and their relationship with the Bank, are as follows:

| Related parties | Relationship |
|---|--|
| CIMB Group Holdings Berhad | Ultimate holding company |
| CIMB Group Sdn. Bhd. | Holding company |
| Subsidiaries of the Bank as disclosed in Note 14 | Subsidiaries |
| SBB Berhad | Subsidiary of ultimate holding company |
| Commerce Asset Realty Sdn. Bhd. | Subsidiary of ultimate holding company |
| Commerce MGI Sdn. Bhd. | Subsidiary of ultimate holding company |
| CIMB Investment Bank Berhad | Subsidiary of holding company |
| PT Bank CIMB Niaga Tbk and Group | Subsidiary of holding company |
| Commerce International Group Berhad | Subsidiary of holding company |
| Commerce Asset Ventures Sdn. Bhd. and Group | Subsidiary of holding company |
| Joint venture of the Bank as disclosed in Note 15 | Joint venture |
| Associates of the Bank as disclosed in Note 16 | Associates |
| Key management personnel | See below |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)****(b) Related party transactions**

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

| | ← The Group and the Bank → | The Group | ← The Bank → | | | |
|---|---|--------------------------------------|--|--|------------------------|--|
| | Holding & Ultimate Holding Company RM'000 | Other related companies RM'000 | Associate and joint venture RM'000 | Key management personnel RM'000 | Subsidiaries RM'000 | Key management personnel RM'000 |
| 2013 | | | | | | |
| Income | | | | | | |
| Interest on deposits and placements with financial institutions | - | 18,647 | 81 | - | 268,701 | - |
| Interest on loans, advances and financing | 30,545 | 7,985 | - | 181 | 4,153 | 84 |
| Interest on securities | 1,462 | - | - | - | 29 | - |
| Dividends | - | - | - | - | 95,012 | - |
| Others | 74 | 24,839 | 51,073 | - | 26,817 | - |
| Expenditure | | | | | | |
| Interest on deposits from customers and repurchase agreement | 23,245 | 19,775 | - | 811 | 6,659 | 520 |
| Interest on deposits and placements of banks and other financial institutions | - | - | 321 | - | 80,803 | - |
| Rental of premises | 490 | 376 | - | - | 398 | - |
| Shared service cost | - | 147,555 | - | - | (294,921) | - |
| Dividends | 1,598,984 | - | - | - | - | - |
| Others | 251 | 69,102 | - | - | 114,257 | - |
| | 2012 | | | | | |
| Income | | | | | | |
| Interest on deposits and placements with financial institutions | - | 31,567 | 132 | - | 333,082 | - |
| Interest on loans, advances and financing | 15,652 | 5,709 | - | 62 | 4,470 | 121 |
| Interest on securities | 4,006 | - | - | - | 3,611 | - |
| Dividends | - | - | 21,763 | - | 222,630 | - |
| Others | 2,442 | 7,946 | 59,888 | 38 | 29,295 | 85 |
| Expenditure | | | | | | |
| Interest on deposits from customers and repurchase agreement | 10,281 | 25,631 | - | 909 | 4,576 | 637 |
| Interest on deposits and placements of banks and other financial institutions | - | - | 367 | - | 57,927 | - |
| Rental of premises | 639 | 563 | - | - | 431 | - |
| Shared service cost | - | 125,091 | - | - | (281,520) | - |
| Dividends | 1,486,993 | - | 0 | - | - | - |
| Others | 271 | 32,166 | - | - | 140,091 | - |

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Notes to the Financial Statements

for the financial year ended 31 December 2013 (Continued)**40 Significant related party transactions and balances (Continued)**

(c) Related party balances

| | ← The Group and the Bank → | The Group | ← The Bank → | | | |
|---|------------------------------------|-------------------------|-----------------------------|--------------------------|--------------|--------------------------|
| | Holding & Ultimate Holding Company | Other related companies | Associate and joint venture | Key management personnel | Subsidiaries | Key management personnel |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2013 | | | | | | |
| Amounts due from | | | | | | |
| Current accounts, deposits and placements with banks and other financial institutions | - | 955,072 | 9,831 | - | 5,979,382 | - |
| Loans, advances and financing | 961,045 | 181,626 | - | 18,069 | 84,949 | 12,731 |
| Derivative financial instruments | 10,291 | - | - | - | 215,602 | - |
| Investments securities | 1,917 | 1,329 | - | - | - | - |
| Others | - | 4,711 | 1,059,473 | - | 303 | - |
| Amounts due to | | | | | | |
| Deposits from customers and repurchase agreement | 105,425 | 1,055,138 | 5,450 | 60,741 | 233,756 | 46,985 |
| Deposits and placements of banks and other financial institutions | - | - | - | - | 11,213,372 | - |
| Derivative financial instruments | 3,940 | - | - | - | 170,400 | - |
| Others | 10,266 | 27,473 | 86,563 | - | 1,214 | - |
| Commitment and contingencies | | | | | | |
| Forward exchange contracts | - | 290,321 | - | - | - | - |
| Cross currency interest rate swaps | 1,015,175 | - | - | - | - | - |
| Foreign exchange related contracts | - | - | - | - | 563,645 | - |
| Equity related contracts | - | 133,876 | - | - | - | - |
| Interest rate related contracts | - | - | - | - | 15,527,231 | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)****(c) Related party balances (Continued)**

| | ← The Group and the Bank → | | | The Group | ← The Bank → | |
|---|------------------------------------|-------------------------|-----------------------------|--------------------------|--------------|--------------------------|
| | Holding & Ultimate Holding Company | Other related companies | Associate and joint venture | Key management personnel | Subsidiaries | Key management personnel |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2012 | | | | | | |
| Amounts due from | | | | | | |
| Current accounts, deposits and placements with banks and other financial institutions | - | 1,207,994 | 19,884 | - | 8,641,061 | - |
| Loans, advances and financing | 827,894 | 257,659 | - | 10,101 | 151,252 | 12,478 |
| Derivative financial instruments | 20,724 | - | - | - | 383,381 | - |
| Investments securities | 81,306 | - | - | - | 1,806 | - |
| Others | - | 15,460 | 1,285,914 | - | 132 | - |
| Amounts due to | | | | | | |
| Deposits from customers and repurchase agreement | 156,363 | 1,939,667 | 187 | 61,535 | 269,299 | 31,004 |
| Deposits and placements of banks and other financial institutions | - | - | - | - | 6,806,771 | - |
| Derivative financial instruments | 9,398 | - | - | - | 46,299 | - |
| Others | 1,905 | 618,372 | 280,151 | - | 3,659 | - |
| Commitment and contingencies | | | | | | |
| Forward exchange contracts | - | 317,230 | - | - | - | - |
| Cross currency interest rate swaps | 1,003,510 | - | - | - | - | - |
| Foreign exchange related contracts | - | - | - | - | 648,863 | - |
| Equity related contracts | - | 238,899 | - | - | - | - |
| Interest rate related contracts | - | 138,380 | - | - | 10,273,630 | - |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)**

(d) Key management personnel

Key management compensation

| | The Group | | The Bank | |
|--|------------------|-----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries and other employee benefits | 104,669 | 101,677 | 106,680 | 117,618 |
| Shares of the ultimate holding company (units) | 4,274,075 | 3,383,529 | 4,616,243 | 3,982,757 |

Included in the above is the Executive Directors' compensation which is disclosed in Note 41. The share options and shares are granted on the same terms and condition as those offered to other employees of the Group and the Bank.

Loans to Directors of the Bank amounting to RM3,705,480 (2012: RM1,779,701). Loans made to Directors and other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances were required in 2013 and 2012 for loans, advances and financing made to the key management personnel.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)****(e) Management Equity Scheme (“MES” or the “Scheme”)**

This Scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of CIMB Group, whereby share options are granted to selected employees of the Group and the Bank. The Scheme was launched on 1 March 2004, the expiry date of the Scheme was extended from 28 February 2012 to 31 May 2012. The Scheme lapsed thereafter.

The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of CIMB Group. Entitlements of eligible members of senior management are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of CIMB Group administers the scheme on behalf of the substantial shareholder. The entitlements granted vest in proportions across various exercised periods.

As the Group and the Bank do not have an obligation to settle the transaction with its employees, the Group and the Bank have accounted for the transaction as equity settled in accordance with MFRS 2.

The weighted average fair value of the entitlements granted, determined using the Binomial Valuation Model for the Group and the Bank were RM7.26 and RM7.28 each respectively. The significant inputs into the model were as follows:

| Valuation assumptions | The Group | The Bank |
|--|------------------|-----------------|
| - Expected volatility | 31.8% | 31.8% |
| - Expected dividend yield | 1.6% | 1.6% |
| - Expected option life | - | - |
| - Weighted average share price at grant date | RM10.64 | RM10.68 |
| - Weighted average risk-free interest rate | 3.4% | 3.4% |

The volatility measured at the standard deviation of the daily share price returns was based on statistical analysis of daily prices over the last two years.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

40 Significant related party transactions and balances (Continued)

(e) Management Equity Scheme (“MES” or the “Scheme”) (Continued)

The total share-based payment expenses recognised in relation to the Scheme for the Group and the Bank during the current financial year amounted to RMNil (2012: RMNil) and RMNil (2012: RMNil) respectively. The shares were exercisable 2 years from the grant date.

Details of the movement in the number of entitlements outstanding are as follows:

| | The Group | The Bank |
|----------------------|------------------|-----------------|
| | 2012 | 2012 |
| | Unit | Unit |
| | '000 | '000 |
| Share options | | |
| At 1 January | 12,426 | 11,375 |
| Exercised | <u>(12,426)</u> | <u>(11,375)</u> |
| At 31 December | <u>-</u> | <u>-</u> |

The weighted average share price at the time of exercise was RM7.39 each for the Group and the Bank. There is no weighted average remaining contractual life as at 31 December 2012.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)****(f) Equity Ownership Plan (“EOP”)**

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees of the Group and the Bank. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group and the Bank will be utilised to purchase ordinary shares of CIMB Group from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will be disposed at market price and proceeds received will be donated to CIMB Foundation on behalf of the employees. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM43,675,000 (2012: RM36,320,000) and RM42,405,000 (2012: RM35,140,000) respectively.

The weighted average fair value of shares awarded under EOP was RM7.73 per ordinary share (2012: RM7.70 per ordinary share), based on market price during the period in which they were purchased.

Movements in the number of CIMB Group’s ordinary shares awarded are as follows:

| | The Group | | The Bank | |
|----------------|------------------|--------------|-----------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | Units | Units | Units | Units |
| | '000 | '000 | '000 | '000 |
| Shares | | | | |
| At 1 January | 8,473 | 4,974 | 7,994 | 4,714 |
| Awarded | 11,141 | 9,231 | 10,675 | 8,706 |
| Released | (4,158) | (5,732) | (3,932) | (5,426) |
| At 31 December | 15,456 | 8,473 | 14,737 | 7,994 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****40 Significant related party transactions and balances (Continued)**

(g) Credit transactions and exposures with connected parties

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

| | The Group | | The Bank | |
|---|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Outstanding credit exposures with connected parties | 9,788,021 | 14,335,749 | 9,233,372 | 13,837,887 |
| Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | 3.3% | 5.3% | 3.7% | 6.4% |
| Percentage of outstanding credit exposures with connected parties which is impaired or in default | 0.0% | 0.0% | 0.0% | 0.0% |

(h) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 30% of the issued capital of the ultimate holding company (2012: 29%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 8(a) and Note 40(e) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****41 Directors' remuneration**

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

Non-Executive Directors

Dato' Zainal Abidin bin Putih
 Dato' Sri Mohamed Nazir bin Abdul Razak
 Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
 Mr. Joseph Dominic Silva
 Puan Rosnah Dato' Kamarul Zaman
 Mr. Venkatachalam Krishnakumar
 Ms. Grace Yeoh Cheng Geok (appointed on 21 August 2013)
 Dato' Seri Yeap Leong Huat (resigned on 29 January 2013)

Executive Directors

Dato' Sulaiman bin Mohd Tahir
 Mr. Renzo Christopher Viegas

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

| | The Group | | The Bank | |
|---------------------------------|------------------|--------|-----------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive Directors | | | | |
| - Salary and other remuneration | 3,108 | 1,956 | 3,108 | 1,956 |
| - Bonus | 5,147 | 2,624 | 5,147 | 2,624 |
| - Benefits-in-kind | 38 | 28 | 38 | 28 |
| Non-Executive Directors | | | | |
| - Fees | 364 | 405 | 304 | 345 |
| - Other remuneration | 1,203 | 1,149 | 896 | 855 |
| - Benefits-in-kind | 63 | 67 | 37 | 42 |
| | 9,923 | 6,229 | 9,530 | 5,850 |

The Directors' bonus for the financial year 2013 will be paid in tranches, spread over financial year 2014, while for financial year 2012, it was similarly paid in tranches, spread over financial year 2013. A similar condition is also imposed on the bonus for certain key personnel.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****41 Directors' remuneration (Continued)**

The functions and responsibilities of the CEO are carried out on a Group basis.

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

| | The Group | | The Bank | |
|---------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | Number of directors | Number of directors | Number of directors | Number of directors |
| Executive Directors | | | | |
| RM250,001 – RM400,000 | - | 1 | - | 1 |
| RM1,500,001 – RM2,500,000 | - | 2 | - | 2 |
| RM2,500,001 – RM3,000,000 | 1 | - | 1 | - |
| RM5,000,001 – RM5,500,000 | 1 | - | 1 | - |
| | 1 | - | 1 | - |

| | The Group | | The Bank | |
|-------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | Number of directors | Number of directors | Number of directors | Number of directors |
| Non-Executive Directors | | | | |
| RM50,000 and below | 3 | 1 | 3 | 1 |
| RM50,001 – RM100,000 | - | 2 | - | 2 |
| RM100,001 – RM150,000 | 1 | 1 | 1 | 1 |
| RM150,001 – RM200,000 | 2 | 2 | 2 | 2 |
| RM200,001 – RM250,000 | - | - | - | 1 |
| RM250,001 – RM300,000 | - | - | 1 | - |
| RM400,001 – RM450,000 | 1 | 2 | 1 | 1 |
| RM600,001 – RM650,000 | 1 | - | - | - |
| | 1 | - | - | - |

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(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****42 Taxation**

| | The Group | | The Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation based on the profit for the financial year: | | | | |
| - Malaysian income tax | 736,856 | 836,498 | 589,565 | 662,266 |
| - Foreign tax | 36,470 | 37,720 | 30,079 | 29,479 |
| Deferred taxation (Note 9) | (113,799) | (55,344) | (14,896) | (20,922) |
| Over accrual in prior years | (16,931) | (53,796) | (17,683) | (55,053) |
| | 642,596 | 765,078 | 587,065 | 615,770 |
| Reconciliation between tax expense and the Malaysian tax rate | | | | |
| Profit before taxation | 3,655,146 | 3,881,501 | 2,729,015 | 3,105,142 |
| Tax calculated at a rate of 25% (2012: 25%) | 913,787 | 970,375 | 682,254 | 776,286 |
| - different tax rates in Labuan and other countries | (178,784) | (105,988) | (91,167) | (80,615) |
| - expenses not deductible for tax purposes | 68,725 | 108,051 | 53,107 | 73,465 |
| - income not subject to tax | (59,732) | (102,290) | (39,446) | (98,313) |
| - utilisation of previously unrecognised tax losses | (84,469) | (51,274) | - | - |
| - over accrual in prior years | (16,931) | (53,796) | (17,683) | (55,053) |
| Tax expense | 642,596 | 765,078 | 587,065 | 615,770 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

43 Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM2,993,126,000 (2012: RM3,104,119,000). For the Bank, the basic earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM2,141,950,000 (2012: RM2,489,372,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 3,800,170,000 (2012: 3,764,469,000) is used for the computation.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2013 and 31 December 2012.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****44 Dividends**

The gross and net dividend declared per share for each financial year are as follows:

The Group and the Bank

| | 2013 | | | 2012 | | |
|--|------------------------|----------------------|---|------------------------|----------------------|---|
| | Gross per share sen | Net per share sen | Amount of dividend net of tax RM'000 | Gross per share sen | Net per share sen | Amount of dividend net of tax RM'000 |
| Dividends recognised as distributions to equity holders: | | | | | | |
| <u>Interim dividend</u> | | | | | | |
| Per redeemable preference shares - single tier | 21.52 | 21.52 | 639,993 | 22.19 | 22.19 | 660,000 |
| <u>Interim dividend - in respect of previous year</u> | | | | | | |
| Per redeemable preference shares | - | - | - | 4.17 | 3.13 | 93,000 |
| Per ordinary shares - single tier | 25.48 | 25.48 | 959,000 | 19.50 | 19.50 | 734,000 |
| | <u>47.00</u> | <u>47.00</u> | <u>1,598,993</u> | <u>45.86</u> | <u>44.82</u> | <u>1,487,000</u> |

The Directors have proposed a single tier second interim dividend of approximately 25.29 sen per share on 2,974,009,486 Redeemable Preference Shares of RM0.01 each, amounting to RM752 million in respect of the financial year ended 31 December 2013. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 10 February 2014.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2013.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****45 Lease commitments**

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

| | The Group | | The Bank | |
|----------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Within one year | 120,726 | 123,569 | 117,640 | 112,109 |
| One year to less than five years | 299,043 | 277,480 | 266,788 | 189,306 |
| Five years and more | 209,583 | 201,278 | 198,732 | 197,214 |

46 Capital commitments

| | The Group | | The Bank | |
|-------------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Capital expenditure: | | | | |
| - authorised and contracted for | 272,218 | 263,456 | 271,382 | 263,097 |
| - authorised but not contracted for | 241,587 | 331,257 | 237,543 | 330,161 |
| | 513,805 | 594,713 | 508,925 | 593,258 |

Analysed as follows:

| | The Group | | The Bank | |
|-------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | 469,629 | 536,068 | 465,142 | 534,809 |
| Computer software | 44,176 | 58,645 | 43,783 | 58,449 |
| | 513,805 | 594,713 | 508,925 | 593,258 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Capital adequacy

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

For 2013, Bank Negara Malaysia (BNM) and Bank of Thailand (BOT) issued revised guidelines on the capital adequacy framework on 28 November 2012 and 8 November 2012 respectively, of which both took effect beginning 1 January 2013. The revised guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group (other than CIMB Thai Bank and CIMB Bank PLC) and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach 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 Basic Indicator Approach. The comparative capital adequacy ratios as at 31 December 2012 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF) which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel II.

The risk-weighted assets of CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach 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 Basic Indicator Approach. The comparative capital adequacy ratios as at 31 December 2012 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF) which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel II.

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. 87/2551 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach (SA) approach while Operational Risk is based on Basic Indicator Approach. The comparative capital adequacy ratios as at 31 December 2012 were based on "Notification of The BOT. No. SoNoRSor. 12/2555 - The supervisory capital funds of commercial banks".

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Capital adequacy (Continued)

The regulatory compliance ratios of CIMB Bank PLC refers to Solvency Ratio. This 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 at CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2013. The Group and the Bank issue various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the Risk Weighted Capital Adequacy Framework (Basel II) (RWCAF) and Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM.

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****47 Capital adequacy (Continued)****31 December 2013 - Basel III**

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

| | The Group | The Bank* |
|----------------------------|------------------|------------------|
| Common equity tier I ratio | 8.274% | 9.649% |
| Tier I ratio | 9.750% | 11.552% |
| Total capital ratio | <u>13.068%</u> | <u>12.910%</u> |

CIMB Group Holdings Berhad (“CIMB Group”) recently completed its second Dividend Reinvestment Scheme (“DRS”) of which RM783 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM400 million and additional cash of RM735 million into CIMB Bank via rights issue which was completed on 30 December 2013.

CIMB Group proposed to continue with DRS implementation for the second interim dividend in respect of the financial year ended 2013. Pursuant to the completion of DRS, CIMB Group intend to reinvest the excess cash dividend into the Bank which would increase the capital adequacy ratios of the Group and the Bank above those stated above.

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

| | The Group | The Bank* |
|----------------------------------|--------------------|--------------------|
| | RM’000 | RM’000 |
| Credit risk | 145,845,320 | 109,355,392 |
| Market risk | 13,826,815 | 12,107,705 |
| Large exposure risk requirements | 423,320 | 423,320 |
| Operational risk | <u>14,615,092</u> | <u>11,115,336</u> |
| Total risk-weighted assets | <u>174,710,547</u> | <u>133,001,753</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****47 Capital adequacy (Continued)****31 December 2013 - Basel III (Continued)**

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

| | The Group RM'000 | The Bank* RM'000 |
|--|---------------------|---------------------|
| Common Equity Tier I capital | | |
| Ordinary shares | 4,131,410 | 4,131,410 |
| Other reserves | 18,954,705 | 15,810,362 |
| Qualifying non-controlling interests | 243,991 | - |
| Less: Proposed dividends | <u>(752,000)</u> | <u>(752,000)</u> |
| Common Equity Tier I capital before regulatory adjustments | 22,578,106 | 19,189,772 |
| <u>Less: Regulatory adjustments</u> | | |
| Goodwill | (4,890,179) | (3,555,075) |
| Intangible assets | (874,518) | (852,787) |
| Deferred tax assets | (263,926) | (212,431) |
| Shortfall of eligible provisions to expected losses | (282,726) | (151,434) |
| Others | <u>(1,811,720)</u> | <u>(1,584,536)</u> |
| Common Equity Tier I capital after regulatory adjustments | <u>14,455,037</u> | <u>12,833,509</u> |
| Additional Tier I capital | | |
| Perpetual preference shares | 180,000 | 180,000 |
| Non-innovative Tier I Capital | 900,000 | 900,000 |
| Innovative Tier I Capital | 1,450,620 | 1,450,620 |
| Qualifying capital instruments held by third parties | 48,180 | - |
| Additional Tier I capital before and after regulatory adjustments | <u>2,578,800</u> | <u>2,530,620</u> |
| Total Tier I capital | <u>17,033,837</u> | <u>15,364,129</u> |
| Tier II capital | | |
| Subordinated notes | 6,050,000 | 6,050,000 |
| Redeemable preference shares | 29,740 | 29,740 |
| Qualifying capital instruments held by third parties | 30,471 | - |
| Portfolio impairment allowance and regulatory reserves ^ | 486,766 | 207,315 |
| Tier II capital before regulatory adjustments | <u>6,596,977</u> | <u>6,287,055</u> |
| <u>Less: Regulatory adjustments</u> | | |
| Investment in capital instruments of unconsolidated financial and insurance/takaful entities | (800,439) | (4,480,601) |
| Total Tier II capital | <u>5,796,538</u> | <u>1,806,454</u> |
| Total capital | <u>22,830,375</u> | <u>17,170,583</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****47 Capital adequacy (Continued)****31 December 2013 - Basel III (Continued)**

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

| | CIMB Islamic Bank | CIMB Thai Bank | CIMB Bank PLC |
|----------------------------|------------------------------|---------------------------|--------------------------|
| Common equity tier 1 ratio | 9.905% | 9.907% | N/A |
| Tier 1 ratio | 10.201% | 9.907% | N/A |
| Total capital ratio | 14.020% | 14.082% | 20.045% |

31 December 2012 - Basel II

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

| | The Group | The Bank* |
|--|------------------|------------------|
| Before deducting proposed dividends | | |
| Core capital ratio | 10.474% | 13.164% |
| Risk-weighted capital ratio | <u>16.195%</u> | <u>16.335%</u> |
| After deducting proposed dividends | | |
| Core capital ratio | 9.857% | 12.354% |
| Risk-weighted capital ratio | <u>15.578%</u> | <u>15.526%</u> |

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

| | The Group | The Bank* |
|----------------------------------|--------------------|--------------------|
| | RM'000 | RM'000 |
| Credit risk | 126,983,208 | 94,244,713 |
| Market risk | 14,568,174 | 13,283,095 |
| Large exposure risk requirements | 397,786 | 397,786 |
| Operational risk | <u>13,560,253</u> | <u>10,528,945</u> |
| Total risk-weighted assets | <u>155,509,421</u> | <u>118,454,539</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****47 Capital adequacy (Continued)****31 December 2012 - Basel II (Continued)**

(c) Components of Tier I and Tier II capital are as follows:

| | The Group | The Bank* |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| Tier I capital | | |
| Paid-up capital | 3,764,469 | 3,764,469 |
| Perpetual preference shares | 200,000 | 200,000 |
| Non-innovative Tier I Capital | 1,000,000 | 1,000,000 |
| Innovative Tier I Capital | 1,611,800 | 1,611,800 |
| Other reserves | 14,442,525 | 12,712,661 |
| Non-controlling interests | 306,905 | - |
| Less: | | |
| Deferred tax assets | (146,237) | (140,439) |
| Goodwill | (4,891,433) | (3,555,075) |
| Total Tier I capital | <u>16,288,029</u> | <u>15,593,416</u> |
| Tier II capital | | |
| Subordinated notes | 7,881,400 | 6,500,000 |
| Redeemable preference shares | 29,740 | 29,740 |
| Regulatory reserve | 1,173,577 | 930,953 |
| Portfolio impairment allowance ^ | 278,012 | 133,220 |
| Surplus of total eligible provision over expected loss under the IRB approach | 91,670 | 250,350 |
| Total Tier II capital | 9,454,399 | 7,844,263 |
| Less: | | |
| Investment in subsidiaries | (158,742) | (3,688,556) |
| Securitisation exposures subject to deductions^^ | (65,621) | (65,621) |
| Investment in associates | (305,584) | (305,584) |
| Holding of other banking institutions' capital instruments | (28,159) | (28,159) |
| Total Eligible Tier II capital | <u>8,896,293</u> | <u>3,756,343</u> |
| Total capital base | <u>25,184,322</u> | <u>19,349,759</u> |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Capital adequacy (Continued)

31 December 2012 - Basel II (Continued)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

| | CIMB Islamic Bank | CIMB Thai Bank | CIMB Bank PLC |
|-----------------------------|------------------------------|---------------------------|--------------------------|
| Core capital ratio | 8.691% | 10.265% | N/A |
| Risk-weighted capital ratio | <u>13.274%</u> | <u>16.206%</u> | <u>26.816%</u> |

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

^ The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM244,987,271 (2012: RM339,039,051) and RM220,083,547 (2012: RM322,557,239) respectively.

^^ The following has been applied in computing the capital adequacy ratio:

- financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach;
- the investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) Guideline dated 31 December 2009.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 Significant events during the financial year

(a) Termination of the Proposed Acquisition of a stake in Bank of Commerce (“BOC”) in the Philippines

On 8 May 2012 CIMB Bank entered into sale and purchase agreements (“SPA”) with San Miguel Properties, Inc., San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings, Inc. and various minority shareholders in relation to the proposed acquisition of 59.98% of the total issued and paid-up share capital of Bank of Commerce (“Proposed Acquisition”).

However, on 21 June 2013 it was announced that the SPAs in relation to the Proposed Acquisition have lapsed. The parties to the SPAs have been engaged in negotiations since the lapse of the SPAs, but have not been able to reach an agreement on new terms in relation to the Proposed Acquisition. As such, the parties did not proceed with the Proposed Acquisition.

(b) Right issue

On 9 May 2013, CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of the Bank, completed its first Dividend Reinvestment Scheme ("DRS") of which approximately RM1,153 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM601 million via the rights issue. The rights issue was done on basis of 1 rights share for every 30 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and Bank Negara Malaysia (“BNM”) on 21 August 2013 and 23 August 2013 respectively. The rights issue was completed on 23 September 2013 with issuance of 125,481,828 units of new CIMB Bank ordinary shares of RM1.00 each.

On 31 October 2013, CIMB Group completed its second DRS of which approximately RM783 million was reinvested into new CIMB Group shares. Pursuant to the completion of the DRS, CIMB Group proposed to reinvest into CIMB Bank, the cash dividend surplus of RM400 million and additional cash of RM735 million via the rights issue. The rights issue was done on basis of 1 rights share for every 16.11 existing ordinary shares of the Bank.

The rights issue was approved by the shareholders of the Bank and BNM on 9 December 2013 and 27 December 2013. The rights issue was completed on 30 December 2013 with issuance of 241,459,687 units of new CIMB Bank ordinary shares of RM1.00 each.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

49 Subsequent events after the financial year

Subsequent to financial year, CIMB Thai Bank issued various unsecured structured debentures amounting to THB2,246 million with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rates ranges from 0% - 5.0 % per annum variable to index of THBFIX 6 months, payable semi annually. CIMB Thai has the option to early redeem the above structured debentures on any coupon dates.

Subsequent to financial year, CIMB Thai Bank has early redeemed structured debentures amounting to THB2,091 million.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

50 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Impairment of available-for-sale equity investments

The Group and the Bank determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant and prolonged required judgement. The Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) Impairment losses on loans, advances and financing

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(c) Goodwill impairment

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

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(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

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

(c) Goodwill impairment (continued)

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's and the Bank's cost of capital, which requires exercise of judgement. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions.

Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

(d) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 52.4.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

51 Segment reporting

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

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

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

(i) Business segment reporting

Definition of segments

The Group has been reorganised into the following five major operating divisions. The divisions form the basis on which the Group reports its segment information.

Consumer Banking

Consumer Banking provides full-fledged financial services to individual and commercial customer. The divisions which make up the Consumer Banking are Retail Financial Services and Commercial Banking.

Retail Financial Services and Cards focuses on innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, share financing, credit card and hire purchase), remittance services, deposit collection and wealth management.

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 include credit facilities (loans, banker's acceptances, revolving credit, leasing, factoring, hire purchase), remittance services and deposit collection.

Wholesale Banking

Wholesale Banking comprises Investment Banking and Corporate Banking, Treasury and Markets. Investment Banking includes client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and institutional clients.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

51 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking (Continued)

Advisory offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory. Equities, provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making, as well as provides nominee services and stock broking services to retail and corporate clients.

Corporate Banking, Treasury and Markets (CBTM) is responsible for corporate lending and deposit taking, transaction banking, treasury and markets activities. 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.

Investments

Investments focus on Group Strategy and Strategic Investments (GSSI) including funding operations for the group. GSSI consists of Group Strategy, Private Equity and Strategic Investments which focuses in defining and formulating strategies at the corporate and business unit levels, oversee the Group's strategic and private equity fund management businesses. It also invests in the Group's proprietary capital.

Foreign Banking Operations

Foreign Banking Operations comprise of CIMB Thai Bank Public Company Limited, Bank of Yingkou Co Ltd and CIMB Bank PLC which are involved in the provision of commercial banking and related services.

Support and others

Support services comprises unallocated middle and back-office processes and cost centres and other subsidiaries whose results are not material to the Group.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

51 Segment reporting (Continued)

(i) Business segment reporting (continued)

| 31 December 2013 Group | Consumer Banking | | Wholesale Banking | | | Foreign Banking Operations | Support and Others | Total |
|--|-----------------------|--|-------------------------------------|-----------------------|-------------|----------------------------------|-----------------------|-------------|
| | Commercial Banking | Retail Financial Services and Cards | Treasury and Banking, Markets | Investment Banking | Investments | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net interest income | | | | | | | | |
| - external | 383,845 | 2,415,794 | 1,211,219 | 19,704 | 366,027 | 779,632 | (1,845) | 5,174,376 |
| - inter-segment | 344,086 | (249,751) | 32,653 | (5,242) | (95,405) | - | (26,341) | - |
| | 727,931 | 2,166,043 | 1,243,872 | 14,462 | 270,622 | 779,632 | (28,186) | 5,174,376 |
| Income from Islamic banking operations | 178,997 | 576,964 | 519,897 | 482 | 106,512 | - | - | 1,382,852 |
| Net non-interest income | 121,377 | 625,871 | 1,073,321 | 51,359 | 90,517 | 350,192 | 33,743 | 2,346,380 |
| | 1,028,305 | 3,368,878 | 2,837,090 | 66,303 | 467,651 | 1,129,824 | 5,557 | 8,903,608 |
| Overheads | (620,500) | (2,224,265) | (864,987) | (42,992) | (365,689) | (678,343) | (79,715) | (4,876,491) |
| of which: | | | | | | | | |
| Depreciation of property, plant and equipment | (30,367) | (101,139) | (15,324) | (286) | (880) | (46,793) | - | (194,789) |
| Amortisation of prepaid lease payments | - | - | - | - | - | (302) | - | (302) |
| Amortisation of intangible assets | (12,290) | (75,309) | (17,062) | (2) | (45,934) | (24,298) | - | (174,895) |
| Profit/(loss) before allowances | 407,805 | 1,144,613 | 1,972,103 | 23,311 | 101,962 | 451,481 | (74,158) | 4,027,117 |
| Allowances for impairment losses on loans, advances and financing written-back/(made) | 12,959 | (186,414) | (111,709) | (125) | - | (185,579) | - | (470,868) |
| Allowances for losses on other receivables made | - | - | - | - | - | - | (1,046) | (1,046) |
| Allowances for commitments and contingencies written-back | - | - | 1,334 | - | - | - | - | 1,334 |
| Allowances for other impairment losses written-back/(made) | 1,425 | - | 4,373 | - | (31,235) | (921) | - | (26,358) |
| Segment results | 422,189 | 958,199 | 1,866,101 | 23,186 | 70,727 | 264,981 | (75,204) | 3,530,179 |
| Share of results of joint venture | - | 4,750 | - | - | - | - | - | 4,750 |
| Share of results of associates | - | - | - | - | 24,273 | 95,944 | - | 120,217 |
| Taxation | - | - | - | - | - | - | - | (642,596) |
| Net profit after taxation | | | | | | | | 3,012,550 |

| 31 December 2013 Group | Consumer Banking | | Wholesale Banking | | | Foreign Banking Operations | Support and Others | Total |
|-----------------------------|-----------------------|--|-------------------------------------|-----------------------|-------------|----------------------------------|-----------------------|--------------------|
| | Commercial Banking | Retail Financial Services and Cards | Treasury and Banking, Markets | Investment Banking | Investments | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment assets | 22,539,973 | 92,886,265 | 134,449,858 | 5,193,994 | 11,269,316 | 30,467,336 | - | 296,806,742 |
| Unallocated assets | | | | | | | | 6,621,103 |
| Total assets | | | | | | | | 303,427,845 |
| Segment liabilities | 32,187,960 | 70,211,880 | 131,450,286 | 6,306,373 | 10,183,585 | 26,109,988 | - | 276,450,072 |
| Unallocated liabilities | | | | | | | | 3,326,980 |
| Total liabilities | | | | | | | | 279,777,052 |
| Other segment items | | | | | | | | |
| Capital expenditure | 96,733 | 354,005 | 35,357 | - | 243 | 29,108 | - | 515,446 |
| Investment in joint venture | - | 158,307 | - | - | - | - | - | 158,307 |
| Investment in associate | - | - | - | - | 93,501 | 599,842 | - | 693,343 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

51 Segment reporting (Continued)

(i) Business segment reporting (continued)

| 31 December 2012 Group | Consumer Banking | | Wholesale Banking | | Investments | Foreign Banking Operations | Support and Others | Total |
|--|-----------------------|--|-------------------------|--|-------------|----------------------------------|-----------------------|--------------------|
| | Commercial Banking | Retail Financial Services and Cards | Treasury and Markets | Corporate Banking, Investment Banking | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net interest income | | | | | | | | |
| - external | 318,855 | 2,143,654 | 1,129,925 | 20,532 | 307,141 | 600,081 | 7,889 | 4,528,077 |
| - inter-segment | 366,642 | (152,907) | (105,584) | (10,775) | (72,608) | - | (24,768) | - |
| | 685,497 | 1,990,747 | 1,024,341 | 9,757 | 234,533 | 600,081 | (16,879) | 4,528,077 |
| Income from Islamic banking operations | 124,347 | 583,363 | 590,666 | 1,950 | 106,636 | - | - | 1,406,962 |
| Net non-interest income | 129,459 | 566,245 | 1,162,665 | 54,814 | 129,224 | 305,490 | 37,678 | 2,385,575 |
| | 939,303 | 3,140,355 | 2,777,672 | 66,521 | 470,393 | 905,571 | 20,799 | 8,320,614 |
| Overheads | (581,977) | (2,179,763) | (796,286) | (46,386) | (87,097) | (625,193) | (97,638) | (4,414,340) |
| of which: | | | | | | | | |
| Depreciation of property, plant and equipment | (33,237) | (106,925) | (14,125) | (314) | (870) | (44,947) | - | (200,418) |
| Amortisation of prepaid lease payments | - | - | - | - | - | (298) | - | (298) |
| Amortisation of intangible assets | (23,454) | (103,995) | (13,869) | - | (156) | (23,041) | - | (164,515) |
| Profit/(loss) before allowances | 357,326 | 960,592 | 1,981,386 | 20,135 | 383,296 | 280,378 | (76,839) | 3,906,274 |
| Allowances for impairment losses on loans, advances and financing written-back/(made) | 45,698 | 65,073 | (123,269) | (593) | - | (122,890) | - | (135,981) |
| Allowances for losses on other receivables written-back | - | 2 | - | - | - | - | 576 | 578 |
| Allowances for commitments and contingencies written-back/(made) | 12,290 | - | (1,334) | - | - | 2,517 | - | 13,473 |
| Allowances for other impairment losses written-back/(made) | 492 | - | (2,020) | - | 523 | (109) | - | (1,114) |
| Segment results | 415,806 | 1,025,667 | 1,854,763 | 19,542 | 383,819 | 159,896 | (76,263) | 3,783,230 |
| Share of results of joint venture | - | 4,349 | - | - | - | - | - | 4,349 |
| Share of results of associates | - | - | - | - | 6,246 | 87,676 | - | 93,922 |
| Taxation | - | - | - | - | - | - | - | (765,078) |
| Net profit after taxation | | | | | | | | 3,116,423 |
| | | | | | | | | |
| 31 December 2012 Group | Consumer Banking | | Wholesale Banking | | Investments | Foreign Banking Operations | Support and Others | Total |
| | Commercial Banking | Retail Financial Services and Cards | Treasury and Markets | Corporate Banking, Investment Banking | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment assets | 15,110,861 | 81,528,884 | 126,785,153 | 4,335,515 | 11,722,343 | 22,179,088 | - | 261,661,844 |
| Unallocated assets | | | | | | | | 4,744,788 |
| Total assets | | | | | | | | 266,406,632 |
| Segment liabilities | 29,100,273 | 67,016,092 | 114,567,364 | 3,192,330 | 10,644,029 | 18,222,553 | - | 242,742,641 |
| Unallocated liabilities | | | | | | | | 2,675,433 |
| Total liabilities | | | | | | | | 245,418,074 |
| Other segment items | | | | | | | | |
| Capital expenditure | 102,268 | 333,195 | 29,791 | - | 233 | 48,484 | - | 513,971 |
| Investment in joint venture | - | 153,557 | - | - | - | - | - | 153,557 |
| Investment in associate | - | - | - | - | 94,379 | 530,660 | - | 625,039 |

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed on the interest-bearing assets and liabilities of each business segment with rates applied based on the interest yield curve according to the term structure of maturity.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****51 Segment reporting (Continued)****(ii) Geographic segment reporting**

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Cambodia, Singapore and United Kingdom. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia, no other individual country contributed more than 10% of the net interest income and of total assets.

| | 31 December 2013 | | | | |
|---------------------|------------------|-------------------|--------------------|--------------------|----------------|
| | Net interest | Total | Total | Total | Capital |
| | income | non-current | assets | liabilities | expenditure |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| The Group | | | | | |
| Malaysia | 4,040,446 | 12,419,953 | 238,859,004 | 218,410,851 | 473,257 |
| Overseas operations | 1,133,930 | 1,795,761 | 64,568,841 | 61,366,201 | 42,189 |
| | <u>5,174,376</u> | <u>14,215,714</u> | <u>303,427,845</u> | <u>279,777,052</u> | <u>515,446</u> |

| | 31 December 2012 | | | | |
|---------------------|------------------|-------------------|--------------------|--------------------|----------------|
| | Net interest | Total | Total | Total | Capital |
| | income | non-current | assets | liabilities | expenditure |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| The Group | | | | | |
| Malaysia | 3,682,820 | 11,407,842 | 221,812,846 | 203,430,214 | 429,518 |
| Overseas operations | 845,257 | 1,317,815 | 44,593,786 | 41,987,860 | 84,453 |
| | <u>4,528,077</u> | <u>12,725,657</u> | <u>266,406,632</u> | <u>245,418,074</u> | <u>513,971</u> |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

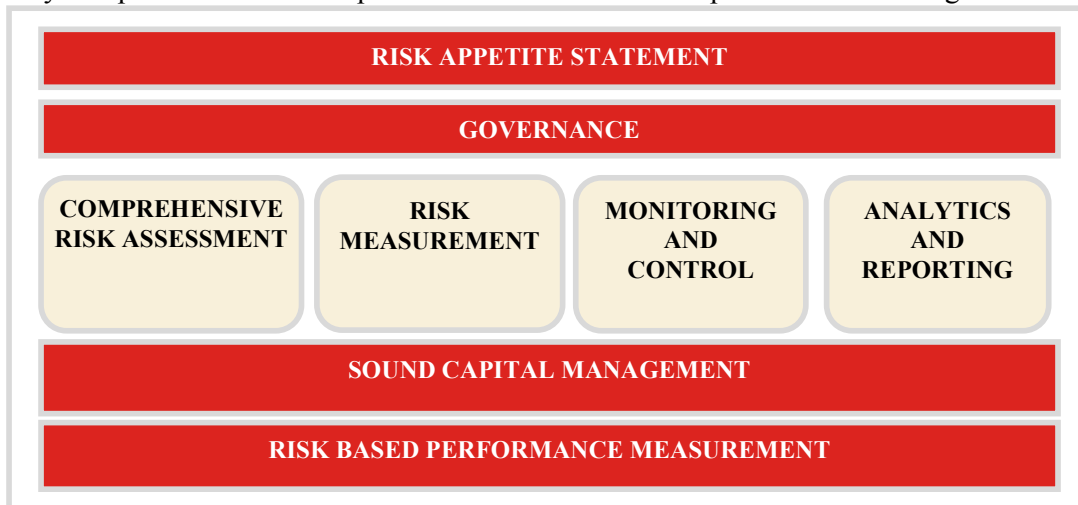
The objectives of the Group's risk management activities are to:

- Identify the various risk exposures and capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholders' value through proper allocation of capital and facilitate development of new businesses.

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework as a standardised approach to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

The key components of the Group's EWRM framework are represented in the diagram below:



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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

The design of the EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

a) Risk Appetite Statement

Risk appetite defines the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. In Group, the risk appetite is linked to strategy development and business and capital management plans. It takes into account not only growth, revenue and commercial aspirations, but also the capital and liquidity positions and risk management capabilities and strengths, including risk systems, processes and people. Going forward, risk appetite statements will be formulated for key business units as well as incorporate stress testing.

The Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. Board Risk Committee (BRC) and Group Risk Committee (GRC) receive monthly reports on compliance with the risk appetite.

b) Governance

A strong risk governance structure is what binds the EWRM framework together. The Board of Directors is ultimately responsible for the Group’s risk management activities, and provides strategic direction through the Risk Appetite Statement and relevant risk management frameworks for the Group.

The implementation and administration of the EWRM framework are effected through the three lines of defence model with oversight by the risk governance structure which consists of various risk committees, as described below. Group Risk Division (GRD) is principally tasked to assist the various risk committees and undertakes the performance of independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is also subjected to the independent assurance and assessment by Group Internal Audit Division.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

c) Comprehensive Risk Assessment

Comprehensive Risk Assessment provides the process for the identification of the Group's material risks, from the perspectives of impact on the Group's financial standing and reputation. Apart from the annual comprehensive risk assessment exercise, the Group's material risks are identified on an on-going basis as well as part of the consideration for any strategic projects, including new product development.

d) Risk Measurement

Consistent and common methodologies of Risk Measurement allow for the Group to aggregate and compare risks across business units, geographies and risk types. Further, it provides a tool for the Board and Senior Management to assess the sufficiency of its liquidity surplus and reserves, and health of its capital position under various economic and financial situations.

e) Monitoring and Control

Various risk management tools are employed to Monitor and Control the risk taking activities within the Group. These include limit monitoring, hedging strategies and clearly documented control processes. These controls are regularly monitored and reviewed in the face of changing business needs, market conditions and regulatory changes.

f) Analytics and Reporting

Timely reporting and meaningful analysis of risk positions are critical to enable the Board and Senior Management to exercise control over material exposures and make informed business decisions.

g) Sound Capital Management

The Group's capital resources are continuously assessed and managed to undertake its day-to-day business operations and risk-taking activities, including considerations for its business expansion and growth. Each year internal capital targets will be set and capital will be allocated to each business units based on the respective business plans, budgeted profit and targeted Risk Adjusted Return on Capital (RAROC).

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

h) Risk Based Performance Measurement

Business units' economic profitability will be measured having considered both its risks and capital consumption. The adoption of a risk-based performance measurement allows for performance and profitability of different business units to be compared on a common yardstick.

(c) Risk Governance

In the year under review, the Board of Directors approved a revision to the Group's risk governance structure with the establishment of several risk committees and elevation of the existing Basel Steering Committee as a risk committee reporting to the GRC. The revised risk governance structure allows for thorough deliberations and clear accountability of each of the committees.

At the apex of the governance structure are the respective Boards, which decides on the entity's Risk Appetite corresponding to its business strategies. In accordance to the Group's risk management structure, the BRC reports directly into each Board and assumes responsibility on behalf of the Board for the supervision of risk management and control activities. The BRC determines the Group's risk strategies, policies and methodologies, keeping them aligned with the principles within the Risk Appetite Statement. The BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of the GRC.

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units.

The responsibility of the supervision of the risk management functions is delegated to the GRC, which reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The GRC is further supported by specialised risk committees, namely Group Credit Policy & Portfolio Risk Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Basel Steering Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.

The revised structure of the Group's Risk Committees and an overview of the respective committee's roles and responsibilities are as follows:

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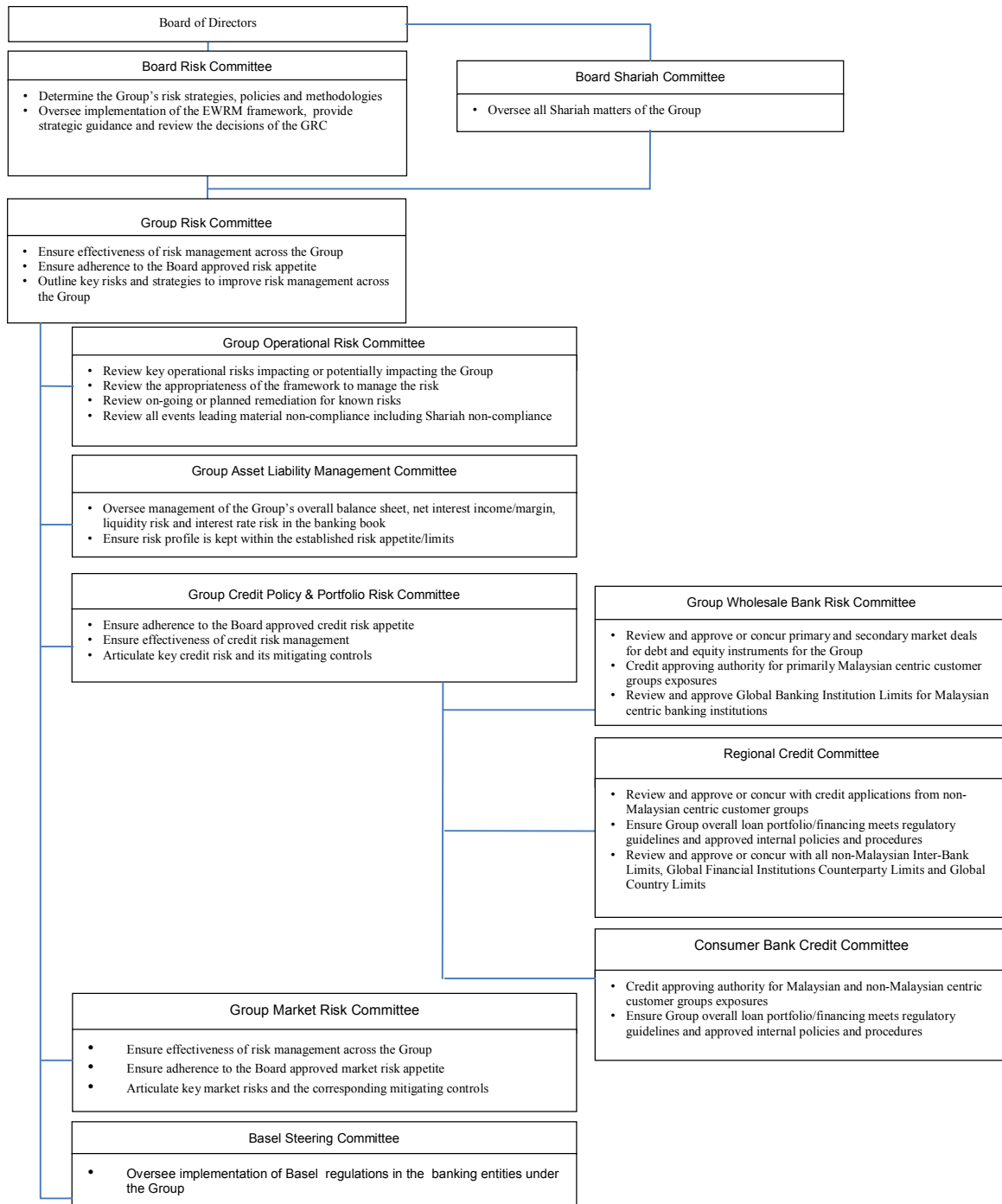
(Incorporated in Malaysia)

Notes to the Financial Statements

for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(c) Risk Governance (continued)



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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(c) Risk Governance (continued)

Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities in the Group.

Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

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

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. GRD is headed by the CRO who is appointed by the Board to spearhead risk management functions and implementation of the Enterprise-Wide Risk Management. The CRO:

- a) Actively engages the Board and senior management on risk management issues and initiatives.
- b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk Centres of Excellence in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure Centre of Excellence

Risk Analytics & Infrastructure Centre of Excellence spearheads the Group's efforts towards Basel II implementation. In this regard, it develops and implements all internal rating and scoring models and closely monitors the performance of the rating and scoring models to ensure relevance to current market conditions and integrity of ratings. It also computes and aggregates the risk-weighted assets for credit risk for monthly regulatory reporting as well as projects the capital requirements for credit risk to support capital management planning and analysis. Risk Analytics & Infrastructure Centre of Excellence monitors the non-retail credit risk profile of risk-taking activities in terms of asset quality, rating distribution and credit concentrations. In addition, it initiates and/or proposes its risk policies, risk measurement methodologies and risk limits to the Board for approval.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

b) Market Risk Centre of Excellence

In propagating and ensuring compliance to the market risk framework, the Market Risk Centre of Excellence reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market valuation. It also coordinates capital market product deployments.

c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology and process for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group.

d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and interest/benchmark rate risk as well as recommending policies and methodologies to manage the said risks.

e) Credit Risk Centre of Excellence

The Credit Risk Centre of Excellence is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach to:

- Credit Risk Policies and Procedures;
- Credit Risk Models;
- Credit Risk Methodologies; and
- Portfolio Analytics,

as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

f) Shariah Risk Centre of Excellence

The Shariah Risk Centre of Excellence formulates Shariah Risk Management Framework and provides guidance and training on the Shariah Risk Management to enable the first line of defence to identify, assess, monitor and control Shariah risk in their Islamic business operations and activities.

In addition to the above Risk Centres of Excellence, Regional Risk was established with the objective of overseeing the risk management functions of the regional offices as well as the Group's unit trust and Non-Malaysian securities businesses. Regional Risk also houses the validation team.

The regional offices and the respective teams in risk management units within the unit trust business and Non-Malaysian securities businesses identify, analyse, monitor, review and report the relevant material risk exposures of each individual country and/or businesses.

The Validation Team is independent from the risk taking units and model development team, and reports to Regional Risk. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on rating systems, estimates of the risk components, and the processes by which the internal ratings are obtained and used. The unit provides recommendations to the model development team and the business users. The unit reports its findings and recommendations to GRC and BRC.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

Strategies and Processes for Various Risk Management

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

52.1 Credit risk

Credit risk is defined as the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group. It arises primarily from traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support clients' obligations to third parties, i.e. guarantees or kafalah contract. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfill their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able or not willing to fulfill their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

Credit Risk Management (continued)

The Framework encompasses the introduction of Joint Delegated Authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals. The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. Credit applications are independently evaluated by the Credit Risk Centre of Excellence team prior to submission to the relevant committees for approval.

The Group Credit Policy & Portfolio Risk Committee with the support of Group Wholesale Bank Risk Committee, Regional Credit Committee, Consumer Bank Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

Approaches or mitigating controls adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual include adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral.

Adherence to established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

Credit Risk Management (continued)

Credit reviews and rating are conducted on the credit exposures on at least an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to Group Credit Policy & Portfolio Risk Committee, GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

ii) *Collateral Valuation and Management*

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

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

iii) *Netting*

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

iv) *Concentrations within risk mitigation*

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

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(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

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

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

i) Credit Risk Mitigation

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

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2013, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

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(Incorporated in Malaysia)

Notes to the Financial Statements

for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)**52.1 Credit risk (Continued)****52.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)**

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

| | The Group | | The Bank | |
|--|--|-------------------------------|--|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Financial guarantees | 2,919,475 | 1,617,060 | 2,503,380 | 1,297,977 |
| Credit related commitments and contingencies | 59,732,973 | 53,054,395 | 52,827,550 | 46,847,796 |
| | 62,652,448 | 54,671,455 | 55,330,930 | 48,145,773 |

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 73.8% (2012: 70.1%) and 74.9% (2012: 71.1%) respectively while the financial effect of collateral for derivatives for the Group and the Bank is 80.4% (31 December 2012: 75.4%) and 74.8% (31 December 2012: 72.6%) respectively. The financial effect of collateral held for the remaining financial assets are insignificant.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements**

| | The Group | | | | | | The Bank | | | | | |
|-------------------------------|---|--|--|-----------------------|----------------------|------------------|---|--|--|-----------------------|----------------------|------------------|
| | Gross amounts of recognised financial assets in the statement of financial position | Gross amounts of recognised financial liabilities set off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Financial instruments | Financial collateral | Net amount | Gross amounts of recognised financial assets in the statement of financial position | Gross amounts of recognised financial liabilities set off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Financial instruments | Financial collateral | Net amount |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2013 | | | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | | | |
| Derivatives | 4,719,347 | - | 4,719,347 | (2,768,885) | (659,335) | 1,291,127 | 3,909,190 | - | 3,909,190 | (2,275,465) | (573,819) | 1,059,906 |
| Reverse repurchase agreements | 7,993,092 | - | 7,993,092 | (1,526,380) | (6,402,684) | 64,028 | 5,321,399 | - | 5,321,399 | (1,010,453) | (4,258,570) | 52,376 |
| Total | 12,712,439 | - | 12,712,439 | (4,295,265) | (7,062,019) | 1,355,155 | 9,230,589 | - | 9,230,589 | (3,285,918) | (4,832,389) | 1,112,282 |
| 31 December 2012 | | | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | | | |
| Derivatives | 3,956,310 | - | 3,956,310 | (2,573,984) | (385,443) | 996,883 | 3,945,552 | - | 3,945,552 | (2,431,349) | (427,979) | 1,086,224 |
| Reverse repurchase agreements | 5,379,786 | - | 5,379,786 | (2,017,421) | (3,312,522) | 49,843 | 5,179,726 | - | 5,179,726 | (2,017,421) | (3,112,582) | 49,723 |
| Total | 9,336,096 | - | 9,336,096 | (4,591,405) | (3,697,965) | 1,046,726 | 9,125,278 | - | 9,125,278 | (4,448,770) | (3,540,561) | 1,135,947 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1.2 Offsetting financial assets and financial liabilities (Continued)****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)**

| | The Group | | | | | | The Bank | | | | | |
|------------------------------|--|---|---|-----------------------|----------------------|------------------|--|---|---|-----------------------|----------------------|------------------|
| | Gross amounts of recognised financial liabilities in the statement of financial position | Gross amounts of recognised financial assets set off in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Financial instruments | Financial collateral | Net amount | Gross amounts of recognised financial liabilities in the statement of financial position | Gross amounts of recognised financial assets set off in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Financial instruments | Financial collateral | Net amount |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2013 | | | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | | | |
| Derivatives | 5,794,713 | - | 5,794,713 | (2,609,205) | (645,859) | 2,539,649 | 4,879,637 | - | 4,879,637 | (2,131,752) | (398,229) | 2,349,656 |
| Repurchase agreements | 5,922,788 | - | 5,922,788 | (5,891,608) | (799) | 30,381 | 2,276,152 | - | 2,276,152 | (2,250,143) | - | 26,009 |
| Total | 11,717,501 | - | 11,717,501 | (8,500,813) | (646,658) | 2,570,030 | 7,155,789 | - | 7,155,789 | (4,381,895) | (398,229) | 2,375,665 |
| 31 December 2012 | | | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | | | |
| Derivatives | 3,986,306 | - | 3,986,306 | (2,515,835) | (113,043) | 1,357,428 | 3,782,923 | - | 3,782,923 | (2,389,644) | (163,621) | 1,229,658 |
| Repurchase agreements | 3,083,499 | - | 3,083,499 | (3,063,947) | - | 19,552 | 2,783,408 | - | 2,783,408 | (2,767,187) | - | 16,221 |
| Total | 7,069,805 | - | 7,069,805 | (5,579,782) | (113,043) | 1,376,980 | 6,566,331 | - | 6,566,331 | (5,156,831) | (163,621) | 1,245,879 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure**

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2013 and 31 December 2012 are as follows:

| | The Group 31 December 2013 | | | | | | | | |
|---|-------------------------------|---------------------|--------------------|---------------------|----------------------------|-----------------------------|---------------------|-------------------|--------------------|
| | Malaysia RM'000 | Indonesia RM'000 | Thailand RM'000 | Singapore RM'000 | United States RM'000 | United Kingdom RM'000 | Hong Kong RM'000 | Others RM'000 | Total RM'000 |
| Cash and short-term funds | 16,709,236 | 23,689 | 42,256 | 823,122 | 846,353 | 1,692,446 | 270,722 | 1,875,430 | 22,283,254 |
| Reverse repurchase agreements | 4,706,136 | 7,669 | 2,671,693 | 315,413 | - | 179,964 | 62,411 | 49,806 | 7,993,092 |
| Deposits and placements with banks and other financial institutions | 1,605,828 | 482,014 | 54,652 | 274,746 | - | 110,383 | - | 1,138,913 | 3,666,536 |
| Financial assets held for trading | | | | | | | | | |
| - Money market instruments | 6,889,128 | 35,353 | - | 4,140,692 | 21,473 | - | - | - | 11,086,646 |
| - Quoted securities | - | - | 1,029,154 | - | - | - | - | - | 1,029,154 |
| - Unquoted securities | 5,363,332 | 167,053 | 399,513 | 641,548 | 16,952 | 35,749 | 524,527 | 968,078 | 8,116,752 |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | 3,737,735 | 195,893 | - | - | - | 27,052 | - | 58,142 | 4,018,822 |
| - Quoted securities | - | - | 2,618,858 | - | - | - | - | - | 2,618,858 |
| - Unquoted securities | 13,544,713 | 360,735 | 391,105 | 1,578,093 | 59,712 | 229,247 | 1,114,137 | 990,088 | 18,267,830 |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | 1,838,618 | - | - | 496,060 | 263,486 | - | - | - | 2,598,164 |
| - Quoted securities | - | - | 1,628,612 | - | - | - | - | 8,078 | 1,636,690 |
| - Unquoted securities | 4,473,242 | - | 881 | 839,165 | 6,235 | - | 25,978 | 248,451 | 5,593,952 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | 2,010,657 | 34,819 | 854,526 | 301,818 | 220,291 | 554,754 | 33,406 | 522,559 | 4,532,830 |
| - Hedging derivatives | 134,655 | - | - | 5,301 | 2,789 | 41,777 | - | 1,995 | 186,517 |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 4,031,914 | 4,052 | 748,634 | 83,700 | 52 | 951 | 298 | 154,384 | 5,023,985 |
| - Term loans/financing | 117,918,644 | 1,611,109 | 12,362,194 | 15,206,167 | 168,036 | 991,577 | 635,906 | 2,026,322 | 150,919,955 |
| - Bills receivable | 547,578 | 330 | 2,803,808 | 479,504 | - | 24,340 | 28,830 | 5,234,222 | 9,118,612 |
| - Trust receipts | 272,285 | 80,092 | 1,229,884 | 272,608 | - | - | - | 14,796 | 1,869,665 |
| - Claim on customers under acceptance credit | 3,187,179 | - | 279 | - | - | - | - | 170 | 3,187,628 |
| - Credit card receivables | 4,245,765 | - | - | 988,117 | - | - | - | - | 5,233,882 |
| - Revolving credit | 7,002,496 | 103,161 | 87,273 | 1,519,147 | - | 253,223 | - | 396,389 | 9,361,689 |
| - Share margin financing | 715,199 | - | - | - | - | - | - | - | 715,199 |
| Other assets | 1,963,134 | 17,581 | 574,397 | 105,217 | 1 | 103,544 | 31,788 | 85,435 | 2,881,097 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,077,911 | 1,188 | 105 | 12,646 | - | - | 329 | 669 | 1,092,848 |
| Financial guarantees | 1,839,595 | - | 135,478 | 50,492 | - | 65,959 | - | 827,951 | 2,919,475 |
| Credit related commitments and contingencies | 52,684,763 | 630,452 | 1,200,345 | 3,874,894 | - | 14,899 | 231,146 | 1,096,474 | 59,732,973 |
| Total credit exposures | 256,528,596 | 3,755,190 | 28,833,647 | 32,008,450 | 1,605,380 | 4,325,865 | 2,959,478 | 15,698,352 | 345,714,958 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2013 and 31 December 2012 are as follows (Continued):

| | The Group 31 December 2012 | | | | | | | | |
|---|-------------------------------|---------------------|--------------------|---------------------|----------------------------|-----------------------------|---------------------|------------------|--------------------|
| | Malaysia RM'000 | Indonesia RM'000 | Thailand RM'000 | Singapore RM'000 | United States RM'000 | United Kingdom RM'000 | Hong Kong RM'000 | Others RM'000 | Total RM'000 |
| Cash and short-term funds | 15,899,733 | 22,774 | 57,180 | 1,133,861 | 254,600 | 1,179,784 | 980,821 | 723,537 | 20,252,290 |
| Reverse repurchase agreements | 4,685,509 | - | 200,060 | 311,143 | - | 45,329 | 131,378 | 6,367 | 5,379,786 |
| Deposits and placements with banks and other financial institutions | 1,336,990 | 532,111 | 54,710 | 889,925 | - | 191,103 | 462,489 | 269,692 | 3,737,020 |
| Financial assets held for trading | | | | | | | | | |
| - Money market instruments | 12,484,412 | 48,553 | 7 | 3,525,744 | 28 | - | - | - | 16,058,744 |
| - Quoted securities | - | - | 330,053 | - | - | - | - | - | 330,053 |
| - Unquoted securities | 4,799,441 | 67,798 | 211,324 | 581,764 | 21,700 | 52,684 | 152,058 | 803,996 | 6,690,765 |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | 5,539,772 | 104,099 | - | - | - | 49,398 | - | - | 5,693,269 |
| - Quoted securities | - | - | 1,199,552 | - | - | - | - | - | 1,199,552 |
| - Unquoted securities | 14,276,170 | 261,276 | 349,303 | 760,810 | 61,205 | 216,705 | 805,733 | 939,037 | 17,670,239 |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | 25,614 | - | - | 491,633 | 252,911 | - | - | - | 770,158 |
| - Quoted securities | - | - | 2,178,903 | - | - | - | - | 30,091 | 2,208,994 |
| - Unquoted securities | 3,647,919 | - | 279,735 | 1,155,606 | - | 25,321 | 25,107 | 254,569 | 5,388,257 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | 1,668,702 | 10,736 | 214,633 | 624,268 | 526,995 | 193,463 | 127,192 | 361,807 | 3,727,796 |
| - Hedging derivatives | 113,209 | - | - | 94,711 | 17,655 | - | - | 2,939 | 228,514 |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 4,278,648 | 513 | 717,433 | 93,394 | 23 | 965 | - | 108,243 | 5,199,219 |
| - Term loans/financing | 103,732,608 | 610,818 | 9,249,277 | 10,358,562 | 196,190 | 675,343 | 890,495 | 2,385,109 | 128,098,402 |
| - Bills receivable | 442,473 | - | 2,551,022 | 593,458 | - | - | - | 17,241 | 3,604,194 |
| - Trust receipts | 321,380 | 77,445 | 1,542,808 | 225,523 | - | - | 9,868 | 3,070 | 2,180,094 |
| - Claim on customers under acceptance credit | 3,640,506 | - | 313 | - | - | - | - | - | 3,640,819 |
| - Credit card receivables | 3,848,907 | - | - | 630,601 | - | - | - | - | 4,479,508 |
| - Revolving credit | 5,569,734 | 43,831 | 63,778 | 1,030,706 | - | 354,376 | 218,496 | 516,722 | 7,797,643 |
| - Share margin financing | 691,687 | - | - | - | - | - | - | - | 691,687 |
| Other assets | 1,411,806 | 326 | 249,869 | 115,849 | 19,298 | 7,422 | 163 | 5 | 1,804,738 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,405,275 | 5,490 | 58 | 5,683 | - | - | 7 | 1,236 | 1,417,749 |
| Financial guarantees | 1,134,686 | - | 85,994 | 154,691 | 374 | 5,487 | 11,873 | 223,955 | 1,617,060 |
| Credit related commitments and contingencies | 45,707,807 | 206,579 | 1,131,084 | 5,608,069 | 757 | 27,338 | 19,784 | 352,977 | 53,054,395 |
| Total credit exposures | 236,691,841 | 1,992,349 | 20,667,096 | 28,386,001 | 1,351,736 | 3,024,718 | 3,835,464 | 7,000,593 | 302,949,798 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2013 and 31 December 2012 as follows (Continued):

| | The Bank | | | | | | | | |
|---|--------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|--------------------|--------|
| | 31 December 2013 | | | | | | | | |
| | Malaysia | Indonesia | Singapore | United States | | United Kingdom | Hong Kong | Others | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 11,280,237 | 23,605 | 820,898 | 677,572 | 1,588,828 | 269,501 | 1,718,267 | 16,378,908 | |
| Reverse repurchase agreements | 4,706,136 | 7,669 | 315,413 | - | 179,964 | 62,411 | 49,806 | 5,321,399 | |
| Deposits and placements with banks and other financial institutions | 5,993,313 | 482,014 | 274,746 | - | 110,383 | - | 1,089,758 | 7,950,214 | |
| Financial assets held for trading | | | | | | | | | |
| - Money market instruments | 3,928,771 | 35,353 | 4,140,692 | 21,473 | - | - | - | 8,126,289 | |
| - Unquoted securities | 5,156,480 | 167,053 | 641,548 | 16,952 | 35,749 | 524,527 | 1,367,591 | 7,909,900 | |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | 3,299,660 | 195,893 | - | - | 27,052 | - | 58,142 | 3,580,747 | |
| - Unquoted securities | 12,701,580 | 360,735 | 1,578,093 | 59,712 | 229,247 | 1,114,137 | 1,370,764 | 17,414,268 | |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | 1,838,618 | - | 496,060 | 263,486 | - | - | - | 2,598,164 | |
| - Unquoted securities | 3,872,534 | - | 839,165 | 6,235 | - | 25,978 | 248,451 | 4,992,363 | |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | 1,962,553 | 34,819 | 301,746 | 219,379 | 516,660 | 33,122 | 539,966 | 3,608,245 | |
| - Hedging derivatives | 249,083 | - | 5,301 | 2,789 | 41,777 | - | 1,995 | 300,945 | |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 3,567,422 | 4,052 | 83,700 | 52 | 951 | 298 | 26,462 | 3,682,937 | |
| - Term loans/financing | 85,665,333 | 1,611,109 | 15,206,167 | 37,812 | 991,578 | 635,906 | 2,273,663 | 106,421,568 | |
| - Bills receivable | 544,697 | 330 | 479,504 | - | 24,340 | 28,830 | 5,234,222 | 6,311,923 | |
| - Trust receipts | 248,389 | 40,681 | 272,608 | - | - | - | - | 561,678 | |
| - Claim on customers under acceptance credit | 2,828,192 | - | - | - | - | - | - | 2,828,192 | |
| - Credit card receivables | 4,145,248 | - | 988,117 | - | - | - | - | 5,133,365 | |
| - Revolving credit | 4,930,442 | 89,715 | 1,519,147 | - | 253,223 | - | 402,114 | 7,194,641 | |
| - Share margin financing | 699,006 | - | - | - | - | - | - | 699,006 | |
| Other assets | 1,833,880 | 17,581 | 105,217 | 1 | 102,692 | 31,788 | 19,162 | 2,110,321 | |
| Amount due from subsidiaries | 137,145 | - | - | - | 15 | 6 | 838 | 138,004 | |
| Amount due from related companies | 1,076,806 | 1,069 | 12,646 | - | - | 329 | 694 | 1,091,544 | |
| Financial guarantees | 1,669,998 | - | 50,492 | - | 64,572 | - | 718,318 | 2,503,380 | |
| Credit related commitments and contingencies | 47,184,826 | 617,672 | 3,871,007 | - | 14,899 | 231,146 | 908,000 | 52,827,550 | |
| Total credit exposures | 209,520,349 | 3,689,350 | 32,002,267 | 1,305,463 | 4,181,930 | 2,957,979 | 16,028,213 | 269,685,551 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2013 and 31 December 2012 are as follows (Continued):

| | Malaysia RM'000 | Indonesia RM'000 | Singapore RM'000 | The Bank 31 December 2012 | | Hong Kong RM'000 | Others RM'000 | Total RM'000 |
|--|--------------------|---------------------|---------------------|------------------------------|-----------------------------|---------------------|------------------|--------------------|
| | | | | United States RM'000 | United Kingdom RM'000 | | | |
| Cash and short-term funds | 10,592,657 | 22,205 | 1,098,265 | 78,375 | 1,179,585 | 917,123 | 692,407 | 14,580,617 |
| Reverse repurchase agreements | 4,685,509 | - | 311,143 | - | 45,329 | 131,378 | 6,367 | 5,179,726 |
| Deposits and placements with banks and other financial institutions | 8,415,766 | 532,111 | 889,624 | - | 191,103 | 462,489 | 217,618 | 10,708,711 |
| Financial assets held for trading | | | | | | | | |
| - Money market instruments | 6,816,071 | 48,553 | 3,525,742 | 28 | - | - | 7 | 10,390,401 |
| - Unquoted securities | 4,342,948 | 67,798 | 574,692 | 21,700 | 52,684 | 152,058 | 1,015,321 | 6,227,201 |
| Financial investments available-for-sale | | | | | | | | |
| - Money market instruments | 4,290,129 | 104,099 | - | - | 49,398 | - | - | 4,443,626 |
| - Unquoted securities | 12,705,638 | 261,276 | 760,810 | 61,205 | 216,705 | 805,733 | 1,272,762 | 16,084,129 |
| Financial investments held-to-maturity | | | | | | | | |
| - Money market instruments | 25,614 | - | 491,633 | 252,911 | - | - | - | 770,158 |
| - Unquoted securities | 3,257,082 | - | 1,155,606 | - | 25,321 | 25,107 | 254,569 | 4,717,685 |
| Derivative financial instruments | | | | | | | | |
| - Trading derivatives | 1,620,024 | 10,736 | 609,565 | 525,939 | 163,658 | 127,192 | 406,342 | 3,463,456 |
| - Hedging derivatives | 366,791 | - | 94,711 | 17,655 | - | - | 2,939 | 482,096 |
| Loans, advances and financing | | | | | | | | |
| - Overdrafts | 3,831,083 | 513 | 93,394 | 23 | 965 | - | 22,905 | 3,948,883 |
| - Term loans/financing | 72,807,652 | 610,818 | 10,358,562 | 43,191 | 675,343 | 890,495 | 2,450,664 | 87,836,725 |
| - Bills receivable | 438,708 | - | 593,458 | - | - | - | 17,050 | 1,049,216 |
| - Trust receipts | 288,360 | 44,443 | 225,523 | - | - | 9,868 | - | 568,194 |
| - Claim on customers under acceptance credit | 3,313,830 | - | - | - | - | - | - | 3,313,830 |
| - Credit card receivables | 3,752,596 | - | 630,601 | - | - | - | - | 4,383,197 |
| - Revolving credit | 4,194,963 | 16,599 | 1,030,706 | - | 354,376 | 218,496 | 514,267 | 6,329,407 |
| - Share margin financing | 656,631 | - | - | - | - | - | - | 656,631 |
| Other assets | 1,270,826 | 326 | 115,849 | - | 3,737 | 163 | 1,379 | 1,392,280 |
| Amount due from subsidiaries | 314,458 | - | 1,233 | - | 31 | 2 | 362 | 316,086 |
| Amount due from related companies | 1,402,940 | 5,473 | 5,683 | - | - | 7 | 1,238 | 1,415,341 |
| Financial guarantees | 934,541 | - | 154,691 | - | 4,928 | 11,873 | 191,944 | 1,297,977 |
| Credit related commitments and contingencies | 40,807,172 | 190,259 | 5,605,039 | 757 | 27,338 | 19,784 | 197,447 | 46,847,796 |
| Total credit exposures | 191,131,989 | 1,915,209 | 28,326,530 | 1,001,784 | 2,990,501 | 3,771,768 | 7,265,588 | 236,403,369 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2013 and 31 December 2012 based on the industry sectors of the counterparty are as follows:

| | The Group | | | | | | | | | | |
|--|-------------------------------------|---|---|--|---|---|----------------------------------|----------------|---|---|----------------------------------|
| | 31 December 2013 | | | | | | | | | | |
| | Cash and short term funds RM'000 | Reverse repurchase agreements RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial assets held for trading (i) RM'000 | Financial investments available-for-sale (i) RM'000 | Financial investments held-to-maturity (i) RM'000 | Derivative financial instruments | | Loans, advances and financing (ii) RM'000 | Other financial assets [†] RM'000 | Total credit exposures RM'000 |
| | | | | | | Trading derivatives RM'000 | Hedging derivatives RM'000 | | | | |
| Agriculture | - | - | - | 79,086 | 156,915 | - | 3,466 | - | 3,391,810 | 81 | 3,631,358 |
| Mining and quarrying | - | - | - | 190,315 | 109,577 | - | 10,855 | - | 2,509,345 | - | 2,820,092 |
| Manufacturing | - | 7,406 | - | 333,967 | 627,558 | 428,048 | 69,192 | - | 9,398,261 | - | 10,864,432 |
| Electricity, gas and water | - | 2,923 | - | 556,691 | 1,830,742 | 358,315 | 14,370 | 1,100 | 1,851,589 | 4,248 | 4,619,978 |
| Construction | - | - | - | 455,361 | 1,259,718 | 403,022 | 15,428 | - | 4,785,303 | - | 6,918,832 |
| Transport, storage and communications | - | - | - | 360,026 | 2,240,066 | 859,785 | 105,517 | - | 6,993,442 | 3,283 | 10,562,119 |
| Education and health | - | - | - | 12,543 | 19,680 | - | - | - | 3,699,150 | - | 3,731,373 |
| Trade and hospitality | - | - | - | - | - | - | - | - | 7,290,150 | - | 7,290,150 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | | |
| Finance, insurance and business services | 10,450,564 | 588,630 | 3,611,884 | 11,568,723 | 9,285,215 | 3,976,109 | 3,626,450 | 185,417 | 19,645,871 | 3,291,393 | 66,230,256 |
| Real estate | - | 20,182 | - | 39,033 | 240,083 | 10,083 | 676 | - | 7,680,813 | - | 7,990,870 |
| <i>Others:</i> | | | | | | | | | | | |
| Purchase of landed property | - | - | - | - | - | - | - | - | 50,460,258 | - | 50,460,258 |
| - Residential | - | - | - | - | - | - | - | - | 9,830,062 | - | 9,830,062 |
| - Non-residential | - | - | - | - | - | - | - | - | 3,074,354 | 8,436 | 4,117,219 |
| General commerce | - | - | - | 481,045 | 491,966 | 55,103 | 6,315 | - | 11,869,343 | 445,084 | 45,211,958 |
| Government and government agencies | 11,832,690 | 6,720,353 | 54,652 | 5,237,178 | 5,933,386 | 3,043,199 | 76,073 | - | 11,309,454 | - | 11,749,750 |
| Purchase of securities | - | 440,296 | - | - | - | - | - | - | 13,844,279 | - | 13,844,279 |
| Purchase of transport vehicles | - | - | - | - | - | - | - | - | 13,312,825 | - | 13,312,825 |
| Consumption credit | - | - | - | - | - | - | - | - | 4,484,306 | 250,273 | 9,876,699 |
| Others | - | 213,302 | - | 918,584 | 2,710,604 | 695,142 | 604,488 | - | - | - | - |
| | 22,283,254 | 7,993,092 | 3,666,536 | 20,232,552 | 24,905,510 | 9,828,806 | 4,532,830 | 186,517 | 185,430,615 | 4,002,798 | 283,062,510 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2013 and 31 December 2012 based on the industry sectors of the counterparty are as follows (Continued):

| | The Group 31 December 2012 | | | | | | | | | | |
|--|-------------------------------------|---|---|--|---|---|----------------------------------|---------|---|---|----------------------------------|
| | Cash and short term funds RM'000 | Reverse repurchase agreements RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial assets held for trading (i) RM'000 | Financial investments available-for-sale (i) RM'000 | Financial investments held-to-maturity (i) RM'000 | Derivative financial instruments | | Loans, advances and financing (ii) RM'000 | Other financial assets [*] RM'000 | Total credit exposures RM'000 |
| | | | | | | Trading derivatives RM'000 | Hedging derivatives RM'000 | | | | |
| Agriculture | - | - | - | 50,616 | 211,590 | 102,858 | 1,390 | - | 2,959,608 | - | 3,326,062 |
| Mining and quarrying | - | - | - | 152,059 | 92,466 | - | 11,940 | - | 2,040,966 | - | 2,297,431 |
| Manufacturing | - | - | - | 371,504 | 440,800 | 10,942 | 18,277 | - | 8,812,527 | - | 9,654,050 |
| Electricity, gas and water | - | - | - | 449,515 | 2,388,248 | 27,425 | 52,964 | - | 1,480,372 | 4,387 | 4,402,911 |
| Construction | - | - | - | 248,110 | 1,100,226 | 154,425 | 21,185 | - | 3,852,631 | - | 5,376,577 |
| Transport, storage and communications | - | - | - | 588,796 | 2,528,768 | 1,905,136 | 298,081 | - | 5,449,247 | 3,307 | 10,773,335 |
| Education and health | - | - | - | - | 5,685 | - | - | - | 2,961,179 | - | 2,966,864 |
| Trade and hospitality | - | - | - | - | - | - | - | - | 4,775,977 | - | 4,775,977 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | | |
| Finance, insurance and business services | 8,769,073 | 339,639 | 3,682,210 | 10,492,115 | 7,982,592 | 3,179,921 | 3,116,843 | 228,514 | 12,499,352 | 2,251,554 | 52,541,813 |
| Real estate | - | 11,654 | - | 10,200 | 585,284 | - | 315 | - | 7,940,069 | 273 | 8,547,795 |
| <i>Others:</i> | | | | | | | | | | | |
| Purchase of landed property | - | - | - | - | - | - | - | - | - | - | - |
| - Residential | - | - | - | - | - | - | 37 | - | 45,667,044 | - | 45,667,081 |
| - Non-residential | - | - | - | - | - | - | - | - | 11,267,192 | - | 11,267,192 |
| General commerce | - | - | - | 8,388 | 79,162 | 189,401 | 6,392 | - | 1,498,131 | 122,052 | 1,903,526 |
| Government and government agencies | 11,483,217 | 4,744,117 | 54,810 | 10,238,347 | 7,934,653 | 2,755,294 | 14,195 | - | 12,818,225 | 343,928 | 50,386,786 |
| Purchase of securities | - | 168,024 | - | - | - | - | - | - | 7,432,074 | - | 7,600,098 |
| Purchase of transport vehicles | - | - | - | - | - | - | - | - | 12,202,663 | - | 12,202,663 |
| Consumption credit | - | - | - | - | - | - | - | - | 8,002,928 | - | 8,002,928 |
| Others | - | 116,352 | - | 469,912 | 1,213,586 | 42,007 | 186,177 | - | 4,031,381 | 525,839 | 6,585,254 |
| | 20,252,290 | 5,379,786 | 3,737,020 | 23,079,562 | 24,563,060 | 8,367,409 | 3,727,796 | 228,514 | 155,691,566 | 3,251,340 | 248,278,343 |

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

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

| | The Group 31 December 2013 | | | | | | | | | |
|--|-----------------------------------|-------------------|---------------------|--|-------------------|---------------------|--|-------------------|---------------------|----------------------------------|
| | Financial assets held for trading | | | Financial investments available-for-sale | | | Financial investments held-to-maturity | | | Total credit exposures RM'000 |
| | Money market instruments | Quoted securities | Unquoted securities | Money market instruments | Quoted securities | Unquoted securities | Money market instruments | Quoted securities | Unquoted securities | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| Agriculture | - | - | 79,086 | - | - | 156,915 | - | - | - | 236,001 |
| Mining and quarrying | - | - | 190,315 | - | - | 109,577 | - | - | - | 299,892 |
| Manufacturing | 89,640 | - | 244,327 | - | - | 627,558 | - | - | 428,048 | 1,389,573 |
| Electricity, gas and water | 58,889 | 33,502 | 464,301 | 9,542 | - | 1,821,198 | - | 29,556 | 328,760 | 2,745,748 |
| Construction | - | 3,202 | 452,159 | - | 3,048 | 1,256,670 | - | - | 403,022 | 2,118,101 |
| Transport, storage and communications | - | 107,838 | 252,188 | - | 533,731 | 1,706,334 | - | 193,449 | 666,337 | 3,459,877 |
| Education and health | - | 12,543 | - | - | 19,680 | - | - | - | - | 32,223 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | |
| Finance, insurance and business services | 6,045,807 | 845,819 | 4,677,096 | 284,464 | 1,946,800 | 7,053,952 | 161,983 | 1,397,438 | 2,416,688 | 24,830,047 |
| Real estate | - | 15,144 | 23,888 | - | 37,671 | 202,413 | - | 10,083 | - | 289,199 |
| <i>Others</i> | | | | | | | | | | |
| General commerce | - | 5,548 | 475,497 | 20,466 | 32,364 | 439,136 | - | - | 55,103 | 1,028,114 |
| Government and government agencies | 4,882,970 | - | 354,208 | 3,704,350 | - | 2,229,037 | 2,436,181 | - | 607,017 | 14,213,763 |
| Others | 9,340 | 5,558 | 903,687 | - | 45,564 | 2,665,040 | - | 6,164 | 688,977 | 4,324,330 |
| | 11,086,646 | 1,029,154 | 8,116,752 | 4,018,822 | 2,618,858 | 18,267,830 | 2,598,164 | 1,636,690 | 5,593,952 | 54,966,868 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

| | The Group | | | | | | | | | |
|--|--|----------------------------|---------------------------------|---|----------------------------|---------------------------------|---|----------------------------|------------------|-------------------------------|
| | 31 December 2012 | | | | | | | | | |
| | Financial assets held for trading | | | Financial investments available-for-sale | | | Financial investments held-to-maturity | | | Total credit exposures |
| Money market instruments | Quoted securities | Unquoted securities | Money market instruments | Quoted securities | Unquoted securities | Money market instruments | Quoted securities | Unquoted securities | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Agriculture | - | - | 50,616 | - | - | 211,590 | - | - | 102,858 | 365,064 |
| Mining and quarrying | - | - | 152,059 | - | - | 92,466 | - | - | - | 244,525 |
| Manufacturing | - | - | 371,504 | - | - | 440,800 | - | - | 10,942 | 823,246 |
| Electricity, gas and water | 70,907 | - | 378,608 | - | 82,758 | 2,305,490 | - | 2,057 | 25,368 | 2,865,188 |
| Construction | 19,886 | 1,431 | 226,793 | - | 3,082 | 1,097,144 | - | - | 154,425 | 1,502,761 |
| Transport, storage and communications | - | 27,786 | 561,010 | - | 108,466 | 2,420,302 | - | 193,657 | 1,711,479 | 5,022,700 |
| Education and health | - | - | - | - | 5,685 | - | - | - | - | 5,685 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | |
| Finance, insurance and business services | 6,149,496 | 103,907 | 4,238,712 | 430,916 | 793,659 | 6,758,017 | 4,970 | 358,452 | 2,816,499 | 21,654,628 |
| Real estate | - | - | 10,200 | - | 1,017 | 584,267 | - | - | - | 595,484 |
| <i>Others</i> | | | | | | | | | | |
| General commerce | - | - | 8,388 | - | 20,403 | 58,759 | - | - | 189,401 | 276,951 |
| Government and government agencies | 9,781,258 | 195,423 | 261,666 | 5,242,609 | 157,969 | 2,534,075 | 765,188 | 1,654,828 | 335,278 | 20,928,294 |
| Others | 37,197 | 1,506 | 431,209 | 19,744 | 26,513 | 1,167,329 | - | - | 42,007 | 1,725,505 |
| | 16,058,744 | 330,053 | 6,690,765 | 5,693,269 | 1,199,552 | 17,670,239 | 770,158 | 2,208,994 | 5,388,257 | 56,010,031 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

(ii) Loans, advances and financing are further analysed by product types as follows:

| | The Group 31 December 2013 | | | | | | | | Share margin financing RM'000 | Total credit exposures RM'000 |
|--|-------------------------------|------------------------------------|----------------------------|-----------------------------|--|--------------------------------------|----------------------------|----------------|--|-------------------------------------|
| | Overdrafts RM'000 | Term loans/ financing RM'000 | Bills receivable RM'000 | Trust receipts RM'000 | Claim on customers under acceptance credit RM'000 | Credit card receivables RM'000 | Revolving credit RM'000 | | | |
| Agriculture | 229,769 | 2,679,816 | 25,609 | 20,819 | 174,229 | - | 261,568 | - | 3,391,810 | |
| Mining and quarrying | 40,123 | 2,318,623 | 2,012 | - | 4,995 | - | 143,592 | - | 2,509,345 | |
| Manufacturing | 630,240 | 3,951,159 | 1,921,767 | 869,950 | 1,378,355 | - | 646,790 | - | 9,398,261 | |
| Electricity, gas and water | 10,236 | 1,633,082 | - | 21,848 | 1,143 | - | 185,280 | - | 1,851,589 | |
| Construction | 532,511 | 2,644,599 | 62,190 | 58,723 | 155,083 | - | 1,332,197 | - | 4,785,303 | |
| Transport, storage and communications | 163,904 | 5,845,921 | 68,058 | 30,253 | 19,755 | - | 865,551 | - | 6,993,442 | |
| Education and health | 111,107 | 3,430,158 | 15,130 | 1,355 | 3,372 | - | 138,028 | - | 3,699,150 | |
| Trade and hospitality | 822,258 | 4,035,403 | 49,466 | 155,598 | 1,426,049 | - | 801,376 | - | 7,290,150 | |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | |
| Finance, insurance and business services | 338,989 | 10,901,056 | 5,800,132 | 37,996 | 21,280 | - | 2,546,418 | - | 19,645,871 | |
| Real estate | 190,995 | 5,759,362 | 95,827 | 48 | 2,862 | - | 1,631,719 | - | 7,680,813 | |
| <i>Others:</i> | | | | | | | | | | |
| Purchase of landed property | | | | | | | | | | |
| - Residential | 23,183 | 50,437,075 | - | - | - | - | - | - | 50,460,258 | |
| - Non-residential | 105,059 | 9,725,003 | - | - | - | - | - | - | 9,830,062 | |
| General commerce | 28,748 | 2,374,327 | 208,546 | 118,446 | - | - | 344,287 | - | 3,074,354 | |
| Government and government agencies | - | 11,869,343 | - | - | - | - | - | - | 11,869,343 | |
| Purchase of securities | 13,557 | 10,606,038 | - | - | - | - | - | 689,859 | 11,309,454 | |
| Purchase of transport vehicles | - | 13,844,279 | - | - | - | - | - | - | 13,844,279 | |
| Consumption credit | 1,501,319 | 6,199,696 | 3,085 | - | - | 5,233,882 | 363,454 | 11,389 | 13,312,825 | |
| Others | 281,987 | 2,665,015 | 866,790 | 554,629 | 505 | - | 101,429 | 13,951 | 4,484,306 | |
| | 5,023,985 | 150,919,955 | 9,118,612 | 1,869,665 | 3,187,628 | 5,233,882 | 9,361,689 | 715,199 | 185,430,615 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

(ii) Loans, advances and financing are further analysed by product types as follows (Continued):

| | The Group 31 December 2012 Claim on customers under | | | | | | | | | |
|--|--|---|------------------------------------|--------------------------------------|---|---|------------------------------------|--|--|--|
| | Overdrafts RM'000 | Term loans/ financing RM'000 | Bills receivable RM'000 | Trust receipts RM'000 | acceptance credit RM'000 | Credit card receivables RM'000 | Revolving credit RM'000 | Share margin financing RM'000 | Total credit exposures RM'000 | |
| Agriculture | 236,533 | 2,087,767 | 19,862 | 3,410 | 130,941 | - | 481,095 | - | 2,959,608 | |
| Mining and quarrying | 30,861 | 1,836,001 | 18,485 | 36 | 4,572 | - | 151,011 | - | 2,040,966 | |
| Manufacturing | 661,059 | 3,027,736 | 1,700,610 | 748,053 | 1,864,414 | - | 810,655 | - | 8,812,527 | |
| Electricity, gas and water | 10,050 | 1,168,570 | - | 5,391 | 3,742 | - | 292,619 | - | 1,480,372 | |
| Construction | 522,857 | 1,881,082 | 43,876 | 51,698 | 151,640 | - | 1,201,478 | - | 3,852,631 | |
| Transport, storage and communications | 188,908 | 4,109,303 | 30,841 | 6,216 | 9,103 | - | 1,104,876 | - | 5,449,247 | |
| Education and health | 136,689 | 2,570,772 | - | 337 | 45,589 | - | 207,792 | - | 2,961,179 | |
| Trade and hospitality | 637,513 | 1,950,215 | 50,918 | 149,298 | 1,364,689 | - | 623,344 | - | 4,775,977 | |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | |
| Finance, insurance and business services | 320,939 | 10,324,150 | 410,372 | 73,850 | 42,724 | - | 1,327,317 | - | 12,499,352 | |
| Real estate | 200,334 | 5,754,208 | 779,138 | 238,707 | 692 | - | 966,990 | - | 7,940,069 | |
| <i>Others</i> | | | | | | | | | | |
| Purchase of landed property | | | | | | | | | | |
| - Residential | 22,562 | 45,644,482 | - | - | - | - | - | - | 45,667,044 | |
| - Non-residential | 114,836 | 11,152,356 | - | - | - | - | - | - | 11,267,192 | |
| General commerce | 41,317 | 1,080,493 | - | 9,868 | - | - | 366,453 | - | 1,498,131 | |
| Government and government agencies | - | 12,818,225 | - | - | - | - | - | - | 12,818,225 | |
| Purchase of securities | 16,149 | 6,724,238 | - | - | - | - | - | 691,687 | 7,432,074 | |
| Purchase of transport vehicles | - | 12,202,663 | - | - | - | - | - | - | 12,202,663 | |
| Consumption credit | 1,781,431 | 1,545,580 | 1,788 | - | - | 4,479,508 | 194,621 | - | 8,002,928 | |
| Others | 277,181 | 2,220,561 | 548,304 | 893,230 | 22,713 | - | 69,392 | - | 4,031,381 | |
| | 5,199,219 | 128,098,402 | 3,604,194 | 2,180,094 | 3,640,819 | 4,479,508 | 7,797,643 | 691,687 | 155,691,566 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2013 and 31 December 2012 based on the industry sectors of the counterparty are as follows:

| | The Bank 31 December 2013 | | | | | | | | | | |
|--|---|---|---|--|---|---|-------------------------------------|---------|---|---|-------------------------------------|
| | Cash and short term funds RM'000 | Reverse repurchase agreements RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial assets held for trading (i) RM'000 | Financial investments available-for- sale (i) RM'000 | Financial investments held-to- maturity (i) RM'000 | Derivative financial instruments | | Loans, advances and financing (ii) RM'000 | Other financial assets ⁺ RM'000 | Total credit exposures RM'000 |
| | | | | | | Trading derivatives RM'000 | Hedging derivatives RM'000 | | | | |
| Agriculture | - | - | - | 59,748 | 156,915 | - | 3,008 | - | 2,492,071 | 81 | 2,711,823 |
| Mining and quarrying | - | - | - | 190,315 | 109,577 | - | 10,855 | - | 2,314,890 | - | 2,625,637 |
| Manufacturing | - | 7,406 | - | 333,967 | 627,558 | 428,048 | 51,706 | - | 4,987,675 | - | 6,436,360 |
| Electricity, gas and water | - | 2,923 | - | 523,189 | 1,762,107 | 328,760 | 7,788 | 1,100 | 1,305,731 | 4,248 | 3,935,846 |
| Construction | - | - | - | 442,308 | 1,098,246 | 403,022 | 15,402 | - | 3,331,821 | - | 5,290,799 |
| Transport, storage and communications | - | - | - | 123,840 | 1,670,824 | 157,570 | 70,570 | - | 5,638,016 | 3,283 | 7,664,103 |
| Education and health | - | - | - | - | - | - | - | - | 1,422,283 | - | 1,422,283 |
| Trade and hospitality | - | - | - | - | - | - | - | - | 6,379,920 | - | 6,379,920 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | | |
| Finance, insurance and business services | 9,578,079 | 588,630 | 7,950,214 | 9,950,144 | 6,984,458 | 2,485,848 | 2,860,934 | 299,845 | 16,041,829 | 3,050,982 | 59,790,963 |
| Real estate | - | 20,182 | - | 8,782 | 176,805 | - | 676 | - | 6,158,348 | - | 6,364,793 |
| <i>Others</i> | | | | | | | | | | | |
| Purchase of landed property | - | - | - | - | - | - | - | - | 37,610,624 | - | 37,610,624 |
| - Residential | - | - | - | - | - | - | - | - | 9,862,948 | - | 9,862,948 |
| - Non-residential | - | - | - | - | - | - | - | - | 3,072,305 | - | 4,048,025 |
| General commerce | - | - | - | 475,497 | 439,136 | 55,103 | 5,984 | - | 5,059,671 | 83,018 | 27,444,150 |
| Government and government agencies | 6,800,829 | 4,048,660 | - | 3,025,190 | 5,355,387 | 3,043,199 | 28,196 | - | 11,293,260 | - | 11,733,556 |
| Purchase of securities | - | 440,296 | - | - | - | - | - | - | 6,096,110 | - | 6,096,110 |
| Purchase of transport vehicles | - | - | - | - | - | - | - | - | 8,573,279 | - | 8,573,279 |
| Consumption credit | - | - | - | - | - | - | - | - | 1,192,529 | 198,257 | 6,363,402 |
| Others | - | 213,302 | - | 903,209 | 2,614,002 | 688,977 | 553,126 | - | - | - | - |
| | 16,378,908 | 5,321,399 | 7,950,214 | 16,036,189 | 20,995,015 | 7,590,527 | 3,608,245 | 300,945 | 132,833,310 | 3,339,869 | 214,354,621 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2013 and 31 December 2012 based on the industry sectors of the counterparty are as follows (Continued):

| | The Bank 31 December 2012 | | | | | | Derivative financial instruments | | Loans, advances and financing RM'000 | Other financial assets [*] RM'000 | Total credit exposures RM'000 |
|--|---|---|---|--|---|---|-------------------------------------|----------------------------------|---|---|-------------------------------------|
| | Cash and short term funds RM'000 | Reverse repurchase agreements RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial assets held for trading (i) RM'000 | Financial investments available-for- sale (i) RM'000 | Financial investments held-to- maturity (i) RM'000 | Trading derivatives RM'000 | Hedging derivatives RM'000 | | | |
| Agriculture | - | - | - | 50,616 | 211,590 | 102,858 | 818 | - | 2,086,718 | - | 2,452,600 |
| Mining and quarrying | - | - | - | 152,059 | 92,466 | - | 11,897 | - | 1,847,457 | - | 2,103,879 |
| Manufacturing | - | - | - | 371,504 | 440,800 | 10,942 | 11,690 | - | 4,943,870 | - | 5,778,806 |
| Electricity, gas and water | - | - | - | 449,515 | 2,182,940 | 25,368 | 12,116 | - | 919,764 | 4,385 | 3,594,088 |
| Construction | - | - | - | 125,545 | 892,181 | 154,425 | 21,185 | - | 2,365,170 | - | 3,558,506 |
| Transport, storage and communications | - | - | - | 392,397 | 2,237,277 | 1,202,575 | 268,103 | - | 4,299,930 | 3,307 | 8,403,589 |
| Education and health | - | - | - | - | - | - | - | - | 1,330,626 | - | 1,330,626 |
| Trade and hospitality | - | - | - | - | - | - | - | - | 4,140,302 | - | 4,140,302 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | | | |
| Finance, insurance and business services | 8,578,774 | 339,639 | 10,708,711 | 8,507,805 | 6,467,200 | 2,659,801 | 2,980,560 | 482,096 | 8,935,679 | 2,356,235 | 52,016,500 |
| Real estate | - | 11,654 | - | 10,200 | 558,579 | - | 19 | - | 6,783,476 | - | 7,363,928 |
| <i>Others:</i> | | | | | | | | | | | |
| Purchase of landed property | - | - | - | - | - | - | - | - | 34,906,284 | - | 34,906,284 |
| - Residential | - | - | - | - | - | - | - | - | 7,843,583 | - | 7,843,583 |
| - Non-residential | - | - | - | - | - | - | - | - | 1,495,676 | 115,183 | 1,872,005 |
| General commerce | - | - | - | 8,388 | 58,759 | 189,401 | 4,598 | - | 6,059,337 | 103,524 | 30,146,582 |
| Government and government agencies | 6,001,843 | 4,544,057 | - | 6,111,383 | 6,224,950 | 1,100,466 | 1,022 | - | 7,397,017 | - | 7,565,041 |
| Purchase of securities | - | 168,024 | - | - | - | - | - | - | 4,737,706 | - | 4,737,706 |
| Purchase of transport vehicles | - | - | - | - | - | - | - | - | 7,099,083 | - | 7,099,083 |
| Consumption credit | - | - | - | - | - | - | - | - | 894,405 | 541,073 | 3,344,488 |
| Others | - | 116,352 | - | 438,190 | 1,161,013 | 42,007 | 151,448 | - | - | - | - |
| | 14,580,617 | 5,179,726 | 10,708,711 | 16,617,602 | 20,527,755 | 5,487,843 | 3,463,456 | 482,096 | 108,086,083 | 3,123,707 | 188,257,596 |

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

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

| | The Bank | | | | | | |
|--|-----------------------------------|--------------------------|--|--------------------------|--|------------------|------------------------|
| | 31 December 2013 | | | | | | |
| | Financial assets held for trading | | Financial investments available-for-sale | | Financial investments held-to-maturity | | Total credit exposures |
| Money market instruments | Unquoted securities | Money market instruments | Unquoted securities | Money market instruments | Unquoted securities | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Agriculture | - | 59,748 | - | 156,915 | - | - | 216,663 |
| Mining and quarrying | - | 190,315 | - | 109,577 | - | - | 299,892 |
| Manufacturing | 89,640 | 244,327 | - | 627,558 | - | 428,048 | 1,389,573 |
| Electricity, gas and water | 58,889 | 464,301 | 9,542 | 1,752,564 | - | 328,760 | 2,614,056 |
| Construction | - | 442,308 | - | 1,098,246 | - | 403,022 | 1,943,576 |
| Transport, storage and communications | - | 123,840 | - | 1,670,824 | - | 157,570 | 1,952,234 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | |
| Finance, insurance and business services | 5,297,439 | 4,652,704 | 279,439 | 6,705,019 | 161,983 | 2,323,866 | 19,420,450 |
| Real estate | - | 8,782 | - | 176,805 | - | - | 185,587 |
| <i>Others</i> | | | | | | | |
| General commerce | - | 475,497 | - | 439,136 | - | 55,103 | 969,736 |
| Government and government agencies | 2,670,982 | 354,208 | 3,291,766 | 2,063,620 | 2,436,181 | 607,019 | 11,423,776 |
| Others | 9,339 | 893,870 | - | 2,614,004 | - | 688,975 | 4,206,188 |
| | 8,126,289 | 7,909,900 | 3,580,747 | 17,414,268 | 2,598,164 | 4,992,363 | 44,621,731 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

| | The Bank | | | | | | |
|--|--|----------------------------|---|----------------------------|---|----------------------------|-------------------------------|
| | 31 December 2012 | | | | | | |
| | Financial assets held for trading | | Financial investments available-for-sale | | Financial investments held-to-maturity | | Total credit exposures |
| | Money market instruments | Unquoted securities | Money market instruments | Unquoted securities | Money market instruments | Unquoted securities | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Agriculture | - | 50,616 | - | 211,590 | - | 102,858 | 365,064 |
| Mining and quarrying | - | 152,059 | - | 92,466 | - | - | 244,525 |
| Manufacturing | - | 371,504 | - | 440,800 | - | 10,942 | 823,246 |
| Electricity, gas and water | 70,907 | 378,608 | - | 2,182,940 | - | 25,368 | 2,657,823 |
| Construction | 19,886 | 105,659 | - | 892,181 | - | 154,425 | 1,172,151 |
| Transport, storage and communications | - | 392,397 | - | 2,237,277 | - | 1,202,575 | 3,832,249 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | |
| Finance, insurance and business services | 4,342,309 | 4,165,496 | 410,153 | 6,057,047 | 4,970 | 2,654,831 | 17,634,806 |
| Real estate | - | 10,200 | - | 558,579 | - | - | 568,779 |
| <i>Others:</i> | | | | | | | |
| General commerce | - | 8,388 | - | 58,759 | - | 189,401 | 256,548 |
| Government and government agencies | 5,920,102 | 191,281 | 4,013,729 | 2,211,221 | 765,188 | 335,278 | 13,436,799 |
| Others | 37,197 | 400,993 | 19,744 | 1,141,269 | - | 42,007 | 1,641,210 |
| | 10,390,401 | 6,227,201 | 4,443,626 | 16,084,129 | 770,158 | 4,717,685 | 42,633,200 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

(ii) Loans, advances and financing are further analysed by product types as follows:

| | The Bank 31 December 2013 | | | | | | | | |
|--|------------------------------|--------------------------|---------------------|-------------------|----------------------|----------------------------|---------------------|---------------------------|---------------------------|
| | Claim on customers under | | | | | | | | |
| | Overdrafts | Term loans/ financing | Bills receivable | Trust receipts | acceptance credit | Credit card receivables | Revolving credit | Share margin financing | Total credit exposures |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Agriculture | 126,928 | 1,970,571 | 2,643 | 20,819 | 169,252 | - | 201,858 | - | 2,492,071 |
| Mining and quarrying | 24,056 | 2,142,359 | - | - | 4,883 | - | 143,592 | - | 2,314,890 |
| Manufacturing | 359,118 | 2,210,829 | 402,411 | 179,625 | 1,256,298 | - | 579,394 | - | 4,987,675 |
| Electricity, gas and water | 5,662 | 1,111,746 | - | 1,900 | 1,143 | - | 185,280 | - | 1,305,731 |
| Construction | 435,419 | 2,034,457 | 20,379 | 49,164 | 124,929 | - | 667,473 | - | 3,331,821 |
| Transport, storage and communications | 130,536 | 4,611,998 | 82 | 28,218 | 19,431 | - | 847,751 | - | 5,638,016 |
| Education and health | 76,979 | 1,233,776 | 13,574 | 499 | 3,336 | - | 94,119 | - | 1,422,283 |
| Trade and hospitality | 652,718 | 3,578,779 | 49,297 | 135,776 | 1,226,972 | - | 736,378 | - | 6,379,920 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | |
| Finance, insurance and business services | 188,019 | 8,821,533 | 5,613,274 | 18,892 | 18,607 | - | 1,381,504 | - | 16,041,829 |
| Real estate | 146,651 | 4,377,068 | - | 48 | 2,862 | - | 1,631,719 | - | 6,158,348 |
| <i>Others</i> | | | | | | | | | |
| Purchase of landed property | | | | | | | | | |
| - Residential | 17,160 | 37,593,464 | - | - | - | - | - | - | 37,610,624 |
| - Non-residential | 105,059 | 9,757,889 | - | - | - | - | - | - | 9,862,948 |
| General commerce | 28,748 | 2,374,327 | 208,546 | 118,446 | - | - | 342,238 | - | 3,072,305 |
| Government and government agencies | - | 5,059,671 | - | - | - | - | - | - | 5,059,671 |
| Purchase of securities | 13,557 | 10,606,038 | - | - | - | - | - | 673,665 | 11,293,260 |
| Purchase of transport vehicles | - | 6,096,110 | - | - | - | - | - | - | 6,096,110 |
| Consumption credit | 1,315,911 | 1,830,708 | - | - | - | 5,133,365 | 281,906 | 11,389 | 8,573,279 |
| Others | 56,416 | 1,010,245 | 1,717 | 8,291 | 479 | - | 101,429 | 13,952 | 1,192,529 |
| | 3,682,937 | 106,421,568 | 6,311,923 | 561,678 | 2,828,192 | 5,133,365 | 7,194,641 | 699,006 | 132,833,310 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

(ii) Loans, advances and financing are further analysed by product types as follows (Continued):

| | The Bank 31 December 2012 Claim on customers under | | | | | | | | |
|--|--|--------------------------|---------------------|-------------------|----------------------|----------------------------|---------------------|---------------------------|---------------------------|
| | Overdrafts | Term loans/ financing | Bills receivable | Trust receipts | acceptance credit | Credit card receivables | Revolving credit | Share margin financing | Total credit exposures |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Agriculture | 149,704 | 1,389,446 | - | 3,410 | 123,999 | - | 420,159 | - | 2,086,718 |
| Mining and quarrying | 15,412 | 1,658,438 | 17,988 | 36 | 4,572 | - | 151,011 | - | 1,847,457 |
| Manufacturing | 397,035 | 1,703,108 | 357,931 | 139,788 | 1,714,220 | - | 631,788 | - | 4,943,870 |
| Electricity, gas and water | 5,726 | 616,342 | - | 1,335 | 3,742 | - | 292,619 | - | 919,764 |
| Construction | 417,138 | 1,396,346 | 554 | 32,287 | 123,320 | - | 395,525 | - | 2,365,170 |
| Transport, storage and communications | 154,932 | 3,035,957 | 2,507 | 2,870 | 9,013 | - | 1,094,651 | - | 4,299,930 |
| Education and health | 94,462 | 1,036,532 | - | 337 | 44,663 | - | 154,632 | - | 1,330,626 |
| Trade and hospitality | 495,814 | 1,704,601 | 50,126 | 141,367 | 1,225,351 | - | 523,043 | - | 4,140,302 |
| <i>Finance, insurance, real estate business:</i> | | | | | | | | | |
| Finance, insurance and business services | 203,553 | 7,518,374 | 26,406 | 11,045 | 41,550 | - | 1,134,751 | - | 8,935,679 |
| Real estate | 151,977 | 4,844,727 | 593,458 | 225,632 | 692 | - | 966,990 | - | 6,783,476 |
| <i>Others</i> | | | | | | | | | |
| Purchase of landed property | | | | | | | | | |
| - Residential | 18,783 | 34,887,501 | - | - | - | - | - | - | 34,906,284 |
| - Non-residential | 114,836 | 7,728,747 | - | - | - | - | - | - | 7,843,583 |
| General commerce | 41,317 | 1,080,493 | - | 9,868 | - | - | 363,998 | - | 1,495,676 |
| Government and government agencies | - | 6,059,337 | - | - | - | - | - | - | 6,059,337 |
| Purchase of securities | 16,149 | 6,724,237 | - | - | - | - | - | 656,631 | 7,397,017 |
| Purchase of transport vehicles | - | 4,737,706 | - | - | - | - | - | - | 4,737,706 |
| Consumption credit | 1,615,596 | 969,447 | - | - | - | 4,383,197 | 130,843 | - | 7,099,083 |
| Others | 56,449 | 745,386 | 246 | 219 | 22,708 | - | 69,397 | - | 894,405 |
| | 3,948,883 | 87,836,725 | 1,049,216 | 568,194 | 3,313,830 | 4,383,197 | 6,329,407 | 656,631 | 108,086,083 |

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

| | The Group | | | |
|--|-----------------------------------|---|-----------------------------------|---|
| | 31 December 2013 | | 31 December 2012 | |
| | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 |
| Agriculture | 10,695 | 842,473 | 9,789 | 701,722 |
| Mining and quarrying | 70,028 | 593,894 | 64,303 | 1,218,860 |
| Manufacturing | 289,695 | 5,161,199 | 316,393 | 5,186,179 |
| Electricity, gas and water | 79,536 | 682,612 | 57,464 | 563,390 |
| Construction | 343,366 | 5,678,849 | 390,142 | 4,680,657 |
| Transport, storage and communications | 87,375 | 972,112 | 95,588 | 1,257,410 |
| Education and health | 39,012 | 2,721,177 | 32,685 | 2,355,874 |
| Trade and hospitality | 219,407 | 5,466,393 | 96,469 | 3,942,664 |
| <i>Finance, insurance, real estate business:</i> | | | | |
| Finance, insurance and business services | 1,277,821 | 10,496,648 | 385,746 | 6,329,748 |
| Real estate | 36,256 | 205,250 | 10,394 | 838,069 |
| <i>Others</i> | | | | |
| Purchase of landed property | | | | |
| - Residential | - | 6,936 | - | 5,423 |
| General commerce | 27,277 | 669,406 | 121,647 | 850,389 |
| Consumption credit | 428,002 | 2,091,923 | 4,211 | 3,523,242 |
| Others | 11,005 | 24,144,101 | 32,229 | 21,600,768 |
| | 2,919,475 | 59,732,973 | 1,617,060 | 53,054,395 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items not recognised in the statements of financial positions, based on the industry sectors of the counterparty are as follows (Continued):

| | The Bank | | | |
|--|-----------------------------------|---|-----------------------------------|---|
| | 31 December 2013 | | 31 December 2012 | |
| | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 |
| Agriculture | 10,595 | 714,941 | 9,769 | 547,832 |
| Mining and quarrying | 70,028 | 589,603 | 64,303 | 1,217,543 |
| Manufacturing | 245,921 | 4,132,201 | 274,777 | 4,398,265 |
| Electricity, gas and water | 71,083 | 488,176 | 6,791 | 390,243 |
| Construction | 226,374 | 2,744,354 | 279,144 | 2,217,507 |
| Transport, storage and communications | 84,260 | 816,045 | 91,791 | 937,760 |
| Education and health | 36,486 | 2,493,042 | 30,829 | 2,249,226 |
| Trade and hospitality | 113,197 | 5,446,449 | 79,522 | 3,920,457 |
| <i>Finance, insurance, real estate business:</i> | | | | |
| Finance, insurance and business services | 1,212,247 | 9,665,099 | 316,994 | 5,616,784 |
| Real estate | - | 7,585 | - | 645,923 |
| <i>Others</i> | | | | |
| General commerce | - | 220,251 | 110,406 | 483,734 |
| Consumption credit | 427,906 | 2,091,194 | 4,211 | 3,522,387 |
| Others | 5,283 | 23,418,610 | 29,440 | 20,700,135 |
| | 2,503,380 | 52,827,550 | 1,297,977 | 46,847,796 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets**

Financial assets are required under MFRS 7, to be categorised into “neither past due nor impaired”, “past due but not impaired” or “impaired”.

(a) Loan, advances and financing

Loans, advances and financing are summarised as follows:

| | The Group 31 December 2013 | | | |
|--|--|---|---------------------------|----------------------|
| | Neither past due nor impaired (i) | Past due but not impaired (ii) | Impaired (iii) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 4,717,143 | 451,087 | 329,927 | 5,498,157 |
| Term loans/financing | 136,812,297 | 13,434,394 | 3,314,959 | 153,561,650 |
| Bills receivable | 9,063,964 | 14,395 | 120,131 | 9,198,490 |
| Trust receipts | 1,841,488 | 33,349 | 111,882 | 1,986,719 |
| Claim on customers under acceptance credit | 3,143,479 | 3,194 | 250,434 | 3,397,107 |
| Credit card receivables | 4,951,262 | 313,356 | 79,513 | 5,344,131 |
| Revolving credit | 9,351,626 | 9,091 | 63,735 | 9,424,452 |
| Share margin financing | 711,716 | 4,613 | 4,362 | 720,691 |
| Total | 170,592,975 | 14,263,479 | 4,274,943 | 189,131,397 |
| Less: Impairment allowances | | | | (3,700,782) * |
| Total net amount | | | | 185,430,615 |

| | The Group 31 December 2012 | | | |
|--|--|---|---------------------------|----------------------|
| | Neither past due nor impaired (i) | Past due but not impaired (ii) | Impaired (iii) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 4,723,576 | 643,963 | 390,762 | 5,758,301 |
| Term loans/financing | 115,375,992 | 11,774,191 | 3,551,932 | 130,702,115 |
| Bills receivable | 3,606,406 | 5,384 | 63,553 | 3,675,343 |
| Trust receipts | 2,167,228 | 4,874 | 123,391 | 2,295,493 |
| Claim on customers under acceptance credit | 3,573,327 | 4,937 | 341,144 | 3,919,408 |
| Credit card receivables | 4,221,839 | 294,606 | 19,443 | 4,535,888 |
| Revolving credit | 7,804,268 | 5,304 | 47,640 | 7,857,212 |
| Share margin financing | 676,574 | 11,991 | 3,451 | 692,016 |
| Total | 142,149,210 | 12,745,250 | 4,541,316 | 159,435,776 |
| Less: Impairment allowances | | | | (3,744,210) * |
| Total net amount | | | | 155,691,566 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)**

Loans, advances and financing are summarised as follows (Continued):

| | The Bank | | | Total |
|--|----------------------------------|------------------------------|------------------|--------------------|
| | 31 December 2013 | | | |
| | Neither past due nor impaired | Past due but not impaired | Impaired | |
| | (i) | (ii) | (iii) | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 3,480,630 | 372,402 | 269,177 | 4,122,209 |
| Term loans/financing | 96,152,561 | 9,614,356 | 2,527,681 | 108,294,598 |
| Bills receivable | 6,262,551 | - | 65,078 | 6,327,629 |
| Trust receipts | 553,963 | 3,894 | 94,315 | 652,172 |
| Claim on customers under acceptance credit | 2,789,410 | - | 235,165 | 3,024,575 |
| Credit card receivables | 4,851,899 | 310,554 | 77,229 | 5,239,682 |
| Revolving credit | 7,179,723 | 1,514 | 58,514 | 7,239,751 |
| Share margin financing | 695,497 | 4,613 | 4,140 | 704,250 |
| Total | 121,966,234 | 10,307,333 | 3,331,299 | 135,604,866 |
| Less: Impairment allowances | | | | (2,771,556) * |
| Total net amount | | | | 132,833,310 |

| | The Bank | | | Total |
|--|----------------------------------|------------------------------|------------------|--------------------|
| | 31 December 2012 | | | |
| | Neither past due nor impaired | Past due but not impaired | Impaired | |
| | (i) | (ii) | (iii) | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 3,547,624 | 573,967 | 346,909 | 4,468,500 |
| Term loans/financing | 77,537,664 | 9,374,553 | 2,842,370 | 89,754,587 |
| Bills receivable | 1,051,592 | - | 5,564 | 1,057,156 |
| Trust receipts | 556,461 | 63 | 105,467 | 661,991 |
| Claim on customers under acceptance credit | 3,250,690 | - | 326,439 | 3,577,129 |
| Credit card receivables | 4,128,252 | 290,730 | 19,024 | 4,438,006 |
| Revolving credit | 6,336,017 | 201 | 43,628 | 6,379,846 |
| Share margin financing | 641,358 | 11,991 | 3,441 | 656,790 |
| Total | 97,049,658 | 10,251,505 | 3,692,842 | 110,994,005 |
| Less: Impairment allowances | | | | (2,907,922) * |
| Total net amount | | | | 108,086,083 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired”**

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

| | The Group | | | | | | | |
|--|-------------------|------------------|--------------------|--------------------|-------------------|------------------|-------------------|--------------------|
| | 31 December 2013 | | | | 31 December 2012 | | | |
| | Good | Satisfactory | No rating | Total | Good | Satisfactory | No rating | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Overdrafts | 1,868,435 | 162,460 | 2,686,248 | 4,717,143 | 1,604,625 | 407,943 | 2,711,008 | 4,723,576 |
| Term loans/financing | 43,695,250 | 2,101,139 | 91,015,908 | 136,812,297 | 33,179,569 | 5,541,437 | 76,654,986 | 115,375,992 |
| Bills receivable | 8,507,471 | 48,499 | 507,994 | 9,063,964 | 2,301,733 | 851,650 | 453,023 | 3,606,406 |
| Trust receipts | 1,612,156 | 74,579 | 154,753 | 1,841,488 | 1,505,668 | 521,928 | 139,632 | 2,167,228 |
| Claim on customers under acceptance credit | 2,023,462 | 45,213 | 1,074,804 | 3,143,479 | 2,276,111 | 42,808 | 1,254,408 | 3,573,327 |
| Credit card receivables | - | - | 4,951,262 | 4,951,262 | - | - | 4,221,839 | 4,221,839 |
| Revolving credit | 7,304,113 | 13,893 | 2,033,620 | 9,351,626 | 5,676,363 | 192,318 | 1,935,587 | 7,804,268 |
| Share margin financing | - | - | 711,716 | 711,716 | - | - | 676,574 | 676,574 |
| Total | 65,010,887 | 2,445,783 | 103,136,305 | 170,592,975 | 46,544,069 | 7,558,084 | 88,047,057 | 142,149,210 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)**

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

| | The Bank | | | | | | | |
|--|-------------------|------------------------|---------------------|--------------------|-------------------|------------------------|---------------------|-------------------|
| | 31 December 2013 | | | | 31 December 2012 | | | |
| | Good RM'000 | Satisfactory RM'000 | No rating RM'000 | Total RM'000 | Good RM'000 | Satisfactory RM'000 | No rating RM'000 | Total RM'000 |
| Overdrafts | 1,129,902 | 98,125 | 2,252,603 | 3,480,630 | 1,126,341 | 98,824 | 2,322,459 | 3,547,624 |
| Term loans/financing | 31,782,218 | 475,011 | 63,895,332 | 96,152,561 | 21,991,968 | 2,429,063 | 53,116,633 | 77,537,664 |
| Bills receivable | 6,057,098 | - | 205,453 | 6,262,551 | 909,236 | 560 | 141,796 | 1,051,592 |
| Trust receipts | 447,965 | 9,092 | 96,906 | 553,963 | 439,781 | 4,546 | 112,134 | 556,461 |
| Claim on customers under acceptance credit | 1,678,614 | 38,982 | 1,071,814 | 2,789,410 | 1,963,393 | 37,576 | 1,249,721 | 3,250,690 |
| Credit card receivables | - | - | 4,851,899 | 4,851,899 | - | - | 4,128,252 | 4,128,252 |
| Revolving credit | 5,195,809 | 13,893 | 1,970,021 | 7,179,723 | 4,198,648 | 191,817 | 1,945,552 | 6,336,017 |
| Share margin financing | - | - | 695,497 | 695,497 | - | - | 641,358 | 641,358 |
| Total | 46,291,606 | 635,103 | 75,039,525 | 121,966,234 | 30,629,367 | 2,762,386 | 63,657,905 | 97,049,658 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Loan, advances and financing (Continued)

(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)

Credit quality descriptions can be summarised as follows:

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

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

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

(ii) Loans, advances and financing that are “past due but not impaired”

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(a) Loans, advances and financing (Continued)****(ii) Loans, advances and financing that are “past due but not impaired” (Continued)**

An age analysis of loans, advances and financing that are “past due but not impaired” is set out below:

| | The Group | | | | | |
|--|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
| | 31 December 2013 | | | 31 December 2012 | | |
| | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 |
| Overdrafts | 388,453 | 62,634 | 451,087 | 559,437 | 84,526 | 643,963 |
| Term loans/financing | 9,574,966 | 3,859,428 | 13,434,394 | 8,321,225 | 3,452,966 | 11,774,191 |
| Bills receivable | 14,292 | 103 | 14,395 | - | 5,384 | 5,384 |
| Trust receipts | 29,267 | 4,082 | 33,349 | 63 | 4,811 | 4,874 |
| Claim on customers under acceptance credit | 3,194 | - | 3,194 | 2,619 | 2,318 | 4,937 |
| Credit card receivables | 287,536 | 25,820 | 313,356 | 267,292 | 27,314 | 294,606 |
| Revolving credit | 5,240 | 3,851 | 9,091 | 3,030 | 2,274 | 5,304 |
| Share margin financing | 4,613 | - | 4,613 | 11,176 | 815 | 11,991 |
| Total | 10,307,561 | 3,955,918 | 14,263,479 | 9,164,842 | 3,580,408 | 12,745,250 |

| | The Bank | | | | | |
|--|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
| | 31 December 2013 | | | 31 December 2012 | | |
| | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 |
| Overdrafts | 321,943 | 50,459 | 372,402 | 508,332 | 65,635 | 573,967 |
| Term loans/financing | 7,000,704 | 2,613,652 | 9,614,356 | 6,711,283 | 2,663,270 | 9,374,553 |
| Bills receivable | - | - | - | - | - | - |
| Trust receipts | 3,894 | - | 3,894 | 63 | - | 63 |
| Claim on customers under acceptance credit | - | - | - | - | - | - |
| Credit card receivables | 285,777 | 24,777 | 310,554 | 264,718 | 26,012 | 290,730 |
| Revolving credit | 1,514 | - | 1,514 | 201 | - | 201 |
| Share margin financing | 4,613 | - | 4,613 | 11,176 | 815 | 11,991 |
| Total | 7,618,445 | 2,688,888 | 10,307,333 | 7,495,773 | 2,755,732 | 10,251,505 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(a) Loan, advances and financing (Continued)****(iii) Impaired loans, advances and financing**

| | The Group | | The Bank | |
|---------------------------------|--|--|--|--|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Total gross impaired loans | 4,274,943 | 4,541,316 | 3,331,299 | 3,692,842 |
| Less: Impairment allowances | (2,595,709) | (2,683,731) | (2,127,044) | (2,281,603) |
| Total net impaired loans | <u>1,679,234</u> | <u>1,857,585</u> | <u>1,204,255</u> | <u>1,411,239</u> |

Refer to Note 7(vii) and 7(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments**

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

| | The Group | | | | | |
|--|----------------------------------|----------------|-------------------|----------------------------------|----------------|-------------------|
| | 31 December 2013 | | | 31 December 2012 | | |
| | Neither past due nor impaired | | Total | Neither past due nor impaired | | Total |
| | (i) | Impaired | | (i) | Impaired | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets held for trading | | | | | | |
| - Money market instruments | 11,086,646 | - | 11,086,646 | 16,058,744 | - | 16,058,744 |
| - Quoted securities | 1,029,154 | - | 1,029,154 | 330,053 | - | 330,053 |
| - Unquoted securities | 8,116,752 | - | 8,116,752 | 6,690,765 | - | 6,690,765 |
| Financial investments available-for-sale | | | | | | |
| - Money market instruments | 4,018,822 | - | 4,018,822 | 5,693,269 | - | 5,693,269 |
| - Quoted securities | 2,618,858 | - | 2,618,858 | 1,199,552 | - | 1,199,552 |
| - Unquoted securities | 18,267,830 | 77,543 | 18,345,373 | 17,319,963 | 482,303 | 17,802,266 |
| Financial investments held-to-maturity | | | | | | |
| - Money market instruments | 2,598,164 | - | 2,598,164 | 770,158 | - | 770,158 |
| - Quoted securities | 1,636,690 | - | 1,636,690 | 2,208,994 | - | 2,208,994 |
| - Unquoted securities | 5,593,071 | 28,400 | 5,621,471 | 5,361,974 | 60,633 | 5,422,607 |
| Total | 54,965,987 | 105,943 | 55,071,930 | 55,633,472 | 542,936 | 56,176,408 |
| Less: Impairment allowance | | | (105,062) * | | | (166,377) * |
| Total net amount | | | 54,966,868 | | | 56,010,031 |

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)**

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows (Continued):

| | The Bank | | | | | |
|--|----------------------------------|---------------|-------------------|----------------------------------|----------------|-------------------|
| | 31 December 2013 | | | 31 December 2012 | | |
| | Neither past due nor impaired | | Total RM'000 | Neither past due nor impaired | | Total RM'000 |
| (i) RM'000 | Impaired RM'000 | (i) RM'000 | | Impaired RM'000 | | |
| Financial assets held for trading | | | | | | |
| - Money market instruments | 8,126,289 | - | 8,126,289 | 10,390,401 | - | 10,390,401 |
| - Unquoted securities | 7,909,900 | - | 7,909,900 | 6,227,201 | - | 6,227,201 |
| Financial investments available-for-sale | | | | | | |
| - Money market instruments | 3,580,747 | - | 3,580,747 | 4,443,626 | - | 4,443,626 |
| - Unquoted securities | 17,414,268 | 77,543 | 17,491,811 | 15,733,853 | 482,303 | 16,216,156 |
| Financial investments held-to-maturity | | | | | | |
| - Money market instruments | 2,598,164 | - | 2,598,164 | 770,158 | - | 770,158 |
| - Unquoted securities | 4,992,363 | - | 4,992,363 | 4,717,685 | - | 4,717,685 |
| Total | 44,621,731 | 77,543 | 44,699,274 | 42,282,924 | 482,303 | 42,765,227 |
| Less: Impairment allowance | | | (77,543) * | | | (132,027) * |
| Total net amount | | | 44,621,731 | | | 42,633,200 |

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

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” as at 31 December 2013 and 31 December 2012 for the Group and the Bank.

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired”**

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

| | 31 December 2013 | | | | The Group | | 31 December 2012 | | | |
|--|-------------------|-----------------------------------|--|------------------|-------------------|-------------------|--------------------------------------|--|------------------|-------------------|
| | Sovereign | Investment grade (AAA to BBB-) | Non investment grade (BB+ and below) | No rating | Total | Sovereign | Investment grade (AAA to BBB-) | Non investment grade (BB+ and below) | No rating | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets held for trading | | | | | | | | | | |
| - Money market instruments | 8,440,148 | 2,646,498 | - | - | 11,086,646 | 12,105,269 | 3,904,897 | 48,550 | 28 | 16,058,744 |
| - Quoted securities | 906,725 | 122,429 | - | - | 1,029,154 | 294,207 | 35,846 | - | - | 330,053 |
| - Unquoted securities | 389,814 | 4,796,722 | 396,057 | 2,534,159 | 8,116,752 | 852,726 | 3,580,775 | 114,553 | 2,142,711 | 6,690,765 |
| Financial investments available-for-sale | | | | | | | | | | |
| - Money market instruments | 3,693,893 | 324,929 | - | - | 4,018,822 | 4,681,492 | 897,679 | 104,099 | 9,999 | 5,693,269 |
| - Quoted securities | 2,363,788 | 255,070 | - | - | 2,618,858 | 1,107,829 | 91,723 | - | - | 1,199,552 |
| - Unquoted securities | 3,702,247 | 12,537,505 | 422,778 | 1,605,300 | 18,267,830 | 3,513,343 | 12,444,869 | 172,197 | 1,189,554 | 17,319,963 |
| Financial investments held-to-maturity | | | | | | | | | | |
| - Money market instruments | 2,380,479 | 217,685 | - | - | 2,598,164 | 285,325 | 484,833 | - | - | 770,158 |
| - Quoted securities | 1,575,719 | 60,971 | - | - | 1,636,690 | 2,176,847 | 32,147 | - | - | 2,208,994 |
| - Unquoted securities | 645,719 | 2,449,495 | - | 2,497,857 | 5,593,071 | 428,425 | 2,863,941 | 154,425 | 1,915,183 | 5,361,974 |
| Total | 24,098,532 | 23,411,304 | 818,835 | 6,637,316 | 54,965,987 | 25,445,463 | 24,336,710 | 593,824 | 5,257,475 | 55,633,472 |

The securities with no ratings mainly consist of private debt securities.

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired” (Continued)**

The table below presents an analysis of financial assets held for trading and financial investments that are “neither past due nor impaired”, based on ratings by major credit rating agencies (Continued):

| | 31 December 2013 | | | | | The Bank | | 31 December 2012 | | | |
|--|-------------------|-------------------------|---------------------------|------------------|-------------------|-------------------|-------------------------|---------------------------|------------------|-------------------|--|
| | Sovereign | Investment grade | Non investment grade | No rating | Total | Sovereign | Investment grade | Non investment grade | No rating | Total | |
| | RM'000 | (AAA to BBB-) RM'000 | (BB+ and below) RM'000 | RM'000 | RM'000 | RM'000 | (AAA to BBB-) RM'000 | (BB+ and below) RM'000 | RM'000 | RM'000 | |
| Financial assets held for trading | | | | | | | | | | | |
| - Money market instruments | 6,228,159 | 1,898,130 | - | - | 8,126,289 | 8,244,110 | 2,097,710 | 48,553 | 28 | 10,390,401 | |
| - Unquoted securities | 389,814 | 4,589,870 | 396,057 | 2,534,159 | 7,909,900 | 782,340 | 3,195,746 | 114,553 | 2,134,562 | 6,227,201 | |
| Financial investments available-for-sale | | | | | | | | | | | |
| - Money market instruments | 3,281,309 | 299,438 | - | - | 3,580,747 | 3,541,114 | 788,414 | 104,099 | 9,999 | 4,443,626 | |
| - Unquoted securities | 3,351,084 | 12,035,681 | 422,778 | 1,604,725 | 17,414,268 | 3,058,753 | 11,348,809 | 172,197 | 1,154,094 | 15,733,853 | |
| Financial investments held-to-maturity | | | | | | | | | | | |
| - Money market instruments | 2,380,479 | 217,685 | - | - | 2,598,164 | 285,325 | 484,833 | - | - | 770,158 | |
| - Unquoted securities | 892,825 | 2,450,963 | - | 1,648,575 | 4,992,363 | 174,974 | 2,838,837 | 154,425 | 1,549,449 | 4,717,685 | |
| Total | 16,523,670 | 21,491,767 | 818,835 | 5,787,459 | 44,621,731 | 16,086,616 | 20,754,349 | 593,827 | 4,848,132 | 42,282,924 | |

The securities with no ratings mainly consist of private debt securities.

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets**

An analysis of the credit quality of the Group's and the Bank's other credit risk financial assets that are "neither past due nor impaired" are set out below:

| | The Group | | | | | | | | | |
|---|-------------------|-----------------------------------|--|------------------|-------------------|-------------------|-----------------------------------|--|------------------|-------------------|
| | 31 December 2013 | | | | | 31 December 2012 | | | | |
| | Sovereign | Investment grade (AAA to BBB-) | Non investment grade (BB+ and below) | No rating | Total | Sovereign | Investment grade (AAA to BBB-) | Non investment grade (BB+ and below) | No rating | Total |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short term funds | 11,967,862 | 10,089,202 | 654 | 225,536 | 22,283,254 | 11,523,229 | 8,583,901 | 1,071 | 144,089 | 20,252,290 |
| Reverse repurchase agreements | 6,007,880 | 743,096 | 882 | 1,241,234 | 7,993,092 | 4,719,379 | 660,407 | - | - | 5,379,786 |
| Deposits and placements with banks and other financial institutions | 206,722 | 3,406,872 | 3,277 | 49,665 | 3,666,536 | 197,098 | 3,514,905 | - | 25,017 | 3,737,020 |
| Other assets | 441,609 | 1,711,771 | - | 727,717 | 2,881,097 | 103,824 | 446,064 | - | 1,254,850 | 1,804,738 |
| Derivative financial instruments | 127,888 | 3,636,906 | 372,311 | 582,242 | 4,719,347 | 62,389 | 3,287,163 | 379,269 | 227,489 | 3,956,310 |
| Amount due from ultimate holding company | - | 28,853 | - | - | 28,853 | - | 28,853 | - | - | 28,853 |
| Amount due from related companies | - | 1,644 | - | 1,091,204 | 1,092,848 | 56 | 11,039 | - | 1,406,654 | 1,417,749 |
| Total | 18,751,961 | 19,618,344 | 377,124 | 3,917,598 | 42,665,027 | 16,605,975 | 16,532,332 | 380,340 | 3,058,099 | 36,576,746 |

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.1 Credit risk (Continued)****52.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

An analysis of the credit quality of the Group's and the Bank's other credit risk financial assets that are "neither past due nor impaired" are set out below (Continued):

| | 31 December 2013 | | | | | The Bank | | | | | 31 December 2012 | | | | |
|---|-------------------|-------------------------|---------------------------|------------------|-------------------|-------------------|-------------------|-------------------------|---------------------------|-------------------|------------------|--------|--------|--|--|
| | Sovereign | Investment grade | Non investment | No rating | | Total | Sovereign | Investment grade | Non investment | No rating | | Total | | | |
| | RM'000 | (AAA to BBB-) RM'000 | (BB+ and below) RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | (AAA to BBB-) RM'000 | (BB+ and below) RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| Cash and short term funds | 6,800,829 | 9,308,765 | 654 | 268,660 | 16,378,908 | 6,001,843 | 8,515,278 | 1,071 | 62,425 | 14,580,617 | | | | | |
| Reverse repurchase agreements | 3,336,187 | 743,096 | 882 | 1,241,234 | 5,321,399 | 4,519,320 | 660,406 | - | - | 5,179,726 | | | | | |
| Deposits and placements with banks and other financial institutions | - | 7,920,211 | - | 30,003 | 7,950,214 | - | 10,683,694 | - | 25,017 | 10,708,711 | | | | | |
| Other assets | 83,018 | 1,445,632 | - | 581,671 | 2,110,321 | 103,523 | 407,000 | - | 881,757 | 1,392,280 | | | | | |
| Derivative financial instruments | 11,317 | 2,990,247 | 370,179 | 537,447 | 3,909,190 | 3,908 | 3,417,392 | 378,116 | 146,136 | 3,945,552 | | | | | |
| Amount due from subsidiaries | - | 135,810 | - | 2,194 | 138,004 | - | 314,445 | - | 1,641 | 316,086 | | | | | |
| Amount due from related companies | - | 1,017 | - | 1,090,527 | 1,091,544 | - | 10,982 | - | 1,404,359 | 1,415,341 | | | | | |
| Total | 10,231,351 | 22,544,778 | 371,715 | 3,751,736 | 36,899,580 | 10,628,594 | 24,009,197 | 379,187 | 2,521,335 | 37,538,313 | | | | | |

There were no financial assets that are "past due but not impaired" or "impaired" as at 31 December 2013 and 31 December 2012 for the Group and the Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as follows:

| | The Group | |
|--|------------------------|-------------|
| | Carrying amount | |
| | 31 December | 31 December |
| | 2013 | 2012 |
| Nature of assets | RM'000 | RM'000 |
| Industrial and residential properties and development land | 136,348 | 120,549 |

Repossessioned collaterals are sold as soon as practicable. The Group does not utilise the repossessioned collaterals for its business use.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.2 Market risk

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates/benchmark rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Market Risk Management (MRM)

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC with the support of Group Market Risk Committee ensures that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC and Group Market Risk Committee, supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

The Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters at 99% confidence level for 1-day holding period.

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/benchmark rate risk, foreign exchange risk and commodity risk. Each business unit is allocated VaR limits for each type of market risk undertaken for effective risk monitoring and control. These limits are approved by the GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are sent to the relevant traders and Group Treasury's Market Risk Analytics Team. The head of each business unit is accountable for all market risk under his/her purview. Any excess in limit will be escalated to management in accordance to the Group's exception management procedures.

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52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

Market Risk Management (MRM) (Continued)

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee, GRC and BRC for its perusal. The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2013 is shown in table 52.2.1.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest. Hence, the resulting market VaR is exposed to the danger that price and rate changes over the stipulated time horizon might not be typical. Example, if the past 500 daily price movements were observed over a period of exceptionally low volatility, then the VaR computed would understate the risk of the portfolio and vice versa.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to the Group Market Risk Committee and GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

In addition to the above, Market Risk Centre of Excellence undertakes the monitoring and oversight process at Group Treasury and Equity Derivatives Group trading floors, which include reviewing treasury trading strategy, analysing positions and activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

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52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as financial assets held for trading as well as financial investments available-for-sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

Treasury products approval processes will be led by Market Risk Centre of Excellence to ensure operational readiness before launching. All new products are assessed by components and in totality to ensure financial risks are accurately identified, monitored and effectively managed.

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions. Back-testing of newly approved or revised models may be conducted to assess the appropriateness of the model and input data used.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework (CAF) (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk-Weighted Assets).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.1 VaR**

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

| | The Group | | The Bank | |
|--|--|-------------------------------|--|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Foreign exchange risk | 2,314 | 3,951 | 1,493 | 3,204 |
| Interest rate risk | 14,708 | 13,961 | 13,465 | 12,337 |
| Equity risk | 486 | 6,757 | 486 | 6,757 |
| Commodity risk | 6 | - | 6 | - |
| Total | 17,514 | 24,669 | 15,450 | 22,298 |
| Total shareholder's fund | 23,086,115 | 20,441,169 | 19,791,740 | 18,017,920 |
| Percentage over shareholder's funds | 0.08% | 0.12% | 0.08% | 0.12% |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk**

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

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

| Note | The Group 31 December 2013 | | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|--|-------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------------|-------------------------------------|------------------------|-----------------|
| | ← | ← | Non-trading book | | → | → | → | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | | |
| Financial assets | | | | | | | | | | |
| Cash and short-term funds | 21,310,776 | - | - | - | - | - | 3,630,390 | - | 24,941,166 | |
| Reverse repurchase agreements | 5,116,815 | 2,856,853 | - | - | - | - | 19,424 | - | 7,993,092 | |
| Deposits and placements with banks and other financial institutions | 1,296,036 | 2,179,028 | 34,345 | - | - | - | 157,127 | - | 3,666,536 | |
| Financial assets held for trading | - | - | - | - | - | - | - | 21,837,868 | 21,837,868 | |
| Financial investments available-for-sale | (i) 14,858 | 353,013 | 460,800 | 1,055,867 | 8,582,063 | 14,202,709 | 1,516,186 | - | 26,185,496 | |
| Financial investments held-to-maturity | (i) 49,947 | 16,985 | 34,948 | 500,259 | 5,440,787 | 3,689,236 | 96,644 | - | 9,828,806 | |
| Derivative financial instruments | | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 4,532,830 | 4,532,830 | |
| - Hedging derivatives | 1,100 | - | - | - | 115,850 | 69,567 | - | - | 186,517 | |
| Loans, advances and financing | (i) 134,100,707 | 15,532,097 | 5,477,170 | 2,887,881 | 13,930,403 | 13,502,357 | - | - | 185,430,615 | |
| Other assets | - | - | 82,115 | - | 110,153 | - | 2,688,829 | - | 2,881,097 | |
| Amount due from ultimate holding company | - | - | - | - | - | - | 28,853 | - | 28,853 | |
| Amount due from related companies | - | - | - | - | - | - | 1,092,848 | - | 1,092,848 | |
| Total financial assets | 161,890,239 | 20,937,976 | 6,089,378 | 4,444,007 | 28,179,256 | 31,463,869 | 9,230,301 | 26,370,698 | 288,605,724 | |

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for the financial year ended 31 December 2013(Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| | The Group 31 December 2013 | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|--|-------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | Non-trading book | | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial liabilities | | | | | | | | | |
| Deposits from customers | 123,123,536 | 26,715,230 | 16,967,945 | 15,324,720 | 2,046,233 | 1,879,167 | 34,190,859 | - | 220,247,690 |
| Deposits and placements of banks and other financial institutions | 8,433,289 | 6,683,559 | 2,366,919 | 1,399,596 | 389,532 | 627,206 | 99,732 | - | 19,999,833 |
| Repurchase agreements | 2,888,315 | 2,201,210 | 47,659 | - | 775,418 | - | 10,186 | - | 5,922,788 |
| Financial liabilities designated at fair value | - | - | - | - | 1,355,543 | 1,049,134 | - | (272,507) | 2,132,170 |
| Derivative financial instruments | - | - | - | - | - | - | - | 5,532,202 | 5,532,202 |
| - Trading derivatives | - | - | - | - | - | - | - | - | - |
| - Hedging derivatives | - | - | 15,312 | 4,536 | 130,619 | 112,044 | - | - | 262,511 |
| Bills and acceptances payable | 1,514,707 | 736,750 | 43,211 | 2,539 | 74,843 | 82,412 | 802,740 | - | 3,257,202 |
| Amount due to related companies | - | - | - | - | - | - | 34,016 | - | 34,016 |
| Other liabilities | - | - | - | - | - | - | 3,444,835 | - | 3,444,835 |
| Amount due to ultimate holding company | - | - | - | - | - | - | 1,450 | - | 1,450 |
| Other borrowings | - | 655,400 | 98,310 | 163,850 | 327,700 | 720,940 | 2,011 | - | 1,968,211 |
| Subordinated obligations | - | - | - | - | 3,612,185 | 5,888,157 | 134,233 | - | 9,634,575 |
| Bonds and debentures | 1,292,420 | 474,993 | 350,197 | - | 3,719,312 | - | 30,158 | - | 5,867,080 |
| Redeemable preference shares | - | - | - | - | 712,140 | - | 7,111 | - | 719,251 |
| Total financial liabilities | 137,252,267 | 37,467,142 | 19,889,553 | 16,895,241 | 13,143,525 | 10,359,060 | 38,757,331 | 5,259,695 | 279,023,814 |
| Net interest sensitivity gap | 24,637,972 | (16,529,166) | (13,800,175) | (12,451,234) | 15,035,731 | 21,104,809 | | 21,111,003 | |
| Financial guarantees and commitments and contingencies | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 2,919,475 | - | 2,919,475 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 59,732,973 | - | 59,732,973 |
| Treasury related commitments and contingencies (hedging) | - | - | 253,878 | 85,947 | 14,233,825 | 6,775,525 | - | - | 21,349,175 |
| Net interest sensitivity gap | - | - | 253,878 | 85,947 | 14,233,825 | 6,775,525 | 62,652,448 | - | 84,001,623 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| Note | The Group 31 December 2012 | | | | | | | Trading book RM'000 | Total RM'000 |
|--|-------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | Non-trading book | | | | | | Non-interest sensitive RM'000 | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial assets | | | | | | | | | |
| Cash and short-term funds | 19,627,786 | - | - | - | - | - | 3,351,090 | - | 22,978,876 |
| Reverse repurchase agreements | 2,396,418 | 1,649,896 | 564,668 | 752,915 | - | - | 15,889 | - | 5,379,786 |
| Deposits and placements with banks and other financial institutions | - | 2,740,614 | 295,441 | 561,436 | - | - | 139,529 | - | 3,737,020 |
| Financial assets held for trading | - | - | - | - | - | - | - | 24,148,212 | 24,148,212 |
| Financial investments available-for-sale | (i) 762,319 | 250,176 | 419,147 | 977,805 | 7,755,134 | 13,933,599 | 1,539,810 | - | 25,637,990 |
| Financial investments held-to-maturity | (i) 1,826,848 | 578,195 | 599,251 | 649,934 | 2,880,850 | 1,772,939 | 59,392 | - | 8,367,409 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 3,727,796 | 3,727,796 |
| - Hedging derivatives | - | 4,599 | 1,269 | 897 | 210,491 | 11,258 | - | - | 228,514 |
| Loans, advances and financing | (i) 112,604,428 | 12,436,409 | 3,219,863 | 1,061,714 | 11,393,180 | 14,975,972 | - | - | 155,691,566 |
| Other assets | - | - | 80,493 | 55,000 | 110,152 | - | 1,559,093 | - | 1,804,738 |
| Amount due from ultimate holding company | - | - | - | - | - | - | 28,853 | - | 28,853 |
| Amount due from related companies | - | - | - | - | - | - | 1,417,749 | - | 1,417,749 |
| Total financial assets | 137,217,799 | 17,659,889 | 5,180,132 | 4,059,701 | 22,349,807 | 30,693,768 | 8,111,405 | 27,876,008 | 253,148,509 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| | The Group 31 December 2012 (Restated) | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|--|--|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | ← | ← | Non-trading book | | → | → | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial liabilities | | | | | | | | | |
| Deposits from customers | 119,514,523 | 22,930,027 | 11,288,669 | 9,695,463 | 4,960,774 | 1,414,870 | 30,433,907 | - | 200,238,233 |
| Deposits and placements of banks and other financial institutions | 9,412,914 | 3,923,968 | 1,357,966 | 54,322 | 435,456 | 511,457 | 55,121 | - | 15,751,204 |
| Repurchase agreements | 1,065,987 | 999,326 | 254,866 | 752,915 | - | - | 10,405 | - | 3,083,499 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 3,615,022 | 3,615,022 |
| - Hedging derivatives | - | - | - | 11 | 109,815 | 261,458 | - | - | 371,284 |
| Bills and acceptances payable | 1,795,871 | 561,591 | 44,041 | 34 | 61,219 | 49,968 | 782,357 | - | 3,295,081 |
| Amount due to related companies | - | - | - | - | - | - | 25,352 | - | 25,352 |
| Other liabilities | - | - | - | - | - | - | 2,640,621 | - | 2,640,621 |
| Other borrowings | - | - | - | - | 1,437,730 | 795,340 | 2,795 | - | 2,235,865 |
| Subordinated obligations | - | 1,491,366 | - | - | 2,643,953 | 5,840,911 | 143,642 | - | 10,119,872 |
| Bonds and debentures | 294,500 | 219,850 | 326,268 | - | 1,689,420 | - | 15,532 | - | 2,545,570 |
| Redeemable preference shares | - | - | - | - | 697,086 | - | 6,638 | - | 703,724 |
| Total financial liabilities | 132,083,795 | 30,126,128 | 13,271,810 | 10,502,745 | 12,035,453 | 8,874,004 | 34,116,370 | 3,615,022 | 244,625,327 |
| Net interest sensitivity gap | 5,134,004 | (12,466,239) | (8,091,678) | (6,443,044) | 10,314,354 | 21,819,764 | | 24,260,986 | |
| Financial guarantees and commitments and contingencies | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 1,617,060 | - | 1,617,060 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 53,054,395 | - | 53,054,395 |
| Treasury related commitments and contingencies (hedging) | - | - | - | 787,602 | 17,638,880 | 447,411 | - | - | 18,873,893 |
| Net interest sensitivity gap | - | - | - | 787,602 | 17,638,880 | 447,411 | 54,671,455 | - | 73,545,348 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

- (i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows:

| | The Group 31 December 2013 | | | | | | | Non-interest sensitive RM'000 | Total RM'000 |
|--|-------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------------|-------------------------------------|-----------------|
| | Non-trading book | | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | - | 90,134 | 137,470 | 184,102 | 724,261 | 2,853,385 | 29,470 | 4,018,822 | |
| - Quoted securities | - | - | 3,913 | 50,043 | 2,339,285 | 206,359 | 91,627 | 2,691,227 | |
| - Unquoted securities | 14,858 | 262,879 | 319,417 | 821,722 | 5,518,517 | 11,142,965 | 1,395,089 | 19,475,447 | |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | - | - | 4,986 | - | 1,278,670 | 1,288,900 | 25,608 | 2,598,164 | |
| - Quoted securities | 49,947 | 16,985 | 29,947 | 300,259 | 1,115,848 | 106,039 | 17,665 | 1,636,690 | |
| - Unquoted securities | - | - | 15 | 200,000 | 3,046,269 | 2,294,297 | 53,371 | 5,593,952 | |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 5,023,985 | - | - | - | - | - | - | 5,023,985 | |
| - Term loans/financing | 111,598,031 | 9,950,706 | 1,398,716 | 784,207 | 13,826,943 | 13,361,352 | - | 150,919,955 | |
| - Bills receivable | 2,843,021 | 2,308,571 | 2,401,200 | 1,564,923 | 897 | - | - | 9,118,612 | |
| - Trust receipts | 551,221 | 868,942 | 441,783 | 4,991 | 2,728 | - | - | 1,869,665 | |
| - Claim on customers under acceptance credit | 1,084,649 | 1,499,548 | 602,200 | 1,231 | - | - | - | 3,187,628 | |
| - Credit card receivables | 5,233,882 | - | - | - | - | - | - | 5,233,882 | |
| - Revolving credit | 7,050,719 | 904,330 | 633,271 | 532,529 | 99,835 | 141,005 | - | 9,361,689 | |
| - Share margin financing | 715,199 | - | - | - | - | - | - | 715,199 | |
| Total | 134,165,512 | 15,902,095 | 5,972,918 | 4,444,007 | 27,953,253 | 31,394,302 | 1,612,830 | 221,444,917 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

- (i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows (Continued):

| | The Group 31 December 2012 | | | | | | | Non-interest sensitive RM'000 | Total RM'000 |
|--|-------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------------|-------------------------------------|-----------------|
| | ← | Non-trading book | | | | | → | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | 310,000 | - | 246,784 | 525,840 | 1,232,746 | 3,335,167 | 42,732 | 5,693,269 | |
| - Quoted securities | 290 | 10,002 | 63,464 | 166,023 | 906,531 | 40,990 | 303,498 | 1,490,798 | |
| - Unquoted securities | 452,029 | 240,174 | 108,899 | 285,942 | 5,615,857 | 10,557,442 | 1,193,580 | 18,453,923 | |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | 744,545 | - | - | - | 4,953 | 20,379 | 281 | 770,158 | |
| - Quoted securities | - | 440,852 | 71,385 | 374,014 | 1,183,489 | 116,015 | 23,239 | 2,208,994 | |
| - Unquoted securities | 1,082,303 | 137,343 | 527,866 | 275,920 | 1,692,408 | 1,636,545 | 35,872 | 5,388,257 | |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 5,199,219 | - | - | - | - | - | - | 5,199,219 | |
| - Term loans/financing | 91,804,958 | 7,478,947 | 1,420,601 | 1,026,472 | 11,391,452 | 14,975,972 | - | 128,098,402 | |
| - Bills receivable | 2,262,332 | 931,102 | 399,018 | 11,742 | - | - | - | 3,604,194 | |
| - Trust receipts | 759,509 | 919,957 | 488,684 | 10,216 | 1,728 | - | - | 2,180,094 | |
| - Claim on customers under acceptance credit | 1,352,958 | 1,549,787 | 736,253 | 1,821 | - | - | - | 3,640,819 | |
| - Credit card receivables | 4,479,508 | - | - | - | - | - | - | 4,479,508 | |
| - Revolving credit | 6,054,257 | 1,556,616 | 175,307 | 11,463 | - | - | - | 7,797,643 | |
| - Share margin financing | 691,687 | - | - | - | - | - | - | 691,687 | |
| Total | 115,193,595 | 13,264,780 | 4,238,261 | 2,689,453 | 22,029,164 | 30,682,510 | 1,599,202 | 189,696,965 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| Note | The Bank 31 December 2013 | | | | | | | Trading book RM'000 | Total RM'000 |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | Non-trading book | | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | | |
| Financial assets | | | | | | | | | |
| Cash and short-term funds | 15,901,432 | - | - | - | - | - | 2,565,720 | - | 18,467,152 |
| Reverse repurchase agreements | 2,446,167 | 2,856,853 | - | - | - | - | 18,379 | - | 5,321,399 |
| Deposits and placements with banks and other financial institutions | 1,452,862 | 4,261,027 | 1,668,784 | 500,000 | - | - | 67,541 | - | 7,950,214 |
| Financial assets held for trading | - | - | - | - | - | - | - | 17,575,173 | 17,575,173 |
| Financial investments available-for-sale | (i) 14,858 | 287,922 | 456,887 | 962,787 | 5,821,045 | 13,251,046 | 1,271,201 | - | 22,065,746 |
| Financial investments held-to-maturity | (i) - | - | 4,986 | 200,000 | 4,230,732 | 3,084,667 | 70,142 | - | 7,590,527 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 3,608,245 | 3,608,245 |
| - Hedging derivatives | 1,100 | - | - | - | 122,035 | 177,810 | - | - | 300,945 |
| Loans, advances and financing | (i) 97,113,737 | 13,598,845 | 4,299,904 | 2,350,787 | 9,521,647 | 5,948,390 | - | - | 132,833,310 |
| Other assets | - | - | 82,115 | - | 122,826 | - | 1,905,380 | - | 2,110,321 |
| Amount due from subsidiaries | - | - | - | - | - | - | 138,004 | - | 138,004 |
| Amount due from related companies | - | - | - | - | - | - | 1,091,544 | - | 1,091,544 |
| Total financial assets | 116,930,156 | 21,004,647 | 6,512,676 | 4,013,574 | 19,818,285 | 22,461,913 | 7,127,911 | 21,183,418 | 219,052,580 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| | The Bank 31 December 2013 | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | ← Non-trading book → | | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial liabilities | | | | | | | | | |
| Deposits from customers | 82,128,486 | 18,531,764 | 9,374,579 | 10,189,786 | 775,220 | 1,706,813 | 33,408,383 | - | 156,115,031 |
| Deposits and placements of banks and other financial institutions | 13,590,723 | 8,276,410 | 4,932,873 | 2,514,835 | 415,515 | 627,206 | 60,146 | - | 30,417,708 |
| Repurchase agreements | - | 1,449,014 | 47,659 | - | 775,418 | - | 4,061 | - | 2,276,152 |
| Financial liabilities designated at fair value | - | - | - | - | 1,200,863 | 1,049,134 | - | (264,043) | 1,985,954 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 4,572,110 | 4,572,110 |
| - Hedging derivatives | - | - | 15,312 | 4,536 | 163,950 | 123,729 | - | - | 307,527 |
| Bills and acceptances payable | 539,931 | 586,071 | 41,953 | 21 | - | - | 749,862 | - | 1,917,838 |
| Bonds and debentures | - | - | - | - | 2,719,645 | - | 16,808 | - | 2,736,453 |
| Amount due to subsidiaries | - | - | - | - | - | - | 35,736 | - | 35,736 |
| Amount due to related company | - | - | - | - | - | - | 21,156 | - | 21,156 |
| Other liabilities | - | - | - | - | - | - | 3,005,944 | - | 3,005,944 |
| Other borrowing | - | 655,400 | 98,310 | 163,850 | 327,700 | 720,940 | 2,011 | - | 1,968,211 |
| Subordinated obligations | - | - | - | - | 4,074,325 | 4,684,113 | 70,359 | - | 8,828,797 |
| Total financial liabilities | 96,259,140 | 29,498,659 | 14,510,686 | 12,873,028 | 10,452,636 | 8,911,935 | 37,374,466 | 4,308,067 | 214,188,617 |
| Net interest sensitivity gap | 20,671,016 | (8,494,012) | (7,998,010) | (8,859,454) | 9,365,649 | 13,549,978 | | 16,875,351 | |
| Financial guarantees and commitments and contingencies | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 2,503,380 | - | 2,503,380 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 52,827,550 | - | 52,827,550 |
| Treasury related commitments and contingencies (hedging) | - | - | 253,878 | 85,947 | 16,669,295 | 11,165,649 | - | - | 28,174,769 |
| Net interest sensitivity gap | - | - | 253,878 | 85,947 | 16,669,295 | 11,165,649 | 55,330,930 | - | 83,505,699 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| Note | The Bank 31 December 2012 | | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------------|-------------------------------------|------------------------|-----------------|
| | Non-trading book | | | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | | |
| Financial assets | | | | | | | | | | |
| Cash and short-term funds | 14,522,146 | - | - | - | - | - | 2,417,759 | - | 16,939,905 | |
| Reverse repurchase agreements | 2,196,418 | 1,649,896 | 564,668 | 752,915 | - | - | 15,829 | - | 5,179,726 | |
| Deposits and placements with banks and other financial institutions | - | 4,574,505 | 165,940 | 474,378 | 5,287,238 | - | 206,650 | - | 10,708,711 | |
| Financial assets held for trading | - | - | - | - | - | - | - | 17,626,483 | 17,626,483 | |
| Financial investments available-for-sale | (i) 762,319 | 240,174 | 355,683 | 698,348 | 5,967,480 | 12,117,110 | 1,138,333 | - | 21,279,447 | |
| Financial investments held-to-maturity | (i) 1,826,848 | - | 485,020 | 275,920 | 1,712,839 | 1,156,926 | 30,290 | - | 5,487,843 | |
| Derivative financial instruments | | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 3,463,456 | 3,463,456 | |
| - Hedging derivatives | - | 4,599 | 1,269 | 897 | 204,501 | 270,830 | - | - | 482,096 | |
| Loans, advances and financing | (i) 80,808,324 | 9,587,827 | 2,168,479 | 697,424 | 8,122,304 | 6,701,725 | - | - | 108,086,083 | |
| Other assets | - | - | 80,493 | 55,000 | 110,153 | - | 1,146,634 | - | 1,392,280 | |
| Amount due from ultimate holding company | - | - | - | - | - | - | - | - | - | |
| Amount due from subsidiaries | - | - | - | - | - | - | 316,086 | - | 316,086 | |
| Amount due from related companies | - | - | - | - | - | - | 1,415,341 | - | 1,415,341 | |
| Total financial assets | 100,116,055 | 16,057,001 | 3,821,552 | 2,954,882 | 21,404,515 | 20,246,591 | 6,686,922 | 21,089,939 | 192,377,457 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

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

| | The Bank 31 December 2012 | | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------|--------------------|
| | ← | Non-trading book | | → | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial liabilities | | | | | | | | | |
| Deposits from customers | 80,195,839 | 15,106,908 | 6,824,040 | 7,901,668 | 4,205,135 | 1,177,709 | 30,003,863 | - | 145,415,162 |
| Deposits and placements of banks and other financial institutions | 10,025,055 | 3,308,863 | 2,482,090 | 2,177,432 | 435,456 | 511,457 | 48,042 | - | 18,988,395 |
| Repurchase agreements | 765,987 | 999,326 | 254,866 | 752,915 | - | - | 10,314 | - | 2,783,408 |
| Derivative financial instruments | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 3,401,607 | 3,401,607 |
| - Hedging derivatives | - | - | - | 11 | 107,102 | 274,203 | - | - | 381,316 |
| Bills and acceptances payable | 755,447 | 310,591 | 34,041 | 34 | - | - | 744,276 | - | 1,844,389 |
| Bonds and debentures | - | - | 185,468 | - | 1,068,320 | - | 13,979 | - | 1,267,767 |
| Amount due to subsidiaries | - | - | - | - | - | - | 70,522 | - | 70,522 |
| Amount due to related company | - | - | - | - | - | - | 22 | - | 22 |
| Other liabilities | - | - | - | - | - | - | 2,302,409 | - | 2,302,409 |
| Other borrowings | - | - | - | - | 1,619,772 | 795,340 | 2,956 | - | 2,418,068 |
| Subordinated obligations | - | 1,491,366 | - | - | 3,091,039 | 4,709,591 | 75,236 | - | 9,367,232 |
| Total financial liabilities | 91,742,328 | 21,217,054 | 9,780,505 | 10,832,060 | 10,526,824 | 7,468,300 | 33,271,619 | 3,401,607 | 188,240,297 |
| Net interest sensitivity gap | 8,373,727 | (5,160,053) | (5,958,953) | (7,877,178) | 10,877,691 | 12,778,291 | | 17,688,332 | |
| Financial guarantees and commitments and contingencies | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 1,297,977 | - | 1,297,977 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 46,847,796 | - | 46,847,796 |
| Treasury related commitments and contingencies (hedging) | - | - | - | 720,000 | 24,785,033 | 447,411 | - | - | 25,952,444 |
| Net interest sensitivity gap | - | - | - | 720,000 | 24,785,033 | 447,411 | 48,145,773 | - | 74,098,217 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

- (i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Bank are further analysed by classes of financial assets as follows:

| | The Bank 31 December 2013 | | | | | | | Total RM'000 |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|--------------------|
| | Non-trading book | | | | | | Non-interest sensitive RM'000 | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | |
| Financial investments available-for-sale | | | | | | | | |
| - Money market instruments | - | 25,042 | 137,470 | 164,036 | 651,955 | 2,577,032 | 25,212 | 3,580,747 |
| - Quoted securities | - | - | - | - | - | - | 27 | 27 |
| - Unquoted securities | 14,858 | 262,880 | 319,417 | 798,751 | 5,169,090 | 10,674,014 | 1,245,962 | 18,484,972 |
| Financial investments held-to-maturity | | | | | | | | |
| - Money market instruments | - | - | 4,986 | - | 1,278,670 | 1,288,900 | 25,608 | 2,598,164 |
| - Unquoted securities | - | - | - | 200,000 | 2,952,062 | 1,795,767 | 44,534 | 4,992,363 |
| Loans, advances and financing | | | | | | | | |
| - Overdrafts | 3,682,937 | - | - | - | - | - | - | 3,682,937 |
| - Term loans/financing | 80,094,773 | 9,726,398 | 1,123,388 | 247,814 | 9,421,812 | 5,807,383 | - | 106,421,568 |
| - Bills receivable | 1,052,181 | 1,600,469 | 2,115,133 | 1,544,140 | - | - | - | 6,311,923 |
| - Trust receipts | 158,411 | 286,667 | 116,600 | - | - | - | - | 561,678 |
| - Claim on customers under acceptance credit | 941,286 | 1,340,987 | 544,688 | 1,231 | - | - | - | 2,828,192 |
| - Credit card receivables | 5,133,365 | - | - | - | - | - | - | 5,133,365 |
| - Revolving credit | 5,351,778 | 644,324 | 400,095 | 557,602 | 99,835 | 141,007 | - | 7,194,641 |
| - Share margin financing | 699,006 | - | - | - | - | - | - | 699,006 |
| Total | 97,128,595 | 13,886,767 | 4,761,777 | 3,513,574 | 19,573,424 | 22,284,103 | 1,341,343 | 162,489,583 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)**

- (i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Bank are further analysed by classes of financial assets as follows (Continued):

| | The Bank 31 December 2012 | | | | | | | Non-interest sensitive RM'000 | Total RM'000 |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------------|-------------------------------------|-----------------|
| | ← | Non-trading book | | | | | → | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | | | |
| Financial investments available-for-sale | | | | | | | | | |
| - Money market instruments | 310,000 | - | 246,784 | 425,727 | 663,029 | 2,766,886 | 31,200 | 4,443,626 | |
| - Quoted securities | 289 | - | - | - | - | - | - | 289 | |
| - Unquoted securities | 452,030 | 240,174 | 108,899 | 272,621 | 5,304,451 | 9,350,224 | 1,107,133 | 16,835,532 | |
| Financial investments held-to-maturity | | | | | | | | | |
| - Money market instruments | 744,545 | - | - | - | 4,952 | 20,380 | 281 | 770,158 | |
| - Unquoted securities | 1,082,303 | - | 485,020 | 275,920 | 1,707,887 | 1,136,546 | 30,009 | 4,717,685 | |
| Loans, advances and financing | | | | | | | | | |
| - Overdrafts | 3,948,883 | - | - | - | - | - | - | 3,948,883 | |
| - Term loans/financing | 63,994,554 | 7,144,937 | 1,190,388 | 682,817 | 8,122,304 | 6,701,725 | - | 87,836,725 | |
| - Bills receivable | 696,355 | 244,421 | 107,118 | 1,322 | - | - | - | 1,049,216 | |
| - Trust receipts | 226,999 | 232,575 | 108,620 | - | - | - | - | 568,194 | |
| - Claim on customers under acceptance credit | 1,239,062 | 1,375,849 | 697,097 | 1,822 | - | - | - | 3,313,830 | |
| - Credit card receivables | 4,383,197 | - | - | - | - | - | - | 4,383,197 | |
| - Revolving credit | 5,662,643 | 590,045 | 65,256 | 11,463 | - | - | - | 6,329,407 | |
| - Share margin financing | 656,631 | - | - | - | - | - | - | 656,631 | |
| Total | 83,397,491 | 9,828,001 | 3,009,182 | 1,671,692 | 15,802,623 | 19,975,761 | 1,168,623 | 134,853,373 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)****(c) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in interest rates:

| | The Group | | | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | +100 basis point | -100 basis point | +100 basis point | -100 basis point |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impact to profit (after tax) | (15,667) | 15,667 | (97,443) | 97,443 |

| | The Bank | | | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | +100 basis point | -100 basis point | +100 basis point | -100 basis point |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impact to profit (after tax) | 43,308 | (43,308) | (15,784) | 15,784 |

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.2 Interest rate risk (Continued)****(d) Sensitivity of reserves**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in interest rates:

| | The Group | | | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | +100 basis point RM'000 | -100 basis point RM'000 | +100 basis point RM'000 | -100 basis point RM'000 |
| Impact to revaluation reserve-financial investments available-for-sale | (1,349,257) | 1,349,257 | (1,362,118) | 1,362,118 |

| | The Bank | | | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | +100 basis point RM'000 | -100 basis point RM'000 | +100 basis point RM'000 | -100 basis point RM'000 |
| Impact to revaluation reserve-financial investments available-for-sale | (1,197,131) | 1,197,131 | (1,161,900) | 1,161,900 |

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserve in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this interest rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective interest movements.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk**

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

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

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

| The Group 31 December 2013 | | | | | | | | | | | |
|---|-------------|--------|------------|------------|------------|---------|-----------|---------|-----------|---------------|-------------|
| | MYR | IDR | THB | SGD | USD | AUD | GBP | JPY | Others | Total non- | Grand total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | MYR RM'000 | RM'000 |
| Financial assets | | | | | | | | | | | |
| Cash and short-term funds | 15,708,649 | 21,599 | 527,895 | 425,472 | 5,695,726 | 31,035 | 440,862 | 96,590 | 1,993,338 | 9,232,517 | 24,941,166 |
| Reverse repurchase agreements | 4,473,472 | - | 2,671,693 | 520,406 | 282,203 | 19,963 | 13,316 | - | 12,039 | 3,519,620 | 7,993,092 |
| Deposits and placements with banks and other financial institutions | 1,685,566 | - | 54,651 | 314 | 1,876,809 | 9,938 | - | - | 39,258 | 1,980,970 | 3,666,536 |
| Financial assets held for trading | | | | | | | | | | | |
| - Money market instruments | 6,839,782 | - | - | 4,140,692 | 106,172 | - | - | - | - | 4,246,864 | 11,086,646 |
| - Quoted securities | 793,022 | 22,530 | 1,029,154 | 58,872 | 434,795 | 149,245 | - | - | 73,804 | 1,768,400 | 2,561,422 |
| - Unquoted securities | 4,823,539 | - | - | 624,278 | 2,477,071 | 3,371 | 171,485 | - | 90,056 | 3,366,261 | 8,189,800 |
| Financial investments available-for-sale | | | | | | | | | | | |
| - Money market instruments | 3,640,726 | - | - | - | 292,902 | - | 85,194 | - | - | 378,096 | 4,018,822 |
| - Quoted securities | - | - | 2,691,200 | 27 | - | - | - | - | - | 2,691,227 | 2,691,227 |
| - Unquoted securities | 13,511,990 | 34,341 | 28,327 | 1,186,778 | 4,255,217 | 55,860 | - | - | 402,934 | 5,963,457 | 19,475,447 |
| Financial investments held-to-maturity | | | | | | | | | | | |
| - Money market instruments | 1,838,618 | - | - | 496,060 | 263,486 | - | - | - | - | 759,546 | 2,598,164 |
| - Quoted securities | - | - | 1,628,612 | - | - | - | - | - | 8,078 | 1,636,690 | 1,636,690 |
| - Unquoted securities | 4,342,338 | - | 881 | 1,250,733 | - | - | - | - | - | 1,251,614 | 5,593,952 |
| Derivative financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,375,003 | 4,068 | 241,619 | 107,499 | 1,604,636 | 18,776 | - | 58,842 | 122,387 | 2,157,827 | 4,532,830 |
| - Hedging derivatives | 44,078 | - | - | 2,155 | 137,604 | - | 715 | - | 1,965 | 142,439 | 186,517 |
| Loans, advances and financing | | | | | | | | | | | |
| - Overdrafts | 4,050,165 | - | 735,109 | 93,274 | 145,436 | 1 | - | - | - | 973,820 | 5,023,985 |
| - Term loans/financing | 114,856,839 | - | 11,450,694 | 10,527,760 | 11,048,754 | 371,320 | 1,663,083 | 258,866 | 742,639 | 36,063,116 | 150,919,955 |
| - Bills receivable | 85,188 | - | 2,707,924 | 115,809 | 2,226,335 | - | 2,327 | 7,781 | 3,973,248 | 9,033,424 | 9,118,612 |
| - Trust receipts | 272,285 | - | 861,378 | 75,969 | 609,616 | - | 17,902 | 11,233 | 21,282 | 1,597,380 | 1,869,665 |
| - Claim on customers under acceptance credit | 3,187,179 | - | 279 | - | 170 | - | - | - | - | 449 | 3,187,628 |
| - Credit card receivables | 4,245,765 | - | - | 988,117 | - | - | - | - | - | 988,117 | 5,233,882 |
| - Revolving credit | 6,229,990 | - | 81,549 | 1,143,170 | 1,415,460 | 17,633 | 377,707 | 51,594 | 44,586 | 3,131,699 | 9,361,689 |
| - Share margin financing | 715,199 | - | - | - | - | - | - | - | - | - | 715,199 |
| Other assets | 1,314,856 | 269 | 391,994 | 31,282 | 1,134,063 | 746 | 1,768 | 89 | 6,030 | 1,566,241 | 2,881,097 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,092,379 | 115 | 198 | 3 | 18 | - | 91 | - | 44 | 469 | 1,092,848 |
| | 196,155,481 | 82,922 | 25,103,157 | 21,788,670 | 34,006,473 | 677,888 | 2,774,450 | 484,995 | 7,531,688 | 92,450,243 | 288,605,724 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| The Group 31 December 2013 | | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|-----------------------------|-----------------------|-------------|
| MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | Others RM'000 | Total non- MYR RM'000 | Grand total RM'000 | |
| Financial liabilities | | | | | | | | | | | |
| Deposits from customers | 160,191,809 | 43 | 15,220,376 | 21,444,568 | 18,944,452 | 1,352,722 | 1,170,395 | 206,843 | 1,716,482 | 60,055,881 | 220,247,690 |
| Deposits and placements of banks and other financial institutions | 6,080,988 | - | 289,109 | 843,653 | 9,843,652 | 477,946 | 577,357 | 640,607 | 1,246,521 | 13,918,845 | 19,999,833 |
| Repurchase agreements | 1,010,453 | - | 3,646,636 | 776,545 | 417,753 | - | - | - | 71,401 | 4,912,335 | 5,922,788 |
| Derivatives financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,788,717 | 47,018 | 221,483 | 185,646 | 1,914,455 | 162,094 | 2,902 | 37,018 | 172,869 | 2,743,485 | 5,532,202 |
| - Hedging derivatives | 163,871 | - | 288 | 5,255 | 87,784 | - | 1,491 | - | 3,822 | 98,640 | 262,511 |
| Bills and acceptances payable | 1,828,259 | - | 1,260,598 | - | 108,452 | 59,876 | 17 | - | - | 1,428,943 | 3,257,202 |
| Amount due to ultimate holding company | 1,450 | - | - | - | - | - | - | - | - | - | 1,450 |
| Amount due to related companies | 30,243 | - | - | 92 | 3,681 | - | - | - | - | 3,773 | 34,016 |
| Other liabilities | 2,619,058 | 129 | 281,675 | 580 | 522,263 | 7,711 | 10,697 | - | 2,722 | 825,777 | 3,444,835 |
| Other borrowings | - | - | - | - | 1,968,211 | - | - | - | - | 1,968,211 | 1,968,211 |
| Bonds and debentures | 500,080 | - | 2,630,547 | 51,121 | 1,354,902 | - | - | - | 1,330,430 | 5,367,000 | 5,867,080 |
| Subordinated obligations | 8,964,939 | - | 669,636 | - | - | - | - | - | - | 669,636 | 9,634,575 |
| Financial liabilities designated at fair value | 1,979,716 | - | - | 152,454 | - | - | - | - | - | 152,454 | 2,132,170 |
| Redeemable preference shares | 719,251 | - | - | - | - | - | - | - | - | - | 719,251 |
| | 186,878,834 | 47,190 | 24,220,348 | 23,459,914 | 35,165,605 | 2,060,349 | 1,762,859 | 884,468 | 4,544,247 | 92,144,980 | 279,023,814 |
| Financial guarantees | 1,278,211 | - | 105,478 | - | 1,252,222 | - | 101,578 | - | 181,986 | 1,641,264 | 2,919,475 |
| Credit related commitments and contingencies | 48,945,751 | - | 913,258 | 3,895,457 | 4,773,294 | 3,265 | 786,216 | 311,674 | 104,058 | 10,787,222 | 59,732,973 |
| | 50,223,962 | - | 1,018,736 | 3,895,457 | 6,025,516 | 3,265 | 887,794 | 311,674 | 286,044 | 12,428,486 | 62,652,448 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Group 31 December 2012 (Restated) | | | | | | | | | | |
|---|--|---------|------------|------------|------------|---------|-----------|---------|-----------|---------------|-------------|
| | MYR | IDR | THB | SGD | USD | AUD | GBP | JPY | Others | Total non- | Grand total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | MYR RM'000 | RM'000 |
| Financial assets | | | | | | | | | | | |
| Cash and short-term funds | 15,894,881 | 24,664 | 291,235 | 560,477 | 3,789,770 | 168,218 | 889,143 | 508,957 | 851,531 | 7,083,995 | 22,978,876 |
| Reverse repurchase agreements | 4,237,895 | - | 200,060 | 533,845 | 407,986 | - | - | - | - | 1,141,891 | 5,379,786 |
| Deposits and placements with banks and other financial institutions | 638,044 | - | 54,710 | 476,738 | 2,302,155 | 50,405 | 99,298 | - | 115,670 | 3,098,976 | 3,737,020 |
| Financial assets held for trading | | | | | | | | | | | |
| - Money market instruments | 12,420,810 | - | 9,981 | 3,525,742 | 102,211 | - | - | - | - | 3,637,934 | 16,058,744 |
| - Quoted securities | 567,207 | - | 330,052 | 21,193 | 394,388 | 7,088 | - | - | 12,462 | 765,183 | 1,332,390 |
| - Unquoted securities | 4,543,246 | 338 | - | 582,251 | 1,569,075 | 16,660 | - | - | 45,508 | 2,213,832 | 6,757,078 |
| Financial investments available-for-sale | | | | | | | | | | | |
| - Money market instruments | 5,382,129 | 104,099 | - | - | 157,644 | - | 49,397 | - | - | 311,140 | 5,693,269 |
| - Quoted securities | - | - | 1,490,509 | 289 | - | - | - | - | - | 1,490,798 | 1,490,798 |
| - Unquoted securities | 13,810,180 | 51,841 | 80,671 | 548,141 | 3,591,245 | 59,950 | - | - | 311,895 | 4,643,743 | 18,453,923 |
| Financial investments held-to-maturity | | | | | | | | | | | |
| - Money market instruments | 25,613 | - | - | 491,634 | 252,911 | - | - | - | - | 744,545 | 770,158 |
| - Quoted securities | - | - | 2,208,994 | - | - | - | - | - | - | 2,208,994 | 2,208,994 |
| - Unquoted securities | 4,305,264 | - | 690 | 1,082,303 | - | - | - | - | - | 1,082,993 | 5,388,257 |
| Derivative financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,248,072 | 16,482 | 87,436 | 52,686 | 1,230,193 | 24,180 | 108 | 7,569 | 61,070 | 1,479,724 | 3,727,796 |
| - Hedging derivatives | 73,189 | - | - | 3,070 | 142,515 | - | 637 | - | 9,103 | 155,325 | 228,514 |
| Loans, advances and financing | | | | | | | | | | | |
| - Overdrafts | 4,292,519 | - | 706,817 | 99,071 | 100,772 | - | - | - | 40 | 906,700 | 5,199,219 |
| - Term loans/financing | 101,848,658 | - | 8,928,373 | 8,174,575 | 6,435,967 | 392,526 | 1,657,128 | 156,514 | 504,661 | 26,249,744 | 128,098,402 |
| - Bills receivable | 27,997 | - | 2,502,400 | 81,905 | 875,615 | - | - | 9,955 | 106,322 | 3,576,197 | 3,604,194 |
| - Trust receipts | 321,381 | - | 1,288,497 | 59,563 | 478,087 | - | 2,926 | 3,592 | 26,048 | 1,858,713 | 2,180,094 |
| - Claim on customers under acceptance credit | 3,640,506 | - | 313 | - | - | - | - | - | - | 313 | 3,640,819 |
| - Credit card receivables | 3,848,908 | - | - | 630,600 | - | - | - | - | - | 630,600 | 4,479,508 |
| - Revolving credit | 4,950,672 | - | 63,779 | 951,582 | 1,337,240 | 17,862 | 450,070 | - | 26,438 | 2,846,971 | 7,797,643 |
| - Share margin financing | 691,687 | - | - | - | - | - | - | - | - | - | 691,687 |
| Other assets | 1,119,677 | - | 247,958 | 116,505 | 314,214 | - | 3,938 | 259 | 2,187 | 685,061 | 1,804,738 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,417,581 | 17 | 91 | 1 | 17 | - | - | - | 42 | 168 | 1,417,749 |
| | 186,334,969 | 197,441 | 18,492,566 | 17,992,171 | 23,482,005 | 736,889 | 3,152,645 | 686,846 | 2,072,977 | 66,813,540 | 253,148,509 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| The Group 31 December 2012 (Restated) | | | | | | | | | | | |
|---|-------------|---------|------------|------------|------------|-----------|-----------|---------|-----------|---------------|-------------|
| | MYR | IDR | THB | SGD | USD | AUD | GBP | JPY | Others | Total non-MYR | Grand total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | | | | | | | |
| Deposits from customers | 149,043,753 | 18 | 13,175,534 | 15,469,759 | 19,402,635 | 606,931 | 854,156 | 182,961 | 1,502,486 | 51,194,480 | 200,238,233 |
| Deposits and placements of banks and other financial institutions | 6,577,225 | - | 447,367 | 1,230,025 | 5,486,629 | 418,938 | 632,640 | 154,141 | 804,239 | 9,173,979 | 15,751,204 |
| Repurchase agreements | 2,017,421 | - | 300,091 | 765,987 | - | - | - | - | - | 1,066,078 | 3,083,499 |
| Derivatives financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,084,979 | 17,140 | 101,001 | 102,921 | 1,207,820 | 22,034 | 39 | 3,155 | 75,933 | 1,530,043 | 3,615,022 |
| - Hedging derivatives | 253,637 | - | 1,356 | 2,334 | 103,768 | - | 3,043 | - | 7,146 | 117,647 | 371,284 |
| Bills and acceptances payable | 1,797,735 | - | 1,450,604 | 45,313 | 1,413 | - | 16 | - | - | 1,497,346 | 3,295,081 |
| Amount due to related companies | 21,659 | - | 2,372 | - | 1,321 | - | - | - | - | 3,693 | 25,352 |
| Other liabilities | 2,065,271 | 59 | 178,513 | 297,770 | 92,181 | 1,043 | 1,585 | 1,099 | 3,100 | 575,350 | 2,640,621 |
| Other borrowings | - | - | - | - | 2,235,865 | - | - | - | - | 2,235,865 | 2,235,865 |
| Bonds and debentures | 500,161 | - | 777,642 | - | 1,079,268 | - | - | - | 188,499 | 2,045,409 | 2,545,570 |
| Subordinated obligations | 9,525,260 | - | 594,612 | - | - | - | - | - | - | 594,612 | 10,119,872 |
| Redeemable preference shares | 703,724 | - | - | - | - | - | - | - | - | - | 703,724 |
| | 174,590,825 | 17,217 | 17,029,092 | 17,914,109 | 29,610,900 | 1,048,946 | 1,491,479 | 341,356 | 2,581,403 | 70,034,502 | 244,625,327 |
| Financial guarantees | 807,775 | - | 85,994 | 167,252 | 229,153 | - | 138,279 | 5,359 | 183,248 | 809,285 | 1,617,060 |
| Credit related commitments and contingencies | 42,476,159 | 164,148 | 906,641 | 5,773,859 | 2,995,397 | 1,362 | 282,614 | 98,114 | 356,101 | 10,578,236 | 53,054,395 |
| | 43,283,934 | 164,148 | 992,635 | 5,941,111 | 3,224,550 | 1,362 | 420,893 | 103,473 | 539,349 | 11,387,521 | 54,671,455 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| The Bank 31 December 2013 | | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|-----------------------------|-----------------------|
| | MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | Others RM'000 | Total non- MYR RM'000 | Grand total RM'000 |
| Financial assets | | | | | | | | | | | |
| Cash and short-term funds | 10,312,117 | 24,365 | 9,523 | 423,216 | 5,292,693 | 26,588 | 409,163 | 35,607 | 1,933,880 | 8,155,035 | 18,467,152 |
| Reverse repurchase agreements | 4,473,472 | - | - | 520,406 | 282,203 | 19,963 | 13,316 | - | 12,039 | 847,927 | 5,321,399 |
| Deposits and placements with banks and other financial institutions | 6,069,873 | - | - | 2,073 | 1,829,072 | 9,938 | - | - | 39,258 | 1,880,341 | 7,950,214 |
| Financial assets held for trading | | | | | | | | | | | |
| - Money market instruments | 3,879,425 | - | - | 4,140,692 | 106,172 | - | - | - | - | 4,246,864 | 8,126,289 |
| - Quoted securities | 793,022 | 22,530 | - | 58,872 | 434,795 | 149,245 | - | - | 73,804 | 739,246 | 1,532,268 |
| - Unquoted securities | 4,616,687 | - | - | 624,278 | 2,410,739 | 3,371 | 171,485 | - | 90,056 | 3,299,929 | 7,916,616 |
| Financial investments available-for-sale | | | | | | | | | | | |
| - Money market instruments | 3,237,444 | - | - | - | 258,109 | - | 85,194 | - | - | 343,303 | 3,580,747 |
| - Quoted securities | - | - | - | 27 | - | - | - | - | - | 27 | 27 |
| - Unquoted securities | 12,665,364 | 34,341 | 24,517 | 1,186,190 | 4,115,832 | 55,860 | - | - | 402,868 | 5,819,608 | 18,484,972 |
| Financial investments held-to-maturity | | | | | | | | | | | |
| - Money market instruments | 1,838,618 | - | - | 496,060 | 263,486 | - | - | - | - | 759,546 | 2,598,164 |
| - Unquoted securities | 3,741,630 | - | - | 1,250,733 | - | - | - | - | - | 1,250,733 | 4,992,363 |
| Derivative financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,275,816 | 4,068 | 80,175 | 105,991 | 1,031,968 | 12,444 | - | 40,268 | 57,515 | 1,332,429 | 3,608,245 |
| - Hedging derivatives | 158,186 | - | - | 2,155 | 137,924 | - | 715 | - | 1,965 | 142,759 | 300,945 |
| Loans, advances and financing | | | | | | | | | | | |
| - Overdrafts | 3,586,226 | - | - | 93,274 | 3,436 | 1 | - | - | - | 96,711 | 3,682,937 |
| - Term loans/financing | 82,604,299 | - | - | 10,527,760 | 10,548,132 | 371,320 | 1,663,083 | 258,866 | 448,108 | 23,817,269 | 106,421,568 |
| - Bills receivable | 82,307 | - | - | 115,809 | 2,150,116 | - | 2,327 | 7,781 | 3,953,583 | 6,229,616 | 6,311,923 |
| - Trust receipts | 248,389 | - | - | 75,969 | 218,374 | - | 13,310 | 4,525 | 1,111 | 313,289 | 561,678 |
| - Claim on customers under acceptance credit | 2,828,192 | - | - | - | - | - | - | - | - | - | 2,828,192 |
| - Credit card receivables | 4,145,248 | - | - | 988,117 | - | - | - | - | - | 988,117 | 5,133,365 |
| - Revolving credit | 4,160,132 | - | - | 1,143,170 | 1,399,819 | 17,633 | 377,707 | 51,594 | 44,586 | 3,034,509 | 7,194,641 |
| - Share margin financing | 699,006 | - | - | - | - | - | - | - | - | - | 699,006 |
| Other assets | 1,191,900 | 269 | - | 31,269 | 878,272 | 746 | 1,767 | 64 | 6,034 | 918,421 | 2,110,321 |
| Amount due from subsidiaries | 100,496 | - | - | - | 4,495 | - | 72 | - | 32,941 | 37,508 | 138,004 |
| Amount due from related companies | 1,091,274 | 13 | 119 | 3 | - | - | 91 | - | 44 | 270 | 1,091,544 |
| | 154,799,123 | 85,586 | 114,334 | 21,786,064 | 31,365,637 | 667,109 | 2,738,230 | 398,705 | 7,097,792 | 64,253,457 | 219,052,580 |
| Financial liabilities | | | | | | | | | | | |
| Deposits from customers | 123,244,386 | 1 | 25,560 | 20,925,304 | 7,709,454 | 1,351,711 | 994,134 | 206,334 | 1,658,147 | 32,870,645 | 156,115,031 |
| Deposits and placements of banks and other financial institutions | 5,951,023 | - | - | 1,364,636 | 19,993,572 | 477,946 | 750,585 | 639,837 | 1,240,109 | 24,466,685 | 30,417,708 |
| Repurchase agreements | 1,010,453 | - | - | 776,545 | 417,753 | - | - | - | 71,401 | 1,265,699 | 2,276,152 |
| Derivatives financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,720,831 | 47,018 | 68,433 | 185,646 | 1,255,888 | 155,765 | 2,901 | 36,270 | 99,358 | 1,851,279 | 4,572,110 |
| - Hedging derivatives | 208,204 | - | - | 5,255 | 88,755 | - | 1,491 | - | 3,822 | 99,323 | 307,527 |
| Bills and acceptances payable | 1,828,259 | - | - | - | 29,703 | 59,876 | - | - | - | 89,579 | 1,917,838 |
| Amount due to subsidiaries | 21,931 | - | 681 | 13,122 | - | - | - | - | 2 | 13,805 | 35,736 |
| Amount due to related companies | 21,023 | - | - | 92 | 41 | - | - | - | - | 133 | 21,156 |
| Other liabilities | 2,500,992 | 124 | 10 | 119 | 485,443 | 7,267 | 10,486 | - | 1,503 | 504,952 | 3,005,944 |
| Other borrowings | - | - | - | - | 1,968,211 | - | - | - | - | 1,968,211 | 1,968,211 |
| Bonds and debentures | - | - | - | 51,121 | 1,354,902 | - | - | - | 1,330,430 | 2,736,453 | 2,736,453 |
| Subordinated notes | 8,109,546 | - | - | - | 719,251 | - | - | - | - | 719,251 | 8,828,797 |
| Financial liabilities designated at fair value | 1,833,500 | - | - | 152,454 | - | - | - | - | - | 152,454 | 1,985,954 |
| | 147,450,148 | 47,143 | 94,684 | 23,474,294 | 34,022,973 | 2,052,565 | 1,759,597 | 882,441 | 4,404,772 | 66,738,469 | 214,188,617 |
| Financial guarantees | 1,125,425 | - | - | - | 1,094,391 | - | 101,578 | - | 181,986 | 1,377,955 | 2,503,380 |
| Credit related commitments and contingencies | 43,683,278 | - | 831 | 3,891,311 | 4,183,863 | 3,265 | 781,201 | 231,689 | 52,112 | 9,144,272 | 52,827,550 |
| | 44,808,703 | - | 831 | 3,891,311 | 5,278,254 | 3,265 | 882,779 | 231,689 | 234,098 | 10,522,227 | 55,330,930 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | | The Bank | | | | | | | | | |
|---|-------------|-----------------------------|---------|------------|------------|-----------|-----------|---------|-----------|------------|-------------|
| | | 31 December 2012 (Restated) | | | | | | | | | |
| | MYR | IDR | THB | SGD | USD | AUD | GBP | JPY | Others | Total non- | Grand total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | MYR | RM'000 |
| Financial assets | | | | | | | | | | | |
| Cash and short-term funds | 10,938,799 | 24,050 | 12,879 | 557,015 | 3,039,546 | 165,458 | 886,505 | 504,343 | 811,310 | 6,001,106 | 16,939,905 |
| Reverse repurchase agreements | 4,237,895 | - | - | 533,845 | 407,986 | - | - | - | - | 941,831 | 5,179,726 |
| Deposits and placements with banks and other financial institutions | 7,870,528 | - | - | 476,436 | 2,096,374 | 50,405 | 99,298 | - | 115,670 | 2,838,183 | 10,708,711 |
| Financial assets held for trading | | | | | | | | | | | |
| - Money market instruments | 6,752,467 | - | 9,981 | 3,525,742 | 102,211 | - | - | - | - | 3,637,934 | 10,390,401 |
| - Quoted securities | 567,206 | - | - | 21,193 | 394,388 | 7,088 | - | - | 12,462 | 435,131 | 1,002,337 |
| - Unquoted securities | 4,088,198 | 338 | - | 582,251 | 1,500,790 | 16,660 | - | - | 45,508 | 2,145,547 | 6,233,745 |
| Financial investments available-for-sale | | | | | | | | | | | |
| - Money market instruments | 4,166,749 | 104,099 | - | - | 123,381 | - | 49,397 | - | - | 276,877 | 4,443,626 |
| - Quoted securities | - | - | - | 289 | - | - | - | - | - | 289 | 289 |
| - Unquoted securities | 12,266,709 | 51,841 | 76,514 | 547,289 | 3,521,394 | 59,950 | - | - | 311,835 | 4,568,823 | 16,835,532 |
| Financial investments held-to-maturity | | | | | | | | | | | |
| - Money market instruments | 25,613 | - | - | 491,634 | 252,911 | - | - | - | - | 744,545 | 770,158 |
| - Unquoted securities | 3,635,382 | - | - | 1,082,303 | - | - | - | - | - | 1,082,303 | 4,717,685 |
| Derivative financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,164,283 | 1,858 | 25,221 | 52,679 | 1,176,628 | 15,307 | 108 | 6,261 | 21,111 | 1,299,173 | 3,463,456 |
| - Hedging derivatives | 326,771 | - | - | 3,070 | 142,515 | - | 637 | - | 9,103 | 155,325 | 482,096 |
| Loans, advances and financing | | | | | | | | | | | |
| - Overdrafts | 3,845,483 | - | - | 99,071 | 4,289 | - | - | - | 40 | 103,400 | 3,948,883 |
| - Term loans/financing | 70,929,429 | - | - | 8,174,575 | 6,021,892 | 392,526 | 1,657,128 | 156,514 | 504,661 | 16,907,296 | 87,836,725 |
| - Bills receivable | 24,233 | - | - | 81,905 | 830,484 | - | - | 9,955 | 102,639 | 1,024,983 | 1,049,216 |
| - Trust receipts | 288,360 | - | - | 59,128 | 203,278 | - | 2,548 | 338 | 14,542 | 279,834 | 568,194 |
| - Claim on customers under acceptance credit | 3,313,830 | - | - | - | - | - | - | - | - | - | 3,313,830 |
| - Credit card receivables | 3,752,597 | - | - | 630,600 | - | - | - | - | - | 630,600 | 4,383,197 |
| - Revolving credit | 3,575,902 | - | - | 951,582 | 1,307,553 | 17,862 | 450,070 | - | 26,438 | 2,753,505 | 6,329,407 |
| - Share margin financing | 656,631 | - | - | - | - | - | - | - | - | - | 656,631 |
| Other assets | 994,766 | - | 206 | 116,491 | 274,534 | - | 3,936 | 163 | 2,184 | 397,514 | 1,392,280 |
| Amount due from subsidiaries | 310,496 | - | - | - | 5,524 | - | 66 | - | - | 5,590 | 316,086 |
| Amount due from related companies | 1,415,281 | 17 | - | 1 | - | - | - | - | 42 | 60 | 1,415,341 |
| | 146,147,608 | 182,203 | 124,801 | 17,987,099 | 21,405,678 | 725,256 | 3,149,693 | 677,574 | 1,977,545 | 46,229,849 | 192,377,457 |
| Financial liabilities | | | | | | | | | | | |
| Deposits from customers | 114,995,935 | - | 10,836 | 15,204,615 | 12,138,426 | 606,699 | 791,071 | 181,288 | 1,486,292 | 30,419,227 | 145,415,162 |
| Deposits and placements of banks and other financial institutions | 5,042,194 | - | - | 1,494,351 | 10,399,091 | 418,938 | 692,312 | 152,788 | 788,721 | 13,946,201 | 18,988,395 |
| Repurchase agreements | 2,017,421 | - | - | 765,987 | - | - | - | - | - | 765,987 | 2,783,408 |
| Derivatives financial instruments | | | | | | | | | | | |
| - Trading derivatives | 2,033,123 | 17,140 | 30,438 | 102,726 | 1,156,763 | 13,159 | 35 | 2,325 | 45,898 | 1,368,484 | 3,401,607 |
| - Hedging derivatives | 266,301 | - | - | 2,334 | 102,492 | - | 3,043 | - | 7,146 | 115,015 | 381,316 |
| Bills and acceptances payable | 1,797,735 | - | - | 45,313 | 1,341 | - | - | - | - | 46,654 | 1,844,389 |
| Amount due to subsidiaries | 70,522 | - | - | - | - | - | - | - | - | - | 70,522 |
| Amount due to related companies | 22 | - | - | - | - | - | - | - | - | - | 22 |
| Other liabilities | 1,980,495 | 59 | 1,187 | 297,446 | 16,634 | 895 | 1,585 | 1,098 | 3,010 | 321,914 | 2,302,409 |
| Other borrowings | 182,203 | - | - | - | 2,235,865 | - | - | - | - | 2,235,865 | 2,418,068 |
| Bonds and debentures | - | - | - | - | 1,079,268 | - | - | - | - | 1,079,268 | 1,079,268 |
| Subordinated notes | 8,663,508 | - | - | - | 703,724 | - | - | - | - | 703,724 | 9,367,232 |
| | 137,049,459 | 17,199 | 42,461 | 17,912,772 | 27,833,604 | 1,039,691 | 1,488,046 | 337,499 | 2,519,566 | 51,190,838 | 188,240,297 |
| Financial guarantees | 612,715 | - | - | 167,252 | 191,286 | - | 138,117 | 5,359 | 183,248 | 685,262 | 1,297,977 |
| Credit related commitments and contingencies | 37,710,739 | 164,148 | 46 | 5,773,845 | 2,520,006 | 1,362 | 282,614 | 90,483 | 304,553 | 9,137,057 | 46,847,796 |
| | 38,323,454 | 164,148 | 46 | 5,941,097 | 2,711,292 | 1,362 | 420,731 | 95,842 | 487,801 | 9,822,319 | 48,145,773 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.2 Market risk (Continued)****52.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit and reserves**

The table below shows the sensitivity of the Group and the Bank's profit and reserves to movement in foreign exchange rates:

| | The Group | | | |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | 1% appreciation RM'000 | 1% depreciation RM'000 | 1% appreciation RM'000 | 1% depreciation RM'000 |
| Impact to profit (after tax) | 1,751 | (1,751) | 2,183 | (2,183) |
| Impact to reserves | (26,759) | 26,759 | (22,069) | 22,069 |

| | The Bank | | | |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | 1% appreciation RM'000 | 1% depreciation RM'000 | 1% appreciation RM'000 | 1% depreciation RM'000 |
| Impact to profit (after tax) | (104) | 104 | 1,013 | (1,013) |
| Impact to reserves | (26,759) | 26,759 | (22,069) | 22,069 |

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a stable large funding base.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset- Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group Treasury and Investments in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established risk tolerance levels. Management action triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is subject to annual review while the assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

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

Consolidated stress test, including liquidity stress test, is performed on a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities, are documented and the test results are submitted to the Country and Group ALCOs, the Group Risk Committee, and the Board Risk Committees / Board of Directors of the Group. The test results to date have indicated that the Group does possess sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines:

| | The Group 31 December 2013 | | | | | | | Total RM'000 |
|---|---------------------------------------|---|---|--|--|------------------------------------|--|-------------------------|
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Assets | | | | | | | | |
| Cash and short-term funds | 24,941,166 | - | - | - | - | - | - | 24,941,166 |
| Reverse repurchase agreements | 5,136,239 | 2,856,853 | - | - | - | - | - | 7,993,092 |
| Deposits and placements with banks and other financial institutions | 1,402,317 | 2,178,818 | 85,401 | - | - | - | - | 3,666,536 |
| Financial assets held for trading | 4,449,484 | 5,249,399 | 1,311,088 | 919,690 | 5,874,966 | 2,427,925 | 1,605,316 | 21,837,868 |
| Financial investments available-for-sale | 285,899 | 353,168 | 461,787 | 1,061,763 | 8,609,802 | 14,205,512 | 1,207,565 | 26,185,496 |
| Financial investments held-to-maturity | 124,564 | 23,326 | 35,388 | 506,155 | 5,388,153 | 3,751,220 | - | 9,828,806 |
| Derivative financial instruments | 1,067,606 | 276,739 | 221,985 | 222,559 | 1,792,993 | 1,137,465 | - | 4,719,347 |
| Loans, advances and financing | 20,224,478 | 9,550,168 | 6,459,452 | 6,555,463 | 38,297,776 | 104,343,278 | - | 185,430,615 |
| Other assets | 3,336,207 | 3,751 | 10,164 | - | 131,117 | - | - | 3,481,239 |
| Deferred taxation | - | - | - | - | - | - | 206,382 | 206,382 |
| Tax recoverable | 6,270 | - | - | - | - | - | - | 6,270 |
| Statutory deposits with central banks | - | - | - | - | - | - | 6,359,196 | 6,359,196 |
| Investment in joint venture | - | - | - | - | - | - | 158,307 | 158,307 |
| Investment in associate | - | - | - | - | - | - | 693,343 | 693,343 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,092,848 | - | - | - | - | - | - | 1,092,848 |
| Goodwill | - | - | - | - | - | - | 4,890,179 | 4,890,179 |
| Intangible assets | - | - | - | - | - | - | 1,015,035 | 1,015,035 |
| Prepaid lease payments | - | - | - | - | - | - | 1,346 | 1,346 |
| Property, plant and equipment | - | - | - | - | - | - | 866,332 | 866,332 |
| Investment properties | - | - | - | - | - | - | 4,000 | 4,000 |
| Non-current assets/disposal groups held for sale | - | - | - | - | - | - | 21,589 | 21,589 |
| Total assets | 62,095,931 | 20,492,222 | 8,585,265 | 9,265,630 | 60,094,807 | 125,865,400 | 17,028,590 | 303,427,845 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Group | | | | | | | Total |
|---|-------------------------------------|---|---|--|--|------------------------------------|--|--------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | RM'000 |
| Liabilities | | | | | | | | |
| Deposits from customers | 157,253,534 | 26,728,079 | 16,991,570 | 15,346,755 | 2,048,585 | 1,879,167 | - | 220,247,690 |
| Deposits and placements of banks and other financial institutions | 8,530,861 | 6,683,577 | 2,366,935 | 1,399,598 | 391,654 | 627,208 | - | 19,999,833 |
| Repurchase agreements | 2,896,591 | 2,201,858 | 47,794 | - | 776,545 | - | - | 5,922,788 |
| Derivative financial instruments | 1,213,275 | 523,154 | 405,740 | 694,139 | 2,163,968 | 794,437 | - | 5,794,713 |
| Bills and acceptances payable | 2,316,904 | 736,750 | 43,214 | 2,539 | 74,843 | 82,952 | - | 3,257,202 |
| Financial liabilities designated at fair value | - | - | - | - | 1,215,281 | 916,890 | - | 2,132,170 |
| Amounts due to ultimate holding company | 1,450 | - | - | - | - | - | - | 1,450 |
| Amount due to related companies | 30,650 | 3,366 | - | - | - | - | - | 34,016 |
| Other liabilities | 3,978,664 | - | - | - | - | - | - | 3,978,664 |
| Deferred taxation | - | - | - | - | - | - | 2,188 | 2,188 |
| Provision for taxation and Zakat | 217,221 | - | - | - | - | - | - | 217,221 |
| Bonds and debentures | 1,303,619 | 478,771 | 352,900 | - | 3,731,790 | - | - | 5,867,080 |
| Other borrowings | 2,011 | 655,400 | 98,310 | 163,850 | 327,700 | 720,940 | - | 1,968,211 |
| Subordinated obligations | 135,439 | 83 | 2,089 | - | 4,593,447 | 4,903,517 | - | 9,634,575 |
| Redeemable preference shares | 7,111 | - | - | - | 712,140 | - | - | 719,251 |
| Total liabilities | 177,887,330 | 38,011,038 | 20,308,552 | 17,606,881 | 16,035,953 | 9,925,111 | 2,188 | 279,777,052 |
| Net liquidity gap | (115,791,399) | (17,518,816) | (11,723,287) | (8,341,251) | 44,058,854 | 115,940,289 | 17,026,402 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Group | | | | | Over 5 years | No-specific maturity | Total |
|---|------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|-------------------------|---------------------------------|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | RM'000 | RM'000 | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | |
| Assets | | | | | | | | |
| Cash and short-term funds | 22,978,876 | - | - | - | - | - | - | 22,978,876 |
| Reverse repurchase agreements | 2,412,307 | 1,649,896 | 564,668 | 752,915 | - | - | - | 5,379,786 |
| Deposits and placements with banks and other financial institutions | 141,888 | 3,152,295 | 297,635 | 145,202 | - | - | - | 3,737,020 |
| Financial assets held for trading | 4,457,727 | 6,974,750 | 3,855,176 | 1,027,217 | 4,867,972 | 1,889,578 | 1,075,792 | 24,148,212 |
| Financial investments available-for-sale | 613,795 | 250,290 | 419,355 | 1,253,492 | 7,946,833 | 14,057,834 | 1,096,391 | 25,637,990 |
| Financial investments held-to-maturity | 61,748 | 564,769 | 602,919 | 652,684 | 4,521,469 | 1,963,820 | - | 8,367,409 |
| Derivative financial instruments | 451,928 | 279,829 | 165,731 | 337,116 | 1,509,211 | 1,212,495 | - | 3,956,310 |
| Loans, advances and financing | 17,886,166 | 6,049,394 | 3,836,834 | 3,794,974 | 31,189,045 | 92,935,153 | - | 155,691,566 |
| Other assets | 2,074,917 | 119 | 85,816 | 55,033 | 118,991 | 272 | - | 2,335,148 |
| Deferred taxation | - | - | - | - | - | - | 25,702 | 25,702 |
| Tax recoverable | 2,055 | - | - | - | - | - | - | 2,055 |
| Statutory deposits with central banks | - | - | - | - | - | - | 5,263,859 | 5,263,859 |
| Investment in joint venture | - | - | - | - | - | - | 153,557 | 153,557 |
| Investment in associate | - | - | - | - | - | - | 625,039 | 625,039 |
| Amount due from ultimate holding company | 28,853 | - | - | - | - | - | - | 28,853 |
| Amount due from related companies | 1,417,749 | - | - | - | - | - | - | 1,417,749 |
| Goodwill | - | - | - | - | - | - | 4,891,433 | 4,891,433 |
| Intangible assets | - | - | - | - | - | - | 845,097 | 845,097 |
| Prepaid lease payments | - | - | - | - | - | - | 1,648 | 1,648 |
| Property, plant and equipment | - | - | - | - | - | - | 893,952 | 893,952 |
| Investment properties | - | - | - | - | - | - | 17,451 | 17,451 |
| Non-current assets/disposal groups held for sale | - | - | - | - | - | - | 7,920 | 7,920 |
| Total assets | 52,528,009 | 18,921,342 | 9,828,134 | 8,018,633 | 50,153,521 | 112,059,152 | 14,897,841 | 266,406,632 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Group | | | | | Over 5 years | No-specific maturity | Total |
|--|------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|-------------------------|---------------------------------|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | RM'000 | RM'000 | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | |
| Liabilities | | | | | | | | |
| Deposits from customers | 149,920,433 | 22,942,081 | 11,300,004 | 9,699,437 | 4,961,408 | 1,414,870 | - | 200,238,233 |
| Deposits and placements of banks and other financial institutions | 9,468,036 | 3,923,968 | 1,357,966 | 54,321 | 435,456 | 511,457 | - | 15,751,204 |
| Repurchase agreements | 310,407 | 1,014,786 | 254,866 | 752,915 | 750,525 | - | - | 3,083,499 |
| Derivative financial instruments | 851,083 | 296,112 | 190,321 | 290,409 | 1,605,690 | 752,691 | - | 3,986,306 |
| Bills and acceptances payable | 2,577,414 | 561,706 | 44,124 | 34 | 61,222 | 50,581 | - | 3,295,081 |
| Amount due to related companies | 25,352 | - | - | - | - | - | - | 25,352 |
| Other liabilities | 3,229,530 | - | - | - | - | - | - | 3,229,530 |
| Deferred taxation | - | - | - | - | - | - | 22,034 | 22,034 |
| Provision for taxation and Zakat | 181,804 | - | - | - | - | - | - | 181,804 |
| Bonds and debentures | 308,926 | 220,253 | 326,971 | - | 1,689,420 | - | - | 2,545,570 |
| Other borrowings | 2,795 | - | - | - | 1,437,730 | 795,340 | - | 2,235,865 |
| Subordinated obligations | 151,831 | 1,491,366 | 2,091 | - | 3,840,701 | 4,633,883 | - | 10,119,872 |
| Redeemable preference shares | 6,638 | - | - | - | 697,086 | - | - | 703,724 |
| Total liabilities | 167,034,249 | 30,450,272 | 13,476,343 | 10,797,116 | 15,479,238 | 8,158,822 | 22,034 | 245,418,074 |
| Net liquidity gap | (114,506,240) | (11,528,930) | (3,648,209) | (2,778,483) | 34,674,283 | 103,900,330 | 14,875,807 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Bank | | | | | | | Total |
|---|-------------------------------------|---|---|--|--|------------------------------------|--|--------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | RM'000 |
| Assets | | | | | | | | |
| Cash and short-term funds | 18,467,152 | - | - | - | - | - | - | 18,467,152 |
| Reverse repurchase agreements | 2,464,546 | 2,856,853 | - | - | - | - | - | 5,321,399 |
| Deposits and placements with banks and other financial institutions | 1,520,219 | 4,261,211 | 1,668,784 | 500,000 | - | - | - | 7,950,214 |
| Financial assets held for trading | 3,315,851 | 3,894,833 | 779,411 | 861,063 | 4,929,357 | 2,255,675 | 1,538,983 | 17,575,173 |
| Financial investments available-for-sale | 199,963 | 288,076 | 457,872 | 968,411 | 5,830,556 | 13,250,138 | 1,070,730 | 22,065,746 |
| Financial investments held-to-maturity | 61,663 | 6,143 | 5,265 | 202,929 | 4,165,072 | 3,149,455 | - | 7,590,527 |
| Derivative financial instruments | 173,288 | 279,679 | 205,115 | 220,500 | 1,827,792 | 1,202,816 | - | 3,909,190 |
| Loans, advances and financing | 15,482,726 | 7,001,264 | 5,256,899 | 5,984,175 | 27,832,534 | 71,275,712 | - | 132,833,310 |
| Other assets | 2,423,874 | - | - | - | 122,906 | - | - | 2,546,780 |
| Deferred taxation | - | - | - | - | - | - | 85,262 | 85,262 |
| Statutory deposits with central banks | - | - | - | - | - | - | 4,652,307 | 4,652,307 |
| Investment in subsidiaries | - | - | - | - | - | - | 4,886,252 | 4,886,252 |
| Investment in joint venture | - | - | - | - | - | - | 125,000 | 125,000 |
| Investment in associate | - | - | - | - | - | - | 321,635 | 321,635 |
| Amount due from subsidiaries | 138,004 | - | - | - | - | - | - | 138,004 |
| Amount due from related companies | 1,091,544 | - | - | - | - | - | - | 1,091,544 |
| Goodwill | - | - | - | - | - | - | 3,555,075 | 3,555,075 |
| Intangible assets | - | - | - | - | - | - | 978,712 | 978,712 |
| Property, plant and equipment | - | - | - | - | - | - | 507,240 | 507,240 |
| Non-current assets/disposal groups held for sale | - | - | - | - | - | - | 3,429 | 3,429 |
| Total assets | 45,338,830 | 18,588,059 | 8,373,346 | 8,737,078 | 44,708,217 | 91,133,796 | 17,724,625 | 234,603,951 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Bank | | | | | | | Total |
|---|---------------------|---------------------|--------------------|--------------------|-------------------|-------------------|-------------------------|--------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | No-specific maturity | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Liabilities | | | | | | | | |
| Deposits from customers | 115,512,148 | 18,537,466 | 9,385,491 | 10,197,892 | 775,221 | 1,706,813 | - | 156,115,031 |
| Deposits and placements of banks and other financial institutions | 13,650,866 | 8,276,411 | 4,932,873 | 2,514,835 | 415,515 | 627,208 | - | 30,417,708 |
| Repurchase agreements | 2,673 | 1,449,140 | 47,794 | - | 776,545 | - | - | 2,276,152 |
| Derivative financial instruments | 278,705 | 533,292 | 400,387 | 692,783 | 2,188,472 | 785,998 | - | 4,879,637 |
| Bills and acceptances payable | 1,289,793 | 586,071 | 41,953 | 21 | - | - | - | 1,917,838 |
| Financial liabilities designated at fair value | - | - | - | - | 1,069,064 | 916,890 | - | 1,985,954 |
| Amount due to subsidiaries | 35,736 | - | - | - | - | - | - | 35,736 |
| Amount due to related companies | 21,156 | - | - | - | - | - | - | 21,156 |
| Other liabilities | 3,177,941 | - | - | - | - | - | - | 3,177,941 |
| Provision for taxation and Zakat | 221,857 | - | - | - | - | - | - | 221,857 |
| Bonds and debentures | 4,329 | - | - | - | 2,732,124 | - | - | 2,736,453 |
| Other borrowings | 2,011 | 655,400 | 98,310 | 163,850 | 327,700 | 720,940 | - | 1,968,211 |
| Subordinated obligations | 70,359 | - | - | - | 5,053,150 | 3,705,288 | - | 8,828,797 |
| Total liabilities | 134,267,574 | 30,037,780 | 14,906,808 | 13,569,381 | 13,337,791 | 8,463,137 | - | 214,582,471 |
| Net liquidity gap | (88,928,744) | (11,449,721) | (6,533,462) | (4,832,303) | 31,370,426 | 82,670,659 | 17,724,625 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Bank | | | | | | | Total RM'000 |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Assets | | | | | | | | |
| Cash and short-term funds | 16,939,905 | - | - | - | - | - | - | 16,939,905 |
| Reverse repurchase agreements | 2,212,247 | 1,649,896 | 564,668 | 752,915 | - | - | - | 5,179,726 |
| Deposits and placements with banks and other financial institutions | 206,629 | 4,898,663 | 229,406 | 86,775 | 5,287,238 | - | - | 10,708,711 |
| Financial assets held for trading | 2,620,554 | 4,954,904 | 2,537,110 | 554,987 | 4,339,942 | 1,602,964 | 1,016,022 | 17,626,483 |
| Financial investments available-for-sale | 553,530 | 240,174 | 355,683 | 705,952 | 6,218,471 | 12,240,898 | 964,739 | 21,279,447 |
| Financial investments held-to-maturity | 30,290 | - | 485,020 | 275,920 | 3,350,697 | 1,345,916 | - | 5,487,843 |
| Derivative financial instruments | 242,162 | 247,549 | 160,881 | 333,601 | 1,828,697 | 1,132,662 | - | 3,945,552 |
| Loans, advances and financing | 14,364,903 | 2,930,200 | 2,658,970 | 2,954,729 | 24,256,442 | 60,920,839 | - | 108,086,083 |
| Other assets | 1,464,740 | - | 80,493 | 55,000 | 110,153 | - | - | 1,710,386 |
| Statutory deposits with central banks | - | - | - | - | - | - | 3,886,421 | 3,886,421 |
| Investment in subsidiaries | - | - | - | - | - | - | 4,847,672 | 4,847,672 |
| Investment in joint venture | - | - | - | - | - | - | 125,000 | 125,000 |
| Investment in associate | - | - | - | - | - | - | 368,971 | 368,971 |
| Amount due from subsidiaries | 316,086 | - | - | - | - | - | - | 316,086 |
| Amount due from related companies | 1,415,341 | - | - | - | - | - | - | 1,415,341 |
| Goodwill | - | - | - | - | - | - | 3,555,075 | 3,555,075 |
| Intangible assets | - | - | - | - | - | - | 805,837 | 805,837 |
| Property, plant and equipment | - | - | - | - | - | - | 507,265 | 507,265 |
| Non-current assets/disposal groups held for sale | - | - | - | - | - | - | 3,520 | 3,520 |
| Total assets | 40,366,387 | 14,921,386 | 7,072,231 | 5,719,879 | 45,391,640 | 77,243,279 | 16,080,522 | 206,795,324 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.1 Contractual maturity of assets and liabilities (Continued)**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines (Continued):

| | The Bank | | | | | | | Total RM'000 |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Liabilities | | | | | | | | |
| Deposits from customers | 110,199,702 | 15,106,908 | 6,824,040 | 7,901,668 | 4,205,135 | 1,177,709 | - | 145,415,162 |
| Deposits and placements of banks and other financial institutions | 10,073,092 | 3,308,868 | 2,482,090 | 2,177,432 | 435,456 | 511,457 | - | 18,988,395 |
| Repurchase agreements | 10,316 | 1,014,786 | 254,866 | 752,915 | 750,525 | - | - | 2,783,408 |
| Derivative financial instruments | 664,233 | 278,642 | 188,459 | 287,740 | 1,513,127 | 850,722 | - | 3,782,923 |
| Bills and acceptances payable | 1,499,723 | 310,591 | 34,041 | 34 | - | - | - | 1,844,389 |
| Amount due to subsidiaries | 70,522 | - | - | - | - | - | - | 70,522 |
| Amount due to related companies | 22 | - | - | - | - | - | - | 22 |
| Other liabilities | 2,413,524 | - | - | - | - | - | - | 2,413,524 |
| Provision for taxation and Zakat | 190,404 | - | - | - | - | - | - | 190,404 |
| Deferred taxation | - | - | - | - | - | - | 5,848 | 5,848 |
| Bonds and debentures | 13,979 | - | 185,468 | - | 1,068,320 | - | - | 1,267,767 |
| Other borrowings | 2,956 | - | - | - | 1,619,772 | 795,340 | - | 2,418,068 |
| Subordinated obligations | 75,236 | 1,491,366 | - | - | 4,591,039 | 3,209,591 | - | 9,367,232 |
| Total liabilities | 125,213,709 | 21,511,161 | 9,968,964 | 11,119,789 | 14,183,374 | 6,544,819 | 5,848 | 188,547,664 |
| Net liquidity gap | (84,847,322) | (6,589,775) | (2,896,733) | (5,399,910) | 31,208,266 | 70,698,460 | 16,074,674 | |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis****Non-derivative financial liabilities**

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

| | The Group | | | | | | | Total |
|---|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|--------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from customers | 157,658,289 | 26,842,462 | 17,115,577 | 15,457,880 | 2,219,219 | 1,896,840 | - | 221,190,267 |
| Deposits and placements of banks and other financial institutions | 8,537,615 | 6,720,891 | 2,420,388 | 1,437,220 | 392,417 | 627,208 | - | 20,135,739 |
| Repurchase agreements | 2,901,021 | 2,204,646 | 50,119 | 3,447 | 795,890 | - | - | 5,955,123 |
| Bills and acceptances payable | 2,317,394 | 736,750 | 43,214 | 2,539 | 74,843 | 106,570 | - | 3,281,310 |
| Financial liabilities designated at fair value | 13,132 | 20,071 | 26,502 | 57,078 | 1,440,667 | 1,053,469 | - | 2,610,919 |
| Amount due to ultimate holding company | 1,450 | - | - | - | - | - | - | 1,450 |
| Amount due to related companies | 30,650 | 3,366 | - | - | - | - | - | 34,016 |
| Other liabilities | 3,978,664 | - | - | - | - | - | - | 3,978,664 |
| Bonds and debentures | 1,305,236 | 482,380 | 363,117 | 6,974 | 3,933,708 | - | - | 6,091,415 |
| Other borrowings | 2,086 | 656,704 | 98,679 | 166,010 | 336,017 | 759,406 | - | 2,018,902 |
| Subordinated obligations | 136,056 | 64,469 | 187,396 | 259,944 | 6,267,694 | 5,701,739 | - | 12,617,298 |
| Redeemable preference shares | 7,111 | - | - | - | 712,140 | - | - | 719,251 |
| Financial guarantees | 2,092,534 | 428,315 | 219,331 | 62,025 | 117,270 | - | - | 2,919,475 |
| Credit related commitments and contingencies | 50,291,711 | 412,843 | 272,198 | 2,200,528 | 2,403,596 | 4,152,097 | - | 59,732,973 |
| | 229,272,949 | 38,572,897 | 20,796,521 | 19,653,645 | 18,693,461 | 14,297,329 | - | 341,286,802 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

| | The Group | | | | | | No-specific maturity | Total |
|---|------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|-------------------------|---------------------------------|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | RM'000 | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from customers | 149,993,010 | 23,066,628 | 11,367,494 | 9,885,282 | 5,125,152 | 1,417,861 | - | 200,855,427 |
| Deposits and placements of banks and other financial institutions | 10,092,239 | 3,955,299 | 1,456,472 | 217,585 | 1,388,509 | 511,457 | - | 17,621,561 |
| Repurchase agreements | 1,079,459 | 1,004,248 | 257,882 | 769,466 | - | - | - | 3,111,055 |
| Bills and acceptances payable | 2,579,265 | 568,293 | 50,847 | 68 | 61,222 | 50,613 | - | 3,310,308 |
| Amount due to related companies | 25,352 | - | - | - | - | - | - | 25,352 |
| Other liabilities | 2,640,621 | - | - | - | - | - | - | 2,640,621 |
| Bonds and debentures | 323,418 | 225,112 | 332,130 | 20,002 | 2,729,607 | - | - | 3,630,269 |
| Other borrowings | 2,795 | - | - | - | 1,471,106 | 859,433 | - | 2,333,334 |
| Subordinated obligations | 142,903 | 1,574,428 | 158,555 | 211,108 | 5,975,441 | 4,694,415 | - | 12,756,850 |
| Redeemable preference shares | 6,638 | - | 20,027 | 20,027 | 697,086 | - | - | 743,778 |
| Financial guarantees | 1,056,622 | 59,859 | 26,732 | 52,813 | 420,382 | 652 | - | 1,617,060 |
| Credit related commitments and contingencies | 40,812,317 | 3,035,753 | 354,358 | 2,531,187 | 2,506,122 | 3,814,658 | - | 53,054,395 |
| | 208,754,639 | 33,489,620 | 14,024,497 | 13,707,538 | 20,374,627 | 11,349,089 | - | 301,700,010 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

| | The Bank | | | | | | | Total RM'000 |
|---|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|--------------------|
| | 31 December 2013 | 31 December 2013 | 31 December 2013 | 31 December 2013 | 31 December 2013 | 31 December 2013 | 31 December 2013 | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Non-derivative financial liabilities | 115,891,125 | 18,578,168 | 9,425,565 | 10,232,040 | 883,484 | 1,718,036 | - | 156,728,418 |
| Deposits from customers | | | | | | | | |
| Deposits and placements of banks and other financial institutions | 13,656,719 | 8,300,277 | 4,965,388 | 2,542,344 | 416,017 | 627,208 | - | 30,507,953 |
| Repurchase agreements | 2,673 | 1,449,447 | 48,250 | - | 795,890 | - | - | 2,296,260 |
| Bills and acceptances payable | 1,289,792 | 586,071 | 41,953 | 21 | - | - | - | 1,917,837 |
| Financial liabilities designated at fair value | 11,311 | 20,029 | 24,633 | 53,631 | 1,275,729 | 1,053,469 | - | 2,438,802 |
| Bonds and debentures | 4,501 | - | 4,979 | 173 | 2,884,139 | - | - | 2,893,792 |
| Other borrowings | 2,011 | 656,704 | 98,620 | 164,949 | 336,017 | 759,406 | - | 2,017,707 |
| Amount due to subsidiaries | 35,736 | - | - | - | - | - | - | 35,736 |
| Amount due to related companies | 21,156 | - | - | - | - | - | - | 21,156 |
| Other liabilities | 3,005,944 | - | - | - | - | - | - | 3,005,944 |
| Subordinated obligations | 70,359 | 49,538 | 174,974 | 224,511 | 6,478,028 | 4,322,987 | - | 11,320,397 |
| Financial guarantees | 1,677,826 | 427,117 | 219,142 | 62,025 | 117,270 | - | - | 2,503,380 |
| Credit related commitments and contingencies | 44,440,944 | 395,509 | 104,562 | 2,196,018 | 2,348,208 | 3,342,309 | - | 52,827,550 |
| | 180,110,097 | 30,462,860 | 15,108,066 | 15,475,712 | 15,534,782 | 11,823,415 | - | 268,514,932 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

| | The Bank | | | | | | | Total |
|---|-------------------------------------|---|---|--|--|------------------------------------|--|--------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | RM'000 |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from customers | 110,263,940 | 15,181,456 | 6,851,574 | 8,042,587 | 4,346,704 | 1,177,709 | - | 145,863,970 |
| Deposits and placements of banks and other financial institutions | 10,902,292 | 3,318,813 | 2,810,401 | 2,338,589 | 435,456 | 511,457 | - | 20,317,008 |
| Repurchase agreements | 779,275 | 1,004,248 | 257,882 | 769,466 | - | - | - | 2,810,871 |
| Bills and acceptances payable | 1,500,360 | 316,982 | 40,670 | 68 | - | - | - | 1,858,080 |
| Bonds and debentures | 26,616 | - | 185,468 | 12,637 | 1,160,524 | - | - | 1,385,245 |
| Other borrowings | 4,345 | 3,683 | 3,683 | 7,365 | 2,918,700 | 859,433 | - | 3,797,209 |
| Amount due to subsidiaries | 70,522 | - | - | - | - | - | - | 70,522 |
| Amount due to related companies | 22 | - | - | - | - | - | - | 22 |
| Other liabilities | 2,302,409 | - | - | - | - | - | - | 2,302,409 |
| Subordinated obligations | 75,236 | 1,559,653 | 166,152 | 197,690 | 5,950,422 | 3,520,790 | - | 11,469,943 |
| Financial guarantees | 743,091 | 56,398 | 24,641 | 52,813 | 420,382 | 652 | - | 1,297,977 |
| Credit related commitments and contingencies | 35,596,563 | 2,976,526 | 331,338 | 2,530,255 | 2,447,073 | 2,966,041 | - | 46,847,796 |
| | 162,264,671 | 24,417,759 | 10,671,809 | 13,951,470 | 17,679,261 | 9,036,082 | - | 238,021,052 |

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52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

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

Derivative financial liabilities

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

| | The Group | | | | | | | Total |
|---|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 37,791 | - | - | - | - | - | - | 37,791 |
| - Interest rate derivatives | 1,544,548 | - | - | - | - | - | - | 1,544,548 |
| - Equity related derivatives | 1,573,629 | - | - | - | - | - | - | 1,573,629 |
| - Commodity related derivatives | 154,058 | - | - | - | - | - | - | 154,058 |
| - Credit related contracts | 114,688 | - | - | - | - | - | - | 114,688 |
| Hedging derivatives | | | | | | | | |
| - Interest rate derivatives | (12,417) | (9,085) | (6,385) | (37,561) | (205,287) | (17,968) | - | (288,703) |
| | 3,412,297 | (9,085) | (6,385) | (37,561) | (205,287) | (17,968) | - | 3,136,011 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

| | The Group | | | | | | | Total RM'000 |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 29,898 | - | - | - | - | - | - | 29,898 |
| - Interest rate derivatives | 1,645,083 | - | - | - | - | - | - | 1,645,083 |
| - Equity related derivatives | 1,000,083 | - | - | - | - | - | - | 1,000,083 |
| - Commodity related derivatives | 161,622 | - | - | - | - | - | - | 161,622 |
| - Credit related contracts | 110,883 | - | - | - | - | - | - | 110,883 |
| Hedging derivatives | | | | | | | | |
| - Interest rate derivatives | 6,146 | (46,406) | 127,132 | 90,538 | 653,910 | 335,389 | - | 1,166,709 |
| | 2,953,715 | (46,406) | 127,132 | 90,538 | 653,910 | 335,389 | - | 4,114,278 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

| | The Bank | | | | | | | Total |
|---|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 37,791 | - | - | - | - | - | - | 37,791 |
| - Interest rate derivatives | 1,346,127 | - | - | - | - | - | - | 1,346,127 |
| - Equity related derivatives | 1,560,116 | - | - | - | - | - | - | 1,560,116 |
| - Commodity related derivatives | 154,077 | - | - | - | - | - | - | 154,077 |
| - Credit related contracts | 114,102 | - | - | - | - | - | - | 114,102 |
| Hedging derivatives | | | | | | | | |
| - Interest rate derivatives | (12,211) | (9,184) | (6,106) | (37,264) | (204,709) | (17,833) | - | (287,307) |
| | 3,200,002 | (9,184) | (6,106) | (37,264) | (204,709) | (17,833) | - | 2,924,906 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

| | The Bank | | | | | | | Total |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 29,898 | - | - | - | - | - | - | 29,898 |
| - Interest rate derivatives | 1,529,268 | - | - | - | - | - | - | 1,529,268 |
| - Equity related derivatives | 984,226 | - | - | - | - | - | - | 984,226 |
| - Commodity related derivatives | 161,622 | - | - | - | - | - | - | 161,622 |
| - Credit related contracts | 110,883 | - | - | - | - | - | - | 110,883 |
| Hedging derivatives | | | | | | | | |
| - Interest rate derivatives | 5,432 | (17,424) | 66,155 | 55,785 | 383,131 | 180,799 | - | 673,878 |
| | 2,821,329 | (17,424) | 66,155 | 55,785 | 383,131 | 180,799 | - | 3,489,775 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency interest rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

| | The Group | | | | | | | Total |
|--|------------------|-------------------|-------------------|--------------------|------------------|-----------------|-------------------------|------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | No-specific maturity | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 2,107,488 | - | - | - | - | - | - | 2,107,488 |
| Hedging derivatives | | | | | | | | |
| Cross currency interest rate derivatives | | | | | | | | |
| - Outflow | (657) | (4,449) | (281,416) | (88,405) | (1,376,815) | - | - | (1,751,742) |
| - Inflow | 1,176 | 5,934 | 261,303 | 87,905 | 1,358,387 | - | - | 1,714,705 |
| | 2,108,007 | 1,485 | (20,113) | (500) | (18,428) | - | - | 2,070,451 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued):

| | The Group | | | | | | | Total |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|----------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 667,453 | - | - | - | - | - | - | 667,453 |
| Hedging derivatives | | | | | | | | |
| Cross currency interest rate derivatives | | | | | | | | |
| - Outflow | (3,692) | (5,979) | (4,204) | (10,719) | (533,211) | (467) | (247,789) | (806,061) |
| - Inflow | 2,702 | 5,038 | 5,188 | 9,753 | 518,707 | 431 | 233,887 | 775,706 |
| | <u>666,463</u> | <u>(941)</u> | <u>984</u> | <u>(966)</u> | <u>(14,504)</u> | <u>(36)</u> | <u>(13,902)</u> | <u>637,098</u> |

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for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued):

| | The Bank | | | | | | | Total RM'000 |
|--|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| | 31 December 2013 | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 1,359,897 | - | - | - | - | - | - | 1,359,897 |
| Derivative financial liabilities | | | | | | | | |
| Hedging derivatives | | | | | | | | |
| Cross currency interest rate derivatives | | | | | | | | |
| - Outflow | (657) | (4,449) | (281,416) | (88,405) | (1,376,815) | - | - | (1,751,742) |
| - Inflow | 1,176 | 5,934 | 261,303 | 87,905 | 1,358,387 | - | - | 1,714,705 |
| | 1,360,416 | 1,485 | (20,113) | (500) | (18,428) | - | - | 1,322,860 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.3 Liquidity risk (Continued)****52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued):

| | The Bank | | | | | | | Total RM'000 |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-----------------------------------|-----------------|
| | 31 December 2012 (Restated) | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | |
| Derivative financial liabilities | | | | | | | | |
| Trading derivatives | | | | | | | | |
| - Foreign exchange derivatives | 585,710 | - | - | - | - | - | - | 585,710 |
| Derivative financial liabilities | | | | | | | | |
| Hedging derivatives | | | | | | | | |
| Cross currency interest rate derivatives | | | | | | | | |
| - Outflow | (2,981) | (5,034) | (3,841) | (10,607) | (533,107) | - | (247,789) | (803,359) |
| - Inflow | 2,001 | 4,111 | 4,828 | 9,644 | 518,611 | - | 233,887 | 773,082 |
| | 584,730 | (923) | 987 | (963) | (14,496) | - | (13,902) | 555,433 |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

52.4.1 Determination of fair value and fair value hierarchy

Valuation Model Review and Approval

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation. The validation includes an assessment of the stability of models in terms of performance over a variety of conditions and back-testing of the model outputs;
- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee and Board for approval;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;
- Any material uncertainty arising from the modeling and market inputs shall be disclosed to the Group Risk Committee;
- 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 Chief Risk Officer or / and Group Risk Committee;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodology. Group Risk Management Quantitative Analysts shall perform model verification at least once a year. 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;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value; and
- Back testing of valuation models to assess the accuracy of the models is to be carried out for a period of one year or where 250 data points have been collected, whichever is later.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

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

The fair value hierarchy has the following levels:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets and liabilities in active markets; or• Quoted prices for identical or similar assets and liabilities in non-active markets; or• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

| | The Group Fair Value | | | | | The Bank Fair Value | | | | |
|--|------------------------------|--|---|---|-------------------|------------------------------|---|---|--|-------------------|
| | Carrying amount RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 | Carrying amount RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
| 31 December 2013 | | | | | | | | | | |
| Recurring fair value measurements | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Financial assets held for trading | | | | | | | | | | |
| -Money market instruments | 11,086,646 | - | 11,086,646 | - | 11,086,646 | 8,126,289 | - | 8,126,289 | - | 8,126,289 |
| -Quoted securities | 2,561,422 | 1,532,268 | 1,029,154 | - | 2,561,422 | 1,532,268 | 1,532,268 | - | - | 1,532,268 |
| -Unquoted securities | 8,189,800 | - | 8,116,752 | 73,048 | 8,189,800 | 7,916,616 | - | 7,909,900 | 6,716 | 7,916,616 |
| Financial investments available-for-sale | | | | | | | | | | |
| -Money market instruments | 4,018,822 | - | 4,018,822 | - | 4,018,822 | 3,580,747 | - | 3,580,747 | - | 3,580,747 |
| -Quoted securities | 2,691,227 | 72,370 | 2,618,857 | - | 2,691,227 | 27 | 27 | - | - | 27 |
| -Unquoted securities | 19,475,447 | - | 18,267,255 | 1,208,192 | 19,475,447 | 18,484,972 | - | 17,414,269 | 1,070,703 | 18,484,972 |
| Derivative financial instruments | | | | | | | | | | |
| -Trading derivatives | 4,532,830 | 12,418 | 4,470,737 | 49,675 | 4,532,830 | 3,608,245 | 12,418 | 3,546,152 | 49,675 | 3,608,245 |
| -Hedging derivatives | 186,517 | - | 186,517 | - | 186,517 | 300,945 | - | 300,945 | - | 300,945 |
| Non-financial assets | | | | | | | | | | |
| Investment Properties | 4,000 | - | 4,000 | - | 4,000 | - | - | - | - | - |
| Non-recurring fair value measurements | | | | | | | | | | |
| Non-financial assets | | | | | | | | | | |
| Non-current assets/disposal groups held for sale | 21,589 | - | 21,589 | - | 21,589 | 3,429 | - | 3,429 | - | 3,429 |
| Total | 52,768,300 | 1,617,056 | 49,820,329 | 1,330,915 | 52,768,300 | 43,553,538 | 1,544,713 | 40,881,731 | 1,127,094 | 43,553,538 |
| Recurring fair value measurements | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Derivative financial instruments | | | | | | | | | | |
| -Trading derivatives | 5,532,202 | 954 | 4,588,097 | 943,151 | 5,532,202 | 4,572,110 | 954 | 3,628,005 | 943,151 | 4,572,110 |
| -Hedging derivatives | 262,511 | - | 262,511 | - | 262,511 | 307,527 | - | 307,527 | - | 307,527 |
| Financial liabilities designated at fair value | 2,132,170 | - | 2,132,170 | - | 2,132,170 | 1,985,954 | - | 1,985,954 | - | 1,985,954 |
| Total | 7,926,883 | 954 | 6,982,778 | 943,151 | 7,926,883 | 6,865,591 | 954 | 5,921,486 | 943,151 | 6,865,591 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

| | The Group Fair Value | | | | | The Bank Fair Value | | | | |
|--|------------------------------|--|---|---|-------------------|------------------------------|---|---|--|-------------------|
| | Carrying amount RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 | Carrying amount RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
| 31 December 2012 | | | | | | | | | | |
| Recurring fair value measurements | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Financial assets held for trading | | | | | | | | | | |
| -Money market instruments | 16,058,744 | - | 16,058,744 | - | 16,058,744 | 10,390,401 | - | 10,390,401 | - | 10,390,401 |
| -Quoted securities | 1,332,390 | 1,002,338 | 330,052 | - | 1,332,390 | 1,002,337 | 1,002,337 | - | - | 1,002,337 |
| -Unquoted securities | 6,757,078 | - | 6,690,765 | 66,313 | 6,757,078 | 6,233,745 | - | 6,227,201 | 6,544 | 6,233,745 |
| Financial investments available-for-sale | | | | | | | | | | |
| -Money market instruments | 5,693,269 | - | 5,693,269 | - | 5,693,269 | 4,443,626 | - | 4,443,626 | - | 4,443,626 |
| -Quoted securities | 1,490,798 | 291,247 | 1,199,551 | - | 1,490,798 | 289 | 289 | - | - | 289 |
| -Unquoted securities | 18,453,923 | - | 17,348,337 | 1,105,586 | 18,453,923 | 16,835,532 | - | 15,867,135 | 968,397 | 16,835,532 |
| Derivative financial instruments | | | | | | | | | | |
| -Trading derivatives | 3,727,796 | 20,587 | 3,707,209 | - | 3,727,796 | 3,463,456 | 20,511 | 3,442,945 | - | 3,463,456 |
| -Hedging derivatives | 228,514 | - | 228,514 | - | 228,514 | 482,096 | - | 482,096 | - | 482,096 |
| Total | 53,742,512 | 1,314,172 | 51,256,441 | 1,171,899 | 53,742,512 | 42,851,482 | 1,023,137 | 40,853,404 | 974,941 | 42,851,482 |
| Recurring fair value measurements | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Derivative financial instruments | | | | | | | | | | |
| -Trading derivatives | 3,615,022 | 618 | 3,614,404 | - | 3,615,022 | 3,401,607 | 618 | 3,400,989 | - | 3,401,607 |
| -Hedging derivatives | 371,284 | - | 371,284 | - | 371,284 | 381,316 | - | 381,316 | - | 381,316 |
| Total | 3,986,306 | 618 | 3,985,688 | - | 3,986,306 | 3,782,923 | 618 | 3,782,305 | - | 3,782,923 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 31 December 2012 for the Group and the Bank:

| | Financial Assets | | | | Financial Liabilities | |
|---|-----------------------------------|--|----------------------------------|------------------|----------------------------------|----------------|
| | Financial assets held-for-trading | Financial investments available-for-sale | Derivative financial instruments | Total | Derivative financial instruments | Total |
| | Unquoted securities RM'000 | Unquoted securities RM'000 | Trading derivatives RM'000 | RM'000 | Trading derivatives RM'000 | RM'000 |
| The Group | | | | | | |
| 2013 | | | | | | |
| At 1 January | 66,313 | 1,105,586 | - | 1,171,899 | - | - |
| Total gain/(loss) recognised in statement of income | 2,387 | (40,530) | 251 | (37,892) | 195 | 195 |
| Total gains recognised in other comprehensive income | - | 72,374 | - | 72,374 | - | - |
| Purchases | - | 77,008 | 49,424 | 126,432 | 943,051 | 943,051 |
| Sales | - | (19,914) | - | (19,914) | (95) | (95) |
| Settlements | - | (4,270) | - | (4,270) | - | - |
| Transfers out of Level 3 | - | (5,780) | - | (5,780) | - | - |
| Exchange fluctuation | 4,348 | 23,718 | - | 28,066 | - | - |
| At 31 December | <u>73,048</u> | <u>1,208,192</u> | <u>49,675</u> | <u>1,330,915</u> | <u>943,151</u> | <u>943,151</u> |
| Total gains recognised in statement of income relating to assets held on 31 December 2013 | <u>2,612</u> | <u>(21,387)</u> | <u>251</u> | <u>(18,524)</u> | <u>195</u> | <u>195</u> |
| Total gains recognised in other comprehensive income relating to assets held on 31 December 2013 | <u>-</u> | <u>72,374</u> | <u>-</u> | <u>72,374</u> | <u>-</u> | <u>-</u> |
| Change in unrealised gain/loss recognised in profit or loss relating to assets held on 31 December 2013 under "net non-interest income" | <u>2,387</u> | <u>-</u> | <u>251</u> | <u>2,638</u> | <u>195</u> | <u>195</u> |

During the year, the transfer out of Level 3 of RM5,780,387 was due to the conversion of convertible notes to quoted shares in active markets.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 31 December 2012 for the Group and the Bank (Continued):

| | Financial Assets | | Total |
|--|-----------------------------------|--|------------------|
| | Financial assets held-for-trading | Financial investments available-for-sale | |
| | Unquoted securities | Unquoted securities | |
| | RM'000 | RM'000 | RM'000 |
| The Group | | | |
| 2012 | | | |
| At 1 January | 207,382 | 1,006,549 | 1,213,931 |
| Total gains recognised in statement of income | 5,449 | 3,344 | 8,793 |
| Total gains recognised in other comprehensive income | - | 25,400 | 25,400 |
| Purchases | - | 99,935 | 99,935 |
| Sales | (144,357) | (20,220) | (164,577) |
| Exchange fluctuation | (2,161) | (9,422) | (11,583) |
| At 31 December | <u>66,313</u> | <u>1,105,586</u> | <u>1,171,899</u> |
| Total gains recognised in statement of income relating to assets held on 31 December 2012 | <u>4,299</u> | <u>10,980</u> | <u>15,279</u> |
| Total gains recognised in other comprehensive income relating to assets held on 31 December 2012 | <u>-</u> | <u>25,400</u> | <u>25,400</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 31 December 2012 for the Group and the Bank (Continued):

| | Financial Assets | | | Total | Financial Liabilities | |
|---|-----------------------------------|--|----------------------------------|------------------|----------------------------------|----------------|
| | Financial assets held-for-trading | Financial investments available-for-sale | Derivative financial instruments | | Derivative financial instruments | Total |
| | Unquoted securities RM'000 | Unquoted securities RM'000 | Trading derivatives RM'000 | | Trading derivatives RM'000 | RM'000 |
| The Bank | | | | | | |
| 2013 | | | | | | |
| At 1 January | 6,544 | 968,397 | - | 974,941 | - | - |
| Total gain/(loss) recognised in statement of income | 172 | (37,422) | 251 | (36,999) | 195 | 195 |
| Total gains recognised in other comprehensive income | - | 84,416 | - | 84,416 | - | - |
| Purchases | - | 61,374 | 49,424 | 110,798 | 943,051 | 943,051 |
| Sales | - | (11,233) | - | (11,233) | (95) | (95) |
| Settlements | - | (4,270) | - | (4,270) | - | - |
| Transfers out of Level 3 | - | (5,780) | - | (5,780) | - | - |
| Exchange fluctuation | - | 15,221 | - | 15,221 | - | - |
| At 31 December | <u>6,716</u> | <u>1,070,703</u> | <u>49,675</u> | <u>1,127,094</u> | <u>943,151</u> | <u>943,151</u> |
| Total gains recognised in statement of income relating to assets held on 31 December 2013 | <u>397</u> | <u>(28,314)</u> | <u>251</u> | <u>(27,666)</u> | <u>195</u> | <u>195</u> |
| Total gains recognised in other comprehensive income relating to assets held on 31 December 2013 | <u>-</u> | <u>84,416</u> | <u>-</u> | <u>84,416</u> | <u>-</u> | <u>-</u> |
| Change in unrealised gain/loss recognised in profit or loss relating to assets held on 31 December 2013 under "net non-interest income" | <u>172</u> | <u>-</u> | <u>251</u> | <u>423</u> | <u>195</u> | <u>195</u> |

During the year, the transfer out of Level 3 of RM5,780,387 was due to the conversion of convertible notes to quoted shares in active markets.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 31 December 2012 for the Group and the Bank (Continued):

| | Financial Assets | | Total |
|---|--|--|----------------|
| | Financial assets held- for-trading | Financial investments available-for- sale | |
| | Unquoted securities RM'000 | Unquoted securities RM'000 | RM'000 |
| The Bank | | | |
| 2012 | | | |
| At 1 January | 70,585 | 863,913 | 934,498 |
| Total gains recognised in statement of income | 301 | 869 | 1,170 |
| Total gains recognised in other comprehensive income | - | 19,442 | 19,442 |
| Purchases | - | 89,626 | 89,626 |
| Sales | (64,342) | (699) | (65,041) |
| Exchange fluctuation | - | (4,754) | (4,754) |
| At 31 December | <u>6,544</u> | <u>968,397</u> | <u>974,941</u> |
| Total gains recognised in statement of income relating to assets held on 31 December 2012 | <u>527</u> | <u>10,880</u> | <u>11,407</u> |
| Total gains recognised in other comprehensive income relating to assets held on 31 December 2012 | <u>-</u> | <u>19,442</u> | <u>19,442</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed**

The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed:

| | The Group | | | Total RM'000 |
|---|--------------------------|--|---|--------------------|
| | Carrying Value RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | |
| 31 December 2013 | | | | |
| Assets | | | | |
| Cash and short-term funds | 24,941,166 | 24,941,166 | - | 24,941,166 |
| Reverse repurchase agreements | 7,993,092 | - | 7,993,092 | 7,993,092 |
| Deposits and placement with banks and other financial institutions | 3,666,536 | - | 3,666,288 | 3,666,288 |
| Financial investments held-to-maturity | 9,828,806 | - | 9,793,013 | 9,793,013 |
| Loans, advances and financing | 185,430,615 | - | 181,454,633 | 181,454,633 |
| Other assets | 3,481,239 | - | 3,485,274 | 3,485,274 |
| Statutory deposits with central banks | 6,359,196 | 6,359,196 | - | 6,359,196 |
| Amounts due from ultimate holding company | 28,853 | - | 28,853 | 28,853 |
| Amounts due from related companies | 1,092,848 | - | 1,092,848 | 1,092,848 |
| Total | 242,822,351 | 31,300,362 | 207,514,001 | 238,814,363 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed
(Continued)**

The following tables analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed (Continued):

| | Carrying Value RM'000 | The Group Fair Value | | Total RM'000 |
|--|--------------------------|--|---|--------------------|
| | | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | |
| 31 December 2013 | | | | |
| Liabilities | | | | |
| Deposits from customers | 220,247,690 | - | 220,181,274 | 220,181,274 |
| Deposits and placements of banks and other financial institutions | 19,999,833 | - | 19,930,956 | 19,930,956 |
| Repurchase agreements | 5,922,788 | - | 5,922,788 | 5,922,788 |
| Bills and acceptances payable | 3,257,202 | - | 3,257,202 | 3,257,202 |
| Amounts due to ultimate holding company | 1,450 | - | 1,450 | 1,450 |
| Amounts due to related companies | 34,016 | - | 34,016 | 34,016 |
| Other liabilities | 3,978,664 | - | 3,978,664 | 3,978,664 |
| Bonds and debentures | 5,867,080 | - | 5,741,966 | 5,741,966 |
| Other borrowings | 1,968,211 | - | 1,854,270 | 1,854,270 |
| Subordinated obligations | 9,634,575 | - | 9,354,265 | 9,354,265 |
| Redeemable preference shares | 719,251 | - | 719,251 | 719,251 |
| Total | 271,630,760 | - | 270,976,102 | 270,976,102 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed
(Continued)**

The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed:

| | Carrying Value RM'000 | The Bank Fair Value | | Total RM'000 |
|---|--------------------------|--|---|--------------------|
| | | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | |
| 31 December 2013 | | | | |
| Assets | | | | |
| Cash and short-term funds | 18,467,152 | 18,467,152 | - | 18,467,152 |
| Reverse repurchase agreements | 5,321,399 | - | 5,321,399 | 5,321,399 |
| Deposits and placement with banks and other financial institutions | 7,950,214 | - | 7,950,324 | 7,950,324 |
| Financial investments held-to-maturity | 7,590,527 | - | 7,539,454 | 7,539,454 |
| Loans, advances and financing | 132,833,310 | - | 131,264,922 | 131,264,922 |
| Other assets | 2,546,780 | - | 2,550,818 | 2,550,818 |
| Statutory deposits with central banks | 4,652,307 | 4,652,307 | - | 4,652,307 |
| Amounts due from subsidiaries | 138,004 | - | 138,004 | 138,004 |
| Amounts due from related companies | 1,091,544 | - | 1,091,544 | 1,091,544 |
| Total | 180,591,237 | 23,119,459 | 155,856,465 | 178,975,924 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed (Continued):

| | Carrying Value RM'000 | The Bank Fair Value | | Total RM'000 |
|--|--------------------------|--|---|--------------------|
| | | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | |
| 31 December 2013 | | | | |
| Liabilities | | | | |
| Deposits from customers | 156,115,031 | - | 156,060,779 | 156,060,779 |
| Deposits and placements of banks and other financial institutions | 30,417,708 | - | 30,348,739 | 30,348,739 |
| Repurchase agreements | 2,276,152 | - | 2,276,152 | 2,276,152 |
| Bills and acceptances payable | 1,917,838 | - | 1,917,838 | 1,917,838 |
| Amounts due to subsidiaries | 35,736 | - | 35,736 | 35,736 |
| Amounts due to related companies | 21,156 | - | 21,156 | 21,156 |
| Other liabilities | 3,177,941 | - | 3,177,941 | 3,177,941 |
| Bonds and debentures | 2,736,453 | - | 2,616,177 | 2,616,177 |
| Other borrowings | 1,968,211 | - | 1,854,270 | 1,854,270 |
| Subordinated obligations | 8,828,797 | - | 8,542,548 | 8,542,548 |
| Total | 207,495,023 | - | 206,851,336 | 206,851,336 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed
(Continued)**

The total fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the total carrying value as at 31 December 2012, except for the following:

| | The Group | |
|--|--------------------|-------------|
| | 31 December 2012 | |
| | (Restated) | |
| | Carrying amount | Fair value |
| | RM'000 | RM'000 |
| Financial assets | | |
| Deposits and placements with banks and other financial institutions | 3,737,020 | 3,930,351 |
| Financial investments held-to-maturity | 8,367,409 | 8,649,018 |
| Loans, advances and financing | 155,691,566 | 156,760,084 |
| Other assets | 2,335,148 | 2,318,356 |
| | <hr/> | <hr/> |
| Financial liabilities | | |
| Deposits from customers | 200,238,233 | 199,875,572 |
| Deposits and placements of banks and other financial institutions | 15,751,204 | 15,859,423 |
| Bonds and debentures | 2,545,570 | 2,500,812 |
| Other borrowings | 2,235,865 | 2,230,247 |
| Subordinated obligations | 10,119,872 | 9,954,764 |
| | <hr/> | <hr/> |
| | | |
| | The Bank | |
| | 31 December 2012 | |
| | (Restated) | |
| | Carrying amount | Fair value |
| | RM'000 | RM'000 |
| Financial assets | | |
| Deposits and placements with banks and other financial institutions | 10,708,711 | 10,870,418 |
| Financial investments held-to-maturity | 5,487,843 | 5,724,586 |
| Loans, advances and financing | 108,086,083 | 106,696,071 |
| Other assets | 1,710,386 | 1,693,594 |
| | <hr/> | <hr/> |
| Financial liabilities | | |
| Deposits from customers | 145,415,162 | 145,078,511 |
| Deposits and placements of banks and other financial institutions | 18,988,395 | 18,940,770 |
| Bonds and debentures | 1,267,767 | 1,236,109 |
| Other borrowings | 2,418,068 | 2,412,450 |
| Subordinated obligations | 9,367,232 | 9,134,598 |
| | <hr/> | <hr/> |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

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

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

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

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Other assets

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

Loans, advances and financing

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

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

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

Amount due (to)/from subsidiaries and related companies

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

Deposits from customers

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

Deposits and placements of banks and other financial institutions

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

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Floating rate certificates of deposits

For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

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

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

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

Other borrowings

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

Subordinated notes

The fair values for the quoted subordinated notes are obtained from quoted market prices while the fair values for unquoted subordinated notes are estimated based on discounted cash flow models.

Redeemable preference shares

The estimated fair value of redeemable preference shares (“RPS”) approximates the carrying value based on Directors’ estimate as the effective interest rate of the RPS is a reflection of the current rate for such similar instrument.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

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

Certain credit derivatives products where market rate inputs are unobservable are valued using simulation approach comprising statistical models that interact with each other. These models describe the default process and other market random variables like interest rates and foreign exchange (“FX”) rates in a mathematically and theoretically consistent framework. These statistical models are the usual market standard when it comes to modeling rates, FX and credit. Credit derivatives inputs include:

- Observable credit default swap (“CDS”) spreads
- Loss given default or loss severity
- Credit correlation between the underlying debt instruments (models are structured on a transaction basis and calibrated to liquid benchmark indices)
- Correlation between Credit and FX
- Credit spread and FX volatility
- Actual transactions, where available, are used to regularly recalibrate unobservable parameters

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

- Credit correlation –
 1. Long correlation positions will be shocked with lower correlation
 2. Short correlation positions will be shocked with higher correlation

- Credit and FX correlation –
 1. Short Quanto CDS position shocked with larger negative correlation
 2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility -
 1. Long volatility shocked with lower volatility
 2. Short volatility shocked with higher volatility

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****52 Financial Risk Management (Continued)****52.4 Fair value estimation (Continued)****52.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value**

| Description | Fair value assets RM'000 | Fair value liabilities RM'000 | Valuation technique(s) | Unobservable inputs | Range of unobservable input | Inter-relationship between significant unobservable inputs and fair value measurement |
|--|-----------------------------|----------------------------------|---|---------------------|---|--|
| Derivative financial instruments The Group and the Bank | | | | | | |
| - Credit derivatives | 9,649 | (12,396) | Discounted Cash Flow, Stochastic Default and FX Correlation Model | Credit spread | 5 bps – 650 bps | Increase in credit spread would result in a decrease in fair value measurement |
| | | Loss severity | | 60% - 80% | Increase in the loss severity, in isolation, would result in a decrease in a fair value measurement | |
| | | Credit/FX correlation | | -55% - +10% | Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement. | |
| - Equity derivatives | 40,026 | (930,755) | Option pricing | Equity volatility | 6.72% - 77.69% | Higher volatility results in higher/lower fair value depending on the net long/short positions |
| Financial assets held for trading | | | | | | |
| - Unquoted shares (The Group) | 73,048 | Not applicable | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value |
| - Unquoted shares (The Bank) | 6,716 | | | | | |
| Financial investments available-for-sale | | | | | | |
| - Unquoted shares (The Group) | 1,208,192 | Not applicable | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value |
| - Unquoted shares (The Bank) | 1,070,703 | | | | | |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.3 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

(a) Financial instruments carried at fair value (Continued)

Sensitivity analysis for Level 3

The Group and the Bank

| | Sensitivity of significant unobservable input | Effect of reasonably possible alternative assumptions to: | |
|--------------------------------|---|---|--------------------------------|
| | | Profit or loss | |
| | | Favourable changes RM'000 | Unfavourable changes RM'000 |
| <u>Financial assets</u> | | | |
| Trading derivatives | | | |
| - Credit derivatives | 5% - 10% | - | (494) |
| - Equity derivatives | +25% | - | (322) |
| | -25% | 242 | - |
| Total | | 242 | (816) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****53 Business combinations****(a) Disposal during the previous financial year**

- (i) On 2 July 2012, CIMB Thai, a 93.71% owned subsidiary of CIMB Bank, which in turn is a 99.99% owned subsidiary of CIMBG, disposed its entire 99.99% equity interest in CIMB Securities (Thailand) Co. Ltd to CIMB Securities International Pte Ltd., a 100% owned subsidiary of CIMBG, for a cash consideration of THB1,117,600,000 (equivalent to approximately RM110,936,000).

The effects of the disposal on the financial position of the Group as at 31 December 2012 are as follows:

| | 2012 |
|---|------------------|
| | RM'000 |
| Cash and short-term funds | (83,084) |
| Deposits and placements with banks and other financial institutions | (4,486) |
| Financial assets held for trading | (3,398) |
| Financial investments available-for-sale | (2,567) |
| Loans and advances | (57,913) |
| Other assets | (98,784) |
| Tax recoverable | (206) |
| Property, plant and equipment | (8,749) |
| Intangible assets | (2,416) |
| Deposits from customers | 51,458 |
| Other liabilities | 106,162 |
| Identifiable net assets disposed | <u>(103,983)</u> |
| Reclassification of revaluation reserve of financial investment available-for-sale to statement of income | 1,505 |
| Net disposal proceeds | <u>110,936</u> |
| Gain on disposal before and after tax | <u>8,458</u> |

The net cash flow on disposal was determined as follows:

| | |
|---|-----------------|
| Total proceeds from disposal - cash consideration | 110,936 |
| Cash and cash equivalents for subsidiary disposed | <u>(83,084)</u> |
| | <u>27,852</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****54 Non-current assets/disposal groups held for sale**

| | The Group | | The Bank | |
|--|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current assets held for sale: | | | | |
| - property plant and equipment | 7,627 | 7,720 | 3,429 | 3,520 |
| - investment properties | 13,962 | 200 | - | - |
| Total non-current assets held for sale | <u>21,589</u> | <u>7,920</u> | <u>3,429</u> | <u>3,520</u> |

Foreclosed properties, property, plant and equipment and investment properties of the Group and the Bank where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2014.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

55 Change in accounting policies and comparatives

(a) Changes in accounting policies

MFRS 10

(i) MFRS 10, ‘Consolidated Financial Statements’

MFRS 10 replaces all the guidance on control and consolidation in MFRS 127, ‘Consolidated and Separate Financial Statements’ and IC Interpretation 112, ‘Consolidation - Special Purpose Entities’. MFRS 10 is applied retrospectively. The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under MFRS 10 than under MFRS 127, and no material differences were found for any of the investments except for the consolidation of the silo of Merdeka Kapital Berhad (“MKB”). As required under MFRS 10, the change in policy has been applied retrospectively.

The impact to the Group in adopting MFRS 10 is disclosed in Note 55(c)(i), (iii), (v).

(ii) Amendment to MFRS 119, ‘Employee Benefits’

Amendment to MFRS 119 “Employee benefits” makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach.

The impact to the Group in adopting the amendment to MFRS 119 is disclosed in Note 55(c)(i), (ii).

(iii) MFRS 12, ‘Disclosures of Interests in Other Entities’

MFRS 12 sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11 ‘Joint Arrangements’, and replaces the disclosure requirements currently found in MFRS 128, ‘Investments in Associates’. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The required disclosures under MFRS 12 are presented in Note 14(e), 15(b) - (c) and Note 16(b) - (d).

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

55 Change in accounting policies and comparatives (Continued)

(a) Changes in accounting policies (Continued)

(iv) MFRS 13 “Fair value measurement”

MFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.

The enhanced disclosures are shown in Note 52.4.

(v) Amendment to MFRS 7 “Financial instruments: Disclosures”

Amendment to MFRS 7 requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The enhanced disclosures are shown in Note 52.1.2.

(vi) Amendment to MFRS 101 “Presentation of items of other comprehensive income”

Amendment to MFRS 101 requires entities to separate items presented in ‘other comprehensive income’ (“OCI”) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI. The Statement of Comprehensive Income of the Group and the Bank for the financial year ended 31 December 2012 have been re-presented to conform to the current financial year presentation.

(b) Change in comparatives

Certain comparatives were restated to conform to the current year’s presentation. There were no significant impact to the financial performance and ratios in relation to the financial year ended 31 December 2012.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****55 Change in accounting policies and comparatives (Continued)****(c) The impact of the above on the Financial Statements of the Group and the Bank is set out as follows:****(i) Impact on the Group's and the Bank's statement of financial position as at 31 December 2012 and 1 January 2012:****The Group**

| Balances as at 31 December 2012 | | | | | |
|---|----------------------------------|--|---|----------------------------|-----------------------|
| | As previously reported RM'000 | Effect of adopting MFRS10 RM'000 | Effect of adopting Amendment to MFRS 119 RM'000 | Reclassification RM'000 | As restated RM'000 |
| Liabilities | | | | | |
| Deposits from customers | 196,913,500 | (319,570) | - | 3,644,303 | 200,238,233 |
| - Demand deposits | 46,654,411 | - | - | 175,647 | 46,830,058 |
| - Fixed deposits | 84,142,375 | - | - | 3,468,656 | 87,611,031 |
| - Others | 43,958,103 | (319,570) | - | - | 43,638,533 |
| Deposits and placements of banks and other financial institutions | 21,631,372 | - | - | (5,880,168) | 15,751,204 |
| - Licensed banks | 11,259,981 | - | - | (2,235,865) | 9,024,116 |
| - Licensed finance companies | 405,825 | - | - | (150) | 405,675 |
| - Other financial institutions | 5,899,436 | - | - | (3,644,153) | 2,255,283 |
| Other liabilities | 3,225,313 | 1,612 | 2,605 | - | 3,229,530 |
| Bonds and debentures | 2,045,409 | 500,161 | - | - | 2,545,570 |
| Other borrowings | 182,203 | (182,203) | - | 2,235,865 | 2,235,865 |
| Total liabilities | 245,415,469 | - | 2,605 | - | 245,418,074 |
| Equity | | | | | |
| Reserves | 16,679,305 | - | (2,605) | - | 16,676,700 |
| Total equity | 20,991,163 | - | (2,605) | - | 20,988,558 |

| Balances as at 1 January 2012 | | | | | |
|---|----------------------------------|--|---|----------------------------|-----------------------|
| | As previously reported RM'000 | Effect of adopting MFRS10 RM'000 | Effect of adopting Amendment to MFRS 119 RM'000 | Reclassification RM'000 | As restated RM'000 |
| Assets | | | | | |
| Other assets | 2,092,419 | 75 | - | - | 2,092,494 |
| Total assets | 234,623,473 | 75 | - | - | 234,623,548 |
| Liabilities | | | | | |
| Deposits from customers | 176,478,016 | (37,682) | - | - | 176,440,334 |
| - Others | 43,663,048 | (37,682) | - | - | 43,625,366 |
| Deposits and placements of banks and other financial institutions | 13,873,413 | - | - | (2,131,308) | 11,742,105 |
| - Licensed banks | 7,938,192 | - | - | (2,131,308) | 5,806,884 |
| Other liabilities | 3,196,860 | - | 509 | - | 3,197,369 |
| Bonds and debentures | - | 500,477 | - | - | 500,477 |
| Other borrowings | 462,720 | (462,720) | - | 2,131,308 | 2,131,308 |
| Total liabilities | 215,332,322 | 75 | 509 | - | 215,332,906 |
| Equity | | | | | |
| Reserves | 15,018,007 | - | (509) | - | 15,017,498 |
| Total equity | 19,291,151 | - | (509) | - | 19,290,642 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****55 Change in accounting policies and comparatives (Continued)****(c) The impact of the above on the Financial Statements of the Group and the Bank is set out as follows (Continued):****(i) Impact on the Group's and the Bank's statements of financial position as at 31 December 2012 and 1 January 2012 (Continued):****The Bank**

| | As previously reported RM'000 | Balances as at 31 December 2012 Reclassification RM'000 | As restated RM'000 |
|---|----------------------------------|---|-----------------------|
| Liabilities | | | |
| Deposits from customers | 141,770,859 | 3,644,303 | 145,415,162 |
| - Demand deposits | 38,460,944 | 175,647 | 38,636,591 |
| - Fixed deposits | 60,637,674 | 3,468,656 | 64,106,330 |
| Deposits and placements of banks and other financial institutions | 24,868,563 | (5,880,168) | 18,988,395 |
| - Licensed banks | 16,104,276 | (2,235,865) | 13,868,411 |
| - Licensed finance companies | 233,663 | (150) | 233,513 |
| - Other financial institutions | 5,463,153 | (3,644,153) | 1,819,000 |
| Other borrowings | 182,203 | 2,235,865 | 2,418,068 |

| | As previously reported RM'000 | Balances as at 1 January 2012 Reclassification RM'000 | As restated RM'000 |
|---|----------------------------------|---|-----------------------|
| Liabilities | | | |
| Deposits and placements of banks and other financial institutions | 18,519,277 | (2,131,308) | 16,387,969 |
| - Licensed banks | 13,513,748 | (2,131,308) | 11,382,440 |
| - Licensed finance companies | 95,612 | - | 95,612 |
| - Other financial institutions | 3,624,387 | - | 3,624,387 |
| Other borrowings | 462,720 | 2,131,308 | 2,594,028 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****55 Change in accounting policies and comparatives (Continued)**

(c) The impact of the above on the Financial Statements of the Group and the Bank is set out as follows (Continued):

(ii) Impact on the Group's statements of changes in equity as at 31 December 2012 and 1 January 2012:

| | Balances as at 31 December 2012 | | |
|--------------------------|----------------------------------|---|-----------------------|
| | As previously reported RM'000 | Effect of adopting Amendment to MFRS 119 RM'000 | As restated RM'000 |
| Defined benefit reserves | - | (2,605) | (2,605) |

| | Balances as at 1 January 2012 | | |
|--------------------------|----------------------------------|---|-----------------------|
| | As previously reported RM'000 | Effect of adopting Amendment to MFRS 119 RM'000 | As restated RM'000 |
| Defined benefit reserves | - | (509) | (509) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****55 Change in accounting policies and comparatives (Continued)****(c) The impact of the above on the Financial Statements of the Group and the Bank is set out as follows (Continued):**

(iii) Impact on the Group's and the Bank's notes to the statements of income for the financial period ended 31 December 2012:

The Group

| | Amount for the financial year ended 31 December 2012 | | | |
|---|--|--|----------------------------|-----------------------|
| | As previously reported RM'000 | Effect of adopting MFRS10 RM'000 | Reclassification RM'000 | As restated RM'000 |
| Interest expense | | | | |
| - Deposits and placements of banks and other financial institutions | 138,228 | - | (21,262) | 116,966 |
| - Bonds and debentures | 13,201 | 14,770 | - | 27,971 |
| - Other borrowings | 93,116 | (14,770) | 21,262 | 99,608 |

The Bank

| | Amount for the financial year ended 31 December 2012 | | |
|--|--|----------------------------|-----------------------|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| Interest expense | | | |
| - Deposits and placements of banks and other | 192,100 | (21,262) | 170,838 |
| - Other borrowings | 15,961 | 21,262 | 37,223 |

(iv) Impact on the Group's statements of comprehensive income for the financial period ended 31 December 2012:

| | Amount for the financial year ended 31 December 2012 | | |
|--|--|---|-----------------------|
| | As previously reported RM'000 | Effect of adopting Amendment to MFRS 119 RM'000 | As restated RM'000 |
| Actuarial loss on post employment benefits obligations | - | (2,096) | (2,096) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****55 Change in accounting policies and comparatives (Continued)****(c) The impact of the above on the Financial Statements of the Group and the Bank is set out as follows (Continued):****(v) Impact on the Group's and the Bank's statement of cash flows for the year ended 31 December 2012****The Group**

| | Amount for the financial year ended 31 December 2012 | | | |
|--|--|--|----------------------------|-----------------------|
| | As previously reported RM'000 | Effect of adopting MFRS10 RM'000 | Reclassification RM'000 | As restated RM'000 |
| Net cash generated from/(used in) operating activities | 132,199 | (280,202) | (83,117) | (231,120) |
| Net cash generated from/(used in) financing activities | 1,748,402 | 280,202 | 162,278 | 2,190,882 |
| Effects of exchange rate differences | (135,700) | - | (79,161) | (214,861) |

The Bank

| | Amount for the financial year ended 31 December 2012 | | |
|--|--|----------------------------|-----------------------|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| Net cash generated from operating activities | 462,728 | (83,117) | 379,611 |
| Net cash generated from/(used in) financing activities | 660,301 | 162,278 | 822,579 |
| Effects of exchange rate differences | (64,889) | (79,161) | (144,050) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2013**

| | Note | The Group | | The Bank | |
|---|---------|-------------------|-------------------|------------------|------------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | (a) | 7,784,200 | 7,188,508 | 598,420 | 756,358 |
| Deposits and placements with banks and other financial institutions | (b) | 231,893 | 561,546 | 73,466 | 77,207 |
| Financial assets held for trading | (c) | 3,329,824 | 6,252,944 | 161,286 | 135,896 |
| Financial investments available-for-sale | (d) | 1,671,430 | 3,216,815 | 359,700 | 405,782 |
| Financial investments held-to-maturity | (e) | 928,623 | 967,899 | 326,446 | 315,509 |
| Islamic derivative financial instruments | (f)(i) | 247,882 | 170,324 | 1,082 | 1,965 |
| Financing, advances and other financing/loans | (g) | 36,101,287 | 33,603,028 | 1,028,723 | 529,746 |
| Other assets | (h) | 285,555 | 270,388 | 2,461 | 15,504 |
| Deferred taxation | (i) | 22,449 | 10,731 | - | - |
| Tax recoverable | | 1,761 | - | - | - |
| Amount due from conventional operations | | 1,175,807 | 818,724 | - | - |
| Amount due from related company | | 2,208,664 | 1,095,084 | 2,208,246 | 1,094,654 |
| Statutory deposits with Bank Negara Malaysia | (j) | 1,436,747 | 1,104,097 | - | - |
| Goodwill | (k) | 136,000 | 136,000 | - | - |
| Intangible assets | (l) | 14,225 | 7,328 | 27 | - |
| Property, plant and equipment | (m) | 5,236 | 5,492 | - | - |
| Total assets | | 55,581,583 | 55,408,908 | 4,759,857 | 3,332,621 |
| Liabilities | | | | | |
| Deposits from customers | (n) | 39,283,843 | 36,295,393 | 810,501 | 984,556 |
| Deposits and placements of banks and other financial institutions | (o) | 7,015,928 | 11,757,079 | 715,474 | 749,674 |
| Financial liabilities designated at fair value | (s) | 146,216 | - | - | - |
| Islamic derivative financial instruments | (f)(i) | 285,377 | 380,530 | - | - |
| Other liabilities | (q) | 3,346,263 | 1,930,016 | 3,065,359 | 1,539,787 |
| Amount due to conventional operations | | 115,538 | 864,717 | - | - |
| Amount due to related company | | 670,788 | 3,554 | 95,797 | - |
| Provision for taxation and Zakat | (r) | 15,437 | 8,109 | - | - |
| Subordinated Sukuk | (p) | 856,722 | 863,557 | - | - |
| Total liabilities | | 51,736,112 | 52,102,955 | 4,687,131 | 3,274,017 |
| Equity | | | | | |
| Ordinary share capital | (t) | 1,000,000 | 1,000,000 | - | - |
| Perpetual preference shares | (u) | 70,000 | 70,000 | - | - |
| Reserves | (v) | 2,775,471 | 2,235,953 | 72,726 | 58,604 |
| Total equity | | 3,845,471 | 3,305,953 | 72,726 | 58,604 |
| Total equity and liabilities | | 55,581,583 | 55,408,908 | 4,759,857 | 3,332,621 |
| Commitment and contingencies | (f)(ii) | 27,196,104 | 27,139,468 | 69,972 | 175,330 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2013**

| | Note | The Group | | The Bank | |
|---|------|------------------|----------------|-----------------|----------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Income derived from investment of depositors' funds and others | (w) | 2,032,280 | 1,940,930 | 39,343 | 23,471 |
| Net income derived from investment of shareholders' funds | (x) | 253,179 | 258,761 | (3,896) | 4,026 |
| Allowances for impairment losses on financing, advances and other financing/loans | (y) | (103,117) | (51,892) | (5,815) | (19,846) |
| Allowance for impairment of securities | | (3,493) | - | - | - |
| Allowance for other receivables | | (477) | (93) | - | - |
| Total distributable income | | 2,178,372 | 2,147,706 | 29,632 | 7,651 |
| Income attributable to depositors | (z) | (902,607) | (792,729) | (12,448) | (8,027) |
| Total net income/(loss) | | 1,275,765 | 1,354,977 | 17,184 | (376) |
| Personnel expenses | (aa) | (86,294) | (84,445) | (1,896) | (1,421) |
| Other overheads and expenditures | (ab) | (422,269) | (390,310) | (361) | (739) |
| Profit/(loss) before taxation | | 767,202 | 880,222 | 14,927 | (2,536) |
| Taxation | (ad) | (191,650) | (220,589) | - | - |
| Profit/(loss) after taxation | | 575,552 | 659,633 | 14,927 | (2,536) |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Comprehensive Income for the financial year ended 31 December 2013**

| | The Group | | The Bank | |
|--|----------------|----------------|---------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(loss) for the financial year | 575,552 | 659,633 | 14,927 | (2,536) |
| Other comprehensive (expense)/income: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Revaluation reserve of financial investments available-for-sale | (33,188) | 18,649 | (3,577) | 6,971 |
| - Net (loss)/gain from change in fair value | (25,677) | 28,358 | 855 | 7,620 |
| - Realised gain transferred to statement of income on disposal and impairment | (20,302) | (6,815) | (4,432) | (649) |
| - Income tax effects | 12,791 | (2,894) | - | - |
| Exchange fluctuation reserves | (3,117) | 2,809 | 2,772 | (389) |
| | (36,305) | 21,458 | (805) | 6,582 |
| Total comprehensive income for the year | 539,247 | 681,091 | 14,122 | 4,046 |
| Total net income/(loss) | 1,275,765 | 1,354,977 | 17,184 | (376) |
| Add: Allowances for impairment losses on financing, advances and other financing/loans | 103,117 | 51,892 | 5,815 | 19,846 |
| Add: Allowance for impairment of securities | 3,493 | - | - | - |
| Add: Allowances for other receivables | 477 | 93 | - | - |
| | 1,382,852 | 1,406,962 | 22,999 | 19,470 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2013**

| | Share capital RM'000 | Perpetual preference shares RM'000 | Statutory reserve RM'000 | Exchange fluctuation reserves RM'000 | Revaluation reserve - financial investments available for-sale RM'000 | Regulatory reserve RM'000 | Share-based payment reserve RM'000 | Retained profits RM'000 | Total RM'000 |
|---|----------------------------|---|--------------------------------|---|---|---------------------------------|--|----------------------------|-----------------|
| The Group | | | | | | | | | |
| At 1 January 2013 | 1,000,000 | 70,000 | 657,004 | 1,350 | 27,623 | 242,624 | 335 | 1,307,017 | 3,305,953 |
| Profit for the financial year | - | - | - | - | - | - | - | 575,552 | 575,552 |
| Other comprehensive expense, net of tax | - | - | - | (3,117) | (33,188) | - | - | - | (36,305) |
| - financial investments available-for-sale | - | - | - | - | (33,188) | - | - | - | (33,188) |
| - currency translation difference | - | - | - | (3,117) | - | - | - | - | (3,117) |
| Total comprehensive expense for the year | - | - | - | (3,117) | (33,188) | - | - | 575,552 | 539,247 |
| Share-based payment expense | - | - | - | - | - | - | 591 | - | 591 |
| Shares released under Equity Ownership plan | - | - | - | - | - | - | (320) | - | (320) |
| Transfer to statutory reserve | - | - | 91,390 | - | - | - | - | (91,390) | - |
| Transfer from regulatory reserve | - | - | - | - | - | (12,536) | - | 12,536 | - |
| At 31 December 2013 | 1,000,000 | 70,000 | 748,394 | (1,767) | (5,565) | 230,088 | 606 | 1,803,715 | 3,845,471 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2013 (Continued):**

| | Share capital RM'000 | Perpetual preference shares RM'000 | Statutory reserve RM'000 | Exchange fluctuation reserves RM'000 | Revaluation reserve - financial investments available for-sale RM'000 | Regulatory reserve RM'000 | Share-based payment reserve RM'000 | Retained profits RM'000 | Total RM'000 |
|---|----------------------------|---|--------------------------------|---|---|---------------------------------|--|----------------------------|-----------------|
| The Group | | | | | | | | | |
| At 1 January 2012 | 1,000,000 | 70,000 | 456,469 | (1,459) | 8,974 | 59,113 | 16,499 | 1,015,151 | 2,624,747 |
| Profit for the financial year | - | - | - | - | - | - | - | 659,633 | 659,633 |
| Other comprehensive income, net of tax | - | - | - | 2,809 | 18,649 | - | - | - | 21,458 |
| - financial investments available-for-sale | - | - | - | - | 18,649 | - | - | - | 18,649 |
| - currency translation difference | - | - | - | 2,809 | - | - | - | - | 2,809 |
| Total comprehensive income for the year | - | - | - | 2,809 | 18,649 | - | - | 659,633 | 681,091 |
| Share-based payment expense | - | - | - | - | - | - | 571 | - | 571 |
| Shares released under Equity Ownership plan | - | - | - | - | - | - | (456) | - | (456) |
| Expiry of Management Equity Scheme | - | - | - | - | - | - | (16,279) | 16,279 | - |
| Transfer to statutory reserve | - | - | 200,535 | - | - | - | - | (200,535) | - |
| Transfer to regulatory reserve | - | - | - | - | - | 183,511 | - | (183,511) | - |
| At 31 December 2012 | 1,000,000 | 70,000 | 657,004 | 1,350 | 27,623 | 242,624 | 335 | 1,307,017 | 3,305,953 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2013 (Continued)**

| | <u>Non- distributable</u> | | <u>Distributable</u> | |
|--|---|---|-------------------------------|-----------------|
| | Exchange fluctuation reserves RM'000 | Revaluation reserve - financial investments available for-sale RM'000 | Retained profits RM'000 | Total RM'000 |
| The Bank | | | | |
| At 1 January 2013 | 690 | 3,793 | 54,121 | 58,604 |
| Profit for the financial year | - | - | 14,927 | 14,927 |
| Currency translation difference | 2,772 | - | - | 2,772 |
| Financial investments available-for-sale | - | (3,577) | - | (3,577) |
| At 31 December 2013 | 3,462 | 216 | 69,048 | 72,726 |
| | | | | |
| | <u>Non- distributable</u> | <u>Distributable</u> | | |
| | Exchange fluctuation reserves RM'000 | Revaluation reserve - financial investments available for-sale RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1 January 2012 | 1,079 | (3,178) | 56,657 | 54,558 |
| Loss for the financial year | - | - | (2,536) | (2,536) |
| Currency translation difference | (389) | - | - | (389) |
| Financial investments available-for-sale | - | 6,971 | - | 6,971 |
| At 31 December 2012 | 690 | 3,793 | 54,121 | 58,604 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2013**

| | The Group | | The Bank | |
|--|--------------------|----------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit/(loss) before taxation | 767,202 | 880,222 | 14,927 | (2,536) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 1,772 | 1,660 | - | - |
| Property, plant and equipment written off | 36 | 116 | - | - |
| Amortisation of intangible assets | 3,150 | 2,811 | 11 | - |
| Allowance for losses on other receivables | 477 | 93 | - | - |
| Net gain from disposal of financial investments available-for-sale | (20,302) | (6,815) | (4,432) | (649) |
| Share-based payment expense | 591 | 571 | - | - |
| Unrealised loss/(gain) on Islamic derivative financial instruments | 874 | (22,437) | 26 | - |
| Unrealised loss/(gain) on foreign exchange | 118,856 | (61,557) | - | - |
| Allowance for impairment losses on financing, advances and other financing/loans | 150,612 | 107,994 | 5,815 | 19,846 |
| Unrealised loss/(gain) from revaluation of financial assets held for trading | 8,452 | (444) | 4,991 | (704) |
| Unrealised gain from financial liabilities designated at fair value | (8,464) | - | - | - |
| Accretion of discount less amortisation of premium | (17,676) | (42,479) | 534 | 468 |
| Profit income from financial investments available-for-sale | (102,394) | (80,520) | (8,005) | (7,123) |
| Profit income from financial investments held-to-maturity | (39,845) | (52,456) | (8,795) | (8,371) |
| Net gain from sale of financial investments held-to-maturity | (286) | (1,245) | - | - |
| Net (gain)/loss from hedging derivatives | 4,760 | (2,002) | 4,760 | (2,002) |
| Profit expense on subordinated Sukuk | 38,010 | 28,740 | - | - |
| | 905,825 | 752,252 | 9,832 | (1,071) |
| Decrease/(increase) in operating assets | | | | |
| Deposits and placements with banks and other financial institutions | 329,653 | 885,765 | 3,741 | 455,610 |
| Financial assets held for trading | 2,936,884 | (3,293,121) | (30,381) | 23,342 |
| Financing, advances and other financing/loans | (2,638,554) | (5,352,880) | (494,615) | (265,554) |
| Other assets | (17,725) | 29,871 | 13,043 | (13,638) |
| Amount due from conventional operations | (423,082) | (344,670) | - | - |
| Amount due from related company | (1,113,580) | (1,050,512) | (1,113,592) | (1,051,842) |
| Statutory deposits with Bank Negara Malaysia | (332,650) | (6,300) | - | - |
| Increase/(decrease) in operating liabilities | | | | |
| Deposits from customers | 2,988,450 | 6,537,113 | (174,055) | 548,578 |
| Deposits and placements of banks and other financial institutions | (4,741,151) | 1,156,461 | (34,200) | 891 |
| Islamic derivative financial instruments | (173,585) | (20,053) | 857 | (6,415) |
| Financial liabilities designated at fair value | 154,680 | - | - | - |
| Amount due to conventional operations | (749,179) | 462,230 | - | - |
| Amount due to related companies | 667,234 | 3,415 | 95,797 | - |
| Other liabilities | 1,291,672 | 1,260,422 | 1,525,572 | 1,117,395 |
| Cash flows (used in)/generated from operations | (915,108) | 1,019,993 | (198,001) | 807,296 |
| Taxation paid | (118,395) | (146,361) | - | - |
| Cash flows (used in)/generated from operating activities | (1,033,503) | 873,632 | (198,001) | 807,296 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2013 (Continued)**

| | Note | The Group | | The Bank | |
|---|------|------------------|--------------------|----------------|------------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Cash flows from investing activities | | | | | |
| Net proceeds/(purchase) of financial investments held-to-maturity | | 36,800 | 87,567 | (10,604) | 48,323 |
| Net proceeds/(purchase) of financial investments available-for-sale | | 1,493,315 | (1,735,669) | 40,683 | (213,201) |
| Profit income from financial investments held-to-maturity | | 42,516 | 52,066 | 8,462 | 8,295 |
| Profit income from financial investments available-for-sale | | 119,578 | 58,546 | 8,965 | 6,389 |
| Purchase of property, plant and equipment | | (1,585) | (3,513) | - | - |
| Purchase of intangible assets | | (10,014) | (5,824) | (38) | - |
| Cash flows generated from/(used in) investing activities | | <u>1,680,610</u> | <u>(1,546,827)</u> | <u>47,468</u> | <u>(150,194)</u> |
| Cash flows from financing activities | | | | | |
| Issuance of Sukuk | | - | 300,000 | - | - |
| Profit expense paid on subordinated Sukuk | | (37,981) | (25,180) | - | - |
| Cash flows (used in)/generated from financing activities | | <u>(37,981)</u> | <u>274,820</u> | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | 609,126 | (398,375) | (150,533) | 657,102 |
| Effects of exchange rate differences | | (13,434) | 7,613 | (7,405) | 4,415 |
| Cash and cash equivalents at beginning of financial year | | <u>7,188,508</u> | <u>7,579,270</u> | <u>756,358</u> | <u>94,841</u> |
| Cash and cash equivalents at end of financial year | | <u>7,784,200</u> | <u>7,188,508</u> | <u>598,420</u> | <u>756,358</u> |
| Cash and cash equivalents comprise: | | | | | |
| Cash and short-term funds | (a) | <u>7,784,200</u> | <u>7,188,508</u> | <u>598,420</u> | <u>756,358</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(a) Cash and short-term funds**

| | The Group | | The Bank | |
|--|------------------|------------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 874,219 | 730,681 | 597,426 | 601,950 |
| Money at call and deposit placements maturing within one month | 6,909,981 | 6,457,827 | 994 | 154,408 |
| | 7,784,200 | 7,188,508 | 598,420 | 756,358 |

(b) Deposits and placements with banks and other financial institutions

| | The Group | | The Bank | |
|------------------------------|----------------|----------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Licensed banks | 231,893 | 405,147 | 73,466 | 77,207 |
| Licensed investment banks | - | 146,362 | - | - |
| Other financial institutions | - | 10,037 | - | - |
| | 231,893 | 561,546 | 73,466 | 77,207 |

(c) Financial assets held for trading

| | The Group | | The Bank | |
|--|------------------|------------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments | | | | |
| Unquoted | | | | |
| Government Investment Issues | 27,647 | 251,804 | - | - |
| Malaysian Government treasury bills | - | 68,456 | - | - |
| Bank Negara Malaysia Monetary Notes | 2,184,341 | 3,540,897 | - | - |
| Islamic negotiable instruments of deposits | 748,368 | 1,656,985 | - | - |
| Islamic accepted bills | - | 150,202 | - | - |
| Other Government Securities | - | 100,261 | - | 100,261 |
| | 2,960,356 | 5,768,605 | - | 100,261 |
| Quoted securities | | | | |
| <u>Outside Malaysia</u> | | | | |
| Sukuk | 77,770 | - | 77,770 | - |
| Private debt securities | 47,696 | - | 47,696 | - |
| Unquoted securities | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 221,440 | 461,628 | 13,258 | 12,924 |
| <u>Outside Malaysia</u> | | | | |
| Islamic debt securities | 22,562 | 22,711 | 22,562 | 22,711 |
| | 3,329,824 | 6,252,944 | 161,286 | 135,896 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(d) Financial investments available-for-sale**

| | The Group | | The Bank | |
|--|------------------|------------------|-----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments | | | | |
| Unquoted | | | | |
| Government Investment Issues | 377,791 | 1,140,378 | - | - |
| Islamic Cagamas bonds | 25,491 | 20,764 | - | - |
| Malaysian Government Securities | 34,793 | 99,200 | - | 64,938 |
| Khazanah bonds | - | 54,240 | - | - |
| | 438,075 | 1,314,582 | - | 64,938 |
| Unquoted securities | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 873,751 | 1,547,118 | 24,295 | - |
| Placements with Islamic Banking and Finance Institute Malaysia | 575 | 575 | - | - |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 335,405 | 340,844 | 335,405 | 340,844 |
| Private equity funds | 27,257 | 13,696 | - | - |
| Less: Allowance for impairment losses | (3,633) | - | - | - |
| | 1,671,430 | 3,216,815 | 359,700 | 405,782 |

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

| | The Group | |
|--|------------------|---------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At 1 January | - | - |
| Net allowance made during the financial year | 3,493 | - |
| Exchange fluctuation | 140 | - |
| At 31 December | 3,633 | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(e) Financial investments held-to-maturity**

| | The Group | | The Bank | |
|-----------------------------|------------------|----------------|-----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unquoted securities | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 602,177 | 778,948 | - | 126,518 |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 326,446 | 188,991 | 326,446 | 188,991 |
| Amortisation of premium | - | (40) | - | - |
| less accretion of discounts | - | (40) | - | - |
| | 928,623 | 967,899 | 326,446 | 315,509 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies****(i) Islamic derivative financial instruments**

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

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

| At 31 December 2013 | The Group Fair values | | | The Bank Fair values | | |
|---------------------------------------|--------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | Principal RM'000 | Assets RM'000 | Liabilities RM'000 | Principal RM'000 | Assets RM'000 | Liabilities RM'000 |
| <u>Trading derivatives</u> | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Currency forward | 1,311,116 | 30,226 | (5,215) | - | - | - |
| Currency swaps | 2,961,169 | 31,757 | (29,390) | 69,972 | 1,082 | - |
| Currency spot | 8,625 | 10 | (5) | - | - | - |
| Currency option | 27,230 | 93 | (93) | - | - | - |
| Cross currency profit rate swaps | 834,259 | 37,104 | (36,600) | - | - | - |
| | 5,142,399 | 99,190 | (71,303) | 69,972 | 1,082 | - |
| <u>Profit rate derivatives</u> | | | | | | |
| Islamic profit rate swaps | 8,360,308 | 89,938 | (85,548) | - | - | - |
| <u>Equity related derivatives</u> | | | | | | |
| Equity options | 641,323 | 13,513 | (13,513) | - | - | - |
| <u>Credit related derivatives</u> | | | | | | |
| Total return swaps | 115,960 | 586 | (586) | - | - | - |
| <u>Hedging derivatives</u> | | | | | | |
| Islamic profit rate swaps | 6,930,427 | 44,655 | (114,427) | - | - | - |
| Total derivative assets/(liabilities) | 21,190,417 | 247,882 | (285,377) | 69,972 | 1,082 | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(i) Islamic derivative financial instruments (Continued)**

| At 31 December 2012 | The Group Fair values | | | The Bank Fair values | | |
|---------------------------------------|--------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | Principal RM'000 | Assets RM'000 | Liabilities RM'000 | Principal RM'000 | Assets RM'000 | Liabilities RM'000 |
| <u>Trading derivatives</u> | | | | | | |
| <u>Foreign exchange derivatives</u> | | | | | | |
| Currency forward | 1,579,364 | 33,775 | (31,665) | - | - | - |
| Currency swaps | 2,803,898 | 17,819 | (8,780) | 175,330 | 1,965 | - |
| Currency spot | 1,604 | 1 | (1) | - | - | - |
| Currency option | 92,114 | 297 | (297) | - | - | - |
| Cross currency profit rate swaps | 331,784 | 17,993 | (17,994) | - | - | - |
| | 4,808,764 | 69,885 | (58,737) | 175,330 | 1,965 | - |
| <u>Profit rate derivatives</u> | | | | | | |
| Islamic profit rate swaps | 8,143,911 | 73,575 | (50,720) | - | - | - |
| <u>Equity related derivatives</u> | | | | | | |
| Equity options | 1,471,507 | 15,856 | (15,856) | - | - | - |
| <u>Credit related derivatives</u> | | | | | | |
| Total return swaps | 121,760 | 1,634 | (1,634) | - | - | - |
| <u>Hedging derivatives</u> | | | | | | |
| Islamic profit rate swaps | 7,078,403 | 9,374 | (253,583) | - | - | - |
| Total derivative assets/(liabilities) | 21,624,345 | 170,324 | (380,530) | 175,330 | 1,965 | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies**

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

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

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

| | The Group | | The Bank | |
|--|------------------|-----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | Principal | Principal | Principal | Principal |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Credit related</u> | | | | |
| Direct credit substitutes | 153,960 | 195,449 | - | - |
| Certain transaction-related contingent items | 390,323 | 434,554 | - | - |
| Short-term self-liquidating trade-related contingencies | 19,725 | 85,180 | - | - |
| Irrevocable commitments to extend credit: | | | | |
| - maturity not exceeding one year | 4,383,087 | 3,852,873 | - | - |
| - maturity exceeding one year | 868,416 | 901,637 | - | - |
| Miscellaneous commitments and contingencies | 190,176 | 45,430 | - | - |
| Total credit-related commitments and contingencies | 6,005,687 | 5,515,123 | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies (Continued)**

| | The Group | | The Bank | |
|--|-------------------|------------|---------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | Principal | Principal | Principal | Principal |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Treasury related</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - less than one year | 3,741,215 | 3,756,043 | 69,972 | 175,330 |
| - one year to less than five years | 505,478 | 157,015 | - | - |
| - five years and above | 895,706 | 895,706 | - | - |
| Profit rate related contracts: | | | | |
| - less than one year | 450,000 | 1,093,346 | - | - |
| - one year to less than five years | 8,208,201 | 4,615,834 | - | - |
| - five years and above | 6,632,534 | 9,513,134 | - | - |
| Equity related contracts: | | | | |
| - less than one year | - | 710,633 | - | - |
| - one year to less than five years | 249,221 | 345,162 | - | - |
| - five years and above | 392,102 | 415,712 | - | - |
| Credit related contracts: | | | | |
| - five years and above | 115,960 | 121,760 | - | - |
| Total treasury-related commitments and contingencies | 21,190,417 | 21,624,345 | 69,972 | 175,330 |
| | 27,196,104 | 27,139,468 | 69,972 | 175,330 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans****(i) By type:**

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Cash line | 478,132 | 471,590 | - | - |
| Term financing | | | | |
| - Housing financing | 9,165,933 | 8,231,990 | - | - |
| - Syndicated term financing | 502,996 | 422,285 | - | 92,271 |
| - Hire purchase receivables | 6,288,975 | 6,495,487 | - | - |
| - Other term financing | 17,077,198 | 16,081,722 | 752,064 | 315,261 |
| Credit card receivables | 104,449 | 97,882 | - | - |
| Bills receivable | 2,885 | 3,766 | - | - |
| Islamic trust receipts | 66,615 | 80,151 | 40,681 | 44,443 |
| Claim on customers under acceptance credit | 370,754 | 340,687 | - | - |
| Revolving credits | 2,393,009 | 1,575,218 | 235,976 | 125,027 |
| Share purchases financing | 16,441 | 35,226 | - | - |
| other financing/loans | 2 | 3 | 2 | 3 |
| Gross financing, advances and other financing/loans | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |
| Fair value changes arising from fair value hedges | 40,548 | 222,909 | - | - |
| | 36,507,937 | 34,058,916 | 1,028,723 | 577,005 |
| Less: Individual impairment allowance | (29,801) | (108,184) | - | (47,259) |
| | 36,478,136 | 33,950,732 | 1,028,723 | 529,746 |
| Less: Portfolio impairment allowance | (376,849) | (347,704) | - | - |
| | 36,101,287 | 33,603,028 | 1,028,723 | 529,746 |

- a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM6,350 million (2012: RM6,500 million) financing using Islamic profit rate swaps.

| | The Group | |
|---|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Gross financing hedged | 6,350,000 | 6,500,000 |
| Fair value changes arising from fair value hedges | 40,548 | 222,909 |
| | 6,390,548 | 6,722,909 |

The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 December 2013 was RM67 million (2012: RM247 million).

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

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

As at 31 December 2013, the gross exposures to RPSIA financing is RM2,476 million (2012: RM988 million) and the portfolio impairment allowance relating to this RPSIA is RM11.3 million (2012: RM3.5 million).

(i) By contract:

| | The Group | | The Bank | |
|--|-------------------|-------------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bai'-Bithaman Ajil (<i>deferred payment sale</i>) | 13,754,515 | 12,957,557 | - | - |
| Murabahah (<i>Cost Plus Sale</i>) | 1,291,056 | 902,687 | 943,598 | 577,005 |
| Ijarah Muntahiyyah Bittamlik/AITAB (<i>lease ending with ownership</i>) | 7,560,947 | 7,330,211 | - | - |
| Bai' al-'inah (<i>sales and repurchase</i>) | 11,806,734 | 12,455,612 | 85,125 | - |
| Others | 2,054,137 | 189,940 | - | - |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

(iii) By type of customer:

| | The Group | | The Bank | |
|--|-------------------|-------------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 1,505,087 | 574,212 | - | - |
| Domestic business enterprises | | | | |
| - small medium enterprises | 1,906,985 | 1,360,257 | - | - |
| - others | 5,180,126 | 5,245,295 | 85,125 | 53,863 |
| Government and statutory bodies | 6,746,098 | 6,747,294 | - | - |
| Individuals | 19,920,730 | 19,122,879 | - | - |
| Other domestic entities | 31,021 | 16,981 | - | - |
| Foreign entities | 1,177,342 | 769,089 | 943,598 | 523,142 |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(iv) By profit rate sensitivity:

| | The Group | | The Bank | |
|-----------------------------|-------------------|-------------------|------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Fixed rate | | | | |
| - House financing | 225,098 | 316,820 | - | - |
| - Hire-purchase receivables | 6,288,975 | 6,495,487 | - | - |
| - other financing/loans | 12,413,536 | 12,241,704 | 397,480 | 128,750 |
| Variable rate | | | | |
| - House financing | 8,940,835 | 7,915,170 | - | - |
| - Others | 8,598,945 | 6,866,826 | 631,243 | 448,255 |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

(v) By economic purposes:

| | The Group | | The Bank | |
|--|-------------------|-------------------|------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Personal use | 3,171,403 | 3,233,098 | - | - |
| Credit card | 104,449 | 97,882 | - | - |
| Purchase of consumer durables | 17,995 | 11,584 | - | - |
| Residential property | 9,214,629 | 8,273,772 | - | - |
| Non residential property | 3,206,670 | 2,573,888 | - | - |
| Purchase of fixed assets other than land and building | 270,074 | 360,709 | - | - |
| Construction | 1,930,087 | 1,970,429 | 529 | - |
| Purchase of securities | 21,839 | 35,648 | - | - |
| Purchase of transport vehicles | 6,346,225 | 6,512,442 | - | - |
| Working capital | 8,351,301 | 7,479,845 | 125,806 | 190,577 |
| Merger and acquisition | 1,242 | 20,290 | - | - |
| Other purpose | 3,831,475 | 3,266,420 | 902,388 | 386,428 |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(vi) By geographical distribution:

| | The Group | | The Bank | |
|-----------------|-------------------|-------------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 35,523,791 | 33,259,002 | 85,125 | 53,863 |
| Other countries | 943,598 | 577,005 | 943,598 | 523,142 |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

(vii) By residual contractual maturity:

| | The Group | | The Bank | |
|-------------------------------------|-------------------|-------------------|------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Within one year | 3,508,228 | 3,064,844 | 199,843 | 390,840 |
| One year to less than three years | 1,370,206 | 915,205 | 208,108 | 926 |
| Three years to less than five years | 5,880,681 | 3,236,886 | 620,772 | 185,239 |
| Five years and more | 25,708,274 | 26,619,072 | - | - |
| | 36,467,389 | 33,836,007 | 1,028,723 | 577,005 |

(viii) Impaired financing, advances and other financing/loans by economic purposes:

| | The Group | | The Bank | |
|--|----------------|----------------|----------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personal use | 25,081 | 15,570 | - | - |
| Credit card | 2,285 | 419 | - | - |
| Purchase of consumer durables | 72 | - | - | - |
| Residential property | 76,714 | 91,240 | - | - |
| Non residential property | 29,202 | 35,148 | - | - |
| Purchase of fixed assets other than land and building | 1,682 | 1,965 | - | - |
| Construction | 1,312 | 894 | - | - |
| Purchase of securities | 223 | 10 | - | - |
| Purchase of transport vehicles | 100,454 | 87,913 | - | - |
| Working capital | 64,953 | 155,804 | - | 92,271 |
| Other purpose | 8,172 | 7,436 | - | - |
| | 310,150 | 396,399 | - | 92,271 |

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

(ix) Impaired financing, advances and other financing/loans by geographical distribution:

| | The Group | | The Bank | |
|-----------------|----------------|----------------|----------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 310,150 | 304,128 | - | - |
| Other countries | - | 92,271 | - | 92,271 |
| | 310,150 | 396,399 | - | 92,271 |

(x) Movements in impaired financing, advances and other financing/loans are as follows:

| | The Group | | The Bank | |
|--|----------------|----------------|--------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 396,399 | 441,331 | 92,271 | 95,553 |
| Classified as impaired during the financial year | 414,409 | 383,364 | - | 269 |
| Reclassified as not impaired during the financial year | (175,390) | (152,618) | - | - |
| Amount written back in respect of recoveries | (127,800) | (73,013) | (42,172) | - |
| Reclassification from unwinding income | - | 10,109 | - | - |
| Amount written off | (204,044) | (209,223) | (56,675) | - |
| Exchange fluctuation | 6,576 | (3,551) | 6,576 | (3,551) |
| At 31 December | 310,150 | 396,399 | - | 92,271 |
| Ratio of gross impaired financing, advances and other financing/loans to total financing, advances and other financing/loans | 0.85% | 1.17% | 0.00% | 15.99% |

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(g) Financing, advances and other financing/loans (Continued)**

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

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Individual impairment allowance | | | | |
| At 1 January | 108,184 | 131,922 | 47,259 | 28,666 |
| Net allowance made during the financial year | (14,929) | 21,432 | 5,815 | 19,846 |
| Amount written off | (67,055) | (48,007) | (56,675) | - |
| Unwinding income | - | 4,090 | - | - |
| Exchange fluctuation | 3,601 | (1,253) | 3,601 | (1,253) |
| At 31 December | <u>29,801</u> | <u>108,184</u> | <u>-</u> | <u>47,259</u> |
| Portfolio impairment allowance | | | | |
| At 1 January | 347,704 | 417,744 | - | - |
| Allowance made during the financial year | 163,420 | 86,543 | - | - |
| Amount written off | (136,990) | (162,602) | - | - |
| Unwinding income | - | 6,019 | - | - |
| Transfer from conventional operations | 2,715 | - | - | - |
| At 31 December | <u>376,849</u> | <u>347,704</u> | <u>-</u> | <u>-</u> |
| Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance | <u>2.21%</u> | <u>2.25%</u> | <u>-</u> | <u>-</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(h) Other assets**

| | The Group | | The Bank | |
|--|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and prepayments | 3,983 | 100 | - | - |
| Clearing accounts | 184,092 | 170,309 | - | 13,326 |
| Collateral pledged for derivative transactions | 58,230 | 61,430 | - | - |
| Sundry debtors | 39,250 | 38,549 | 2,461 | 2,178 |
| | 285,555 | 270,388 | 2,461 | 15,504 |

(i) Deferred taxation

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

| | The Group | | The Bank | |
|--------------------------|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets | 25,931 | 20,291 | - | - |
| Deferred tax liabilities | (3,482) | (9,560) | - | - |
| | 22,449 | 10,731 | - | - |

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(i) Deferred taxation (Continued)**

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

| The Group | | Portfolio impairment allowance RM'000 | Accelerated tax depreciation RM'000 | Revaluation reserves - financial investments available-for- sale RM'000 | Provision for expenses RM'000 | Total RM'000 |
|-----------------------------------|------|--|--|---|-------------------------------------|-----------------|
| Note | | | | | | |
| <u>Deferred tax assets</u> | | | | | | |
| <u>2013</u> | | | | | | |
| | | 78 | (2,234) | (7,326) | 20,213 | 10,731 |
| | (ad) | (33) | (1,247) | - | 208 | (1,072) |
| | | - | (1) | - | - | (1) |
| | | - | - | 12,791 | - | 12,791 |
| | | <u>45</u> | <u>(3,482)</u> | <u>5,465</u> | <u>20,421</u> | <u>22,449</u> |
| <u>2012</u> | | | | | | |
| | | 27 | (839) | (4,432) | 11,603 | 6,359 |
| | (ad) | 51 | (1,336) | - | 8,893 | 7,608 |
| | | - | (59) | - | (283) | (342) |
| | | - | - | (2,894) | - | (2,894) |
| | | <u>78</u> | <u>(2,234)</u> | <u>(7,326)</u> | <u>20,213</u> | <u>10,731</u> |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(j) Statutory deposits with Bank Negara Malaysia**

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

(k) Goodwill

| | The Group | |
|--------------------------|------------------|---------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Cost | | |
| At 1 January/31 December | 136,000 | 136,000 |

Goodwill is wholly allocated to the retail banking cash-generating unit ('CGU').

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2014 financial budgets approved by management, projected for five years based on the average to year historical Gross Domestic Product ('GDP') growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2012: 5.00%). The discount rate is 6.55% (2012: 7.10%) which reflects the specific risks relating to the CGU.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(l) Intangible assets**

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Computer software | | | | |
| Cost | | | | |
| At 1 January | 24,373 | 17,142 | - | - |
| Additions | 10,014 | 5,824 | 38 | - |
| Reclassified from property, plant and equipment (Note m) | 33 | 1,407 | - | - |
| At 31 December | <u>34,420</u> | <u>24,373</u> | <u>38</u> | <u>-</u> |
| Amortisation | | | | |
| At 1 January | 17,045 | 12,972 | - | - |
| Charge for the financial year | 3,150 | 2,811 | 11 | - |
| Reclassified from property, plant and equipment (Note m) | - | 1,262 | - | - |
| At 31 December | <u>20,195</u> | <u>17,045</u> | <u>11</u> | <u>-</u> |
| Net book value at 31 December | <u>14,225</u> | <u>7,328</u> | <u>27</u> | <u>-</u> |

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

Computer software 1-13 years

The above intangible assets include computer software under construction at cost of the Group of RM249,457 (31 December 2012: RM247,332).

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment**

| The Group 2013 | Renovations, office and plant equipment, furniture and fittings RM'000 | Computer equipments RM'000 | Motor vehicles RM'000 | Total RM'000 |
|--|---|---|----------------------------------|-------------------------|
| Cost | | | | |
| At 1 January | 4,771 | 3 | 3,247 | 8,021 |
| Additions | 1,192 | - | 393 | 1,585 |
| Written-off | - | - | (69) | (69) |
| Reclassified to intangible assets (Note 1) | (33) | - | - | (33) |
| At 31 December | <u>5,930</u> | <u>3</u> | <u>3,571</u> | <u>9,504</u> |
| Accumulated depreciation | | | | |
| At 1 January | 1,713 | 3 | 813 | 2,529 |
| Charge for the financial year | 1,325 | - | 447 | 1,772 |
| Written-off | - | - | (33) | (33) |
| At 31 December | <u>3,038</u> | <u>3</u> | <u>1,227</u> | <u>4,268</u> |
| Net book value at 31 December | <u>2,892</u> | <u>-</u> | <u>2,344</u> | <u>5,236</u> |

| The Group 2012 | Renovations, office and plant equipment, furniture and fittings RM'000 | Computer equipments RM'000 | Motor vehicles RM'000 | Total RM'000 |
|--|---|---|----------------------------------|-------------------------|
| Cost | | | | |
| At 1 January | 8,294 | 13 | 2,450 | 10,757 |
| Additions | 2,356 | - | 1,157 | 3,513 |
| Written-off | (4,472) | (10) | (360) | (4,842) |
| Reclassified to intangible assets (Note 1) | (1,407) | - | - | (1,407) |
| At 31 December | <u>4,771</u> | <u>3</u> | <u>3,247</u> | <u>8,021</u> |
| Accumulated depreciation | | | | |
| At 1 January | 6,339 | 13 | 505 | 6,857 |
| Charge for the financial year | 1,089 | - | 571 | 1,660 |
| Written-off | (4,453) | (10) | (263) | (4,726) |
| Reclassified to intangible assets (Note 1) | (1,262) | - | - | (1,262) |
| At 31 December | <u>1,713</u> | <u>3</u> | <u>813</u> | <u>2,529</u> |
| Net book value at 31 December | <u>3,058</u> | <u>-</u> | <u>2,434</u> | <u>5,492</u> |

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(n) Deposits from customers****(i) By type of deposits**

| | The Group | | The Bank | |
|--|-------------------|-------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Savings deposits | | | | |
| Wadiah | 1,358,418 | 1,181,904 | 27,544 | - |
| Mudharabah | 574,528 | 524,422 | - | - |
| Demand deposit | | | | |
| Wadiah | 3,336,447 | 3,540,300 | 39,016 | 12,179 |
| Qard | 11,854 | 1,875 | - | - |
| Mudharabah | 4,780,701 | 4,234,083 | - | - |
| Term deposit | | | | |
| Commodity Murabahah | 5,652,819 | 7,685,855 | 255,758 | 965,933 |
| Negotiable Islamic Debt Certificate (NIDC) | | | | |
| Mudharabah | 414,592 | 1,031,344 | - | - |
| Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn) | 5,519,448 | 2,370,187 | - | - |
| Short term money market deposit-i | | | | |
| Wakalah | 14,841,946 | 13,327,632 | - | - |
| Wadiah | 502,921 | 119,464 | 482,551 | - |
| General investment account | | | | |
| Mudharabah | 2,088,871 | 2,062,478 | 5,631 | 6,444 |
| Specific investment account | | | | |
| Mudharabah | 175,455 | 175,087 | - | - |
| Wakalah | 415 | - | - | - |
| Others-Qard | 25,428 | 40,762 | 1 | - |
| | 39,283,843 | 36,295,393 | 810,501 | 984,556 |

(ii) By maturity structures of term deposits

The maturity structures deposits of investment deposits and negotiable instrument of deposits is as follow:

| | The Group | | The Bank | |
|-------------------------------------|-------------------|-------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Due within six months | 28,020,015 | 25,105,237 | 743,940 | 972,377 |
| Six months to less than one year | 553,838 | 817,232 | - | - |
| One year to less than three years | 67,032 | 177,616 | - | - |
| Three years to less than five years | 383,128 | 434,327 | - | - |
| Five years and more | 172,454 | 237,635 | - | - |
| | 29,196,467 | 26,772,047 | 743,940 | 972,377 |

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(n) Deposits from customers (continued)****(iii) By type of customer**

| | The Group | | The Bank | |
|---------------------------------|-------------------|-------------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 4,827,079 | 6,493,384 | - | - |
| Business enterprises | 17,081,689 | 13,714,164 | 730,526 | 318,133 |
| Individuals | 4,291,361 | 4,578,223 | 76,518 | 11,702 |
| Others | 13,083,714 | 11,509,622 | 3,457 | 654,721 |
| | 39,283,843 | 36,295,393 | 810,501 | 984,556 |

(o) Deposits and placements of banks and other financial institutions

| | The Group | | The Bank | |
|------------------------------|------------------|-------------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Mudharabah</u> | | | | |
| Licensed banks | 6,536,179 | 10,365,197 | 272,066 | 627,314 |
| Licensed investment banks | 230 | 998,659 | - | - |
| Other financial institutions | 479,519 | 393,223 | 443,408 | 122,360 |
| | 7,015,928 | 11,757,079 | 715,474 | 749,674 |

(p) Subordinated Sukuk

The RM850 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

The RM850 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel 3).

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for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(q) Other liabilities**

| | The Group | | The Bank | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Clearing accounts | 2,975,794 | 1,828,337 | 2,780,249 | 1,537,211 |
| Accruals and other payables | 15,874 | 74,303 | - | - |
| Others | 354,595 | 27,376 | 285,110 | 2,576 |
| | <u>3,346,263</u> | <u>1,930,016</u> | <u>3,065,359</u> | <u>1,539,787</u> |

(r) Provision for taxation and Zakat

| | The Group | | The Bank | |
|----------|---------------|--------------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | 15,089 | 7,321 | - | - |
| Zakat | 348 | 788 | - | - |
| | <u>15,437</u> | <u>8,109</u> | <u>-</u> | <u>-</u> |

(s) Financial liabilities designated at fair value

| | The Group | | The Bank | |
|--|-----------|--------|----------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers - structured investments | 146,216 | - | - | - |

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

Included in the above are individual and domestic other non-bank financial institution customers deposits with contractual amount due on maturity amounting to RM3,562,000 and RM151,118,000 respectively.

The carrying amount of the Group as at 31 December 2013 of financial liabilities designated at fair value was RM8,464,000 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.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(t) Ordinary share capital**

| | The Group | |
|--|------------------|------------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Ordinary shares of RM1.00 each: | | |
| At 1 January/31 December | <u>1,500,000</u> | <u>1,500,000</u> |
| | | |
| Issued and fully paid | | |
| Ordinary shares of RM1.00 each: | | |
| At 1 January/31 December | <u>1,000,000</u> | <u>1,000,000</u> |

(u) Perpetual preference shares

| | The Group | |
|--|------------------|----------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Authorised | | |
| Perpetual preference shares of RM1.00 each: | | |
| At 1 January / 31 December | <u>100,000</u> | <u>100,000</u> |
| | | |
| Issued and fully paid | | |
| Perpetual preference shares of RM1.00 each: | | |
| At 1 January / 31 December | <u>70,000</u> | <u>70,000</u> |

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of CIMB Islamic Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of CIMB Islamic Bank beyond such redemption rights as are expressly set out in these Articles.

CIMB Islamic Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of CIMB Islamic Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

56 The operations of Islamic Banking (Continued)

(v) Reserves

- (a) The statutory reserves are maintained in compliance with BNM guidelines and is not distributable as cash dividends.
- (b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (c) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the financing/loans impairment financing assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (d) Share-based payment reserve arose from the Management Equity Scheme and Employee Ownership Plan, the Group's share-based compensation benefits.
- (e) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiaries and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(w) Income derived from investment of depositors' funds and others**

| | The Group | | The Bank | |
|------------------------------------|------------------|------------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| (i) General investment deposits | 955,982 | 850,675 | 39,343 | 23,471 |
| (ii) Specific investment deposits | 89,121 | 97,510 | - | - |
| (iii) Other deposits | 987,177 | 992,745 | - | - |
| | 2,032,280 | 1,940,930 | 39,343 | 23,471 |

(i) Income derived from investment of general investment deposits

| | The Group | | The Bank | |
|--|-----------------|-----------------|---------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financing, advances and other financing/loans | | | | |
| - profit income | 781,866 | 680,889 | 11,428 | 8,193 |
| - unwinding income [^] | 3,360 | 2,762 | 312 | 577 |
| Financial assets held for trading | 18,595 | 14,514 | 2,401 | 1,422 |
| Financial investments available-for-sale | 51,116 | 38,955 | 7,919 | 7,068 |
| Financial investments held-to-maturity | 22,774 | 27,115 | 8,546 | 8,139 |
| Money at call and deposits with financial institutions | 92,011 | 74,775 | 5,179 | 4,008 |
| Others | 1,034 | - | 1,034 | - |
| | 970,756 | 839,010 | 36,819 | 29,407 |
| Accretion of discount less amortisation of premium | 8,120 | 18,664 | (534) | (468) |
| Total finance income and hibah | 978,876 | 857,674 | 36,285 | 28,939 |
| Other operating income | | | | |
| - Net gain/(loss) from financial assets held for trading | | | | |
| -realised | 18,722 | 9,578 | (238) | 659 |
| -unrealised | (6,516) | 558 | (4,918) | 694 |
| - Net gain from sale of financial investments available-for-sale | 13,414 | 3,591 | 4,432 | 649 |
| - Net gain from redemption of financial investments held-to-maturity | 135 | 528 | - | - |
| - Net (loss)/gain from foreign exchange transactions | (53,870) | (26,199) | 369 | (7,787) |
| | (28,115) | (11,944) | (355) | (5,785) |
| Fee and commission income | 5,221 | 4,945 | 3,413 | 317 |
| | 955,982 | 850,675 | 39,343 | 23,471 |

[^] Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(w) Income derived from investment of depositors' funds and others (continued)****(ii) Income derived from specific investment deposits**

| | The Group | | The Bank | |
|---|---------------|---------------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financing, advances and other financing/loans | | | | |
| - profit income | 64,763 | 60,404 | - | - |
| Money at call and deposit with financial institutions | 24,358 | 37,106 | - | - |
| | 89,121 | 97,510 | - | - |

(iii) Income derived from investment of other deposits

| | The Group | | The Bank | |
|--|------------------|----------------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financing, advances and other financing/loans | | | | |
| - profit income | 832,248 | 809,175 | - | - |
| - unwinding income [^] | 3,302 | 2,641 | - | - |
| Financial assets held for trading | 17,347 | 15,508 | - | - |
| Financial investments available-for-sale | 46,358 | 37,861 | - | - |
| Financial investments held-to-maturity | 15,362 | 23,113 | - | - |
| Money at call and deposits with financial institutions | 92,213 | 83,449 | - | - |
| | 1,006,830 | 971,747 | - | - |
| Accretion of discount less amortisation of premium | 8,733 | 21,919 | - | - |
| Total finance income and hibah | 1,015,563 | 993,666 | - | - |
| Other operating income | | | | |
| - Net gain/(loss) from financial assets held for trading | | | | |
| -realised | 20,579 | 11,397 | - | - |
| -unrealised | (1,699) | (112) | - | - |
| - Net gain from sale of financial investments available-for-sale | 9,473 | 2,967 | - | - |
| - Net gain from redemption of financial investments held-to-maturity | 137 | 661 | - | - |
| - Net loss from foreign exchange transactions | (58,880) | (19,223) | - | - |
| | (30,390) | (4,310) | - | - |
| Fee and commission income | 2,004 | 3,389 | - | - |
| | 987,177 | 992,745 | - | - |

[^] Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(x) Net income derived from investment of shareholders' funds**

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Financing, advances and other financing/loans | | | | |
| - profit income | 81,417 | 84,161 | 281 | 176 |
| - unwinding income [^] | 313 | 229 | - | - |
| Financial assets held for trading | 1,674 | 1,361 | 20 | 13 |
| Financial investments available-for-sale | 4,920 | 3,704 | 86 | 55 |
| Financial investments held-to-maturity | 1,709 | 2,228 | 249 | 232 |
| Money at call and deposits with financial institutions | 8,955 | 9,033 | 218 | 1,764 |
| | 98,988 | 100,716 | 854 | 2,240 |
| Accretion of discount less amortisation of premium | 823 | 1,896 | - | - |
| Total finance income and hibah | 99,811 | 102,612 | 854 | 2,240 |
| Other operating income | | | | |
| - Net gain/(loss) from financial assets held for trading | | | | |
| - Realised | 2,013 | 964 | - | (7) |
| - Unrealised | (237) | (2) | (73) | 10 |
| - Net (loss)/gain arising from financial liabilities designated at fair value | | | | |
| - Realised | (1,572) | - | - | - |
| - Unrealised | 8,464 | - | - | - |
| - Net (loss)/gain from sale of financial investments available-for-sale | (2,585) | 257 | - | - |
| - Net gain from redemption of financial investments held-to-maturity | 14 | 56 | - | - |
| - Net gain/(loss) from derivative financial instruments | | | | |
| - Realised | 92,705 | 33,580 | (209) | - |
| - Unrealised | (874) | 22,437 | (26) | - |
| - Net loss from foreign exchange transactions | (5,740) | (1,839) | (3) | (224) |
| - Net (loss)/gain from hedging derivatives | (4,760) | 2,002 | (4,760) | 2,002 |
| | 87,428 | 57,455 | (5,071) | 1,781 |
| Fee and commission income | 63,221 | 94,923 | 101 | 5 |
| Fee and commission expense | (1,417) | (1,909) | - | - |
| Net fee and commission expense | 61,804 | 93,014 | 101 | 5 |
| Sundry income | 4,136 | 5,680 | 220 | - |
| | 253,179 | 258,761 | (3,896) | 4,026 |

[^] Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(y) Allowances for impairment losses on financing, advances and other financing/loans**

| | The Group | | The Bank | |
|---|----------------|---------------|--------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for bad and doubtful debts and financing: | | | | |
| (i) Individual impairment allowance | | | | |
| - Net allowance made during the financial year | (14,929) | 21,432 | 5,815 | 19,846 |
| (iii) Portfolio impairment allowance | | | | |
| - Net allowance made during the financial year | 163,420 | 86,543 | - | - |
| Bad debts on financing: | | | | |
| - recovered | (47,495) | (56,102) | - | - |
| - written off | 2,121 | 19 | - | - |
| | 103,117 | 51,892 | 5,815 | 19,846 |

(z) Income attributable to depositors

| | The Group | | The Bank | |
|---|----------------|----------------|---------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers | | | | |
| - Mudharabah | 148,158 | 155,960 | 4,312 | 35 |
| - Non-Mudharabah | 639,645 | 534,819 | 4,843 | 3,888 |
| Deposits and placements of banks and other financial institutions | | | | |
| - Mudharabah | 35,756 | 45,913 | 1,143 | 1,398 |
| - Non-Mudharabah | 32,425 | 27,297 | - | 2,706 |
| Financial liabilities designated at fair value | 4,518 | - | - | - |
| Others | 42,105 | 28,740 | 2,150 | - |
| | 902,607 | 792,729 | 12,448 | 8,027 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(aa) Personnel expenses**

| | The Group | | The Bank | |
|---------------------------|------------------|---------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 20,134 | 18,271 | 1,896 | 1,421 |
| Allowances and bonuses | 55,355 | 60,766 | - | - |
| Staff incentive | 1,239 | 1,045 | - | - |
| Other staff related costs | 9,566 | 4,363 | - | - |
| | 86,294 | 84,445 | 1,896 | 1,421 |

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM298,800 (2012: RM404,400).

(ab) Other overheads and expenditures

| | The Group | | The Bank | |
|---|------------------|----------------|-----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Establishment costs | | | | |
| Rental | 1,564 | 1,642 | 55 | 70 |
| Depreciation of property, plant and equipment | 1,772 | 1,660 | - | - |
| Repairs and maintenance | 2,444 | 2,095 | 15 | 68 |
| Outsourcing expenses | 13 | 7,167 | - | - |
| Takaful/insurance | 31 | 11 | - | - |
| Others | 1,232 | 3,472 | - | - |
| Marketing expenses | | | | |
| Advertisement and publicity | 7,592 | 6,777 | 50 | 438 |
| Others | 1,978 | 2,506 | - | - |
| Administration and general expenses | | | | |
| Auditor's remuneration - statutory audit | 191 | 108 | - | - |
| Amortisation of intangible assets | 3,150 | 2,811 | 11 | - |
| Legal and professional fees | 4,765 | 2,526 | (96) | 128 |
| Communication | 675 | 586 | - | - |
| Incidental expenses on banking operations | 1,268 | 1,359 | - | - |
| Donation | 7,070 | - | - | - |
| Others | 14,491 | 10,649 | 326 | 35 |
| | 48,236 | 43,369 | 361 | 739 |
| Shared service cost | 374,033 | 346,941 | - | - |
| | 422,269 | 390,310 | 361 | 739 |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(ac) Significant related party transactions and balances**

The related parties of, and their relationship with the Group and Bank, are disclosed in Note 40.

| | Conventional operations RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|--------------------------------------|---|--|
| 2013 | | | |
| Income | | | |
| Fee income | - | 702 | - |
| Profit income on deposits and placements with banks and other financial institutions | 1,405 | 12,397 | - |
| Profit income on financial investments held-to-maturity | 1,010 | - | - |
| Expenditure | | | |
| Profit expense on deposits and placements of banks and other financial institutions | 268,676 | 29,941 | - |
| Profit expense on deposits from customers | - | 2,339 | - |
| Profit expense on subordinated Sukuk | 37,770 | 269 | - |
| Shared service costs | 294,921 | 78,597 | - |
| Security services | - | 37 | - |
| Process cost | - | 14 | - |
| Amounts due from | | | |
| Current accounts, deposits and placements with banks and other financial institutions | - | 129,838 | - |
| Profit income on deposits and placements with banks and other financial institution | - | 143 | - |
| Derivatives | 100,588 | - | - |
| Amounts due to | | | |
| Deposits from customers | - | 136,233 | 1,458 |
| Deposits and placements of banks and other financial institutions | 5,887,062 | 200,188 | - |
| Profit expense on deposits from customers | - | 466 | - |
| Profit expense on deposits and placements of banks and other financial institutions | 61,496 | 100 | - |
| Subordinated Sukuk | 844,000 | 6,000 | - |
| Profit expense on subordinated Sukuk | 6,828 | 3,481 | - |
| Shared service costs | 15,406 | 5,453 | - |
| Derivatives | 147,104 | - | - |
| Commitment and contingencies | | | |
| Profit rate related contracts | 6,930,427 | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(ac) Significant related party transactions and balances (continued)**

| | Conventional operations RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|--------------------------------------|---|--|
| 2012 | | | |
| Income | | | |
| Fee income | - | 270 | - |
| Profit income on deposits and placements with banks and other financial institutions | 1,556 | 9,942 | - |
| Profit income on financial investments held-to-maturity | 1,010 | - | - |
| Expenditure | | | |
| Profit expense on deposits and placements of banks and other financial institutions | 333,081 | 29,406 | - |
| Profit expense on deposits from customers | 1,018 | 2,023 | 1,479 |
| Profit expense on subordinated Sukuk | 29,408 | 209 | - |
| Shared service costs | 281,520 | 65,421 | - |
| Security services | - | 32 | - |
| Process cost | - | 49 | - |
| Amounts due from | | | |
| Current accounts, deposits and placements with banks and other financial institutions | 244,698 | 262,600 | - |
| Profit income on deposits and placements with banks and other financial institutions | 759 | 1,179 | - |
| Financial investments held-to-maturity | 20,105 | - | - |
| Profit income on financial investments held-to-maturity | 89 | - | - |
| Derivatives | 28,192 | - | - |
| Amounts due to | | | |
| Deposits from customers | 9,635 | 72,332 | 38,733 |
| Deposits and placements of banks and other financial institutions | 8,423,985 | 1,392,896 | - |
| Profit expense on deposits from customers | 6 | 89 | - |
| Profit expense on deposits and placements of banks and other financial institutions | 208,025 | 4,173 | - |
| Subordinated Sukuk | 844,000 | 6,000 | - |
| Profit expense on subordinated Sukuk | 10,206 | 74 | - |
| Shared service costs | 28,513 | 5,321 | - |
| Derivatives | 290,898 | - | - |
| Commitment and contingencies | | | |
| Profit rate related contracts | 7,078,403 | - | - |

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**Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)****56 The operations of Islamic Banking (Continued)****(ad) Taxation****(i) Tax expense for the financial year**

| | The Group | | The Bank | |
|--|------------------|---------|-----------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation based on the profit for the financial year: | | | | |
| - Malaysian income tax | 190,402 | 227,855 | - | - |
| Deferred taxation (Note i) | 1,072 | (7,608) | - | - |
| Over accrual in prior year | 176 | 342 | - | - |
| | 191,650 | 220,589 | - | - |

(ii) Numerical reconciliation of income tax expense

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

| | The Group | | The Bank | |
|--|------------------|---------|-----------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(loss) before taxation | 767,202 | 880,222 | 14,927 | (2,536) |
| Tax calculated at tax rate of 25% | 191,800 | 220,056 | 3,732 | (634) |
| - effect of different tax rates in other countries | 950 | 1,310 | 210 | 1,959 |
| - income not subject to tax | (4,195) | (2,168) | (3,942) | (1,325) |
| - expenses not deductible for tax purposes | 2,919 | 1,049 | - | - |
| Under accrual in prior year | 176 | 342 | - | - |
| | 191,650 | 220,589 | - | - |

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

57 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 7 March 2014.