Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2011

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2011

Contents

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2011

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2011.

Principal activities

The principal activities of the Bank during the financial year are investment banking and the provision of related financial services. The principal activities of the subsidiaries during the financial year are as set out in Note 11 to the Financial Statements, consist of futures broking and the provision of nominee services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Net profit after taxation	**100,207**	**99,034**

Dividends

The dividends on ordinary shares and redeemable preference shares paid or declared by the Bank since 31 December 2010 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010:	
Final tax exempted dividend of 43.62 sen per ordinary share and single tier dividend of 9.88 sen per ordinary share, was paid on 14 April 2011	**53,500**

The Directors have proposed an interim single tier dividend comprising of 61.86 sen per ordinary share, amounting to RM61,864,000 and 3,717.05 sen per redeemable preference shares amounting to RM37,170,514 in respect of financial year ended 31 December 2011. The dividend was approved by the Board of Directors in a resolution dated 19 January 2012.

Reserves, provisions and allowances

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

Directors' Report
for the financial year ended 31 December 2011 (Continued)

Issuance of shares

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

Bad and doubtful debts, and financing

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

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

Current assets

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

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

Valuation methods

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

Directors' Report
for the financial year ended 31 December 2011 (Continued)

Contingent and other liabilities (Continued)

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than disclosed in Note 46 to the Financial Statements; and

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

Directors

The names of the Directors of the Bank who have held office since the date of the last Report and at the date of this Report are:

Dato' Hamzah bin Bakar
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Zainal Abidin bin Putih
Nicholas Rupert Heylett Bloy (resigned on 17 February 2012)
Zahardin bin Omardin
Dato' Charon Wardini bin Mokhzani

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Dato' Sri Mohamed Nazir bin Abdul Razak and Zahardin bin Omardin retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CIMB Investment Bank Berhad

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Directors' Report
for the financial year ended 31 December 2011 (Continued)

Directors' interests in shares and share options

According to the Register of Directors' Shareholdings, the beneficial interests of the Directors who held office at the end of the financial year, in the shares and share options of the ultimate holding company 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					
Dato' Sri Mohamed Nazir bin Abdul Razak*	54,926,522	469,353	#	-	55,395,875
Zahardin bin Omardin	18,292	-		-	18,292
Dato' Charon Wardini bin Mokhzani**	127,314	193,164	##	-	320,478
Dato' Zainal Abidin bin Putih***	110,000	-		-	110,000

\# Shares granted under Equity Ownership Plan ("EOP")

\## 183,164 shares are granted under EOP

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

	As at 1 January	Acquired	Disposed	As at 31 December
Dato' Azlina binti Abdul Aziz	8,000,000	-	-	8,000,000

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

	As at 1 January	Acquired	Disposed	As at 31 December
Datin Saidah Binti Rastam	-	10,000	-	10,000

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

	As at 1 January	Acquired	Disposed	As at 31 December
Datin Jasmine Binti Abdullah Heng	20,000	-	-	20,000
Mohamad Ari Zulkarnain bin Zainal Abidin	10,000	-	-	10,000

	No. of debentures held			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Niaga Tbk				
-Subordinated Notes				
Dato' Charon Wardini bin Mokhzani	IDR 1,000,000,000	-	-	IDR1,000,000,000
CIMB Niaga Tbk				
-Subordinated Notes Series B Bond				
Dato' Charon Wardini bin Mokhzani	-	IDR 2,000,000,000	-	IDR 2,000,000,000

CIMB Investment Bank Berhad
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Directors' Report
for the financial year ended 31 December 2011 (Continued)

Directors' interests in shares and share options (Continued)

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 31 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

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

2011 Business Plan And Strategy

Despite the volatile financial markets and slower economic growth in the region, the Bank has retained its leadership in Malaysian mergers and acquisitions, advisory services, debt-capital-market as well as equity league tables, and secondary equity-market trades.

The Bank's investment banking strategy is focused on further expanding activities, both on-shore and off-shore, with particular focus on increasing assets under management and discretionary mandates. While maintaining its focus on traditional investment banking, the Bank has identified private banking and asset management as areas through which the Bank may accelerate growth and augment its profitability.

Where investment banking is concerned, the Bank intends to benefit from growth opportunities in regional markets, where it has become increasingly active. Above-market growth will, however, prove challenging.

Directors' Report
for the financial year ended 31 December 2011 (Continued)

Outlook for 2012

The outlook for the banking sector will be challenging heading into next year, especially in light of unpredictable financial markets and slower economic growth in the region. The local economy is expected to remain resilient boosted by the various measures undertaken by the Government. Notwithstanding this, the operating environment is anticipated to remain challenging with increased competition in the capital and equity markets.

The Malaysian financial sector will evolve to be regional in orientation and internationally connected under the new Financial Sector Blueprint 2011-2020. With increasing competition arising from deregulation and globalisation, the Bank aims to be a provider of differentiated solutions to clients not only in Malaysia, but across the region.

The Bank's experience as well as strong brand name and current positioning will provide an advantage to develop and attract industry talents and this will ensure that the Bank remains at the forefront of the investment banking industry.

Ratings by External Rating Agencies

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

Rating Agency	Rating Classification	Definition
Rating Agency Malaysia Berhad Date accorded : July 2011	Long term : AAA Short term : P1 Outlook : Stable	Indicates a superior capacity to meet its financial obligations
Moody's Investors Service Date accorded : September 2011	Long term deposits : A3 Short term deposits : P1 Outlook : Stable	Indicates low expectation of credit risk.
Standard & Poor's Date accorded : December 2011	Long term : A- Short term : A-2 Outlook :Stable	Indicates strong capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are likely to lead to a weakened capacity of the obligor to meet its financial commitments

Directors' Report
for the financial year ended 31 December 2011 (Continued)

Shariah Committee

Effective 1 January 2007, with the integration of the Shariah Committees of the Bank and CIMB Islamic Bank Berhad ("CIMB Islamic"), all the Islamic banking businesses of CIMB Group came under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic.

As per BNM/GPS1 (Guideline on the Governance of Shariah Committee for Islamic Financial Institutions), the Shariah Committee advises the Group on the operations of its Islamic banking business to ensure that the Group is not involved in any elements or activities which are not permissible under Shariah. In advising on such matters, the Shariah Committee also considers the views of the Shariah Advisory Council or Committees of relevant authorities like Bank Negara Malaysia and the Securities Commission on issues relating to the activities and operations of Islamic banking and finance.

Composition of the Shariah Committee:

1. Sheikh Professor Dr. Mohammad Hashim Kamali (Chairman)
2. Sheikh Nedham Muhammad Seleh Yaqooby
3. Sheikh Dr. Haji Mohd Nai'm bin Haji Mokhtar
4. Sheikh Associate Professor Dr. Shafaai Bin Musa
5. Sheikh Dr. Yousef Abdullah AlShubaily
6. Professor Dr Noor Inayah Yaakub (appointed on 1st April 2011)

Zakat

The obligation and responsibility for payment of Zakat lies with the Muslim shareholders of the Bank and its subsidiaries (if any), the Muslim shareholders of the Bank's Ultimate Holding Company as well as the Muslim depositors of the Bank. For the Bank's asset management subsidiaries, the obligation and responsibility for payment of Zakat on investments lies with the Muslim investors. The aforesaid is subject to the jurisdictional requirements on Zakat payment as may be applicable from time to time arising from 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

There were no significant events that occurred during the financial year 31 December 2011.

Directors' Report
for the financial year ended 31 December 2011 (Continued)

Subsequent event after the financial year end

There are no significant events subsequent to the financial year ended 31 December 2011.

Statement of Director's Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines, and the provisions of the Companies Act, 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 2011 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 of the Companies Act, 1965 is set out on page 10 of the Directors' Report.

CIMB Investment Bank Berhad

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Directors' Report
for the financial year ended 31 December 2011 (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' Hamzah bin Bakar
Director

Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
12 March 2012

CIMB Investment Bank Berhad

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

We, Dato' Hamzah bin Bakar and Dato' Charon Wardini bin Mokhzani, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 14 to 177 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2011 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

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

Dato' Hamzah bin Bakar
Director

Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
12 March 2012

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 Investment Bank Berhad, do solemnly and sincerely declare that, the Financial Statements set out on pages 14 to 177 are, in my opinion, 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 above named Kim Kenny at Kuala Lumpur before me, on 12 March 2012

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD

Company No: 18417-M
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 14 to 177, which comprise the statements of financial position as at 31 December 2011 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 48.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965, and for such internal control as the directors determine are 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 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 the 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.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the Financial Statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

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 have been properly kept in accordance with the provisions of the Act.

(b) 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.

(c) Our 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.

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	SOO HOO KHOON YEAN
(No. AF: 1146)	(No. 2682/10/13 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
12 March 2012

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Assets					
Cash and short term funds	2	**2,068,460**	2,173,609	**1,943,954**	2,074,296
Reverse repurchase agreements		**273,423**	300,067	**273,423**	300,067
Deposits and placements with banks and other financial institutions	3	**252,100**	689,196	**250,833**	687,992
Financial assets held for trading	4	**79,110**	82,127	**79,110**	82,127
Derivative financial instruments	5	**48,441**	42,089	**48,441**	42,089
Financial investments available-for-sale	6	**2,703**	8,979	**-**	6,331
Loans, advances and financing	7	**40,956**	42,710	**40,956**	42,710
Other assets	8	**1,211,719**	806,243	**1,210,580**	805,114
Tax recoverable		**26,304**	1	**26,304**	-
Deferred tax assets	9	**40,460**	44,329	**40,274**	44,270
Amount due from related companies	35	**6,621**	6,624	**6,624**	6,626
Statutory deposits with Bank Negara Malaysia	10	**1,520**	280	**1,520**	280
Investment in subsidiaries	11	**-**	-	**9,050**	9,050
Investment in associates	12	**5,007**	5,280	**-**	-
Property, plant and equipment	13	**105,620**	92,977	**106,810**	94,116
Goodwill on consolidation	14	**964**	964	**-**	-
Total assets		**4,163,408**	4,295,475	**4,037,879**	4,195,068
Liabilities					
Deposits from customers	15	**829,133**	1,207,639	**829,133**	1,207,639
Deposits and placements of banks and other financial institutions	16	**1,212,833**	1,494,000	**1,212,833**	1,494,000
Derivative financial instruments	5	**81,521**	61,710	**81,521**	61,710
Other liabilities	17	**1,517,425**	1,026,891	**1,407,588**	940,985
Provision for taxation and zakat	18	**684**	46,408	**607**	46,348
Amount due to related companies	35	**9,504**	12,105	**12,687**	15,290
Total liabilities		**3,651,100**	3,848,753	**3,544,369**	3,765,972
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital	19	**100,000**	100,000	**100,000**	100,000
Redeemable preference shares	20	**10**	10	**10**	10
Reserves	21	**412,298**	346,712	**393,500**	329,086
Total equity		**512,308**	446,722	**493,510**	429,096
Total equity and liabilities		**4,163,408**	4,295,475	**4,037,879**	4,195,068
Commitments and contingencies	5(ii)	**1,483,613**	2,286,857	**1,483,613**	2,286,857

CIMB Investment Bank Berhad

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Statements of Income
for the financial year ended 31 December 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Interest income	22	**49,585**	52,413	**48,453**	51,525
Interest expense	23	**(48,539)**	(48,995)	**(48,539)**	(48,995)
Net interest income		**1,046**	3,418	**(86)**	2,530
Income from Islamic Banking operations	47	**74,753**	124,231	**74,753**	124,231
(Allowance for)/write back of impairment losses on loans, advances and financing	24	**(52)**	84	**(52)**	84
(Allowance for)/write back of impairment losses on other receivables		**(2,569)**	2,213	**(2,629)**	2,072
Allowance for other impairment losses	25	**(6,331)**	-	**(6,331)**	-
		66,847	129,946	**65,655**	128,917
Fee and commission income	26	**154,173**	143,678	**154,173**	143,678
Dividend income	27	**85**	2	**85**	2
Net trading (loss)/income	28	**(6,230)**	7,077	**(6,230)**	7,077
Income from asset management and securities services		**16,446**	26,520	**16,446**	26,520
Brokerage income		**142,728**	163,686	**139,063**	161,064
Other non-interest income/(expense)	29	**5,411**	(941)	**5,411**	(1,952)
Non-interest income		**312,613**	340,022	**308,948**	336,389
Net income		**379,460**	469,968	**374,603**	465,306
Recoveries/(losses) from investment management and securities services		**45,000**	(80,000)	**45,000**	(80,000)
Overheads	30	**(284,460)**	(310,940)	**(280,933)**	(308,489)
		140,000	79,028	**138,670**	76,817
Share of results of associates	12	**187**	846	**-**	-
Profit before taxation		**140,187**	79,874	**138,670**	76,817
Taxation	32	**(39,980)**	(35,952)	**(39,636)**	(35,483)
Profit after taxation		**100,207**	43,922	**99,034**	41,334
Earnings per share attributable to ordinary equity holders (sen)	33	**100.21**	43.92	**99.03**	41.33

CIMB Investment Bank Berhad
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Statements of Comprehensive Income
for the financial year ended 31 December 2011

	Note	The Group		The Bank	
		2011	2010	**2011**	2010
		RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year		**100,207**	43,922	**99,034**	41,334
Other comprehensive income:					
Revaluation reserve-financial investments available for sale					
-Net loss from change in fair value		**(1)**	-	-	-
Other comprehensive income for the year, net of tax		**(1)**	-	-	-
Total comprehensive income for the financial year		**100,206**	43,922	**99,034**	41,334

CIMB Investment Bank Berhad

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Statements of Changes in Equity
for the financial year ended 31 December 2011

		Attributable to owners of Parent						
	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
The Group								
At 1 January 2011								
-as previously reported		**100,000**	**10**	**155,805**	**-**	**-**	**190,907**	**446,722**
-effect of adopting Amendment to FRS 2	46	**-**	**-**	**-**	**-**	**35,235**	**(35,235)**	**-**
Adjusted at 1 January 2011		**100,000**	**10**	**155,805**	**-**	**35,235**	**155,672**	**446,722**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**100,207**	**100,207**
Other comprehensive income (net of tax)								
-financial investments available-for-sale		**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(1)**	**-**	**100,207**	**100,206**
Share-based payment expense		**-**	**-**	**-**	**-**	**28,109**	**-**	**28,109**
Shares released under Equity Ownership Plan		**-**	**-**	**-**	**-**	**(9,229)**	**-**	**(9,229)**
Final dividend paid in respect of the financial year ended 31 December 2010	34	**-**	**-**	**-**	**-**	**-**	**(53,500)**	**(53,500)**
At 31 December 2011		**100,000**	**10**	**155,805**	**(1)**	**54,115**	**202,379**	**512,308**

CIMB Investment Bank Berhad
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Statements of Changes in Equity
for the financial year ended 31 December 2011 (Continued)

		Attributable to owners of Parent						
	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
The Group								
At 1 January 2010								
-as previously reported		100,000	10	155,805	-	-	182,954	438,769
-effect of adopting Amendment to FRS 2	46	-	-	-	-	18,904	(18,904)	-
Adjusted at 1 January 2010		100,000	10	155,805	-	18,904	164,050	438,769
Net profit for the financial year		-	-	-	-	-	43,922	43,922
Total comprehensive income for the financial year		-	-	-	-	-	43,922	43,922
Share-based payment expense		-	-	-	-	16,331	-	16,331
Final dividend paid in respect of the financial year ended 31 December 2009	34	-	-	-	-	-	(52,300)	(52,300)
At 31 December 2010		100,000	10	155,805	-	35,235	155,672	446,722

CIMB Investment Bank Berhad
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Statements of Changes in Equity
for the financial year ended 31 December 2011 (Continued)

	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
				Non-distributable				Distributable	
The Bank									
At 1 January 2011									
-as previously reported		**100,000**	**10**	**155,805**	**(272,007)**	**-**	**271,377**	**173,911**	**429,096**
-effect of adopting Amendment to FRS 2	46	**-**	**-**	**-**	**-**	**35,235**	**-**	**(35,235)**	**-**
Adjusted at 1 January 2011		**100,000**	**10**	**155,805**	**(272,007)**	**35,235**	**271,377**	**138,676**	**429,096**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**-**	**99,034**	**99,034**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**-**	**-**	**99,034**	**99,034**
Share-based payment expense		**-**	**-**	**-**	**-**	**28,109**	**-**	**-**	**28,109**
Shares released under Equity Ownership Plan		**-**	**-**	**-**	**-**	**(9,229)**	**-**	**-**	**(9,229)**
Final dividend paid in respect of the financial year ended 31 December 2010	34	**-**	**-**	**-**	**-**	**-**	**-**	**(53,500)**	**(53,500)**
At 31 December 2011		**100,000**	**10**	**155,805**	**(272,007)**	**54,115**	**271,377**	**184,210**	**493,510**

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CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2011 (Continued)

		Non-distributable						Distributable	
	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
The Bank									
At 1 January 2010									
-as previously reported		100,000	10	155,805	(272,007)	-	271,377	168,546	423,731
-effect of adopting Amendment to FRS 2	46	-	-	-	-	18,904	-	(18,904)	-
Adjusted at 1 January 2010		100,000	10	155,805	(272,007)	18,904	271,377	149,642	423,731
Net profit for the financial year		-	-	-	-	-	-	41,334	41,334
Total comprehensive income for the financial year		-	-	-	-	-	-	41,334	41,334
Share-based payment expense		-	-	-	-	16,331	-	-	16,331
Final dividend paid in respect of the financial year ended 31 December 2009	34	-	-	-	-	-	-	(52,300)	(52,300)
At 31 December 2010		100,000	10	155,805	(272,007)	35,235	271,377	138,676	429,096

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows
for the financial year ended 31 December 2011

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Operating activities				
Profit before taxation	**140,187**	79,874	**138,670**	76,817
Add/(less) adjustments:				
Allowance for/(write back of)impairment losses on loans, advances and financing	**52**	(84)	**52**	(84)
Depreciation of property, plant and equipment	**25,954**	23,024	**25,813**	22,935
Allowance for other impairment losses	**6,331**	-	**6,331**	-
Allowance for/(write back of) impairment losses on other receivables	**2,569**	(2,213)	**2,629**	(2,072)
Accretion of discounts less amortisation of premium	**(3,197)**	(2,530)	**(3,197)**	(2,530)
Unrealised loss/(gain) on financial assets held for trading	**31,393**	(4,191)	**31,393**	(4,191)
Unrealised loss on derivative financial instruments	**2,382**	46,450	**2,382**	46,450
Gain on disposal of property, plant and equipment	**(2,221)**	(2,588)	**(2,221)**	(2,588)
Gross dividends from financial assets held for trading	**(85)**	(2)	**(85)**	(2)
Unrealised foreign exchange loss	**(1,271)**	5,404	**(1,271)**	5,404
Share of results of associates	**(187)**	(846)	**-**	-
Share-based payment	**28,109**	16,331	**28,109**	16,331
Cash flow from operating profit before changes in operating assets and liabilities	**230,016**	158,629	**228,605**	156,470
(Increase)/decrease in operating assets				
Reverse repurchase agreements	**26,644**	(6,345)	**26,644**	(6,345)
Deposits and placements with banks and other financial institutions	**437,096**	884,743	**437,159**	884,782
Financial assets held for trading	**(25,157)**	115,352	**(25,157)**	115,352
Derivative financial instruments	**11,077**	-	**11,077**	-
Loans, advances and financing	**1,703**	3,258	**1,702**	3,258
Other assets	**(415,587)**	230,597	**(416,057)**	229,870
Statutory deposits with Bank Negara Malaysia	**(1,240)**	1,620	**(1,240)**	1,620
Amount due from related companies	**1,472**	(272)	**1,472**	(272)
Amount due from immediate holding company	**(1,529)**	13	**(1,529)**	13
Amount due from ultimate holding company	**60**	(60)	**60**	(60)
Amount due from subsidiaries	**-**	-	**(1)**	219
	34,539	1,228,906	**34,130**	1,228,437

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Cash Flow
for the financial year ended 31 December 2011 (Continued)

		The Group		The Bank	
		2011	2010	**2011**	2010
		RM'000	RM'000	**RM'000**	RM'000
Increase/(decrease) in operating liabilities					
Deposits from customers		**(378,506)**	(1,362,619)	**(378,506)**	(1,362,619)
Deposits and placements of banks and other financial institutions		**(281,167)**	(1,538,540)	**(281,167)**	(1,538,540)
Other liabilities		**435,522**	(415,088)	**362,000**	(387,200)
Amount due to ultimate holding company		**22**	(173)	**22**	(173)
Amount due to immediate holding company		**-**	(10)	**-**	-
Amount due to related companies		**(2,623)**	(48,131)	**(2,625)**	(48,131)
Amount due to subsidiaries		**-**	-	**-**	(5,270)
Cash used in operating activities		**37,803**	(1,977,026)	**(37,541)**	(1,957,026)
Taxation paid		**(108,097)**	(73,259)	**(107,682)**	(72,701)
Net cash used in operating activities		**(70,294)**	(2,050,285)	**(145,223)**	(2,029,727)
Investing activities					
Dividends received from financial assets held for trading		**64**	2	**64**	2
Net purchase of financial investments available-for-sale		**(1)**	-	**-**	-
Purchase of financial investments available-for-sale		**(55)**	-	**-**	-
Purchase of property, plant and equipment		**(46,953)**	(46,672)	**(46,862)**	(46,653)
Proceeds from disposal of property, plant and equipment		**10,577**	4,023	**10,576**	4,021
Net cash used in investing activities		**(36,368)**	(42,647)	**(36,222)**	(42,630)
Financing activities					
Dividends paid		**(53,500)**	(52,300)	**(53,500)**	(52,300)
Net cash used in financing activities		**(53,500)**	(52,300)	**(53,500)**	(52,300)
Net decrease in cash and cash equivalents during the financial year		**(160,162)**	(2,145,232)	**(234,945)**	(2,124,657)
Cash and cash equivalents at beginning of the financial year		**1,844,539**	3,989,771	**1,794,816**	3,919,473
Cash and cash equivalents at end of the financial year		**1,684,377**	1,844,539	**1,559,871**	1,794,816
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	**2,068,460**	2,173,609	**1,943,954**	2,074,296
Adjustment for monies held in trust:					
Clients' trust and dealers' representatives' balances		**(356,400)**	(307,538)	**(356,400)**	(257,948)
Remisiers' balances		**(27,683)**	(21,532)	**(27,683)**	(21,532)
Cash and cash equivalents		**1,684,377**	1,844,539	**1,559,871**	1,794,816

Summary of Significant Accounting Policies for the financial year ended 31 December 2011

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 Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia ("BNM") Guidelines, Shariah requirements and the provisions of the Companies Act, 1965.

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

The Financial Statements incorporate those activities relating to Skim Perbankan Islam ("SPI") which have been undertaken by the Bank. SPI refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

The preparation of Financial Statements in conformity with the Financial Reporting Standards 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 43.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

A Basis of preparation (Continued)

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

The new accounting standards, amendments to published standards and interpretations that are effective for the Group and the Bank for the financial year beginning 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business Combinations"
- Revised FRS 127 "Consolidated and Separate Financial Statements"
- Amendment to FRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 132 " Financial instruments: Presentation - Classification of Rights Issue"
- IC Interpretation 4 "Determining Whether an Arrangement contains a Lease"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfer of Assets from Customers"
- TR i-4 "Shariah Compliant Sale Contract"
- Improvements to FRSs (2010)

A summary of the impact of new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Bank is set out in Note 46.

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

In November 2011, the Malaysia Accounting Standard Board formally announced that Malaysian reporting entities would be required to comply with the new IFRS – compliant framework Malaysian Financial Reporting Standards (MFRS) for financial years commencing on or after 1 January 2012. MFRS 1, "First-time adoption of MFRS" provides for certain optional exemption and certain mandatory exceptions for first-time MFRS adopters.

The Group and the Bank will be required to adopt the new standards, amendments to the standards and interpretation in the period set out below and comparative financial information prepared in compliance with MFRS will be required for the year commencing 1 January 2010.

A Basis of preparation (Continued)

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

(i) Financial year beginning on/after 1 January 2012

- MFRS 139 "Financial Instruments: Recognition and Measurement" - Bank Negara Malaysia has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the MFRS 139 requirements.

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

A Basis of preparation (Continued)

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

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 January 2012) 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.

A Basis of preparation (Continued)

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

(ii) Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

A Basis of preparation (Continued)

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

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, 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.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) 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 MFRSs. 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 revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

The Group has not finalised the financial impact of the change to MFRSs and is expected to complete the process by the 2012 first quarter announcement.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

B Economic entities in the Group

(a) Subsidiaries

The Bank treats as subsidiaries, those corporations, partnerships or other entities (including special purpose entities) in which the Bank has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Even if there is no shareholder relationship, special purpose entities ("SPEs") are consolidated in accordance with IC Interpretation 112 ("Consolidation: Special Purpose Entities"), if the Group controls them from an economic perspective.

When assessing whether the Group controls a SPE, in addition to the criteria in FRS127, it evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;

(b) the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated these decision-making power by setting up an 'autopilot' mechanism, or

(c) the Group has the rights to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

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.

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired except for certain business combinations which were accounted for using the predecessor basis of accounting as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in MASB 21 "Business Combinations"
- internal group reorganisations, as defined in MASB 21, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer
- combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006

The Group has taken advantage of the transitional provision provided by MASB 21, FRS 3 and FRS 3 (revised) to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

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. 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.

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.

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

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.

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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary required in statement of income attributable to the parent.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

Change in accounting policy

The Group changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" revised FRS 127 "Consolidated and Separate Financial Statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of the adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

(b) Transaction with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. 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 disposal to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity. The Group has applied this policy prospectively to transactions occurring on or after 1 January 2011.

Change in accounting policy

Previously, the Group applied a policy of treating transactions with non-controlling interest as transactions with parties external to the Group. Accordingly, disposals resulted in gain or losses to the statement of income and purchases resulted in the recognition of goodwill, being the difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

B Economic entities in the Group (Continued)

(c) 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.

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.

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.

(d) Changes in ownership interest

When the Group ceases to have 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 FRS 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

B Economic entities in the Group (Continued)

(d) Changes in ownership interest (Continued)

Changes in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 January 2011 with non-controlling interests and transactions involving the loss of control or significant influence when it early adopted the revised FRS 127 “Consolidated and Separate Financial Statements”. The revisions to FRS 127 contained consequential amendments to FRS 128 “Investments in Associates”.

Previously when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceased became its cost of initial measurement as a financial asset in accordance with FRS 139.

(e) Interests in subsidiaries and associates

In the Bank’s separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, jointly controlled entity and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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 through 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.

C Recognition of interest/profit income and interest/profit expense (Continued)

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

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

D Recognition of fees and other income

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

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.

Fee from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

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.

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.

F Financial assets (Continued)

(a) Classification (Continued)

(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 has 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.

(b) Recognition and initial measurement

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

F Financial assets (Continued)

(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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (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 plus 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 J.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

G Financial liabilities (Continued)

(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, amount due to subsidiaries, amount due to ultimate holding company , amount due to related companies and sundry creditors.

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 tests 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 Bank under standard repurchase agreements transactions is not derecognised because 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 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 criterias the Group and the Bank use to determine that 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.

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

The Group and the Bank first assesses 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 determines 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 financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such financial assets 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.

The Group and the Bank is currently reporting under BNM's transitional arrangement as prescribed in the guideline on "Classification and Impairment Provisions for Loans or Financing" issued on 8 June 2011. However, the Group's and the Bank's financial statements are prepared in full compliance under FRS 139 principles.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

I 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 been 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.

J 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 statement of income immediately.

J 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 qualify 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 for which the effective interest method is used is amortised to the statement of income 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 qualify 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 profit or loss.

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.

J 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.

K 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	50 years or over the balance period of the lease, whichever is shorter
Building on leasehold land	50 years or over the balance period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- office equipment	5 years
- furniture and fixtures	5 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
Motor vehicles	5 years

K Property, plant and equipment (Continued)

Depreciation on assets under construction commences when the assets are ready for their intended use.

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

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

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

L 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 and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include the allocated goodwill.

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

M 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

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

N 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.

(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.

O Income and deferred taxes

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

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

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

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

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

Deferred income tax related to fair value re-measurement 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.

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.

P 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

P Share capital (Continued)

(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.

Q 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

Q Employee benefits (Continued)

(c) 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.

Change in accounting policy

Prior to the adoption of the Amendment to FRS 2, the Group and the Bank did not account for the transaction in its financial statements. The Group and the Bank had changed its accounting policy upon adoption of Amendment to FRS 2 on 1 January 2011 retrospectively. As the Group and the Bank do not have an obligation to settle the transactions with its employees, the Group and the Bank have accounted for the transaction as equity settled in accordance with the Amendment to FRS 2. The impact of the change in accounting policy to the prior period presented is disclosed in Note 46(a).

Q Employee benefits (Continued)

(c) Share-based compensation benefits (Continued)

Employee Ownership Plan

Effective 1 April 2011, 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.

R 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.

S Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

T 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 FRS 137 – "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with FRS 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2011 (Continued)

U Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposit placements maturing less than one month, net of clients' trust, dealers' representatives and remisiers' balances.

V 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.

W Contingent assets and contingent liabilities

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2011

1 General information

The principal activities of the Bank are investment banking and the provision of related financial services. The principal activities of its subsidiaries as set out in Note 11 to the Financial Statements, consist of futures broking and the provision of nominees services. There was no significant change in the nature of these activities during the financial year.

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

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

The address of the registered office and the principal place of business of the Bank is 5th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

2 Cash and short term funds

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**363,011**	221,266	**301,094**	189,957
Money at call and deposit placements maturing within one month	**1,705,449**	1,952,343	**1,642,860**	1,884,339
	2,068,460	2,173,609	**1,943,954**	2,074,296

Included in cash and short term funds of the Group and the Bank are trust accounts maintained in trust for clients and dealer representatives amounting to RM356,400,000 (2010: RM307,538,000) for the Group and RM356,400,000 (2010: RM257,948,000) for the Bank. Trust accounts maintained in trust for remisiers amount to RM27,683,000 (2010: RM21,532,000) for the Group and the Bank.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**251,098**	688,196	**250,833**	687,992
Other financial institutions	**1,002**	1,000	**-**	-
	252,100	689,196	**250,833**	687,992

4 Financial assets held for trading

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Quoted securities:		
In Malaysia		
Shares	**46**	3,691
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	**79,064**	78,436
	79,110	82,127

5 Derivative financial instruments, commitments and contingencies

(i) Derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives. 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.

		Fair values	
The Group and the Bank	**Principal amount**	**Assets**	**Liabilities**
At 31 December 2011	**RM'000**	**RM'000**	**RM'000**
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	**861,110**	**47,387**	**(80,467)**
Equity derivatives			
Equity options	**540,557**	**1,054**	**(1,054)**
Total derivative assets/(liabilities)	**1,401,667**	**48,441**	**(81,521)**
At 31 December 2010			
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	817,530	31,758	(51,371)
Equity derivatives			
Equity options	867,353	10,331	(10,331)
Index futures	1,756	-	(8)
	869,109	10,331	(10,339)
Total derivative assets/(liabilities)	1,686,639	42,089	(61,710)

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

5 Derivative financial instruments, commitments and contingencies (Continued)

(ii) 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.

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

The Group and the Bank	**2011 Principal RM'000**	2010 Principal RM'000
Credit-related		
Irrevocable commitments to extend credit:		
- Maturity exceeding one year	**59**	218
Underwriting obligations	**81,887**	-
Forward asset purchase	**-**	300,000
Miscellaneous commitments and contingencies	**-**	300,000
	81,946	600,218
Treasury-related		
Interest rate related contracts:		
- Less than one year	**-**	181,550
- One year to less than five years	**314,660**	196,780
- Five years and above	**546,450**	439,200
Equity related contracts:		
- Less than one year	**-**	224,873
- One year to less than five years	**248,061**	302,293
- Five years and above	**292,496**	341,943
	1,401,667	1,686,639
	1,483,613	2,286,857

For treasury related commitment and contingencies, these comprises derivative financial instruments of which their fair values have been accounted for in the financial statements as at 31 December 2011.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

6 Financial investments available-for-sale

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Unquoted securities:				
In Malaysia				
Shares	**2,200**	2,200	**-**	-
Outside Malaysia				
Shares	**6,834**	6,779	**6,331**	6,331
	9,034	8,979	**6,331**	6,331
Allowance for impairment losses:				
Unquoted shares outside Malaysia	**(6,331)**	-	**(6,331)**	-
	2,703	8,979	**-**	6,331

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	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**-**	-	**-**	-
Allowance made during the financial year	**6,331**	-	**6,331**	-
At 31 December	**6,331**	-	**6,331**	-

7 Loans, advances and financing

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
(i) By type		
Staff loans *	**41,579**	43,360
Other loans	**891**	822
Gross loans, advances and financing	**42,470**	44,182
Less : allowance for impairment losses		
- Individual impairment allowance	**(891)**	(822)
- Portfolio impairment allowance	**(623)**	(650)
Total net loans, advances and financing	**40,956**	42,710

All loans, advances and financing are measured at amortised cost using the effective interest method.

* Included in staff loans of the Group and the Bank are loans to directors amounting to RM281,139 (2010: RM235,667).

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
(ii) By type of customers		
Individuals	**42,470**	44,182
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loan/financing	**42,470**	44,182
(iv) By economic purpose:		
Personal use	**108**	220
Purchase of residential landed property	**30,665**	32,161
Purchase of securities	**1**	1
Purchase of transport vehicles	**11,696**	11,800
	42,470	44,182
(v) By geographical distribution		
Malaysia	**42,470**	44,182
(vi) By residual contractual maturity		
Within one year	**305**	238
One year to less than three years	**2,347**	2,163
Three years to less than five years	**4,702**	4,966
Five years and more	**35,116**	36,815
	42,470	44,182
(vii) Impaired loans, advances and financing by economic purpose		
Purchase of residential landed property	**591**	690
Purchase of transport vehicles	**300**	132
Gross impaired loans, advances and financing	**891**	822
(viii) Impaired loans, advances and financing by geographical distribution		
Malaysia	**891**	822

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
(ix) Movements in the impaired loans, advances and financing are as follows :		
At 1 January	**822**	877
Impaired during the financial year	**214**	214
Amount written back in respect of recoveries	**(135)**	(269)
Amounts written off during the financial year	**(10)**	-
At 31 December	**891**	822
Ratio of gross impaired loans to total loans, advances and financing	**2.1%**	1.9%

(x) Movements in the allowance for impaired loans are as follows:

Individual impairment allowance		
At 1 January	**822**	877
Allowance made during the financial year	**214**	214
Amounts written back during the financial year	**(135)**	(269)
Amounts written off during the financial year	**(10)**	-
At 31 December	**891**	822
Portfolio impairment allowance		
At 1 January	**650**	679
Amounts written back during the financial year	**(27)**	(29)
At 31 December	**623**	650
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	**1.5%**	1.5%

8 Other assets

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Due from brokers and clients net of allowance for impairment loss of RM11,061,000(2010: RM11,085,000) for the Group and RM10,891,000 (2010: RM10,855,000) for the Bank	(a)	**932,566**	533,925	**932,518**	533,880
Collateral pledged for derivative transactions		**182,953**	220,403	**182,953**	220,403
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM10,473,000 (2010: RM7,846,000) for the Group and the Bank	(b)	**96,200**	51,915	**95,109**	50,831
		1,211,719	806,243	**1,210,580**	805,114

(a) The movement of allowances for impairment losses on amount due from brokers and clients is as follows:-

	The Group Total RM'000	The Bank Total RM'000
At 1 January 2011	**11,085**	**10,855**
Allowance made during the financial year	**128**	**128**
Bad debts recovered	**(152)**	**(92)**
At 31 December 2011	**11,061**	**10,891**

	The Group Total RM'000	The Bank Total RM'000
At 1 January 2010	13,670	13,299
Amount written back during the financial year	(2,334)	(2,193)
Amount written off	(251)	(251)
At 31 December 2010	11,085	10,855

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

8 Other assets (Continued)

(b) The movement of allowances for doubtful debts on other debtors is as follows:

	The Group and the Bank		
	Individual allowance	**Collective allowance**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2011	**4,848**	**2,998**	**7,846**
Allowance made during the financial year	**2,551**	**76**	**2,627**
At 31 December 2011	**7,399**	**3,074**	**10,473**

	The Group and the Bank		
	Individual allowance	**Collective allowance**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2010	4,277	2,087	6,364
Allowance made during the financial year	571	4,482	5,053
Amount written back during the financial year	-	(3,571)	(3,571)
At 31 December 2010	4,848	2,998	7,846

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, determined after appropriate offsetting, are shown in the balance sheet.

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Deferred taxation asset (net)	**40,460**	44,329	**40,274**	44,270

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

9 Deferred taxation (Continued)

The gross movement on the deferred income tax account is as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**44,329**	(2,249)	**44,270**	(2,313)
(Credited)/charged to income statement				
- Loans, advances and financing	**(7)**	976	**(7)**	976
- Excess of capital allowance over depreciation	**(256)**	(494)	**(256)**	(500)
- Prepaid employee benefit	**3,749**	-	**3,749**	-
- Provisions for expenses	**(14,715)**	15,357	**(14,715)**	15,357
- Other temporary differences	**106**	6,841	**(21)**	6,849
- Under accrual in prior years	**7,254**	23,898	**7,254**	23,901
	(3,869)	46,578	**(3,996)**	46,583
At 31 December	**40,460**	44,329	**40,274**	44,270
Deferred tax assets (before offsetting)				
Loans, advances and financing	**156**	-	**156**	-
Prepaid employee benefit	**3,749**	-	**3,749**	-
Provision for expenses	**39,259**	47,340	**39,259**	47,340
Other temporary differences	**1,224**	1,124	**1,038**	1,060
	44,388	48,464	**44,202**	48,400
Offsetting	**(3,928)**	(4,135)	**(3,928)**	(4,130)
Deferred tax assets (after offsetting)	**40,460**	44,329	**40,274**	44,270
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(3,928)**	(4,135)	**(3,928)**	(4,130)
Offsetting	**3,928**	4,135	**3,928**	4,130
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

10 Statutory deposits with Bank Negara Malaysia

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

11 Investment in subsidiaries

	The Bank	
	2011	2010
	RM'000	RM'000
Unquoted shares, at cost	**9,050**	9,050

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

		Percentage of equity held			
		Directly by the Bank		Through the Bank's subsidiary company	
Name of subsidiary	**Principal activities**	**2011**	2010	**2011**	2010
		%	%	**%**	%
CIMB Holdings Sdn Bhd	Investment holding	**100**	100	**-**	-
CIMBS Sdn Bhd	Dormant	**-**	-	**-**	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB EOP Management Sdn Bhd (Formerly known as CIMSEC Nominees Sdn Bhd)	Nominee services	**100**	100	**-**	-
CIMB Futures Sdn Bhd	Futures broking	**100**	100	**-**	-
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB Discount House Berhad	Dormant	**100**	100	**-**	-

12 Investment in associates

	The Group 2011 RM'000	The Group 2010 RM'000
Unquoted shares, at cost	**5,007**	5,280
Share of net assets other than premium of associates	**2,204**	2,477
Premium on acquisition	**2,803**	2,803
	5,007	5,280

The Group's share of income and expenses of associates is as follows:

	The Group 2011 RM'000	The Group 2010 RM'000
Income	**2,040**	2,569
Expenses	**(1,589)**	(1,498)
Profit before taxation	**451**	1,071
Taxation	**(264)**	(225)
Profit for the financial year	**187**	846

The Group's share of the assets and liabilities of the associates is as follows:

	The Group 2011 RM'000	The Group 2010 RM'000
Non-current assets	**270**	293
Current assets	**3,048**	2,943
Current liabilities	**(1,114)**	(759)
Net assets	**2,204**	2,477

The associates held through CIMB Holdings Sdn Bhd are:

		Percentage of equity held			
		Directly by the Bank		Through the Bank's subsidiary company	
Name of associates	**Principal activities**	**2011**	2010	**2011**	2010
		%	%	**%**	%
CIMB Trustee Berhad	Trustee services	**-**	-	**20**	20
BHLB Trustee Berhad	Trustee services	-	-	**20**	20

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

13 Property, plant and equipment

The Group	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2011	**18,609**	**7,135**	**26,272**	**46,897**	**70,001**	**21,490**	**190,404**
Additions	**-**	**-**	**1,987**	**7,704**	**15,419**	**21,843**	**46,953**
Disposals	**-**	**-**	**(18)**	**(219)**	**(10,104)**	**(5,827)**	**(16,168)**
At 31 December 2011	**18,609**	**7,135**	**28,241**	**54,382**	**75,316**	**37,506**	**221,189**
Accumulated depreciation							
At 1 January 2011	**3,100**	**1,191**	**22,187**	**34,139**	**28,739**	**8,071**	**97,427**
Charge for the financial year	**372**	**143**	**1,990**	**7,175**	**12,542**	**3,732**	**25,954**
Disposals	**-**	**-**	**(3)**	**(56)**	**(7,698)**	**(55)**	**(7,812)**
At 31 December 2011	**3,472**	**1,334**	**24,174**	**41,258**	**33,583**	**11,748**	**115,569**
Net book value as at 31 December 2011	**15,137**	**5,801**	**4,067**	**13,124**	**41,733**	**25,758**	**105,620**
Cost							
At 1 January 2010	18,609	7,135	26,441	40,756	49,146	15,025	157,112
Additions	-	-	2,926	7,383	29,905	6,458	46,672
Disposals	-	-	(3,088)	(1,242)	(9,050)	-	(13,380)
Reclassification	-	-	(7)	-	-	7	-
At 31 December 2010	18,609	7,135	26,272	46,897	70,001	21,490	190,404
Accumulated depreciation							
At 1 January 2010	2,728	1,048	21,765	29,136	26,907	4,764	86,348
Charge for the financial year	372	143	3,402	6,200	9,607	3,300	23,024
Disposals	-	-	(2,973)	(1,197)	(7,775)	-	(11,945)
Reclassification	-	-	(7)	-	-	7	-
At 31 December 2010	3,100	1,191	22,187	34,139	28,739	8,071	97,427
Net book value as at 31 December 2010	15,509	5,944	4,085	12,758	41,262	13,419	92,977

*Computer software are mostly integral to the systems of the Bank and the Group and accordingly have not been reclassified as intangibles under FRS 138: Intangible Assets.

13 Property, plant and equipment (Continued)

The Bank	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2011	**18,609**	**7,135**	**25,966**	**46,497**	**70,001**	**21,161**	**189,369**
Additions	**-**	**-**	**1,984**	**7,616**	**15,419**	**21,843**	**46,862**
Disposals	**-**	**-**	**(18)**	**(219)**	**(10,104)**	**(5,827)**	**(16,168)**
At 31 December 2011	**18,609**	**7,135**	**27,932**	**53,894**	**75,316**	**37,177**	**220,063**
Accumulated depreciation							
At 1 January 2011	**3,100**	**1,190**	**21,902**	**33,789**	**27,513**	**7,759**	**95,253**
Charge for the financial year	**372**	**143**	**1,972**	**7,068**	**12,542**	**3,716**	**25,813**
Disposals	**-**	**-**	**(3)**	**(57)**	**(7,698)**	**(55)**	**(7,813)**
At 31 December 2011	**3,472**	**1,333**	**23,871**	**40,800**	**32,357**	**11,420**	**113,253**
Net book value as at 31 December 2011	**15,137**	**5,802**	**4,061**	**13,094**	**42,959**	**25,757**	**106,810**
Cost							
At 1 January 2010	18,609	7,135	26,135	40,375	49,146	14,695	156,095
Additions	-	-	2,926	7,362	29,905	6,460	46,653
Disposals	-	-	(3,089)	(1,240)	(9,050)	-	(13,379)
Reclassification	-	-	(6)	-	-	6	-
At 31 December 2010	18,609	7,135	25,966	46,497	70,001	21,161	189,369
Accumulated depreciation							
At 1 January 2010	2,728	1,047	21,503	28,835	25,681	4,470	84,264
Charge for the financial year	372	143	3,379	6,151	9,607	3,283	22,935
Disposals	-	-	(2,974)	(1,197)	(7,775)	-	(11,946)
Reclassification	-	-	(6)	-	-	6	-
At 31 December 2010	3,100	1,190	21,902	33,789	27,513	7,759	95,253
Net book value as at 31 December 2010	15,509	5,945	4,064	12,708	42,488	13,402	94,116

*Computer software are mostly integral to the systems of the Bank and the Group and accordingly have not been reclassified as intangibles under FRS 138: Intangible Assets.

14 Goodwill on consolidation

	The Group	
	2011	2010
	RM'000	RM'000
At 1 January/31 December	**964**	964

Allocation of goodwill to cash-generating units

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

Acquisition	**CGU**	**RM'000**
CIMBS Sdn. Bhd.	Stock-broking	964

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2012 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% (2010: 5.00%). 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 the CGU is 8.72% (2010: 8.89%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

There is no impairment charge for the financial year ended 31 December 2011. (2010: RM Nil)

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

15 Deposits from customers

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
(i) By type of deposits		
Fixed deposits	**242,383**	640,634
Negotiable instruments of deposits	**77,340**	378,840
Others	**509,410**	188,165
	829,133	1,207,639
(ii) The maturity structure of fixed deposits and negotiable instruments of deposits is as follows :		
Due within six months	**60,232**	707,307
One year to less than three years	**157,563**	197,045
More than five years	**101,928**	115,122
	319,723	1,019,474
(iii) By type of customers		
- Local government and statutory authorities	**54,650**	69,400
- Business enterprises	**582,493**	729,876
- Individuals	**188,241**	404,363
- Others	**3,749**	4,000
	829,133	1,207,639

16 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Licensed banks	**1,167,558**	1,147,692
Other financial institutions	**45,275**	346,308
	1,212,833	1,494,000

17 Other liabilities

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Due to brokers and clients	**1,367,095**	845,346	**1,259,441**	761,186
Others	**150,330**	181,545	**148,147**	179,799
	1,517,425	1,026,891	**1,407,588**	940,985

Notes to the Financial Statements
for the financial year ended 31 December 2011 (Continued)

18 Provision for taxation and Zakat

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Taxation	**77**	45,801	**-**	45,741
Zakat	**607**	607	**607**	607
	684	46,408	**607**	46,348

19 Share capital

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Authorised ordinary shares of RM1 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January/31 December	**100,000**	100,000

20 Redeemable preference shares

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Authorised redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10
Issued and fully paid redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10

20 Redeemable preference shares (Continued)

On 30 January 2008, the Bank had allotted and issued 1,000,000 Redeemable Preference Shares (“RPS”) of RM0.01 each to its ultimate holding company, CIMB Group Holdings Berhad at an issue price of RM0.01 sen per share.

The main features of the RPS are as follows:

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

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

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

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

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

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

21 Reserves

(i) Included in the Group’s and the Bank’s reserves are statutory reserves of RM155,805,000 (2010: RM155,805,000), maintained in compliance with Section 36 of the Banking And Financial Institutions Act, 1989. These statutory reserves are not distributable by way of dividends.

(ii) 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 financial year, the Bank has elected to move to the single tier system.

(iii) Revaluation reserve – financial investments available-for-sale

Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

21 Reserves (Continued)

(iv) Share-based payment reserve

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

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

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

22 Interest income

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing				
- interest income other than recoveries	**1,585**	1,591	**1,585**	1,591
Money at call and deposits placements with banks and other financial institutions	**32,081**	36,917	**30,950**	36,029
Reverse repurchase agreements	**6,592**	5,674	**6,592**	5,674
Financial assets held for trading	**5,129**	4,621	**5,129**	4,621
Others	**1,001**	1,080	**1,000**	1,080
	46,388	49,883	**45,256**	48,995
Accretion of discounts less amortisation of premium	**3,197**	2,530	**3,197**	2,530
	49,585	52,413	**48,453**	51,525

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

23 Interest expense

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**17,774**	25,659	**17,774**	25,659
Deposits from customers	**30,765**	23,336	**30,765**	23,336
	48,539	48,995	**48,539**	48,995

24 (Allowance for)/write back of impairment losses on loans, advances and financing

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
(a) Individual impairment allowance		
- made during the financial year	**(214)**	(214)
- written back during the financial year	**135**	269
(b) Portfolio impairment allowance		
- written back during the financial year	**27**	29
	(52)	84

25 Allowance for other impairment losses

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Financial investments available-for-sale		
- made during the financial year	**(6,331)**	-
	(6,331)	-

26 Fee and commission income

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Fees on loans, advances and financing	**-**	7,548
Portfolio management fees	**9,089**	9,393
Advisory and arrangement fees	**116,235**	74,611
Underwriting commissions	**2,325**	11,067
Placement fees	**19,187**	32,845
Other fee income	**7,337**	8,214
	154,173	143,678

27 Dividend income

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Financial assets held for trading	**85**	2	**85**	2

28 Net trading (loss)/income

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Gain/(loss) arising from trading in financial assets held for trading		
- realised	**1,552**	2,197
- unrealised	**(6,755)**	4,191
Gain/(loss) arising from trading in derivative financial instruments		
- realised	**1,355**	693
- unrealised	**(2,382)**	(4)
	(6,230)	7,077

29 Other non-interest income/(expense)

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Foreign exchange gain/(loss)	**959**	(5,431)	**959**	(5,431)
Gain on disposal of property, plant and equipment	**2,221**	2,588	**2,221**	2,588
Other non-operating income	**2,231**	1,902	**2,231**	891
	5,411	(941)	**5,411**	(1,952)

30 Overheads

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
- Salaries, allowances and bonuses	**150,171**	147,130	**148,552**	146,084
- Pension cost (defined contribution plan)	**20,251**	22,060	**20,090**	21,937
- Training fees	**4,333**	5,632	**4,329**	5,631
- Overtime, meal and transport claims	**902**	894	**902**	894
- Others	**10,331**	27,998	**10,235**	27,933
	185,988	203,714	**184,108**	202,479

30 Overheads (Continued)

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Establishment costs				
- Depreciation of property, plant and equipment	**25,954**	23,024	**25,813**	22,935
- Rental	**6,808**	9,476	**5,994**	8,635
- Others	**9,076**	12,679	**9,013**	12,650
	41,838	45,179	**40,820**	44,220
Marketing expenses				
- Advertisement	**11,723**	3,844	**11,705**	3,842
- Entertainment expenses	**2,323**	830	**2,301**	821
- Others	**2,390**	56	**2,384**	45
	16,436	4,730	**16,390**	4,708
Administration and general expenses				
- Legal and professional fees	**6,544**	7,507	**6,510**	7,489
- Communication	**6,268**	6,437	**6,192**	6,361
- Printing and stationery	**2,435**	2,184	**2,435**	2,180
- Licensing fee, exchange fee and levies	**8,256**	7,951	**8,256**	7,951
- Administrative vehicle, travelling and insurance expenses	**8,745**	9,726	**8,703**	9,702
- Others	**7,950**	23,512	**7,519**	23,399
	40,198	57,317	**39,615**	57,082
Total overhead expenses	**284,460**	310,940	**280,933**	308,489

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
The above expenditure includes the following disclosures:				
Directors' remuneration (Note 31)	**13,512**	17,526	**13,512**	17,526
Rental of premises	**3,991**	5,762	**3,853**	5,633
Hire of equipment	**2,817**	3,714	**2,141**	3,002
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	**187**	153	**155**	125
- Statutory audit (other firms)	**22**	17	**22**	17
- Half year review	**30**	30	**30**	30
- Non-audit services	**23**	19	**19**	15

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM194 million (2010: RM186 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

31 Directors' remuneration

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

Non-Executive Directors
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Hamzah bin Bakar
Dato' Zainal Abidin bin Putih
Nicholas Rupert Heylett Bloy (resigned on 17 February 2012)
Zahardin bin Omardin

Executive Director
Dato' Charon Wardini bin Mokhzani

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

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Executive Director and Group CEO				
- Salary and other remuneration	**2,999**	2,333	**2,999**	2,333
- Bonus	**9,875**	14,590	**9,875**	14,590
- Benefits-in-kind	**130**	129	**130**	129
Non-executive Directors				
- Fees and other remuneration	**508**	474	**508**	474
	13,512	17,526	**13,512**	17,526

The functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Dato' Sri Mohamed Nazir bin Abdul Razak. The salary, other remuneration, bonus (in respect of 2011 payable in 2012) and benefits-in-kind totalling RM8,700,000 (2010: RM12,000,000) for the CEO was paid by the Bank.

Part of the CEO's remuneration together with other support costs incurred on behalf of CIMB Bank were recovered from CIMB Bank based on certain methods which have been agreed by both parties (refer to Note 30).

The Directors' bonus for the financial year 2011 will be paid in tranches, spread over financial year 2012, while for financial year 2010, it will be paid in tranches, spread over financial year 2011. A similar condition is also imposed on the bonus for certain key personnel.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

31 Directors' remuneration (Continued)

The Directors' remuneration is broadly categorised into the following bands:

	2011		2010	
	Non-executive Directors	Executive Directors*	Non-executive Directors	Executive Directors*
The Group				
RM50,001 to RM100,000	**2**	**-**	3	-
RM100,001 to RM500,000	**2**	**-**	1	-
RM4,000,001 to RM4,500,000	**-**	**1**	-	-
RM5,000,001 to RM5,500,000	**-**	**-**	-	1
RM8,500,001 to RM9,000,000	**1**	**-**	-	-
RM11,000,001 to RM12,000,000	**-**	**-**	1	-
The Bank				
RM50,001 to RM100,000	**2**	**-**	3	-
RM100,001 to RM500,000	**2**	**-**	1	-
RM4,000,001 to RM4,500,000	**-**	**1**	-	-
RM5,000,001 to RM5,500,000	**-**	**-**	-	1
RM8,500,001 to RM9,000,000	**1**	**-**	-	-
RM11,000,001 to RM12,000,000	**-**	**-**	1	-

* Includes the remuneration of Dato' Sri Mohamed Nazir bin Abdul Razak, who was re-designated as non-executive Director on 30 June 2007.

32 Taxation

(i) Tax expense for the financial year

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
- Malaysian income tax	**38,997**	62,224	**38,533**	61,762
-(Over)/under provision in prior years	**(2,886)**	20,306	**(2,893)**	20,304
Deferred tax	**3,869**	(46,578)	**3,996**	(46,583)
	39,980	35,952	**39,636**	35,483

32 Taxation (Continued)

(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	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**140,187**	79,874	**138,670**	76,817
Tax calculated at a tax rate of 25% (2010: 25%)	**35,047**	19,969	**34,668**	19,204
Income not subject to tax	**(395)**	(895)	**(348)**	(595)
Expenses not deductible for tax purposes	**15,468**	20,470	**15,463**	20,471
Over-accrual in prior years	**(10,140)**	(3,592)	**(10,147)**	(3,597)
Tax expense	**39,980**	35,952	**39,636**	35,483

33 Earnings per share

(a) Basic earnings per share

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

	The Group		The Bank	
	2011	2010	**2011**	2010
Net profit for the financial year (RM' 000)	**100,207**	43,922	**99,034**	41,334
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000	**100,000**	100,000
Basic earnings per share (expressed in sen per share	**100.21**	43.92	**99.03**	41.33

(b) Diluted earnings per share

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

34 Dividends

	2011 RM'000	2010 RM'000
A final tax exempted dividend of 43.62 sen per ordinary share and single tier dividend of 9.88sen per ordinary share, for financial year ended 31 December 2010, paid on 14 April 2011.	**53,500**	-
Final gross dividend of 69.73 sen per ordinary share, for financial year 31 December 2009, less 25% income tax, paid on 20 April 2010	**-**	52,300
	53,500	52,300

The gross and net dividends declared per share for each financial year are as follows:

	2011			2010		
	Gross per share Sen	**Net per share Sen**	**Amount of dividend RM'000**	Gross per share Sen	Net per share Sen	Amount of dividend net of tax RM'000
Final dividend paid	**53.50**	**53.50**	**53,500**	69.73	52.30	52,300

The Directors have proposed an interim single tier dividend comprising of 61.86 sen per ordinary share, amounting to RM61,864,000 and 3,717.05 sen per redeemable preference shares amounting to RM37,170,514 in respect of financial year ended 31 December 2011. The dividend was approved by the Board of Directors in a resolution dated 19 January 2012.

35 Amount due from/(to) related companies

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

	The Group		**The Bank**	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Amount due from:				
- subsidiaries	**-**	-	**3**	2
- related companies	**5,092**	6,564	**5,092**	6,564
- immediate holding company	**1,529**	-	**1,529**	-
- ultimate holding company	**-**	60	**-**	60
	6,621	6,624	**6,624**	6,626
Amount due to:				
- subsidiaries	**-**	-	**(3,185)**	(3,185)
- related companies	**(9,482)**	(12,105)	**(9,480)**	(12,105)
- ultimate holding company	**(22)**	-	**(22)**	-
	(9,504)	(12,105)	**(12,687)**	(15,290)

36 Significant related party transactions and balances

(a) Related parties and relationship

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

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

Related parties	Relationship
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn Bhd ("CIMBG")	Immediate holding company
CIMB Berhad ("CIMBB")	Subsidiary of ultimate holding company
Subsidiaries of CIMB Group and CIMBG as disclosed in their Financial Statements	Subsidiaries of ultimate holding and immediate holding companies
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
Touch 'N Go Sdn Bhd	Subsidiary of ultimate holding company
Key management personnel	Refer to below

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

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

36 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 commercial terms and at market rates.

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2011			
Sales:			
Malaysian Government securities	-	247,550	-
Private debt securities	-	234,442	-
Commercial papers	-	69,185	-
	-	551,177	-
Purchases:			
Malaysian Government securities	-	378,552	-
Private debt securities	500,000	1,863,140	-
Commercial papers	990,995	-	-
	1,490,995	2,241,692	-

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2011			
Income:			
Fee income	-	9,123	38
Interest income	-	23,121	-
Income from Islamic Banking operations	-	(8,215)	-
	-	24,029	38
Expenditure:			
Interest expense	-	17,787	3

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

36 Significant related party transactions and balances (Continued)

(b) Related party transactions (Continued)

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2010			
Sales:			
Malaysian Government securities	-	66,900	-
Private debt securities	-	223,790	-
Commercial papers	-	158,702	-
	-	449,392	-
Purchases:			
Malaysian Government securities	-	73,355	-
Private debt securities	-	2,022,739	-
Commercial papers	347,382	-	-
Floating rate notes	-	14,806	-
	347,382	2,110,900	-
2010			
Income:			
Fee income	-	8,573	56
Interest income	-	35,968	415
Income from asset management and securities services	-	24	-
Income from Islamic Banking operations	-	3,786	-
	-	48,351	471
Expenditure:			
Interest expense	-	25,739	-

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

36 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	2011 RM'000	2010 RM'000
Salaries and other short term employee benefits	**87,599**	83,379
	Unit	Unit
Share options of ultimate holding company	**10,932,540**	19,703,060
Shares of ultimate holding company	**3,582,625**	-

Included in the above table is Directors' remuneration which are disclosed in Note 31. The share options/shares granted are on the same terms and condition as those offered to other employees of the Group and the Bank as disclosed in Note 40.

(d) Related party balances

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2011			
Amount due from:			
Cash and balances with banks and other financial institutions	**-**	**1,643,862**	**-**
Money at call and deposit placements maturing within one month	**-**	**300,905**	**-**
Deposits and placements with banks and other financial institutions	**-**	**252,264**	**-**
Derivative financial instruments	**-**	**6,094**	**-**
	-	**2,203,125**	**-**

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

36 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

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

2011	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
Amount due to:			
Deposits and placements of banks and other financial institutions	**-**	**250,728**	**-**
Deposits from customers	**-**	**-**	**178,668**
	-	**250,728**	**178,668**
Principal			
Interest rate related contracts:			
Interest rate swaps	**-**	**157,330**	**-**
Equity related contracts:			
Equity options	**-**	**270,279**	**-**
	-	**427,609**	**-**

2010	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
Amount due from:			
Cash and balances with banks and other financial institutions	-	1,884,339	-
Money at call and deposit placements maturing within one month	-	149,554	-
Deposits and placements with banks and other financial institutions	-	687,991	-
Derivative financial instruments	-	20,267	-
	-	2,742,151	-
Amount due to:			
Deposits and placements of banks and other financial institutions	-	1,147,691	-
Deposits from customers	-	-	159,249
	-	1,147,691	159,249
Principal			
Interest rate related contracts:			
Interest rate swaps	-	378,330	-
Equity related contracts:			
Equity options	-	433,577	-
	-	811,907	**-**

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

36 Significant related party transactions and balances (Continued)

(e) 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 on 1 January 2008 are as follows:

	The Group	
	2011	2010
	RM'000	RM'000
Outstanding credit exposures with connected parties	**95,310**	134,228
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**4.5%**	4.6%
Percentage of outstanding credit exposures with connected parties which is impaired/ non-performing or in default	**0.0%**	0.0%

37 Capital commitments

Capital expenditure not provided for in the Financial Statements are as follows:

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Authorised but not contracted for	**139,823**	69,740
The capital commitments are attributed to:		
- projects	**97,190**	32,814
- property, plant and equipment	**42,633**	36,926
	139,823	69,740

38 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals which the Group and the Bank are obliged to pay is as follows:

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Not later than one year	**9,073**	8,339
Later than one year and not later than five years	**2,012**	13,908
	11,085	22,247

39 Capital adequacy

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

The capital management process is centrally supervised by the Group Executive Committee ("EXCO"), Group Risk Committee ("GRC") and Board Risk Committee ("BRC") who periodically assess and review of 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. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Monthly updates on capital position of the Group are also provided to the Board of Directors.

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia(BNM) Guidelines on Risk Weighted Capital Adequacy Framework: Standardised approach (SA approach) for Credit Risk while Operational Risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

Subsequent to the transition to Basel II IRB in 2010, and following a refinement in the interpretation of the guideline, management is of the opinion that it is proved to be impractical to apply IRB Approach due to lack of IRB assets in the Group and the Bank. In November 2011, the Bank has adopted the SA approach for the Group and the Bank to better reflect the nature of the underlying business activities. The change does not in any way affect how business is conducted at the Group and the Bank and will in fact; maintain the efficient employment of capital at the Group.

Had the Group and the Bank adopted the SA approach in 2010, the capital adequacy ratios and the risk weighted assets are as follows:

	The Group	The Bank
Before deducting proposed dividend		
Core capital ratio	19.12%	18.61%
Risk-weighted capital ratio	19.16%	18.61%
After deducting proposed dividend		
Core capital ratio	16.51%	15.96%
Risk-weighted capital ratio	16.55%	15.96%

	The Group RM '000	The Bank RM '000
Risk-weighted assets	2,052,644	2,024,338

39 Capital adequacy (Continued)

(A) 31 December 2011

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

	The Group	The Bank
Before deducting proposed dividend		
Core capital ratio	**21.02%**	**20.96%**
Risk-weighted capital ratio	**21.04%**	**20.96%**
After deducting proposed dividend		
Core capital ratio	**16.51%**	**16.29%**
Risk-weighted capital ratio	**16.53%**	**16.29%**

(b) Components of Tier I and Tier II capitals for the financial year ended 31 December 2011 are as follows:

	The Group RM'000	The Bank RM'000	
Tier I Capital			
Paid-up capital	100,000	100,000	
Retained profits	192,837	184,210	
Other reserves	209,290	209,290	
	502,127	493,500	
Less: Deferred tax assets	(40,460)	(40,274)	
Deduction in excess of Tier 2 Capital	-	(8,417)	N1
Total Tier I capital	461,667	444,809	
Tier II Capital			
Cumulative Preference Shares	10	10	
Portfolio impairment allowance	623	623	N2
Total Tier II capital	633	633	
Less:			
Investments in subsidiaries	(50)	(9,050)	
Total eligible Tier II capital	583	-	N1
Total capital base before proposed dividend	462,250	444,809	
Proposed dividend	(99,034)	(99,034)	
Total capital base after proposed dividend	363,216	345,775	

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

	The Group RM'000	The Bank RM'000
Credit risk	1,081,967	1,015,497
Market risk	307,315	307,251
Operational risk	807,424	799,822
	2,196,706	2,122,570

N1 The excess of Tier II capital was deducted under Tier I capital.
N2 The capital base of the Group and the Bank as at 31 December 2011 has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM623,000 respectively.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

39 Capital adequacy (Continued)

(B) 31 December 2010

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

	The Group	The Bank
Before deducting proposed dividend		
Core capital ratio	19.76%	19.24%
Risk-weighted capital ratio	19.80%	19.24%
After deducting proposed dividend		
Core capital ratio	17.06%	16.51%
Risk-weighted capital ratio	17.11%	16.51%

(b) Components of Tier I and Tier II capitals for the financial year ended 31 December 2010 are as follows:

	The Group RM'000	The Bank RM'000	
Tier I Capital			
Paid-up capital	100,000	100,000	
Retained profits	146,331	138,676	
Other reserves	190,410	190,410	
	436,741	429,086	
Less: Deferred tax assets	(44,329)	(44,270)	
Deduction in excess of Tier 2 Capital	-	(8,181)	N1
Total Tier I capital	392,412	376,635	
Tier II Capital			
Cumulative Preference Shares	10	10	
Portfolio impairment allowance	650	650	N2
Surplus of total eligible provision over total expected loss under the IRB approach, subject to limit	209	209	
Total Tier II capital	869	869	
Less:			
Investments in subsidiaries	(50)	(9,050)	
Total eligible Tier II capital	819	-	N1
Total capital base before proposed dividend	393,231	376,635	
Proposed dividend	(53,500)	(53,500)	
Total capital base after proposed dividend	339,731	323,135	

39 Capital adequacy (Continued)

(B) **31 December 2010 (Continued)**

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

	The Group RM'000	The Bank RM'000
Credit risk	1,028,430	1,008,040
Market risk	192,321	192,289
Operational risk	765,308	757,404
	1,986,059	1,957,733

N1 The excess of Tier II capital was deducted under Tier I capital.
N2 The capital base of the Group and the Bank as at 31 December 2010 has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM650,000 respectively

40 Employee benefits

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

The MES was launched on 1 March 2004 as a performance linked compensation whereby a substantial shareholder of CIMB Group grants entitlements to selected employees of the Group and the Bank. The eligibility for participation in the MES shall be at the discretion of the Nomination and Remuneration Committee of CIMB Group. Entitlements of eligible members of the MES are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of CIMB Group administers the MES on behalf of the substantial shareholder. The entitlements granted vest in proportions over the various exercise periods and will expire on 28 February 2012.

Previously, the MES was not accounted for in the financial statements of the Group and the Bank as it does not fall within the scope of FRS 2 "Share-based Payment". The amendment to FRS 2 effective 1 January 2011 clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Subsequent to the amendment, the MES is now within the scope of the standard.

The Group and the Bank have changed its accounting policy upon adoption of Amendments to FRS 2 on 1 January 2011 retrospectively. 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 the Amendments to FRS 2. The impact of the change in accounting policy to the prior period presented is disclosed in Note 46.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

40 Employee benefits (Continued)

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

The weighted average fair value of the entitlements granted, determined using the Binomial Valuation Model was RM7.37 each. The significant inputs into the model were as follows:

Valuation assumptions	
- Expected volatility	33.4%
- Expected dividend yield	1.8%
- Expected option life	0.16 years
- Weighted average share price at grant date	RM10.79
- Weighted average risk-free interest rate	3.2%

The volatility measured at the standard deviation of on daily share price returns was based on statistical analysis of daily prices over the last two years.

The total share-based payment expenses recognised in relation to the Scheme for the Group and the Bank during the current financial year amounted RM3,883,000 (2010: RM16,331,000). The shares are exercisable 2 years from the grant date.

Details of the movement in the number of entitlements outstanding are as follows:

	The Group and The Bank	
	2011	2010
	Unit	Unit
	'000	'000
Share options		
At 1 January	**4,706**	2,289
Granted	**-**	2,032
Bonus issue	**-**	3,452
Exercised	**(2,854)**	(3,027)
Forfeited	**(2)**	(40)
At 31 December	**1,850**	4,706

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

40 Employee benefits (Continued)

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

Share options outstanding at the end of the financial year are as follows:

Grant date	Expiry date	Options (unit)	Exercise price per share (RM)
22-Mar-07	28-Feb-12	926,476	3.48
31-May-07	28-Feb-12	327,339	3.48
27-Mar-08	28-Feb-12	693,090	3.48
31-Mar-09	28-Feb-12	1,300,538	3.48
6-Aug-09	28-Feb-12	9,265	3.48
1-Oct-09	28-Feb-12	37,059	3.48
8-Mar-10	28-Feb-12	1,887,919	3.48
30-Mar-10	28-Feb-12	1,853	3.48
26-May-10	28-Feb-12	69,400	1.74

The weighted average share price at the time of exercise was RM7.80 (2010: RM9.14). The weighted average remaining contractual life is 0.16 year (2010: 1.2 years).

The total entitlement granted during the financial year was nil (2010: 2,031,714 units) and number of entitlements that are exercisable at the financial year end is 1,850,446 units (2010: 1,482,194 units).

40 Employee benefits (Continued)

(b) Equity Ownership Plan ("EOP")

The EOP was introduced in 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 with a re-charge to the Group and the Bank. Under the EOP, earmarked portions of variable remuneration of 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 after 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 up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will 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 RM 24,225,000.

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM8.27 per ordinary share, based on observable market price.

Movements in the number of the Company's ordinary shares awarded are as follows:

	The Group 2011 Unit '000	The Bank 2011 Unit '000
Shares		
At 1 January	-	-
Awarded	1,840	1,840
Released	(469)	(469)
At 31 December	1,371	1,371

41 Significant events during the financial year

There were no significant events during the financial year ended 31 December 2011.

42 Significant event subsequent to the financial year end

There were no significant events subsequent to the financial year ended 31 December 2011.

43 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 determines 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 L of the Summary of Significant Accounting Policies.

43 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 14 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 45.4.

44 Segment reporting

Business segment reporting

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

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

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

Definition of segments

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

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

Debt related mainly comprises proprietary trading and market making in the secondary market for debt, debt related derivatives and structured products. It also invests in proprietary capital.

Equity related mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

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

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

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

44 Segment reporting (Continued)

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

The Group	Financial advisory, underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2011						
External net interest income	-	1,046	-	-	-	1,046
Non interest income:	123,749	22,475	142,728	16,970	6,691	312,613
Income from Islamic Banking	38,691	35,347	-	449	266	74,753
	162,440	58,868	142,728	17,419	6,957	388,412
Overheads	(39,352)	(117,649)	(91,920)	(24,813)	(10,726)	(284,460)
of which :						
Depreciation of property, plant and equipment	*(1,196)*	*(6,546)*	*(4,962)*	*(2,067)*	*(11,183)*	*(25,954)*
Recoveries from investment management and securities services	-	-	-	45,000	-	45,000
Profit/(loss) before allowances	123,088	(58,781)	50,808	37,606	(3,769)	148,952
Allowance for impairment lossess on loans,advances and financing	-	(52)	-	-	-	(52)
Allowance for impairment losses on other receivables	(2,569)	-	-	-	-	(2,569)
Allowance for other impairment losses	-	(6,331)	-	-	-	(6,331)
Segment results	120,519	(65,164)	50,808	37,606	(3,769)	140,000
Share of results of associates						187
Profit before taxation						140,187
Taxation						(39,980)
Net profit for the financial year						100,207
Segment assets	30,864	2,315,328	1,073,334	9,277	666,972	4,095,775
Unallocated assets						67,633
Total assets						4,163,408
Segment liabilities	250,913	2,157,370	1,008,086	24,315	198,045	3,638,729
Unallocated liabilities						12,371
Total liabilities						3,651,100
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	2,163	11,842	8,977	3,740	20,231	46,953
Accretion of discount less amortisation of premium	-	3,197	-	-	-	3,197

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

44 Segment reporting (Continued)

The Group	Financial advisory, underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2010						
External net interest income	-	3,418	-	-	-	3,418
Non interest income	129,167	20,910	163,686	24,226	2,033	340,022
Income from Islamic Banking operations	113,636	10,595	-	-	-	124,231
	242,803	34,923	163,686	24,226	2,033	467,671
Overheads	(40,142)	(126,422)	(98,604)	(24,255)	(21,517)	(310,940)
of which :						
Depreciation of property, plant and equipment	*(1,261)*	*(5,891)*	*(3,521)*	*(2,768)*	*(9,583)*	*(23,024)*
Losses from investment management and securities services	-	-	-	(80,000)	-	(80,000)
Profit/(loss) before allowances	202,661	(91,499)	65,082	(80,029)	(19,484)	76,731
Write back of impairment losses on loans, advances and financing	-	84	-	-	-	84
Write back of losses on other receivables	2,213	-	-	-	-	2,213
Segment results	204,874	(91,415)	65,082	(80,029)	(19,484)	79,028
Share of results of associates						846
Profit before taxation						79,874
Taxation						(35,952)
Net profit after taxation						43,922
Segment assets	43,092	3,089,761	555,778	11,005	551,454	4,251,090
Unallocated assets						44,385
Total assets						4,295,475
Segment liabilities	16,273	2,795,870	902,881	12,856	69,444	3,797,324
Unallocated liabilities						51,429
Total liabilities						3,848,753
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	2,555	11,941	7,138	5,610	19,428	46,672
Accretion of discount less amortisation of premium	-	2,530	-	-	-	2,530

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

45 Financial Risk Management

(a) Financial risk management objectives and policies

Risk management is 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, Group Risk Division (GRD) is involved at the early stage of the risk taking process by providing independent inputs such as the relevant valuations, credit evaluations, new product assessments and Capital-at-Risk (CaR) quantifications. These inputs enable business units to align their business strategies with the Group's risk appetite.

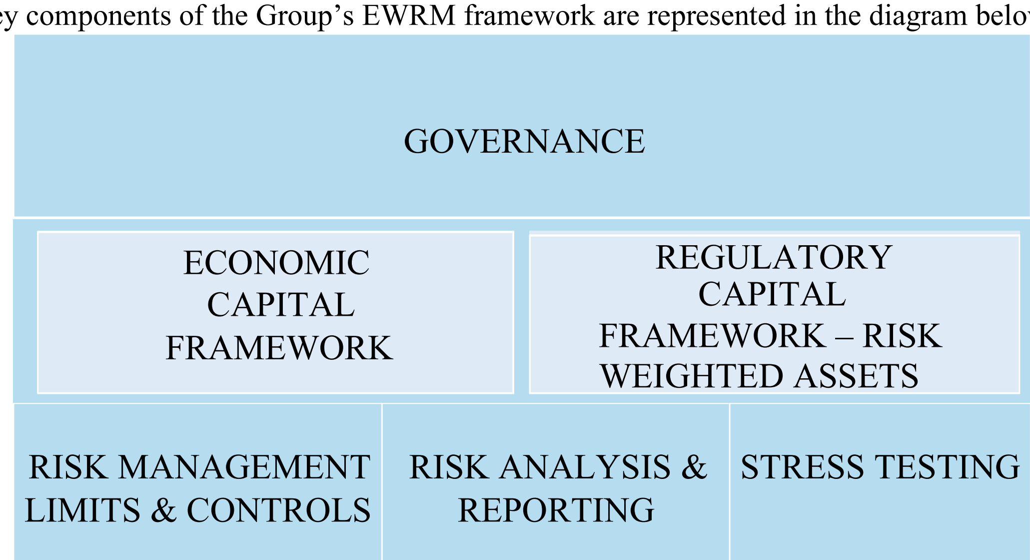
The objectives of CIMB Group's risk management activities are to:

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through proper allocation of risk capital and facilitate development of new business and products.

(b) Enterprise Wide Risk Management (EWRM) Framework

CIMB Group employs the EWRM framework to manage its risk and opportunity effectively. It is an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group implemented through various Board appointed committees.

The key components of the Group's EWRM framework are represented in the diagram below:



Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

The framework is centered on resilient risk and capital management which requires the Group to identify, evaluate, measure, mitigate and monitor/report its material risk, and relate these to its capital requirements and at all times ensure capital adequacy. CIMB Group employs CaR as the common and consistent measurement of risk across CIMB Group. The CaR framework provides the basis of allocating economic capital within the Group. It provides a benchmark to facilitate the comparison of risk across business units and risk types. This enables the Group to consider both the downside risk, for risk protection and upside potential, for earnings growth. Hence, allowing the Group to measure the performance of each business on an absolute basis (economic profit) and relative percentage return basis (RAROC) against the Group's costs of capital.

Strong risk governance holds the EWRM together. The Board of Directors through the Board Risk Committee (BRC) is ultimately responsible for the implementation of EWRM. GRD has been principally tasked to assist the various committees and undertakes the performance of the day-to-day risk management functions of the EWRM. The implementation of the EWRM is subjected to the independent assurance and assessment by the Group Internal Audit.

The foundation of the EWRM is made up of three major building blocks, which are Limits and Controls, Analysis and Reports, and Stress Testing. Limits constitute the key mechanism to control allowable risk taking activities and are regularly reviewed in the face of changing business needs, market conditions, and regulatory changes. Timely reports and meaningful analysis of risk positions are critical to enable the Board and its management to exercise control over all exposures and make informed business decisions.

Stress testing involves identifying possible events or future changes in the financial and economic conditions that could have unfavourable effects on the Group's exposure and the assessment of the Group's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses as well as the sufficiency of its liquidity surplus and reserves. Steps are then identified to manage risk and conserve capital. Group wide stress test is performed semi-annually while stress tests on selected portfolios are performed on an ad hoc basis.

45 Financial Risk Management (Continued)

(c) Risk Governance

The BRC assumes the ultimate responsibility on behalf of the Boards of Directors for the supervision of risk management within CIMB Group. In line with best practices, the BRC determines the risk policy objectives and also decides on the yearly allocation of risk capital to support all risks taken by the Group.

Group Risk Committee (GRC) is the primary delegated authority for managing risk on a group-wide basis and reports directly to BRC. Sub-committees, namely Group Wholesale Bank Risk Committee (GWBRC), Consumer Bank Credit Committee (CBCC), Regional Credit Committee (RCC), Singapore Business Credit Committee (SBCC), Regional Liquidity Risk Committee (RLRC) and Operational Risk Committee (ORC), delegated from the GRC are set up to manage and control specific risk areas. In relation to Interest rate Risk in the Banking Book (IRRBB)/ Rate of return Risk in the Banking Book (RORBB), GRC is further assisted by Balance Sheet Management Committee (BSMC) that is responsible for recommending and executing strategies and hedging proposals for the banking book as well as ensuring the Group’s interest rate/rate of return risk profile is within the risk limits/MATs endorsed by GRC. With this set-up, the Board and BRC through the various risk committees and BSMC maintain oversight of various risks across the Group.

Each committee is chaired by a director respectively. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units. BRC reviews the composition of these committees except for BSMC, to reflect a balance of experienced independent and non-independent individuals with the necessary skills and qualifications to carry out the roles and responsibilities of the relevant committee.

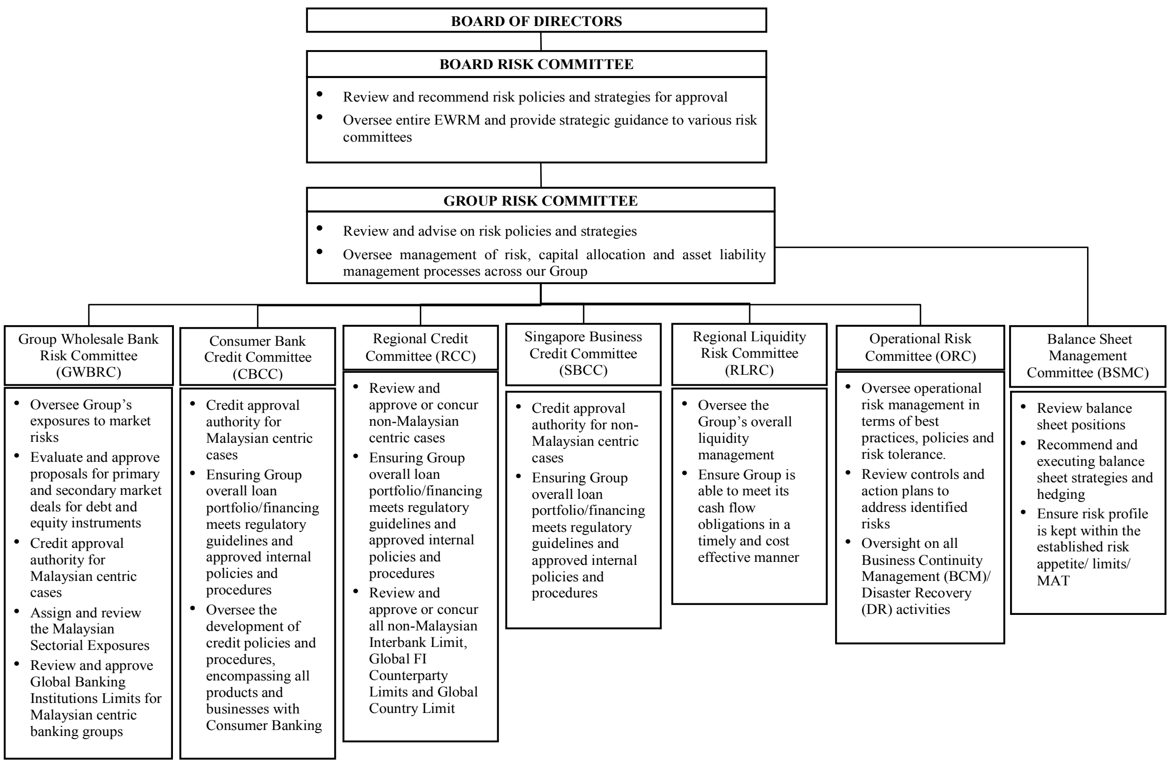
CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The chart below sets out the organisational structure of the risk management committees overseeing risk management activities and an overview of the respective committee's roles and responsibilities:



(d) Group Risk Division

The primary oversight body for risk management activities is GRD, comprising Group Risk Management (GRM), Group Credit (GC) and Regional Credit Management (RCM), which are independent of business units and assist the Group's management and the various risk committees in monitoring and controlling the Group's risk exposures.

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45 Financial Risk Management (Continued)

(d) Group Risk Division(Continued)

The key responsibilities of GRD are to identify, evaluate, analyse, monitor and review the principal risks to which the Group is exposed. It also helps to create shareholder value through proper allocation of risk capital, development of risk-based pricing framework and facilitate development of new businesses and products. The Head of GRD also maintains an oversight functions performed by the risk management units in the asset management and insurance/takaful subsidiaries.

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 outfit, all risk management activities will be centralised at GRD. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to GRD.

(e) Group Risk Management

GRM monitors risk-taking activities, initiates and proposes risk policies, risk measurement methodologies, risk limits and risk capital allocation, performs independent review of loan/financing assets quality and loan/financing recovery plan, coordinates new products deployments and develops the risk-based product pricing framework for loan/financing portfolios.

In propagating and ensuring compliance to the market risk framework, GRM reviews treasury trading strategy, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market as part of financial valuation.

GRM is also tasked with the co-ordination of the Group's effort towards implementation of the Basel II framework in compliance with the International Convergence of Capital Measurement and Capital Standards prescribed by the Bank of International Settlements and as adopted by BNM. In this regard, GRM develops, implements and validates all internal rating and scoring models and closely monitors the usage of the rating and scoring systems to ensure relevancy to current market conditions and integrity of the ratings.

45 Financial Risk Management (Continued)

(e) Group Risk Management (Continued)

GRM adds value to business propositions by providing advice on market valuations, CaR quantifications and independent risk assessment. This enables the business units to prepare for the potential risks associated with the new transactions or business ventures and consequently, address the management and mitigation of such risks from the early stage of the proposition. The business units gain understanding of the risk-reward equation of the proposition, consider the risk factors in the pricing decision, and ensure that the projected returns from the business propositions commensurate with the risks taken. In order to ensure the independence of GRM in such an arrangement, GRM's remuneration is not linked to the success of particular transactions or deals.

(f) Group Credit

GC carries out independent assessments and evaluations of all credit risk related proposals originating from the various business units such as loans/financings and advances, fixed income, derivatives, sales and trading, prior to submission to the CBCC, the Group Executive Committee (EXCO) or Board for approval. GC ensures proper grouping of entities and counterparties under the single customer framework. GC also reviews the Bank's holdings of all fixed income assets issued by Malaysian companies and recommends the internal ratings for GWBRC's approval.

(g) Regional Credit Management

A regional credit platform was established with a primary objective of enhancing efficiency and effectiveness of the credit oversight as well as credit approval process for all non-Malaysian centric Corporate and Financial Institutions at the CIMB Group level. The platform includes 2 credit committees, Singapore Business Credit Committee (SBCC) for smaller-sized exposures and RCC for larger regional exposures. All credit proposals submitted to the 2 credit committees for approval/concurrence are routed through RCM for independent assessment and due recommendation to the credit committees.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

45 Financial Risk Management (Continued)

45.1 Credit risk

Credit risk, is defined as arising from 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 lending/financing activities through loans/financing assets as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk 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.

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.

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)

CCR limits are established at the individual counterparty level and approved by GWBRC and/or RCC. These limits are monitored and reported at both business and at the Group level.

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 Annexe (CSA) with counterparties. The net credit exposure with each counterparty is monitored and our Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GWBRC and/or RCC.

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (Continued)

Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and our exposure as at 31 December 2011, there will be 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.

45.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets recognised in the statement of financial position, the maximum exposure to credit risk equals their carrying amount in the statement of financial position. 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.

2011	**The Group**	**The Bank**
Item not recognised in the statements of financial position		
Credit related commitments and contingencies	**81,946**	**81,946**

2010	**The Group**	**The Bank**
Item not recognised in the statements of financial position		
Credit related commitments and contingencies	600,218	600,218

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 100% (2010: 100%) respectively. The financial effects of collateral held for the remaining on balance sheet financial assets are insignificant.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2011 and 31 December 2010 are as follows:

The Group

2011	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,997,373	-	-	69,938	1,099	2,068,410
Reverse repurchase agreements	273,423	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	252,100	-	-	-	-	252,100
Financial assets held for trading						
-Unquoted securities	79,064	-	-	-	-	79,064
Derivatives financial instruments						
-Trading derivatives	48,441	-	-	-	-	48,441
Loans, advances and financing						
-Term loans	40,956	-	-	-	-	40,956
Other assets	1,008,570	1,571	6,349	43,086	114,423	1,173,999
Amount due from related companies	4,487	605	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	1,529
	3,705,943	2,176	6,349	113,024	115,522	3,943,014
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	81,946	-	-	-	-	81,946
	81,946	-	-	-	-	81,946
Total credit exposures	3,787,889	2,176	6,349	113,024	115,522	4,024,960

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2011 and 31 December 2010 are as follows: (Continued)

The Group

2010 **Items recognised in the statements of financial position**	**Malaysia** **RM'000**	**Indonesia** **RM'000**	**Thailand** **RM'000**	**Singapore** **RM'000**	**Other countries** **RM'000**	**Total** **RM'000**
Cash and short term funds	2,169,036	-	-	3,554	986	2,173,576
Reverse repurchase agreements	300,067	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	689,196	-	-	-	-	689,196
Financial assets held for trading						
-Unquoted securities	78,436	-	-	-	-	78,436
Derivatives financial instruments						
-Trading derivatives	42,089	-	-	-	-	42,089
Loans, advances and financing						
-Term loans	42,710	-	-	-	-	42,710
Other assets	659,829	393	1,630	40,622	96,266	798,740
Amount due from related companies	5,662	902	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	60
	3,987,085	1,295	1,630	44,176	97,252	4,131,438
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	600,218	-	-	-	-	600,218
	600,218	-	-	-	-	600,218
Total credit exposures	4,587,303	1,295	1,630	44,176	97,252	4,731,656

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2011 and 31 December 2010 are as follows:

The Bank

2011	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,872,869	-	-	69,938	1,099	1,943,906
Reverse repurchase agreements	273,423	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	250,833	-	-	-	-	250,833
Financial assets held for trading						
-Unquoted securities	79,064	-	-	-	-	79,064
Derivatives financial instruments						
-Trading derivatives	48,441	-	-	-	-	48,441
Loans, advances and financing						
-Term loans	40,956	-	-	-	-	40,956
Other assets	1,007,559	1,571	6,349	43,086	114,422	1,172,987
Amount due from subsidiaries	3	-	-	-	-	3
Amount due from related companies	4,487	605	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	1,529
	3,579,164	2,176	6,349	113,024	115,521	3,816,234
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	81,946	-	-	-	-	81,946
	81,946	-	-	-	-	81,946
Total credit exposures	3,661,110	2,176	6,349	113,024	115,521	3,898,180

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2011 and 31 December 2010 are as follows: (Continued)

The Bank

2010	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
Items recognised in the statements of financial position	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	2,069,723	-	-	3,554	986	2,074,263
Reverse repurchase agreements	300,067	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	-	-	687,992
Financial assets held for trading						
-Unquoted securities	78,436	-	-	-	-	78,436
Derivatives financial instruments						
-Trading derivatives	42,089	-	-	-	-	42,089
Loans, advances and financing						
-Term loans	42,710	-	-	-	-	42,710
Other assets	658,816	393	1,630	40,622	96,266	797,727
Amount due from subsidiaries	2	-	-	-	-	2
Amount due from related companies	5,662	902	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	60
	3,885,557	1,295	1,630	44,176	97,252	4,029,910
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	600,218	-	-	-	-	600,218
	600,218	-	-	-	-	600,218
Total credit exposures	4,485,775	1,295	1,630	44,176	97,252	4,630,128

Notes to the Financial Statements
for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2011 and 31 December 2010, based on the industry sectors of the counterparty are as follows:

The Group

2011	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
				Unquoted securities	Trading derivatives	Term loans			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	-	-	248	-	248
Mining and quarrying	-	-	-	-	-	-	24	81,887	81,911
Manufacturing	-	-	-	-	-	-	735	-	735
Electricity, gas and water	-	-	-	-	-	-	3,082	-	3,082
Construction	-	-	-	-	-	-	1,145	-	1,145
Real estate	-	-	-	-	-	-	5,726	-	5,726
General commerce	-	-	-	-	-	-	5,513	-	5,513
Transport, storage and communications	-	-	-	-	-	-	5,916	-	5,916
Finance, insurance and business services	2,068,336	-	252,100	79,064	6,544	-	222,850	-	2,628,894
Government and government agencies	72	273,423	-	-	-	-	330	-	273,825
Purchase of securities	-	-	-	-	-	-	932,518	-	932,518
Others	2	-	-	-	41,897	40,956	2,533	59	85,447
	2,068,410	273,423	252,100	79,064	48,441	40,956	1,180,620	81,946	4,024,960

* Other financial assets include other assets, amount due from related companies and amount due from ultimate holding company.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2011 and 31 December 2010, based on the industry sectors of the counterparty are as follows: (Continued)

The Group

2010	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading Unquoted securities	Derivative financial instruments Trading derivatives	Loans, advances and financing Term loans	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mining and quarrying	-	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	-	856	-	856
Electricity, gas and water	-	-	-	-	-	-	1,349	-	1,349
Construction	-	-	-	-	-	-	628	-	628
Real estate	-	-	-	-	-	-	18,748	-	18,748
Purchase of landed property -Residential	-	-	-	-	-	-	-	218	218
General commerce	-	-	-	-	-	-	2,860	-	2,860
Transport, storage and communications	-	-	-	-	-	-	114	-	114
Finance, insurance and business services	2,173,467	-	689,196	78,436	10,342	-	243,654	600,000	3,795,095
Government and government agencies	107	300,067	-	-	-	-	236	-	300,410
Purchase of securities	-	-	-	-	-	-	94,355	-	94,355
Others	2	-	-	-	31,747	42,710	442,450	-	516,909
	2,173,576	300,067	689,196	78,436	42,089	42,710	805,364	600,218	4,731,656

* Other financial assets include other assets, amount due from related companies and amount due from ultimate holding company.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2011 and 31 December 2010, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank 2011	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
				Unquoted securities	Trading derivatives	Term loans			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	-	-	248	-	248
Mining and quarrying	-	-	-	-	-	-	24	81,887	81,911
Manufacturing	-	-	-	-	-	-	735	-	735
Electricity, gas and water	-	-	-	-	-	-	3,082	-	3,082
Construction	-	-	-	-	-	-	1,145	-	1,145
Real estate	-	-	-	-	-	-	5,726	-	5,726
General commerce	-	-	-	-	-	-	5,513	-	5,513
Transport, storage and communications	-	-	-	-	-	-	5,916	-	5,916
Finance, insurance and business services	1,943,834	-	250,833	79,064	6,544	-	222,755	-	2,503,030
Government and government agencies	72	273,423	-	-	-	-	230	-	273,725
Purchase of securities	-	-	-	-	-	-	932,516	-	932,516
Others	-	-	-	-	41,897	40,956	1,721	59	84,633
	1,943,906	273,423	250,833	79,064	48,441	40,956	1,179,611	81,946	3,898,180

* Other financial assets include other assets, amount due from subsidiaries, amount due from related companies and amount due from ultimate holding company.

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2011 and 31 December 2010, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank 2010	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 Unquoted securities RM'000	Derivative financial instruments Trading derivatives RM'000	Loans, advances and financing Term loans RM'000	Other financial assets * RM'000	Credit related commitments and contingencies RM'000	Total credit exposures RM'000
Mining and quarrying	-	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	-	856	-	856
Electricity, gas and water	-	-	-	-	-	-	1,349	-	1,349
Construction	-	-	-	-	-	-	628	-	628
Real estate	-	-	-	-	-	-	18,748	-	18,748
Purchase of landed property -Residential	-	-	-	-	-	-	-	218	218
General commerce	-	-	-	-	-	-	2,860	-	2,860
Transport, storage and communications	-	-	-	-	-	-	114	-	114
Finance, insurance and business services	2,074,156	-	687,992	78,436	10,342	-	243,641	600,000	3,694,567
Government and government agencies	107	300,067	-	-	-	-	236	-	300,410
Purchase of securities	-	-	-	-	-	-	94,354	-	94,354
Others	-	-	-	-	31,747	42,710	441,453	-	515,910
	2,074,263	300,067	687,992	78,436	42,089	42,710	804,353	600,218	4,630,128

* Other financial assets include other assets, amount due from subsidiaries, amount due from related companies and amount due from ultimate holding company.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets

Financial assets are required under FRS 7, to be categorised into "neither past due nor impaired", "past due but not impaired" or "impaired".

(a) Loans, advances and financing

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

		The Group and the Bank		
2011		**Neither past due nor impaired**	**Impaired**	**Total gross amount**
	Note 45.1.3	**(i)**	**(ii)**	
		RM'000	**RM'000**	**RM'000**
Term loans		**41,579**	**-**	**41,579**
Other loans		**-**	**891**	**891**
Total		**41,579**	**891**	**42,470**
Less: Impairment allowance				**(1,514)**
Total net amount				**40,956**

		The Group and the Bank		
2010		**Neither past due nor impaired**	**Impaired**	**Total gross amount**
	Note 45.1.3	**(i)**	**(ii)**	
		RM'000	**RM'000**	**RM'000**
Term loans		43,360	-	43,360
Other loans		-	822	822
Total		43,360	822	44,182
Less: Impairment allowance				(1,472)
Total net amount				42,710

There were no loans, advances and financing that are "past due but not impaired" as at 31 December 2011 and 31 December 2010.

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

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

2011	The Group and the Bank No rating
	RM'000
Term loans	41,579
Total	**41,579**

2010	The Group and the Bank No rating
	RM'000
Term loans	43,360
Total	43,360

Financial statement descriptions can be summarised as follows:

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

(ii) "Impaired" loans, advances and financing

Refer to Note 7 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 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(b) Financial assets held for trading

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

	The Group and the Bank						
	2011			2010			
	Neither past due nor impaired	**Impaired**	**Total**	Neither past due nor impaired	Impaired	Total	
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000	
Financial assets held for trading							
- Unquoted securities	**79,064**	**8,000**	**87,064**	78,436	8,000	86,436	
Total	**79,064**	**8,000**	**87,064**	78,436	8,000	86,436	
Less : Impairment allowance			**(8,000)** *			(8,000) *	
			79,064			78,436	

* Impairment allowance represents allowance made against financial assets that have been impaired.

There were no financial assets held for trading that are "past due but not impaired" as at 31 December 2011 and 31 December 2010.

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

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

	The Group and the Bank	
	2011	2010
	Investment grade (AAA to BBB-)	Investment grade (AAA to BBB-)
	RM'000	RM'000
Financial assets held for trading		
- Unquoted securities	**79,064**	78,436
Total	**79,064**	78,436

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets

Other financial assets of the Group's as at 31 December 2011 and 31 December 2010 are summarised as follows :

The Group

2011	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	**2,068,410**	**-**	**-**	**2,068,410**
Reverse repurchase agreements	**273,423**	**-**	**-**	**273,423**
Deposits and placements with banks and other financial institutions	**252,100**	**-**	**-**	**252,100**
Derivative financial instruments	**48,441**	**-**	**-**	**48,441**
Other financial assets	**1,155,730**	**16,173**	**30,251**	**1,202,154**
Total	**3,798,104**	**16,173**	**30,251**	**3,844,528**
Less: Impairment allowances				**(21,534)**
Total net amount				**3,822,994**

The Group

2010	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	2,173,576	-	-	2,173,576
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	689,196	-	-	689,196
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	786,958	9,276	28,061	824,295
Total	3,991,886	9,276	28,061	4,029,223
Less: Impairment allowances				(18,931)
Total net amount				4,010,292

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

Other financial assets of the Bank's as at 31 December 2011 and 31 December 2010 are summarised as follows :

The Bank

2011	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	**1,943,906**	**-**	**-**	**1,943,906**
Reverse repurchase agreements	**273,423**	**-**	**-**	**273,423**
Deposits and placements with banks and other financial institutions	**250,833**	**-**	**-**	**250,833**
Derivative financial instruments	**48,441**	**-**	**-**	**48,441**
Other financial assets	**1,154,721**	**16,173**	**30,081**	**1,200,975**
Total	**3,671,324**	**16,173**	**30,081**	**3,717,578**
Less: Impairment allowances				**(21,364)**
Total net amount				**3,696,214**

The Bank

2010	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	2,074,263	-	-	2,074,263
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	687,992
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	785,947	9,276	27,831	823,054
Total	3,890,358	9,276	27,831	3,927,465
Less: Impairment allowances				(18,701)
Total net amount				3,908,764

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies for the Group's as at 31 December 2011 and 31 December 2010:

	2011				**2010**			
The Group	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**
Cash and short term funds	**72**	**2,068,318**	**20**	**2,068,410**	107	2,173,444	25	2,173,576
Reverse repurchase agreements	**273,423**	**-**	**-**	**273,423**	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	**1,002**	**251,098**	**-**	**252,100**	1,000	688,196	-	689,196
Derivative financial instruments	**-**	**6,543**	**41,898**	**48,441**	-	20,267	21,822	42,089
Other financial assets	**230**	**76,067**	**1,079,433**	**1,155,730**	318	1,124	785,516	786,958
Total	**274,727**	**2,402,026**	**1,121,351**	**3,798,104**	301,492	2,883,031	807,363	3,991,886

There were no collateral repossessed by the Group as at 31 December 2011and 31 December 2010.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(ii) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies for the Bank's as at 31 December 2011 and 31 December 2010:

The Bank	2011 Sovereign (no rating) RM'000	2011 Investment grade (AAA to BBB-) RM'000	2011 Others (no rating) RM'000	2011 Total RM'000	2010 Sovereign (no rating) RM'000	2010 Investment grade (AAA to BBB-) RM'000	2010 Others (no rating) RM'000	2010 Total RM'000
Cash and short term funds	**72**	**1,943,814**	**20**	**1,943,906**	107	2,074,131	25	2,074,263
Reverse repurchase agreements	**273,423**	**-**	**-**	**273,423**	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	**-**	**250,833**	**-**	**250,833**	-	687,992	-	687,992
Derivative financial instruments	**-**	**6,543**	**41,898**	**48,441**	-	20,267	21,822	42,089
Other financial assets	**230**	**76,067**	**1,078,424**	**1,154,721**	318	1,112	784,517	785,947
Total	**273,725**	**2,277,257**	**1,120,342**	**3,671,324**	300,492	2,783,502	806,364	3,890,358

There were no collateral repossessed by the Bank as at 31 December 2011and 31 December 2010.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.1 Credit Risk (Continued)

45.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(iii) An ageing analysis of other financial assets of the Group's and the Bank's that are "past due but not impaired" as at 31 December 2011 and 31 December 2010 are set out as below.

	The Group and the Bank		
	Past due but not impaired		
2011	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**Total RM'000**
Other financial assets	**6,938**	**9,235**	**16,173**

	The Group and the Bank		
	Past due but not impaired		
2010	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	4,552	4,724	9,276

45 Financial Risk Management (Continued)

45.2 Market Risk

Market risk is defined as the potential change in market value of trading and investment securities held by the Group arising from adverse changes to market parameters such as interest rates/benchmark rates, credit spreads, foreign exchange rates, equity prices, commodity prices and volatility.

Market Risk Management

The function of RMA Team in CIMB is 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. Here, the CaR framework is employed to measure market risk where CaR 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 CaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/benchmark rate risk and foreign exchange risk. Each business unit is allocated CaR 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, Group Treasury's Market Risk Team and RMO within GRM. The head of each business unit is accountable for all market risk under his/her purview. Any excession will be escalated to management in accordance to the Group's exception management procedures.

In addition to daily monitoring of CaR usage, on a monthly basis, all market exposures and CaR of the Group will be summarised and submitted to GRC and BRC for its perusal. The usage of market CaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2011 is shown in Note 45.2.1.

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 CaR 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 CaR computed would understate the risk of the portfolio and vice versa.

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

In order to ensure historical simulation gives an adequate estimation of market CaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day CaR 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 CaR.

The Group also complements CaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute CaR. 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 highly plausible stress scenarios. Stress test results are presented to the 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, RMO under GRM undertakes the monitoring and oversight process at Group Treasury and Equity Market & Derivatives 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.

RMO 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 Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

Treasury products approval processes will be led by RMO to ensure the bank is operational ready 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 validated by the Quantitative Analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions modelling approach and its implementation. Existing valuation models are reviewed at least on a yearly basis to ensure that they remain relevant to changing market conditions. Backtest of newly approved or revised models may be conducted to assess the appropriateness of the model and input data used.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.1 CaR

The usage of market CaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2011 and 31 December 2010 are as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
CaR				
Foreign exchange risk	**497**	245	**496**	245
Interest rate risk	**380**	542	**380**	542
Equity risk	**1**	87	**1**	87
Total	**878**	874	**877**	874
Total shareholders fund	**512,308**	446,722	**493,510**	429,096
Percentage of shareholders funds	**0.17%**	0.20%	**0.18%**	0.20%

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 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 table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

The Group
2011

	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	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	2,063,959	-	-	-	-	-	4,501	-	2,068,460
Reverse repurchase agreements	-	273,257	-	-	-	-	166	-	273,423
Deposits and placements with banks and other financial institutions	-	251,265	-	-	105	-	730	-	252,100
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	46	46
- Unquoted securities	-	-	-	-	-	-	-	79,064	79,064
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	48,441	48,441
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	2,703	-	2,703
Loans, advances and financing									
- Term loans	6	101	40	141	6,761	33,907	-	-	40,956
Other assets	-	-	-	-	-	-	1,173,999	-	1,173,999
Amount due from holding company	-	-	-	-	-	-	1,529	-	1,529
Amount due from related companies	-	-	-	-	-	-	5,092	-	5,092
Total financial assets	2,063,965	524,623	40	141	6,866	33,907	1,188,720	127,551	3,945,813

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.(Continued)

The Group 2011

	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	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	541,900	27,500	-	-	77,107	182,150	476	-	829,133
Deposits and placements of banks and other financial institutions	360,095	507,000	342,000	-	-	-	3,738	-	1,212,833
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	81,521	81,521
Other liabilities	-	-	-	-	-	-	1,509,964	-	1,509,964
Amount due to related companies	-	-	-	-	-	-	9,482	-	9,482
Amount due to ultimate holding company	-	-	-	-	-	-	22	-	22
Total financial liabilities	901,995	534,500	342,000	-	77,107	182,150	1,523,682	81,521	3,642,955
Net interest rate sensitivity gap for items recognised in the financial positions	1,161,970	(9,877)	(341,960)	141	(70,241)	(148,243)		46,030	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	81,946		

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group
2010

	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**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,951,531	-	-	-	-	-	222,078	-	2,173,609
Reverse repurchase agreements	149,816	149,933	-	-	-	-	318	-	300,067
Deposits and placements with banks and other financial institutions	1,000	594,159	92,505	100	-	-	1,432	-	689,196
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	3,691	3,691
- Unquoted securities	-	-	-	-	-	-	-	78,436	78,436
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	42,089	42,089
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	8,979	-	8,979
Loans, advances and financing									
- Term loans	3	10	33	90	6,981	35,593	-	-	42,710
Other assets	-	-	-	-	-	-	798,740	-	798,740
Amount due from ultimate holding company	-	-	-	-	-	-	60	-	60
Amount due from related companies	-	-	-	-	-	-	6,564	-	6,564
Total financial assets	2,102,350	744,102	92,538	190	6,981	35,593	1,038,171	124,216	4,144,141

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group
2010

	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**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	713,434	-	181,550	-	196,780	115,122	753	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	3,334	-	1,494,000
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	61,710	61,710
Other liabilities	-	-	-	-	-	-	1,024,894	-	1,024,894
Amount due to related companies	-	-	-	-	-	-	12,105	-	12,105
Total financial liabilities	1,366,585	495,010	524,055	-	196,780	115,122	1,041,086	61,710	3,800,348
Net interest rate sensitivity gap for items recognised in the financial positions	735,765	249,092	(431,517)	190	(189,799)	(79,529)		62,506	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	600,218		

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

The Bank
2011

	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**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,939,677	-	-	-	-	-	4,277	-	1,943,954
Reverse repurchase agreements	-	273,257	-	-	-	-	166	-	273,423
Deposits and placements with banks and other financial institutions	-	250,000	-	-	105	-	728	-	250,833
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	46	46
- Unquoted securities	-	-	-	-	-	-	-	79,064	79,064
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	48,441	48,441
Loans, advances and financing									
- Term loans	6	101	40	141	6,761	33,907	-	-	40,956
Other assets	-	-	-	-	-	-	1,172,987	-	1,172,987
Amount due from subsidiaries	-	-	-	-	-	-	3	-	3
Amount due from related companies	-	-	-	-	-	-	5,092	-	5,092
Amount due from ultimate holding company	-	-	-	-	-	-	1,529	-	1,529
Total financial assets	1,939,683	523,358	40	141	6,866	33,907	1,184,782	127,551	3,816,328

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank
2011

	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**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	541,900	27,500	-	-	77,107	182,150	476	-	829,133
Deposits and placements of banks and other financial institutions	360,095	507,000	342,000	-	-	-	3,738	-	1,212,833
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	81,521	81,521
Other liabilities	-	-	-	-	-	-	1,400,127	-	1,400,127
Amount due to subsidiaries	-	-	-	-	-	-	3,185	-	3,185
Amount due to related company	-	-	-	-	-	-	9,480	-	9,480
Amount due to ultimate holding company	-	-	-	-	-	-	22	-	22
Total financial liabilities	901,995	534,500	342,000	-	77,107	182,150	1,417,028	81,521	3,536,301
Net interest rate sensitivity gap for items recognised in the financial positions	1,037,688	(11,142)	(341,960)	141	(70,241)	(148,243)		46,030	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	81,946		

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank
2010

	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	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,883,527	-	-	-	-	-	190,769	-	2,074,296
Reverse repurchase agreements	149,816	149,933	-	-	-	-	318	-	300,067
Deposits and placements with banks and other financial institutions	-	593,955	92,505	100	-	-	1,432	-	687,992
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	3,691	3,691
- Unquoted securities	-	-	-	-	-	-	-	78,436	78,436
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	42,089	42,089
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	6,331	-	6,331
Loans, advances and financing									
- Term loans	3	10	33	90	6,981	35,593	-	-	42,710
Other assets	-	-	-	-	-	-	797,727	-	797,727
Amount due from subsidiaries	-	-	-	-	-	-	2	-	2
Amount due from related companies	-	-	-	-	-	-	6,564	-	6,564
Amount due from ultimate holding company	-	-	-	-	-	-	60	-	60
Total financial assets	2,033,346	743,898	92,538	190	6,981	35,593	1,003,203	124,216	4,039,965

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2011 and 31 December 2010, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank
2010

	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	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	713,434	-	181,550	-	196,780	115,122	753	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	3,334	-	1,494,000
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	61,710	61,710
Other liabilities	-	-	-	-	-	-	938,988	-	938,988
Amount due to subsidiaries	-	-	-	-	-	-	3,185	-	3,185
Amount due to related company	-	-	-	-	-	-	12,105	-	12,105
Total financial liabilities	1,366,585	495,010	524,055	-	196,780	115,122	958,365	61,710	3,717,627
Net interest rate sensitivity gap for items recognised in the financial positions	666,761	248,888	(431,517)	190	(189,799)	(79,529)		62,506	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	600,218		

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.2 Interest rate risk (Continued)

(c) Sensitivity to profit

The table below shows the sensitivity of the Group and the Bank to movement in interest rates:

	The Group			
	2011		2010	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to profit (after tax)	**5,598**	**(5,598)**	2,482	(2,482)

	The Bank			
	2011		2010	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to profit (after tax)	**5,510**	**(5,510)**	2,031	(2,031)

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.

45.2.3 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 manage its exposure to foreign exchange currencies at each entity level.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank.

The Group

2011	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,932,838	-	1,630	83,090	32,166	2,030	16,706	135,622	2,068,460
Reverse repurchase agreements	273,423	-	-	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	252,100	-	-	-	-	-	-	-	252,100
Financial assets held for trading									
- Quoted securities	33	6	4	3	-	-	-	13	46
- Unquoted securities	8,090	-	-	-	70,974	-	-	70,974	79,064
Derivative financial instruments									
- Trading derivatives	47,387	-	-	-	1,054	-	-	1,054	48,441
Financial investments available-for-sale									
- Unquoted securities	2,703	-	-	-	-	-	-	-	2,703
Loans, advances and financing									
- Term loans	40,956	-	-	-	-	-	-	-	40,956
Other assets	1,158,299	3,042	6,318	3,906	496	282	1,656	15,700	1,173,999
Amount due from holding company	1,529	-	-	-	-	-	-	-	1,529
Amount due from related companies	4,487	605	-	-	-	-	-	605	5,092
	3,721,845	3,653	7,952	86,999	104,690	2,312	18,362	223,968	3,945,813
Financial liabilities									
Deposits from customers	768,901	-	-	60,232	-	-	-	60,232	829,133
Deposits and placements of banks and other financial institutions	1,170,526	-	-	-	42,255	-	52	42,307	1,212,833
Derivatives financial instruments									
- Trading derivatives	80,467	-	-	-	1,054	-	-	1,054	81,521
Other liabilities	1,444,224	3,011	6,423	17,092	22,406	1,046	15,762	65,740	1,509,964
Amount due to related companies	9,481	-	-	1	-	-	-	1	9,482
Amount owing to ultimate holding company	22	-	-	-	-	-	-	-	22
	3,473,621	3,011	6,423	77,325	65,715	1,046	15,814	169,334	3,642,955
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	81,946	-	-	-	-	-	-	-	81,946
	81,946	-	-	-	-	-	-	-	81,946

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank (Continued)

The Group									
2010	**MYR**	**IDR**	**THB**	**SGD**	**USD**	**AUD**	**Others**	**Total non-MYR**	**Grand total**
Items recognised in the statements of financial position	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets									
Cash and short term funds	1,472,048	-	113	16,181	665,697	3,139	16,431	701,561	2,173,609
Reverse repurchase agreements	300,067	-	-	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	411,681	-	-	-	277,515	-	-	277,515	689,196
Financial assets held for trading									
- Quoted securities	3,678	5	4	4	-	-	-	13	3,691
- Unquoted securities	14,140	-	-	-	64,296	-	-	64,296	78,436
Derivative financial instruments									
- Trading derivatives	31,758	-	-	-	10,331	-	-	10,331	42,089
Financial investments available-for-sale									
- Unquoted securities	2,199	449	-	-	-	-	6,331	6,780	8,979
Loans, advances and financing									
- Term loans	42,710	-	-	-	-	-	-	-	42,710
Other assets	775,669	6,758	3,232	7,374	3,350	129	2,228	23,071	798,740
Amount due from ultimate holding company	60	-	-	-	-	-	-	-	60
Amount due from related companies	5,662	902	-	-	-	-	-	902	6,564
	3,059,672	8,114	3,349	23,559	1,021,189	3,268	24,990	1,084,469	4,144,141
Financial liabilities									
Deposits from customers	682,166	-	-	-	525,473	-	-	525,473	1,207,639
Deposits and placements of banks and other financial institutions	1,093,141	-	-	-	400,855	-	4	400,859	1,494,000
Derivatives financial instruments									
- Trading derivatives	51,379	-	-	-	10,331	-	-	10,331	61,710
Other liabilities	1,004,827	6,625	3,100	6,221	1,343	95	2,683	20,067	1,024,894
Amount due to related companies	369	-	-	11,736	-	-	-	11,736	12,105
	2,831,882	6,625	3,100	17,957	938,002	95	2,687	968,466	3,800,348
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank (Continued)

The Bank

2011	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,808,398	-	1,630	83,090	32,101	2,030	16,705	135,556	1,943,954
Reverse repurchase agreements	273,423	-	-	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	250,833	-	-	-	-	-	-	-	250,833
Financial assets held for trading									
- Quoted securities	33	6	4	3	-	-	-	13	46
- Unquoted securities	8,090	-	-	-	70,974	-	-	70,974	79,064
Derivative financial instruments									
- Trading derivatives	47,387	-	-	-	1,054	-	-	1,054	48,441
Loans, advances and financing									
- Term loans	40,956	-	-	-	-	-	-	-	40,956
Other assets	1,157,296	3,042	6,318	3,906	487	282	1,656	15,691	1,172,987
Amount due from subsidiaries	3	-	-	-	-	-	-	-	3
Amount due from related companies	4,487	605	-	-	-	-	-	605	5,092
Amount due from holding company	1,529	-	-	-	-	-	-	-	1,529
	3,592,435	3,653	7,952	86,999	104,616	2,312	18,361	223,893	3,816,328
Financial liabilities									
Deposits from customers	768,901	-	-	60,232	-	-	-	60,232	829,133
Deposits and placements of banks and other financial institutions	1,170,526	-	-	-	42,255	-	52	42,307	1,212,833
Derivatives financial instruments									
- Trading derivatives	80,467	-	-	-	1,054	-	-	1,054	81,521
Other liabilities	1,334,396	3,011	6,423	17,092	22,397	1,046	15,762	65,731	1,400,127
Amount due to subsidiaries	3,185	-	-	-	-	-	-	-	3,185
Amount due to related companies	9,479	-	-	1	-	-	-	1	9,480
Amount owing to ultimate holding company	22	-	-	-	-	-	-		22
	3,366,976	3,011	6,423	77,325	65,706	1,046	15,814	169,325	3,536,301
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	81,946	-	-	-	-	-	-	-	81,946
	81,946	-	-	-	-	-	-	-	81,946

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank (Continued)

	The Bank								
2010	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,372,770	-	113	16,181	665,662	3,139	16,431	701,526	2,074,296
Reverse repurchase agreements	300,067	-	-	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	410,477	-	-	-	277,515	-	-	277,515	687,992
Financial assets held for trading									
- Quoted securities	3,678	5	4	4	-	-	-	13	3,691
- Unquoted securities	14,140	-	-	-	64,296	-	-	64,296	78,436
Derivative financial instruments									
- Trading derivatives	31,758	-	-	-	10,331	-	-	10,331	42,089
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	6,331	6,331	6,331
Loans, advances and financing									
- Term loans	42,710	-	-	-	-	-	-	-	42,710
Other assets	774,656	6,758	3,232	7,374	3,350	129	2,228	23,071	797,727
Amount due from subsidiaries	2	-	-	-	-	-	-	-	2
Amount due from related companies	5,662	902	-	-	-	-	-	902	6,564
Amount due from ultimate holding company	60	-	-	-	-	-	-	-	60
	2,955,980	7,665	3,349	23,559	1,021,154	3,268	24,990	1,083,985	4,039,965
Financial liabilities									
Deposits from customers	682,166	-	-	-	525,473	-	-	525,473	1,207,639
Deposits and placements of banks and other financial institutions	1,093,141	-	-	-	400,855	-	4	400,859	1,494,000
Derivatives financial instruments									
- Trading derivatives	51,379	-	-	-	10,331	-	-	10,331	61,710
Other liabilities	918,921	6,625	3,100	6,221	1,343	95	2,683	20,067	938,988
Amount due to subsidiaries	3,185	-	-	-	-	-	-	-	3,185
Amount due to related companies	369	-	-	11,736	-	-	-	11,736	12,105
	2,749,161	6,625	3,100	17,957	938,002	95	2,687	968,466	3,717,627
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

45 Financial Risk Management (Continued)

45.2 Market Risk (Continued)

45.2.3 Foreign exchange risk (Continued)

(a) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit and reserves to movement in foreign exchange rates:

	The Group and the Bank			
	2011		2010	
	+1% appreciation RM'000	-1% appreciation RM'000	+1% appreciation RM'000	-1% appreciation RM'000
Impact to profit (after tax)	**406**	**(406)**	136	(136)

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.

45.3 Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the reputation arising from the Bank'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 Bank's liquidity risk management is to ensure that the Bank can meet its cash obligations in a timely and cost-effective manner. To this end, the Bank'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 Bank is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Bank a stable large funding base.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity Risk (Continued)

Risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the Regional Liquidity Risk Committee (RLRC). The RLRC meets at least once a month to discuss the liquidity risk and funding profile of the Group and each individual entity under 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. 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 and the local regulatory requirements. 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 have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is subjected 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. Liquidity positions are monitored on a daily basis and complied 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 RLRC, the GRC, and the Board of Directors of the Bank. 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.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8:

The Group
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	2,068,460	-	-	-	-	-	-	2,068,460
Reverse repurchase agreements	166	273,257	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	730	251,265	-	-	105	-	-	252,100
Financial assets held for trading	-	-	-	-	79,064	-	46	79,110
Derivative financial instruments	-	-	-	-	5,040	43,401	-	48,441
Financial investments available-for-sale	-	-	-	-	-	-	2,703	2,703
Loans, advances and financing	6	101	40	141	6,761	33,907	-	40,956
Other assets	1,211,719	-	-	-	-	-	-	1,211,719
Deferred tax assets	-	-	-	-	-	-	40,460	40,460
Tax recoverable	-	-	-	-	-	-	26,304	26,304
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,520	1,520
Investment in associates	-	-	-	-	-	-	5,007	5,007
Property, plant and equipment	-	-	-	-	-	-	105,620	105,620
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amount due from related companies	5,092	-	-	-	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	-	-	1,529
Total assets	3,287,702	524,623	40	141	90,970	77,308	182,624	4,163,408

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Group
2011

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	542,376	27,500	-	-	77,107	182,150	-	829,133
Deposits and placements of banks and other financial institutions	363,833	507,000	342,000	-	-	-	-	1,212,833
Derivative financial instruments	-	-	-	-	19,612	61,909	-	81,521
Other liabilities	1,517,300	102	-	-	23	-	-	1,517,425
Provision for taxation and zakat	684	-	-	-	-	-	-	684
Amount due to related companies	9,482	-	-	-	-	-	-	9,482
Amount due to ultimate holding company	22	-	-	-	-	-	-	22
Total liabilities	2,433,697	534,602	342,000	-	96,742	244,059	-	3,651,100
Net liquidity gap	854,005	(9,979)	(341,960)	141	(5,772)	(166,751)	182,624	

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Group
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	2,173,609	-	-	-	-	-	-	2,173,609
Reverse repurchase agreements	150,134	149,933	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	2,432	594,159	92,505	100	-	-	-	689,196
Financial assets held for trading	723	-	-	-	73,457	4,256	3,691	82,127
Derivative financial instruments	-	-	1,638	-	8,300	32,151	-	42,089
Financial investments available-for-sale	-	-	-	-	-	-	8,979	8,979
Loans, advances and financing	3	10	33	90	6,981	35,593	-	42,710
Other assets	806,243	-	-	-	-	-	-	806,243
Deferred tax assets	-	-	-	-	-	-	44,329	44,329
Tax recoverable	1	-	-	-	-	-	-	1
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280	280
Investment in associates	-	-	-	-	-	-	5,280	5,280
Property, plant and equipment	-	-	-	-	-	-	92,977	92,977
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amount due from ultimate holding company	60	-	-	-	-	-	-	60
Amount due from related companies	6,564	-	-	-	-	-	-	6,564
Total assets	3,139,769	744,102	94,176	190	88,738	72,000	156,500	4,295,475

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Group
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Deposits and placements of banks and other financial institutions	656,485	495,010	342,505	-	-	-	-	1,494,000
Derivative financial instruments	8	-	-	-	-	61,702	-	61,710
Other liabilities	1,026,836	-	-	55	-	-	-	1,026,891
Provision for taxation and zakat	46,408	-	-	-	-	-	-	46,408
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
Total liabilities	2,456,029	495,010	524,055	55	196,780	176,824	-	3,848,753
Net liquidity gap	683,718	249,114	(429,879)	135	(108,042)	(104,824)	156,500	

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8:

The Bank
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	1,943,954	-	-	-	-	-	-	1,943,954
Reverse repurchase agreements	166	273,257	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	728	250,000	-	-	105	-	-	250,833
Financial assets held for trading	-	-	-	-	79,064	-	46	79,110
Derivative financial instruments	-	-	-	-	5,040	43,401	-	48,441
Loans, advances and financing	6	101	40	141	6,761	33,907	-	40,956
Other assets	1,210,580	-	-	-	-	-	-	1,210,580
Deferred tax asset	-	-	-	-	-	-	40,274	40,274
Tax recoverable	-	-	-	-	-	-	26,304	26,304
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,520	1,520
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amount due from subsidiaries	3	-	-	-	-	-	-	3
Amount due from related companies	5,092	-	-	-	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	-	-	1,529
Property, plant and equipment	-	-	-	-	-	-	106,810	106,810
Total assets	3,162,058	523,358	40	141	90,970	77,308	184,004	4,037,879

Notes to the Financial Statements
for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Bank
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	542,376	27,500	-	-	77,107	182,150	-	829,133
Deposits and placements of banks and other financial institutions	363,833	507,000	342,000	-	-	-	-	1,212,833
Derivative financial instruments	-	-	-	-	19,612	61,909	-	81,521
Other liabilities	1,407,565	-	-	-	23	-	-	1,407,588
Provision for taxation and zakat	607	-	-	-	-	-	-	607
Amount due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amount due to related companies	9,480	-	-	-	-	-	-	9,480
Amount due to ultimate holding company	22	-	-	-	-	-	-	22
Total liabilities	2,327,068	534,500	342,000	-	96,742	244,059	-	3,544,369
Net liquidity gap	834,990	(11,142)	(341,960)	141	(5,772)	(166,751)	184,004	

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Bank
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	2,074,296	-	-	-	-	-	-	2,074,296
Reverse repurchase agreements	150,134	149,933	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	1,432	593,955	92,505	100	-	-	-	687,992
Financial assets held for trading	723	-	-	-	73,457	4,256	3,691	82,127
Derivative financial instruments	-	-	1,638	-	8,300	32,151	-	42,089
Financial investments available-for-sale	-	-	-	-	-	-	6,331	6,331
Loans, advances and financing	3	10	33	90	6,981	35,593	-	42,710
Other assets	805,114	-	-	-	-	-	-	805,114
Deferred tax asset	-	-	-	-	-	-	44,270	44,270
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280	280
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Property, plant and equipment	-	-	-	-	-	-	94,116	94,116
Amount due from subsidiaries	2	-	-	-	-	-	-	2
Amount due from related companies	6,564	-	-	-	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	-	-	60
Total assets	3,038,328	743,898	94,176	190	88,738	72,000	157,738	4,195,068

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with the requirement of BNM GP8: (Continued)

The Bank
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Deposits and placements of banks and other financial institutions	656,485	495,010	342,505	-	-	-	-	1,494,000
Derivative financial instruments	8	-	-	-	-	61,702	-	61,710
Other liabilities	940,930	-	-	55	-	-	-	940,985
Provision for taxation and zakat	46,348	-	-	-	-	-	-	46,348
Amount due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
Total liabilities	2,373,248	495,010	524,055	55	196,780	176,824	-	3,765,972
Net liquidity gap	665,058	248,910	(429,879)	135	(108,042)	(104,824)	157,738	

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group for managing liquidity risk 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
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	543,211	27,629	-	-	83,595	182,173	-	836,608
Deposits and placements of banks and other financial institutions	364,199	509,810	345,314	-	-	-	-	1,219,323
Other liabilities	1,509,839	102	-	-	23	-	-	1,509,964
Amount due to related companies	9,482	-	-	-	-	-	-	9,482
Amount due to ultimate holding company	22	-	-	-	-	-	-	22
	2,426,753	537,541	345,314	-	83,618	182,173	-	3,575,399
Commitments and contingencies								
Credit related commitments and contingencies	81,887	-	-	-	-	59	-	81,946
	81,887	-	-	-	-	59	-	81,946

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 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 for managing liquidity risk 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
2010

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	714,357	-	183,663	-	209,277	115,152	-	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	-	1,498,332
Other liabilities	1,024,839	-	-	-	55	-	-	1,024,894
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
	2,409,569	497,290	526,437	-	209,332	115,152	-	3,757,780
Commitments and contingencies								
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Bank for managing liquidity risk by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Bank
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	543,211	27,629	-	-	83,595	182,173	-	836,608
Deposits and placements of banks and other financial institutions	364,199	509,810	345,314	-	-	-	-	1,219,323
Other liabilities	1,400,104	-	-	-	23	-	-	1,400,127
Amount due to related companies	9,480	-	-	-	-	-	-	9,480
Amount due to ultimate holding company	22	-	-	-	-	-	-	22
Amount due to subsidiaries	3,185	-	-	-	-	-	-	3,185
	2,320,201	537,439	345,314	-	83,618	182,173	-	3,468,745
Commitments and contingencies								
Credit related commitments and contingencies	81,887	-	-	-	-	59	-	81,946
	81,887	-	-	-	-	59	-	81,946

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Bank for managing liquidity risk 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
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	714,357	-	183,663	-	209,277	115,152	-	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	-	1,498,332
Other liabilities	938,933	-	-	-	55	-	-	938,988
Amount due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
	2,326,848	497,290	526,437	-	209,332	115,152	-	3,675,059
Commitments and contingencies								
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	600,218

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

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

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The comparatives were not restated as allowed by the transitional provision arising from the adoption of Amendment to FRS 7 "Financial instruments: Disclosures – Improving Disclosures about Financial Instruments". As such, the prior year disclosure analyses the trading derivatives based on the remaining contractual maturities and whether it was net or gross settled.

The Group and the Bank
2011

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Derivative held for trading								
- Interest rate derivatives	80,467	-	-	-	-	-	-	80,467
- Equity related derivatives	1,054	-	-	-	-	-	-	1,054
	81,521	-	-	-	-	-	-	81,521

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.3 Liquidity risk (Continued)

45.3.2 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 and the Bank
2010

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Derivative held for trading								
- Interest rate derivatives	-	(15)	-	(121)	(522)	43,767	-	43,109
- Equity related derivatives	8	-	-	-	-	10,331	-	10,339
	8	(15)	-	(121)	(522)	54,098	-	53,448

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and items not recognised in the statements of financial position. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

45.4.1 Determination of fair value and fair value hierarchy

With effective from 1 January 2011, the Group adopted the Amendments to FRS 7 which requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Other techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly
Level 3 - Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs)

Comparative figures for the Group and the Bank are not presented for 31 December 2010 as allowed by the transitional provision arising from the adoption of Amendment to FRS 7 – "Improving Disclosures about Financial Instruments".

Notes to the Financial Statements
for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

45.4.1 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 measurement hierarchy:

	The Group					The Bank				
		Fair Value					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
2011										
Financial assets										
Financial assets held for trading	79,110	46	79,064	-	79,110	79,110	46	79,064	-	79,110
Financial investments available-for-sale	503	-	-	2,703	2,703	-	-	-	-	-
Derivative financial instruments	48,441	-	48,441	-	48,441	48,441	-	48,441	-	48,441
Total	128,054	46	127,505	2,703	130,254	127,551	46	127,505	-	127,551
Financial liabilities										
Derivative financial instruments	81,521	-	81,521	-	81,521	81,521	-	81,521	-	81,521
Total	81,521	-	81,521	-	81,521	81,521	-	81,521	-	81,521

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

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

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's over the counter ("OTC") derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds.

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

45.4.1 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 2011 for the Group and the Bank.

	Financial Assets	
	Financial investments available-for-sale	Total
	RM'000	RM'000
The Group		
2011		
At 1 January	8,979	8,979
New issuances	55	55
Impairment made during the year	(6,331)	(6,331)
At 31 December	2,703	2,703
Total gains/(losses) recognised in other comprehensive income relating to assets held on 31 December 2011	-	-

	Financial Assets	
	Financial investments available-for-sale	Total
	RM'000	RM'000
The Bank		
2011		
At 1 January	6,331	6,331
Impairment made during the year	(6,331)	(6,331)
At 31 December	-	-
Total gains/(losses) recognised in other comprehensive income relating to assets held on 31 December 2011	-	-

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

45.4.2 Financial instruments not measured at fair value

The total fair value of each financial assets and liabilities presented on the statements of financial position as at 31 December 2011 and 31 December 2010 of the Group and the Bank approximates the total carrying value as at the reporting date, except for the following:

	The Group		The Bank	
2011	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Loans, advances and financing	**40,956**	**34,428**	**40,956**	**34,428**
Financial liabilities				
Deposits from customers	**829,133**	**766,311**	**829,133**	**766,311**

	The Group		The Bank	
2010	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Loans, advances and financing	42,710	35,325	42,710	35,325
Financial liabilities				
Deposits from customers	1,207,639	1,156,408	1,207,639	1,156,408

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.

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

45.4.2 Financial instruments not measured at fair value (continued)

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.

Amount due (to)/from subsidiaries and related companies

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

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

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are recallable on demand.

Deposits from customers

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

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

45 Financial Risk Management (Continued)

45.4 Fair value of financial instruments (Continued)

45.4.2 Financial instruments not measured at fair value (continued)

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.

Due from brokers and clients and corporate finance debtors

The estimated fair values of due from brokers and clients and corporate finance debtors are approximate the carrying values.

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.

46 Changes in accounting policies and comparatives

(i) Change in accounting policies

During the financial year, the Group and the Bank changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- Employee Benefits – Management Equity Scheme, to comply with Amendment to FRS 2 “Share-based Payment-Group Cash-settled Share-based Payment Transactions”
- Enhanced fair value disclosure of financial instruments, to comply with Amendment to FRS 7 “Financial instruments: Disclosures - Improving Disclosures about Financial Instruments”

Refer to the summary of significant group accounting policies for the details of the changes in accounting policies.

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

46 Changes in accounting policies and comparatives (Continued)

(i) Change in accounting policies (Continued)

(a) The following are effects arising from the adoption of Amendment to FRS 2:

Statement of changes in equity:

The Group

	Balances as at 1 January 2010		
	As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Retained earnings	182,954	(18,904)	164,050
Share-based payment reserve	-	18,904	18,904

	Balances as at 31 December 2010		
	As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Retained earnings	190,907	(35,235)	155,672
Share-based payment reserve	-	35,235	35,235

	Increase/(decrease) to balance as at 31 December 2011
	Effects of adopting Amendment to FRS 2
	RM '000
Retained earnings	(3,883)
Share-based payment reserve	3,883

46 Changes in accounting policies and comparatives (Continued)

(i) Change in accounting policies (Continued)

(a) The following are effects arising from the adoption of Amendment to FRS 2 (Continued):

The Bank	Balances as at 1 January 2010 As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Retained earnings	168,546	(18,904)	149,642
Share-based payment reserve	-	18,904	18,904

	Balances as at 31 December 2010 As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Retained earnings	173,911	(35,235)	138,676
Share-based payment reserve	-	35,235	35,235

	Increase/(decrease) to balance as at 31 December 2011 Effects of adopting Amendment to FRS 2
	RM '000
Retained earnings	(3,883)
Share-based payment reserve	3,883

Statement of income :

The Group

	For the financial year ended 31 December 2010 As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Overheads	(294,609)	(16,331)	(310,940)
Profit before taxation	96,205	(16,331)	79,874
Profit after taxation	60,253	(16,331)	43,922
Earnings per share attributable to ordinary equity holders			
- basic (sen)	60.25	(16.33)	43.92

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

46 Changes in accounting policies and comparatives (Continued)

(i) Change in accounting policies (Continued)

(a) The following are effects arising from the adoption of Amendment to FRS 2 (Continued):

<u>Statement of income (Continued) :</u>

	Increase/(decrease) to balance as at 31 December 2011
	Effects of adopting Amendment to FRS 2
The Group	**RM '000**
Overheads	(3,883)

The Bank

	For the financial year ended 31 December 2010		
	As previously reported	Effects of adopting Amendment to FRS 2	As restated
	RM'000	RM'000	RM'000
Overheads	(292,158)	(16,331)	(308,489)
Profit before taxation	93,148	(16,331)	76,817
Profit after taxation	57,665	(16,331)	41,334
Earnings per share attributable to ordinary equity holders - basic (sen)	57.66	(16.33)	41.33

	Increase/(decrease) to balance as at 31 December 2011
	Effects of adopting Amendment to FRS 2
The Bank	**RM '000**
Overheads	(3,883)

46 Changes in accounting policies and comparatives (Continued)

(i) Change in accounting policies (Continued)

(b) Adoption of Amendment to FRS 7

The impact arising from adoption of Amendment to FRS 7 is the enhanced disclosure of fair value measurements by level of fair value measurement hierarchy and the liquidity risk disclosure on trading derivatives by expected maturity, as shown in Note 45.

(ii) Change in comparatives

The revised FRS 101 requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Statement of Income and Statement of Comprehensive Income). With effective from financial year ended 2011, the Group and the Bank have elected to present the Statement of Comprehensive Income in two statements, to give a better presentation of the Group's and the Bank's performance. Therefore, the Statement of Income and the Statement of Comprehensive Income of the Group and the Bank for the financial year ended 31 December 2010 have been re-presented to conform to the current financial year presentation.

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Cash and short term funds	(a)	**602,544**	201,408
Deposits and placements with banks and other financial institutions	(b)	**250,728**	370,000
Islamic derivative financial instruments	(c)	**50,830**	42,089
Other assets	(d)	**185,887**	337,528
Property, plant and equipment	(e)	**5**	93
Amount due from related companies	(f)	**171**	68
Total assets		**1,090,165**	951,186
Liabilities and Islamic Banking capital funds			
Deposits from customers	(g)	**259,490**	493,452
Deposits and placements of banks and other financial institutions	(h)	**312,475**	33,500
Islamic derivative financial instruments	(c)	**81,521**	61,702
Provision for taxation and zakat	(i)	**99,728**	80,440
Other liabilities	(j)	**2,312**	1,583
Amount due to related companies	(f)	**961**	308
Total liabilities		**756,487**	670,985
Islamic Banking capital funds		**55,000**	55,000
Reserves		**278,678**	225,201
Total Islamic Banking capital funds		**333,678**	280,201
Total liabilities and Islamic Banking capital funds		**1,090,165**	951,186

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

Statements of Income for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	(k)	64	4,120
Income derived from investment of shareholders' funds	(l)	86,458	138,343
Allowance for impairment losses on other receivables		(68)	(91)
Total attributable income		86,454	142,372
Income attributable to the depositors	(m)	(11,769)	(18,232)
Total net income		74,685	124,140
Personnel expenses	(n)	(718)	(487)
Other overheads and expenditures	(o)	(1,203)	(2,445)
Profit before taxation		72,764	121,208
Taxation	(p)	(19,287)	(30,038)
Profit after taxation		53,477	91,170

47 The operations of Islamic Banking (Continued)

Statements of Comprehensive Income for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Profit for the financial year		**53,477**	91,170
Total comprehensive income for the financial year		**53,477**	91,170

47 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2011

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2011	**55,000**	**1,336**	**223,865**	**280,201**
Net profit for the financial year	**-**	**-**	**53,477**	**53,477**
Total comprehensive income for the financial year	**-**	**-**	**53,477**	**53,477**
At 31 December 2011	**55,000**	**1,336**	**277,342**	**333,678**
At 1 January 2010	55,000	1,336	132,695	189,031
Net profit for the financial year	-	-	91,170	91,170
Total comprehensive income for the financial year	-	-	91,170	91,170
At 31 December 2010	55,000	1,336	223,865	280,201

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

Statements of Cash Flow for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Cash flows from operating activities			
Profit before taxation		**72,764**	121,208
Add/(less) adjustments:			
Unrealised foreign exchange gain/(loss)		**(194)**	(18)
Allowance for impairment losses on other receivables		**68**	90
Net unrealised loss on revaluation of Islamic derivative financial instruments		**24,638**	46,446
Accretion of discounts less amortisation of premium		**-**	-
Depreciation of property, plant and equipment		**90**	229
Cash flow from operating profit before changes in operating assets and liabilities		**97,366**	167,955
Operating assets			
Deposits and placements with banks and other financial institutions		**119,272**	540,000
Financial assets held for trading		**-**	18,377
Other assets		**138,207**	210,972
Amount due from related companies		**(103)**	1,479
Operating liabilities			
Deposits from customers		**(233,962)**	(858,078)
Deposits and placements of banks and other financial institutions		**278,975**	(1,950)
Other liabilities		**730**	(209,143)
Amount due to related companies		**653**	85
Cash flow used in operating activities		**401,138**	(130,303)
Net cash used in operating activities		**401,138**	(130,303)
Cash flows from investing activities			
Purchase of property,plant and equipment		**(2)**	-
Net cash used in financing activities		**(2)**	-
Net decrease in cash and cash equivalents during the financial year		**401,136**	(130,303)
Cash and cash equivalents at beginning of the financial year		**201,408**	331,711
Cash and cash equivalents at end of the financial year	**(a)**	**602,544**	201,408

47 The operations of Islamic Banking (Continued)

		The Bank	
		2011	2010
		RM'000	RM'000
(a)	**Cash and short term funds**		
	Cash and balances with banks and other financial	**189**	208
	Money at call and deposit placements maturing within one month	**602,355**	201,200
		602,544	201,408
(b)	**Deposits and placements with banks and other financial institutions :**		
	General investment funds:		
	Licensed banks	**250,728**	370,000

(c) Islamic derivative financial instruments

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

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 Bank		
	Principal	Fair values	
	amount	Assets	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2011			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	**861,110**	**49,776**	**(80,467)**
Equity derivatives			
Equity options	**540,557**	**1,054**	**(1,054)**
Total derivative assets / (liabilities)	**1,401,667**	**50,830**	**(81,521)**
At 31 December 2010			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	817,530	31,758	(51,371)
Equity derivatives			
Equity options	867,353	10,331	(10,331)
Total derivative assets / (liabilities)	1,684,883	42,089	(61,702)

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

	The Bank 2011 RM'000	2010 RM'000
(d) Other assets		
Due from brokers and clients net of allowance for impairment loss of RM Nil (2010: RM Nil)	**2,503**	432
Other debtors, deposits and prepayments	**183,384**	337,096
	185,887	337,528

(e) Property, plant and equipment

	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank					
2011					
Cost					
At 1 January/ 31 December	**316**	**109**	**119**	**693**	**1,237**
Additions	**1**	**1**	**-**	**-**	**2**
At 31 December	**317**	**110**	**119**	**693**	**1,239**
Accumulated depreciation					
At 1 January	**310**	**109**	**111**	**614**	**1,144**
Charge for the financial year	**5**	**-**	**8**	**77**	**90**
At 31 December	**315**	**109**	**119**	**691**	**1,234**
Net book value as at 31 December 2011	**2**	**1**	**-**	**2**	**5**
2010					
Cost					
At 1 January/ 31 December	316	109	119	693	1,237
Accumulated depreciation					
At 1 January	245	109	88	473	915
Charge for the financial year	65	-	23	141	229
At 31 December	310	109	111	614	1,144
Net book value as at 31 December 2010	6	-	8	79	93

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

		The Bank 2011 RM'000	2010 RM'000
(f)	**Amount due from/(to) related companies**		
	(i) Amount due from:		
	- Related companies	**171**	68
	(ii) Amount due to:		
	- Related companies	**(961)**	(308)
(g)	**Deposits from customers**		
	Non-Mudharabah fund:		
	Variable rate deposits	**77,340**	378,330
	Equity Linked Sukuk	**182,150**	115,122
		259,490	493,452
	(i) Maturity structure of deposits is as follows:		
	- Due within six months	**-**	181,550
	- One year to less than three years	**157,563**	196,780
	- More than five years	**101,927**	115,122
		259,490	493,452
	(ii) The deposits are sourced from the following customers:		
	- Government and statutory bodies	**54,650**	69,400
	- Business enterprises	**170,180**	16,200
	- Individuals	**30,910**	403,852
	- Others	**3,750**	4,000
		259,490	493,452
(h)	**Deposits and placements of banks and other financial institutions**		
	Mudharabah fund:		
	Licensed banks	**312,475**	33,500
(i)	**Provision for taxation and Zakat**		
	Taxation	**99,121**	79,833
	Zakat	**607**	607
		99,728	80,440

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

		The Bank	
		2011	2010
		RM'000	RM'000
(j)	**Other liabilities**		
	Due to brokers and clients	**1,900**	128
	Other liabilities	**412**	1,455
		2,312	1,583
(k)	**Income derived from investment of depositors' funds**		
	Income derived from investment of:		
	(i) General investment deposits	**64**	4,120
	Income derived from investment of general investment deposits :		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**64**	4,120
(l)	**Income derived from investment of shareholders' funds**		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**21,848**	19,368
	Other dealing income:		
	Unrealised loss on revaluation of derivatives	**(24,638)**	(46,446)
	Net realised gain on derivatives	**15,372**	48,432
		(9,266)	1,986
	Fee and commission income:		
	Advisory fees	**15,239**	1,144
	Placement fees	**37,028**	104,872
	Brokerage fees	**12,476**	1,037
	Underwriting commission	**4,299**	7,620
	Others	**3,579**	2,899
		72,621	117,572
	Other income:		
	Net gain/(loss) from foreign exchange	**194**	(38)
	Others	**1,061**	(545)
		1,255	(583)
		86,458	138,343
(m)	**Income attributable to depositors**		
	Deposits from customers		
	- Non-Mudharabah Fund	**6,956**	16,315
	Deposits and placements of banks and other financial institutions		
	- Mudharabah Fund	**4,813**	1,917
		11,769	18,232

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

		The Bank	
		2011	2010
		RM'000	RM'000
(n)	**Personnel expenses**		
	- Salaries, allowances and bonuses	**433**	300
	- EPF	**63**	14
	- Others	**222**	173
		718	487
(o)	**Other overheads and expenditure**		
	Establishment expenses		
	- Depreciation of property, plant and equipment	**90**	229
	- Rental	**207**	268
	- Others	**42**	65
		339	562
	Marketing expenses		
	- Advertisement	**10**	4
	- Others	**288**	146
		298	150
	Administration and general expenses		
	- Legal and professional fees	**101**	8
	- Others	**465**	1,725
		566	1,733
		1,203	2,445

Included in overheads are fees paid to the Shariah Committee members amounting to RM390,066 (2010: RM348,750).

47 The operations of Islamic Banking (Continued)

	The Bank	
	2011	2010
	RM'000	RM'000
(p) Taxation		
(i) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	**19,287**	30,038

(ii) Numerical reconciliation of income tax expense

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

	The Bank	
	2011	2010
	RM'000	RM'000
Profit before taxation	**72,764**	121,208
Tax calculated at tax rate of 25% (2010: 25%)	**18,191**	30,302
Income not subject to tax	**-**	(264)
Expenses not deductable for tax purposes	**1,096**	-
Tax expense	**19,287**	30,038

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

(q) Related party transactions and balances

(i) Related parties and relationships

The related parties of, and their relationship with the Bank, is disclosed in Note 36 (a).

(ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	2011 Other related companies RM'000	2010 Other related companies RM'000
Sales:		
Islamic private debt securities	**185,972**	91,670
Purchases:		
Islamic private debt securities	**246,414**	-
Khazanah bonds	**-**	64,649
	246,414	64,649
Income:		
Net realised loss on derivatives	**(8,215)**	(17,264)
Dividend income	**-**	23,118
	(8,215)	5,854
Expenses:		
Dividend expense	**-**	1,927
Sales commission	**-**	141
	-	2,068

Notes to the Financial Statements for the financial year ended 31 December 2011 (Continued)

47 The operations of Islamic Banking (Continued)

(r) Related party transactions and balances (Continued)

(ii) Significant related party transactions and balances (continued)

	2011 Other related companies RM'000	2010 Other related companies RM'000
Amount due from:		
Cash and short term funds	**602,355**	201,690
Deposits and placements with banks and other financial institutions	**250,728**	370,915
Islamic derivative financial instruments	**6,094**	20,267
	859,177	592,872
Amount due to:		
Deposits and placements of banks and other financial institutions	**312,475**	33,825
Principal		
Profit rate related contracts:		
Islamic profit rate swaps	**157,330**	378,330
Equity related contracts:		
Equity options	**270,279**	433,677
	427,609	812,007

48 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2012.