REDEFINING

ASEAN FOR YOU

We hope you enjoyed the play on words on our 2011 Annual Report cover. Here at CIMB we are proud of our red corporate colour and we are also focused on 'Redefining ASEAN For You'.

The nations of ASEAN are CIMB's home space, where we have extensive local knowledge and a competitive advantage. 'ASEAN For You' is our new corporate tagline, reflecting our confidence in operating across borders and our expansion into eight of the 10 ASEAN countries.

When we talk about 'Redefining ASEAN For You', we are talking about opening up opportunities in the region. We are enabling ASEAN customers to look cross border, to invest wider and to trade more with each other. We are also positioning ourselves to be the first port of call for investors considering a business proposition in the region.

We have a network of over 1,000 branches and more than 40,000 staff in ASEAN to facilitate this connectivity, to expand business opportunities and to catalyse economic integration and we look forward to reaching our Vision 2015 to be The Leading ASEAN Franchise.

CIMB GROUP

ANNUAL REPORT **2011**

FINANCIAL STATEMENTS

Core Philosophies of the Group

CREATING
VALUE

ENABLING OUR
PEOPLE

ACTING WITH
INTEGRITY

FINANCIAL **CALENDAR 2011**

FRIDAY
25 FEBRUARY 2011
Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2010

FRIDAY
25 FEBRUARY 2011
Notice of book closure for single tier interim dividend of 8 sen per share for the financial year ended 31 December 2010

TUESDAY
15 MARCH 2011
Date of entitlement for the single tier interim dividend of 8 sen per share for the financial year ended 31 December 2010

WEDNESDAY
30 MARCH 2011
Payment of the single tier interim dividend of 8 sen per share for the financial year ended 31 December 2010

WEDNESDAY
30 MARCH 2011
Notice of 54th Annual General Meeting (AGM) and issuance of Annual Report for the financial year ended 31 December 2010

FRIDAY
22 APRIL 2011
54th Annual General Meeting of CIMB Group Holdings Berhad

WEDNESDAY
25 MAY 2011
Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2011

TUESDAY
23 AUGUST 2011
Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2011

TUESDAY
23 AUGUST 2011
Notice of book closure for the single tier interim dividend of 12.0 sen per share for the financial year ended 31 December 2011

MONDAY
12 SEPTEMBER 2011
Date of entitlement for the single tier interim dividend of 12.0 sen per share for the financial year ended 31 December 2011

FRIDAY
30 SEPTEMBER 2011
Payment of the single tier interim dividend of 12.0 sen per share for the financial year ended 31 December 2011

TUESDAY
15 NOVEMBER 2011
Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2011

FINANCIAL STATEMENTS

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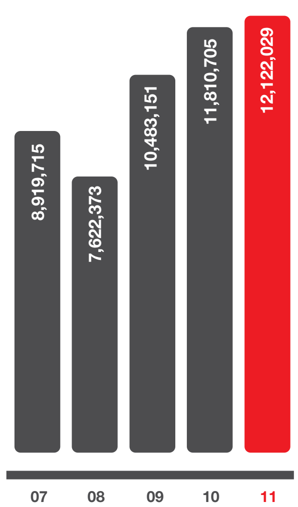
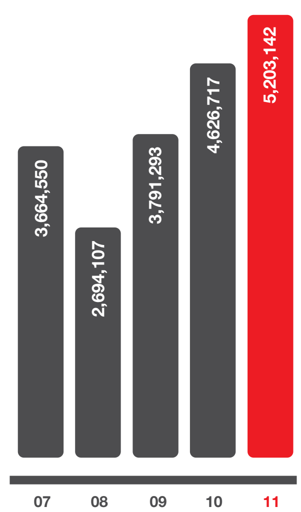
Five Year **Group Financial Highlights**

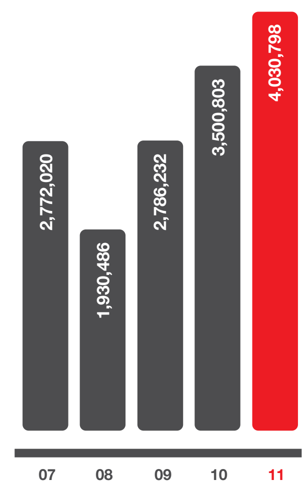
Total Income
RM'000



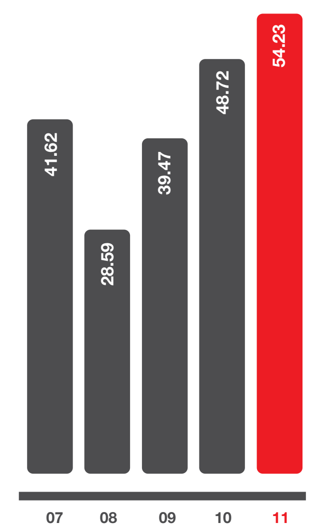
Profit Before Taxation
RM'000



Profit After Taxation
RM'000



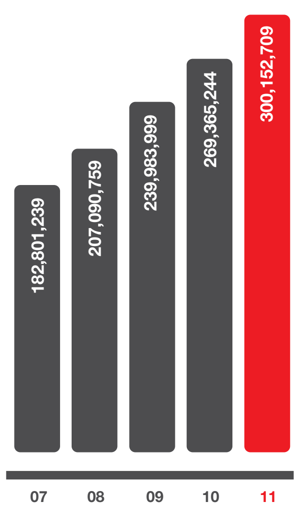
Net Earnings Per Share
Sen



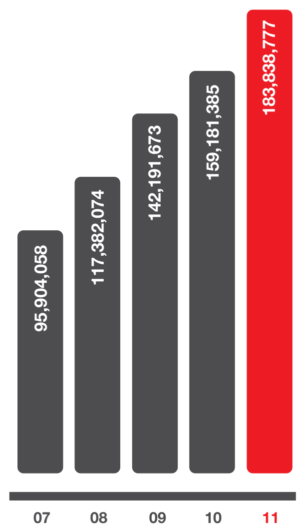
		2011	2010	2009	2008	2007
1	**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (RM'000)**					
(i)	Net interest income	**6,676,251**	6,537,277	6,068,906	4,660,596	4,395,930
(ii)	Net non-interest income	**5,445,778**	5,273,428	4,414,245	2,961,777	4,523,785
(iii)	Profit before allowances ^	**5,492,117**	5,264,899	4,931,304	3,597,155	4,762,294
(iv)	Profit before taxation ^	**5,203,142**	4,626,717	3,791,293	2,694,107	3,664,550
(v)	Net profit for the financial year ^	**4,030,798**	3,500,803	2,786,232	1,930,486	2,772,020
2	**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (RM'000)**					
	Assets					
(i)	Total assets	**300,152,709**	269,365,244	239,983,999	207,090,759	182,801,239
(ii)	Loans, advances and financing	**183,838,777**	159,181,385	142,191,673	117,382,074	95,904,058
	Liabilities and Shareholders' Fund (RM'000)					
(i)	Total deposits	**234,897,451**	212,937,821	189,013,918	160,543,494	139,751,258
(ii)	Paid-up capital	**7,432,775**	7,432,775	3,531,766	3,578,078	3,374,181
(iii)	Total shareholders' fund	**25,936,470**	23,229,966	20,345,014	17,099,203	15,710,051

Five Year **Group Financial Highlights**

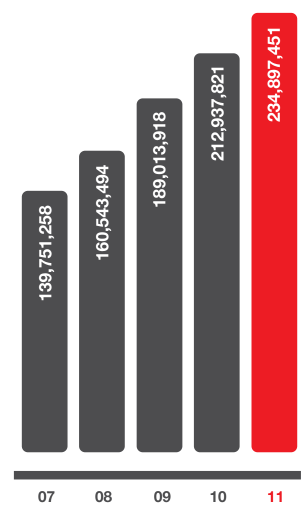
Total Assets
RM'000



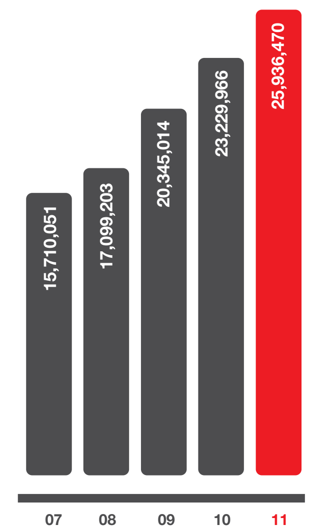
Loans, Advances and Financing
RM'000



Total Deposits
RM'000



Shareholders' Funds
RM'000



	2011	2010	2009	2008	2007
3 PER SHARE					
(i) Gross earnings (sen) Δ ^	**70.00**	64.38	53.70	39.90	55.02
(ii) Net earnings (sen) Δ ^	**54.23**	48.72	39.47	28.59	41.62
(iii) Net tangible asset (RM)	**2.15**	1.81	3.09	2.52	3.17
(iv) Gross dividend (sen) *	**20.00**	36.58	25.00	25.00	40.00
4 FINANCIAL RATIO (%)					
(i) Return on average equity ^	**16.4**	16.19	14.88	11.77	19.89

Δ Based on the weighted average number of 7,432,772,000 (2010: 7,186,034,000) ordinary share of RM1.00 each in issue during the financial year ended 31 December 2011.

* Gross dividend is computed based on the actual payment made in the respective financial years.

^ The comparative periods have been restated to reflect the adoption of Amendment to FRS 2.

Additonal information:

	2011	2010	2009	2008	2007
Total income	**12,122,029**	11,810,705	10,483,151	7,622,373	8,919,715
Profit After Tax ^	**4,030,798**	3,500,803	2,786,232	1,930,486	2,772,020
Total Assets	**300,152,709**	269,365,244	239,983,999	207,090,759	182,801,239

Group **Financial Highlights**

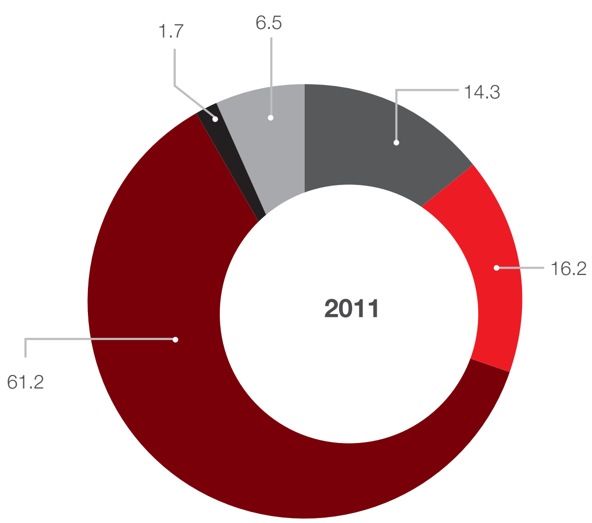
Consolidated Statements of Income and Consolidated Statements of Financial Position	Financial Year Ended 31 December					Changes		
	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2010 %	2009 %	2008 %
Net interest income	**6,676,251**	6,604,775	6,068,906	4,660,596	4,395,930	8.83	30.22	6.02
Net non-interest income	**5,445,778**	5,273,428	4,414,245	2,961,777	4,523,785	19.46	49.04	(34.53)
Overheads ^	**6,629,912**	6,613,304	5,551,847	4,025,217	4,248,367	19.12	37.93	(5.25)
Profit before allowances ^	**5,492,117**	5,264,899	4,931,304	3,597,155	4,762,294	6.76	37.09	(24.47)
Allowance for impairment losses on loans, advances and financing	**487,343**	607,176	1,022,605	794,715	1,127,431	(40.62)	28.68	(29.51)
Profit before taxation ^	**5,203,142**	4,626,717	3,791,293	2,694,107	3,664,550	22.04	40.73	(26.48)
Net profit for the financial year ^	**4,030,798**	3,500,803	2,786,232	1,930,486	2,772,020	25.65	44.33	(30.36)
Gross dividends paid	**1,486,555**	1,992,167	881,865	836,868	1,346,833	125.90	5.38	(37.86)
Loans, advances and financing	**183,838,777**	159,181,385	142,191,673	117,382,074	95,904,058	11.95	21.14	22.40
Total assets	**300,152,709**	269,365,244	239,983,999	207,090,759	182,801,239	12.24	15.88	13.29
Deposits from customers	**221,933,142**	199,845,664	178,882,336	146,890,210	126,866,791	11.72	21.78	15.78
Total liabilities	**273,289,549**	245,062,045	217,337,285	188,278,166	165,946,629	12.76	15.43	13.46
Shareholders' fund ^	**25,936,470**	23,229,966	20,345,014	17,099,203	15,710,051	14.18	18.98	8.84
Commitments and contingencies	**414,197,407**	349,069,257	322,892,443	321,678,842	267,168,733	8.11	0.38	20.40
Ratios								
Core capital ratio (CIMB Bank) ^	**15.26**	14.47	14.81	10.75	9.36	(2.30)	37.77	14.85
Risk-weighted capital ratio (CIMB Bank) ^	**17.59**	15.36	15.06	13.90	12.46	1.99	8.35	11.56
Return on average equity ^	**16.4**	16.19	14.88	11.77	20.05	8.80	26.42	(41.30)
Retun on total assets	**1.34**	1.30	1.16	0.93	1.52	11.94	24.55	(38.53)
Cost to income ratio	**54.69**	55.68	52.96	52.81	47.63	5.13	0.29	10.87
Cost to total assets	**2.21**	2.46	2.31	1.94	2.32	6.13	19.02	(16.37)
Gross impaired/non-performing loans to gross loans	**5.11**	6.14	4.98	4.94	7.25	23.26	0.79	(31.86)
Loan loss coverage ratio	**81.12**	81.12	90.76	88.05	69.30	(10.63)	3.08	27.06
Loan deposit ratio	**82.84**	79.65	79.49	79.91	75.59	0.21	(0.53)	5.71
Equity to assets	**8.64**	8.62	8.48	8.26	8.59	1.73	2.67	(3.92)
Equity to loans	**14.11**	14.59	14.31	14.57	16.38	1.99	(1.78)	(11.07)
Other information								
Earnings per share (sen)								
– basic *^	**54.23**	48.72	39.47	28.59	41.62	23.44	38.03	(31.30)
– fully diluted*	**n/a**	n/a	n/a	28.88	41.89	n/a	n/a	(31.05)
Net tangible assets per share (RM)	**2.15**	1.81	3.09	2.52	3.17	(41.31)	22.53	(20.55)
Gross dividend per share (sen)	**20.00**	36.58	25.00	25.00	40.00	46.30	–	(37.50)
Number of shares in issue ('000)	**7,432,775**	7,432,775	3,531,766	3,578,078	3,374,181	110.45	(1.29)	6.04
Weighted average number of shares in issue ('000)	**7,432,772**	7,186,034	7,059,934	6,751,796	3,330,288	1.79	4.56	102.74
Share price at year-end (RM)	**7.44**	8.50	12.84	5.85	11.00	(33.80)	119.49	(46.82)
Number of employees	**40,244**	36,984	35,922	31,932	25,614	2.96	12.50	24.67

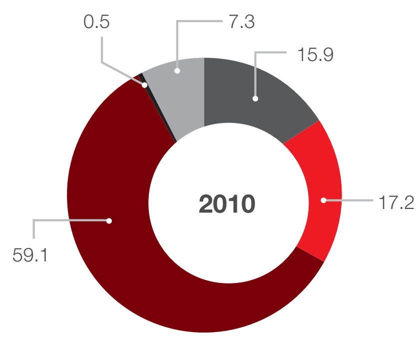
The Bank has applied paragraph 7.2 of Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) dated 5 February 2010, where the Bank is exempted from disclosing comparative figures in the previous reporting periods.

^ The comparative periods have been restated to reflect the adoption of Amendment to FRS 2.

Simplified **Group Balance Sheet**

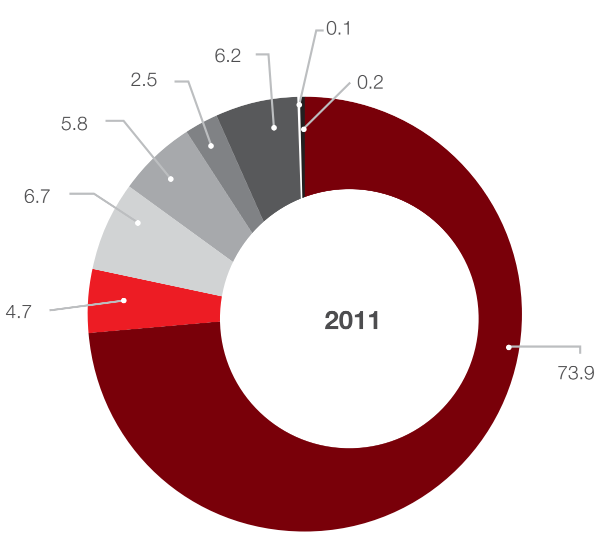
ASSETS

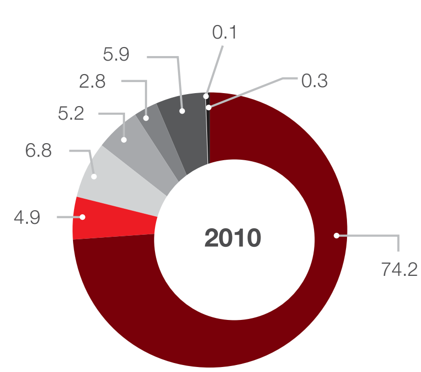




	2011	2010
Cash and balances with banks and reverse repurchase agreements	**14.3%**	15.9%
Portfolio of financial investments	**16.2%**	17.2%
Loans, advances and financing	**61.2%**	59.1%
Statutory deposits with Central Banks	**1.7%**	0.5%
Other assets (including intangible assets)	**6.5%**	7.3%

LIABILITIES & EQUITY





	2011	2010
Deposits from customers	**73.9%**	74.2%
Deposits from banks	**4.7%**	4.9%
Bills and acceptances payable and other liabilities	**6.7%**	6.8%
Debt securities issued and other borrowed funds	**5.8%**	5.2%
Share capital	**2.5%**	2.8%
Reserves	**6.2%**	5.9%
Preference shares	**0.1%**	0.1%
Non-controlling interests	**0.2%**	0.3%

Capital Management

FRAMEWORK

CIMB Group has always maintained a strong capital position that consistently ensures an optimal capital structure to meet the requirements of its various stakeholders, including customers, shareholders, regulators and external rating agencies. This has enabled the Group to firmly support the demands for capital for organic growth of its core businesses through economic cycles including market shocks and stressed conditions, take advantage of opportunities in strategic acquisitions as well as new businesses, tap the capital markets to enhance and diversify sources of capital, and provide a stable dividend payout to its shareholders.

The Group's capital management practice is underpinned by a capital management framework with the following objectives:

- To maintain a strong capital base to meet regulatory capital requirements at all times.
- To optimise returns to shareholders through providing sustainable return on equity and stable dividend payout.
- To retain optimal levels of capital to support the organic growth of core businesses and expansion into new businesses.
- To maintain strong credit ratings from external rating agencies.
- To maintain a robust capital base to be able to withstand stress scenarios.
- To remain flexible to take advantage of strategic acquisitions to enhance the Group's franchise value.
- To ensure a capital position that is able to meet the requirements of various other stakeholders of the Group (e.g. customers, corporate responsibility commitments, etc.).

The Group has maintained a healthy capital base over the years and actively tapped alternative capital from local as well as overseas markets. The Group has issued non-dilutive guaranteed preference shares, tax deductible non-dilutive innovative and non-innovative Tier 1 capital and Tier 2 subdebt, to achieve an optimal mix of capital which met the objectives of the capital management framework and also facilitated several major acquisitions such as the merger between PT Bank Niaga Tbk and PT Bank Lippo Tbk, acquisition of Bank of Yingkou Co. Ltd. and BankThai Public Company Limited and at the same time, enabled a good record of return on equity as well as dividend payout to its shareholders. More details of the types of capital instruments issued can be found on pages 113 to 122.

	FY2007 RM million	FY2008 RM million	FY2009 RM million	FY2010 RM million	FY2011 RM million
Total shareholders' funds	15,710	17,099	20,345	23,230	**25,936**
Long term debt/hybrid capital	8,282	10,421	10,893	14,743	**18,144**
Net profit for the financial year ^	2,772	1,930	2,786	3,501	**4,031**
Return on average equity ^	19.89%	11.77%	14.88%	16.19%	**16.40%**
Gross dividend (sen) *	40.0	25.0	25.0	36.58	**20.00**

* *Gross dividend is computed based on actual payment made in the respective financial years.*
^ *The comparative periods have been restated to reflect the adoption of Amendment to FRS 2.*

The Group's regulated banking entities have always maintained a high set of internal targets (which provide a buffer) above the minimum regulatory requirements. The table below shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks.

	Core Tier 1		Tier 1		RWCR	
	As at 31 December 2011	Minimum Regulatory Ratio	As at 31 December 2011	Minimum Regulatory Ratio	As at 31 December 2011	Minimum Regulatory Ratio
CIMB Bank	11.87%	2.00%	14.45%	4.00%	16.78%	8.00%
CIMB Investment Bank	16.29%	2.00%	16.29%	4.00%	16.29%	8.00%
CIMB Islamic	10.44%	2.00%	10.44%	4.00%	14.42%	8.00%
CIMB Niaga	N/A	N/A	10.17%	N/A	13.09%	8.00%
CIMB Thai	N/A	N/A	7.65%	4.25%	13.00%	8.50%

The advent of the global financial crisis has necessitated more stringent rules on capital requirements for financial institutions which are being implemented by regulators in phases.

Capital Management

BASEL III GUIDELINES

On 16 December 2011, Bank Negara Malaysia (BNM) issued a notification on Basel III. The notification sets out BNM's approach to incorporating the individual elements of the Basel III reform package into the domestic regulatory and supervisory framework, as well as its expectations of banking institutions with respect to managing the transition towards the new regime.

The Basel Committee finalised a package of measures to strengthen global capital and liquidity rules for financial institutions in December 2010 which include:

- Enhancing the definition of capital.
- Raising the minimum capital requirements and introducing capital buffers.
- Enhancing the risk coverage of the capital framework.
- Implementation of the Leverage Ratio which requires a minimum of 3% calculated based on Tier 1 capital over total assets, off balance sheet items and net derivatives.
- Additional loss absorbency requirements for systemically important financial institutions.
- Implementation of Liquidity Coverage Ratio and Net Stable Funding Ratio.

BNM has indicated that it will support the globally-agreed levels and implementation timeline which provides for gradual phase-in of the standards beginning 2013 until 2019 as shown in the table below.

Phase-in Arrangements	2012	2013	2014	2015	2016	2017	2018	2019
Leverage Ratio	Observation period reporting						Standard in force	
Minimum common equity capital ratio		3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer					0.625%	1.25%	1.875%	2.5%
Minimum common equity + conservation buffer		3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Minimum tier 1 capital		4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum tier 1 capital + conservation buffer		4.5%	5.5%	6.0%	6.625%	7.250%	7.875%	8.5%
Minimum total capital		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total capital + conservation buffer		8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as non-core tier 1 or tier 2 capital		Phased out over a 10 year horizon beginning 2013						
Liquidity Coverage Ratio	Observation period reporting			Standard in force				
Net Stable Funding Ratio	Observation period reporting						Standard in force	

Capital Management

PILLAR 2 – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has implemented its internal economic capital framework since 2001, whereby capital is allocated to all business units for its risk-taking purposes. The Group's existing economic capital framework is being refined to include other risks, in line with the requirements of BNM's RWCAF-ICAAP (Pillar 2) for banks adopting the Internal Ratings-Based (IRB) approach to develop a robust risk management framework to assess the adequacy of its internal economic capital in relation to the risk profile.

The objective of Pillar 2 is to ensure that banking institutions have adequate capital to support their operations at all times. It also promotes the adoption of a more forward looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management techniques. In line with these Pillar 2 guidelines, the Group has submitted its action plans and gaps assessments to BNM and has also established a dedicated ICAAP Working Group to implement the Pillar 2 program which is being driven by Group Risk Management, supported by Capital and Balance Sheet Management and Group Finance for capital allocation and performance measurement review and analysis.

Capital Management

The ICAAP Framework that the Group is working towards comprises 5 main elements:

- **Governance by the Board and Senior Management:** The Board and Senior Management are responsible to ensure that capital levels in the Group are proportionate to the level and complexity of the inherent material risks in the Group.
- **Comprehensive Risk Assessment:** Comprehensive risk assessment involves considering the potential financial or reputational impact of material risks on the Group. Material risks can be measureable or non-measurable and are identified, evaluated, measured, mitigated and monitored/reported on a regular basis according to the Group's risk management process.
- **Economic Capital Computation and Allocation:** Each year, capital will be allocated to each business unit based on the respective business plan, budgeted profit and targeted Risk Adjusted Return On Capital (RAROC).
- **Sound Capital Management:** The internal capital targets for the Group are recommended and set by the Group Executive Committee and approved by the relevant Board of Directors on an annual basis.
- **Capital Adequacy Assessment:** In assessing its regulatory and economic capital adequacy, the Group adopts several methodologies, including stress tests which are integrated into the Group's risk management process. Each methodology used to assess and quantify material risks are validated by an independent team and periodically reviewed by Group Internal Audit. Capital utilisation and the Group's overall regulatory and economic capital positions are monitored and reported to the Group Risk Committee and Board Risk Committee on a monthly basis.

KEY INITIATIVES

Following the re-organisation of CIMB Group in 2011, the Group has strengthened its capital management process through the establishment of a new, centralised and independent unit called Capital and Balance Sheet Management (CBSM). This unit has oversight from the Group EXCO and is charged with maintaining discipline over investment and capital allocation decisions and implementing key initiatives to better position the Group amidst the changing competitive, regulatory and social landscape.

Working closely with various other divisions of the Group (e.g. Group Risk Management, Group Finance and the Business Units), some of the key initiatives of CBSM include:-

- Formalising the annual capital planning exercise through a forward-looking capital plan that forecasts capital demands and assesses capital adequacy, taking into account the Group's strategy, operating environment of its business in different jurisdictions, target capital ratios and composition and expectations of stakeholders.
- Periodic review of the capital plan to ensure internal capital targets can be met and to realign the plan where necessary, in preparation of implementation of any new capital requirements from the various stakeholders
- Allocating capital to businesses on the basis of their economic profit generation, regulatory capital requirements and cost of capital based on BNM's RWCAF-ICAAP (Pillar 2) framework. This is to ensure that the returns on investments are adequate after taking into account the cost of capital and commensurate with the risks undertaken.
- Enhancement of risk-based stress testing to maintain an optimal capital capacity for loss absorption.
- Active management of capital to strengthen and optimise the capital base through asset securitisation, sale of non-core assets and non-performing loans and other initiatives that will free up capital.
- Continuous capital planning, including assessing the feasibility of new issuance of Basel 3 compliant capital instruments and/or capital relief exercises to manage capital adequacy on a sustainable basis and taking into consideration the new capital adequacy framework under Basel 3 which will commence from 1 January 2013.

The Group is confident that given its healthy capital position and strengthened capital management governance and framework, it is well-placed to meet the requirements of the various stakeholders of the Group (including customers, shareholders, regulators and external rating agencies) amidst the changing competitive, regulatory and social environment.

Value Added Statement

	2011 RM'000	2010 RM'000
Value added		
Net interest income	**6,676,251**	6,604,775
Income from Islamic banking operations	**1,470,321**	1,330,036
Non-interest income	**3,975,457**	3,943,392
Overheads excluding personnel costs and depreciation	**(2,779,772)**	(2,946,346)
Allowances for impairment losses on loans, advances and financing	**(487,343)**	(607,176)
Other allowances written back/(made)	**47,337**	(127,174)
Share of results of jointly controlled entities	**16,993**	9,548
Share of results of associates	**134,038**	86,620
Value added available for distribution	**9,053,282**	8,293,675

Distribution of Value Added		
To employees:		
Personnel costs	**3,517,935**	3,321,563
To the Government:		
Taxation	**1,128,816**	956,830
To providers of capital:		
Dividends paid to shareholders	**1,486,555**	1,992,167
Minority interest	**43,528**	169,084
To reinvest to the Group:		
Depreciation	**332,205**	345,395
Retained profit	**2,544,243**	1,508,636
Value added available for distribution	**9,053,282**	8,293,675

Statement of Directors' Responsibilities

In Relation to Financial Statements

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and as required by Companies Act, 1965 (the Act), the Directors are responsible to ensure that the financial statements prepared for each financial year, give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cashflows for the year then ended. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that, in preparing the financial statements for the financial year ended 31 December 2011, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the requirements of the Act.

The Directors have a general duty to take such steps as are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

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 the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 12 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, management of unit trust funds and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	**4,030,798**	**1,504,611**
– Non-controlling interests	**43,528**	**–**
	4,074,326	**1,504,611**

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2010 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010:	
Dividend on 7,432,772,311 ordinary shares, paid on 31 March 2011 – single tier second interim dividend of 8.0 sen per ordinary share	**594,622**
In respect of the financial year ended 31 December 2011:	
Dividend on 7,432,771,757 ordinary shares, paid on 30 September 2011 – single tier interim dividend of 12.0 sen per ordinary share	**891,933**

The Directors have declared a single tier second interim dividend of 10 sen per ordinary share, on 7,432,771,631 ordinary shares amounting to RM743,277,163 in respect of the financial year ended 31 December 2011. The single tier second interim dividend was approved by the Board of Directors on 27 February 2012.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2011.

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

ISSUANCE OF SHARES

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

SHARE BUY-BACK AND CANCELLATION

The shareholders of the Company, had via an ordinary resolution passed at the Annual General Meeting held on 22 April 2011, approved the Company's plan and mandate to authorise the Directors of the Company to buy back up to 10% of its existing paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy-back can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company bought back 1,004 shares, as stated in Note 30(b) to the Financial Statements, at an average price of RM8.60 per share from the open market using internally generated funds. As at 31 December 2011, there were 3,004 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2011 was 7,432,771,642 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 42 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

Before the Financial Statements of the Group and of the Company 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 Company, inadequate to any substantial extent.

CURRENT ASSETS

Before the Financial Statements of the Group and of the Company 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 Company 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 Company misleading.

VALUATION METHODS

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

Directors' Report

for the financial year ended 31 December 2011

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 46 and 52 to the Financial Statements; and

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

DIRECTORS

The Directors of the Company who have held office since the date of the last report and at the date of this report are as follows:

Tan Sri Dato' Md Nor bin Md Yusof
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing
Glenn Muhammad Surya Yusuf
Watanan Petersik
Katsumi Hatao (Appointed on 23 February 2012)
Tan Sri Dato' Seri Haidar bin Mohammed Nor (retired on 22 April 2011)
Dato' Mohd Shukri bin Hussin (Resigned on 31 December 2011)
Hiroyuki Kudo (Resigned on 23 February 2012)

In accordance with Article 76 of the Articles of Association, the following Directors retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

Dato' Hamzah bin Bakar
Dato' Zainal Abidin bin Putih
Datuk Dr Syed Muhamad bin Syed Abdul Kadir

In accordance with Article 83 of the Article of Association, Katsumi Hatao retires from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Directors' Report
for the financial year ended 31 December 2011

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

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

	No. of ordinary shares of RM1 each			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
Tan Sri Dato' Md Nor bin Md Yusof	400,000	–	–	400,000
* Dato' Sri Mohamed Nazir bin Abdul Razak	54,926,522	469,353**	–	55,395,875
^ Dato' Zainal Abidin bin Putih	110,000	–	–	110,000
Dato' Robert Cheim Dau Meng	100,000	15,592**	–	115,592

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

	No. of ordinary shares of RM1 each			
	As at 1 January	Acquired	Disposed	As at 31 December
* Dato' Azlina binti Abdul Aziz	8,000,000	–	–	8,000,000
^ Datin Jasmine binti Abdullah Heng	20,000	–	–	20,000
^ Mohamad Ari Zulkarnain bin Zainal Abidin	10,000	–	–	10,000

** Shares granted under Equity Ownership Plan ("EOP")

	No. of debentures held			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Subordinated Fixed Rate Notes				
Dato' Robert Cheim Dau Meng	RM1,000,000	–	–	RM1,000,000
CIMB Niaga Tbk				
– Subordinated Notes				
Dato' Robert Cheim Dau Meng	IDR1,000,000,000	–	–	IDR1,000,000,000

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

Directors' Report

for the financial year ended 31 December 2011

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 37 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

2011 BUSINESS PLAN AND STRATEGY

CIMB Group's overall business strategy for 2011 was reflected in its corporate theme for the year, 'Think ASEAN'. We focused on strengthening our ASEAN identity amongst all staff, positioning ourselves as an ASEAN champion in the markets we serve and leveraging our regional platform to bring our local knowledge of ASEAN markets and our regional capabilities closer to our customers.

We began the year on a cautious note, fully aware of the uncertainties surrounding the recovery in developed economies. However, it was unlikely that anyone could have foreseen the debt crisis in Europe, political tensions in the Middle East and Northern Africa and natural disasters in Asia, and their collective impact on global investor sentiment and overall business confidence. Despite these challenges, ASEAN, our core operating market, was relatively insulated and CIMB Group still managed to post record profits and return on equity ("ROE").

2011 was also the year the Group embraced Vision 2015 ("V15") after having successfully achieved most of our targets of our preceding five-year transformation plan, Vision 2010. V15 represents the next growth chapter for CIMB Group where by 2015 we aspire to be The Leading ASEAN Franchise, not just amongst financial institutions, but across all industries.

We began laying the foundations for this new transformative growth phase in 2011. Following the 'refresh' of the Malaysian consumer bank at the beginning of the year, when we streamlined business and product lines, we initiated a realignment of our wholesale banking management platform in 3Q 2011. This re-positioning will allow the Group to optimise synergies between its various business lines, especially for large corporates, and better capitalise on investment opportunities.

We also embarked on a major re-branding exercise, changing our tagline from 'Forward Banking' to 'ASEAN For You'. Aside from being a clear statement of our regional ambitions, this new tagline articulates CIMB Group's capability to draw from its regional capabilities to deliver the best of ASEAN to our customers.

CIMB Group had a solid 2011, despite global uncertainties and subdued capital market activity. We recorded our best ever financial performance with revenue and profit before tax ("PBT") of RM12.12 billion and RM5.20 billion, an increase of 2.1% and 12.4% respectively year on year ("Y-o-Y"). A key highlight was the outperformance of the Group's Malaysian consumer bank where PBT surged 86.1% Y-o-Y to RM1.33 billion, primarily driven by sharply lower credit charges and lower overhead costs. PBT at Treasury & Investments improved 27.6% Y-o-Y to RM1.39 billion while Corporate & Investment Banking was 33.1% lower Y-o-Y at RM751 million due to much fewer major capital market transactions relative to 2010. CIMB Niaga's PBT declined 2.7% Y-o-Y to RM1.53 billion due to the absence of gains arising from the sale of ex-Lippo Bank bonds which occurred in 2010. Excluding this one-off gain in 2010, CIMB Niaga's PBT grew 27.3% Y-o-Y, driven by strong loans and deposits growth and much improved non-interest income and lower provisions. PBT at CIMB Thai increased 134% Y-o-Y to RM110 million although this was attributable to several one-off gains. Asset Management and Insurance PBT rose 5.7% Y-o-Y to RM92 million.

Directors' Report

for the financial year ended 31 December 2011

2011 BUSINESS PLAN AND STRATEGY (CONTINUED)

The Group's total gross loans expanded 14.3% Y-o-Y, underpinned by a 23.4% surge in loans growth (in RM terms) at CIMB Niaga, as well as the 11.7% increase in Malaysian consumer loans. Mortgages, credit cards and the Group's micro credit lending grew by 14.5%, 9.0% and 78.9% respectively Y-o-Y. Commercial banking loans were 4.5% higher Y-o-Y while hire purchase loans were unchanged. Corporate loans expanded 12.8% Y-o-Y. The Group's overall net interest margins eased to 3.12% from 3.34% the year before.

Total loan impairment for the Group declined by 19.8% Y-o-Y to RM487 million in 2011 compared to RM607 million in 2010. The Group's gross impairment ratio continued to improve to 5.1% for 2011 from 6.1% as at end-2010, with an impairment allowance coverage of 81.1%. The Group's cost to income ratio improved to 54.7%, compared to 55.7% the year before.

The Group met its dividend payout targets for 2011 with total 2011 dividends amounting to RM1.64 billion, or 22.0 sen per share, translating to a dividend payout ratio of 40.6% of 2011 profits. This was split into 2 interim dividend payouts of 12.0 sen and 10.0 sen which were declared in August 2011, and February 2012 respectively.

CIMB Bank's risk weighted capital ratio stood at 16.8% while its Tier 1 capital ratio stood at 14.5% as at end-2011 (after inclusion of 2011 net profits and the proposed second interim dividend). CIMB Group's double leverage and gearing stood at 119.1% and 21.8% respectively as at end-2011.

OUTLOOK FOR 2012

CIMB Group's corporate theme for 2012 is CIMB 2.0: Towards Vision 2015. While we are pleased with how far the Group has come, and how much it has achieved since embarking on the journey towards regional universal banking in 2005, we are fully aware of the imperative to continuously improve our business model to sustain the excellent momentum which we have built.

Vision 2015: to be The Leading ASEAN Franchise is a clear articulation of where we want to be. It is an ambitious goal, and we recognise that we have to look beyond our current growth trajectory, and our present strengths and capabilities to achieve it. We need to evolve into CIMB 2.0, or CIMB Version 2. To this end, in 2012, we will optimise our existing franchise and improve on areas such as SME banking and cross-selling. We will build new growth areas by exploring new markets and maximising opportunities in existing ones. And we will substantiate 'ASEAN For You' in how we act and all that we do.

RATINGS BY EXTERNAL RATING AGENCIES

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

Rating agency	Date accorded	Rating classification
RAM	July 2011	Long term – AA1 Short-term – P1 Outlook – Stable

Rating classification description:

RAM has assigned respective long and short-term ratings of AA1 and P1 to the Company's RM6.0 billion Conventional and Islamic Commercial Papers and Medium-Term Notes Programmes. The long term rating has a stable outlook.

Rating agency	Date accorded	Rating classification
RAM	July 2011	Long term – AA3 Outlook – Stable

Rating classification description:

RAM has assigned an AA3 to the Company's RM3.0 billion Subordinated Notes Programme (2009/2074) with a long term stable outlook.

Directors' Report
for the financial year ended 31 December 2011

SHARIAH COMMITTEE

All the Islamic banking businesses of CIMB Group come under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic Bank Berhad ("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/activities which are not permissible under Shariah. In advising on such matters, the Shariah Committee also considers the views of the Shariah Advisory Council/Committees of relevant authorities like Bank Negara Malaysia and the Securities Commission on issues relating to the activities and operations of Islamic banking and financing.

The members of the Shariah Committee are as follows:

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 Al Shubaily
6. Professor Dr. Noor Inayah Yaakub (Appointed on 1 April 2011)

ZAKAT OBLIGATIONS

The obligation and responsibility for payment of Zakat lies with the Muslim shareholders of the Group. For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of Zakat on deposits and investments lies with the Muslim depositors and 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 Group is reflective of this.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

Subsequent events after the financial year end are disclosed in Note 47 to the Financial Statements.

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.

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Sri Mohamed Nazir bin Abdul Razak
Managing Director

Kuala Lumpur
12 March 2012

Statement by Directors

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

We, Tan Sri Dato' Md Nor bin Md Yusof and Dato' Sri Mohamed Nazir bin Abdul Razak, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 022 to 245 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results and cash flows of the Group and of the Company 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.

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Sri Mohamed Nazir bin Abdul Razak
Managing 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 Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 022 to 245 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 abovenamed Kim Kenny at Kuala Lumpur before me, on 12 March 2012.

Commissioner for Oath

Independent **Auditors' Report**

to the members of CIMB Group Holdings Berhad
Company No: 50841-W (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Group Holdings Berhad on pages 022 to 245, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 55.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Financial Statements have been properly drawn up in accordance with the Companies Act, 1965, 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 Company 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 Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the Financial Statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the Financial Statements.

(c) We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Company's Financial Statements are in form and content appropriate and proper for the purposes of the preparation of the Financial Statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the Financial Statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent **Auditors' Report**

to the members of CIMB Group Holdings Berhad
Company No: 50841-W (Incorporated in Malaysia)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 56 on page 245 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the Financial Statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Mohammad Faiz bin Mohammad Azmi
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
12 March 2012

Consolidated Statements of **Financial Position**

as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Cash and short-term funds	2	**34,668,845**	27,185,260
Reverse repurchase agreements		**4,230,482**	3,804,662
Deposits and placements with banks and other financial institutions	3	**4,174,012**	11,745,823
Financial investments at fair value through profit or loss	4	**13,665,700**	17,082,596
Derivative financial instruments	7	**4,274,073**	3,577,155
Financial investments available-for-sale	5	**13,773,219**	11,658,702
Financial investments held-to-maturity	6	**16,918,784**	14,120,263
Loans, advances and financing	8	**183,838,777**	159,181,385
Other assets	9	**6,518,355**	7,353,522
Deferred tax assets	10	**49,998**	15,269
Tax recoverable		**139,258**	98,358
Statutory deposits with central banks	11	**5,084,105**	1,410,436
Investment in associates	13	**1,169,387**	508,807
Investment in jointly controlled entities	14	**188,479**	171,486
Property, plant and equipment	15	**1,458,400**	1,442,948
Investment properties	16	**8,653**	61,216
Prepaid lease payments	17	**170,564**	185,542
Goodwill	18	**8,242,489**	8,151,432
Intangible assets	19	**1,611,879**	1,551,332
		300,185,459	269,306,194
Non-current assets held for sale	51	**17,248**	59,050
Total assets		**300,202,707**	269,365,244
Liabilities			
Deposits from customers	20	**221,933,142**	199,845,664
Deposits and placements of banks and other financial institutions	21	**12,964,309**	13,092,157
Repurchase agreements		**1,067,946**	33,087
Derivative financial instruments	7	**4,217,291**	3,748,516
Bills and acceptances payable		**7,566,691**	4,532,446
Other liabilities	22	**6,827,810**	8,624,668
Deferred tax liabilities	10	**134,285**	12,124
Current tax liabilities		**483,820**	322,789
Amount due to Cagamas Berhad		**–**	107,523
Bonds	24	**521,225**	423,982
Other borrowings	25	**5,324,032**	3,783,587
Subordinated notes	26	**11,417,980**	9,675,340
Non-cumulative guaranteed and redeemable preference shares	28(a), 28(b)	**881,016**	860,162
Total liabilities		**273,339,547**	245,062,045

Consolidated Statements of **Financial Position**

as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Equity			
Capital and reserves attributable to owners of the Parent			
Ordinary share capital	27	**7,432,775**	7,432,775
Reserves	29	**18,504,288**	15,797,775
Less: Shares held under trust	30(a)	**(563)**	(563)
Treasury shares, at cost	30(b)	**(30)**	(21)
		25,936,470	23,229,966
Perpetual preference shares	28(c)	**200,000**	200,000
Non-controlling interests		**726,690**	873,233
Total equity		**26,863,160**	24,303,199
Total equity and liabilities		**300,202,707**	269,365,244
Commitments and contingencies	7	**414,197,407**	349,069,257
Net assets per share attributable to owners of the Parent (RM)		**3.49**	3.13

Consolidated Statements of **Income**

for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Interest income	31	**12,681,512**	11,168,858
Interest expense	32	**(6,005,261)**	(4,564,083)
Net interest income		**6,676,251**	6,604,775
Income from Islamic banking operations	54	**1,470,321**	1,330,036
Net non-interest income	33	**3,975,457**	3,943,392
		12,122,029	11,878,203
Overheads	34	**(6,629,912)**	(6,613,304)
Profit before allowances		**5,492,117**	5,264,899
Allowance made for impairment losses on loans, advances and financing	35	**(487,343)**	(607,176)
Allowance made for impairment losses on other receivables		**(8,908)**	(8,085)
Allowance written back/(made) for commitments and contingencies	22	**55,435**	(20,900)
Recoveries/(losses) from investment management and securities services		**15,000**	(50,000)
Allowance made for other impairment losses	36	**(14,190)**	(48,189)
		5,052,111	4,530,549
Share of results of jointly controlled entities	14	**16,993**	9,548
Share of results of associates	13	**134,038**	86,620
Profit before taxation		**5,203,142**	4,626,717
Taxation			
– Company and subsidiaries	38	**(1,128,816)**	(956,830)
Net profit after taxation		**4,074,326**	3,669,887
Profit attributable to:			
Owners of the Parent		**4,030,798**	3,500,803
Non-controlling interests		**43,528**	169,084
		4,074,326	3,669,887
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic	39	**54.2**	48.7

Consolidated Statements of **Comprehensive Income**

for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Net profit after taxation		**4,074,326**	3,669,887
Other comprehensive income:			
Revaluation reserve-financial investments available-for-sale		**39,348**	(289,426)
– Net gain from change in fair value		**287,091**	421,912
– Realised gain transferred to statement of income on disposal and impairment		**(271,725)**	(716,693)
– Income tax effects		**22,800**	18,449
– Currency translation difference		**1,182**	(13,094)
Net investment hedge		**(46,887)**	253,643
Hedging reserve – cash flow hedge		**226**	–
– Net gain from change in fair value		**226**	–
Exchange fluctuation reserve		**178,309**	(721,438)
Share of other comprehensive income of associate		**25,041**	–
Other comprehensive income/(expense) during the financial year, net of tax		**196,037**	(757,221)
Total comprehensive income for the financial year		**4,270,363**	2,912,666

Company Statements of **Financial Position**

as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Cash and short-term funds	2	**316,828**	529,826
Derivative financial instruments	7	**17,459**	5,676
Loans, advances and financing	8	**930**	1,147
Other assets	9	**23,184**	9,897
Tax recoverable		**93,288**	55,383
Investment in subsidiaries	12	**17,887,961**	16,093,491
Amount owing by subsidiaries net of allowance for doubtful debts of RM775,423 (2010: RM805,285)	41	**4,811**	19,267
Investment in associates	13	**3,834**	3,834
Property, plant and equipment	15	**31,607**	32,471
Investment properties	16	**527**	3,516
Total assets		**18,380,429**	16,754,508
Liabilities			
Derivative financial instruments	7	**4,164**	9,363
Other liabilities	22	**3,242**	1,515
Amount owing to subsidiaries	41	**–**	147
Deferred tax liabilities	10	**2,122**	3,988
Other borrowings	25	**3,266,052**	1,664,348
Subordinated notes	26	**2,141,655**	2,130,000
Total liabilities		**5,417,235**	3,809,361
Equity			
Ordinary share capital	27	**7,432,775**	7,432,775
Reserves	29	**5,530,449**	5,512,393
Less: Treasury shares, at cost	30(b)	**(30)**	(21)
Total equity		**12,963,194**	12,945,147
Total equity and liabilities		**18,380,429**	16,754,508
Commitments and contingencies	7	**965,000**	465,000

Company Statements of **Income**

for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Interest income	31	**8,573**	29,040
Interest expense	32	**(235,444)**	(190,166)
Net interest expense		**(226,871)**	(161,126)
Net non-interest income	33	**2,247,140**	1,728,825
		2,020,269	1,567,699
Overheads	34	**(15,115)**	(15,100)
Profit before taxation		**2,005,154**	1,552,599
Taxation	38	**(500,543)**	(292,295)
Net profit after taxation		**1,504,611**	1,260,304

Company Statements of **Comprehensive Income**

for the financial year ended 31 December 2011

	2011 RM'000	2010 RM'000
Net profit after taxation	**1,504,611**	1,260,304
Other comprehensive income:		
Hedging reserve – cash flow hedge	**–**	12,573
– Net gain from change in fair value	**–**	17,833
– Income tax effects	**–**	(5,260)
Other comprehensive income, net of tax	**–**	12,573
Total comprehensive income for the financial year	**1,504,611**	1,272,877

Consolidated Statements of **Changes in Equity**

for the financial year ended 31 December 2011

		← Attributable to owners of the Parent →															
The Group	**Note**	**Share capital RM'000**	**Share premium-ordinary shares RM'000**	**Statutory reserve RM'000**	**Capital reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Shares held under trust RM'000**	**Treasury shares RM'000**	**Revaluation reserve-financial investments available-for-sale RM'000**	**Other reserves RM'000**	**Share-based payment reserve RM'000**	**Regulatory reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Perpetual preference shares RM'000**	**Non-controlling interests RM'000**	**Total RM'000**
At 1 January 2011																	
– as previously reported		7,432,775	4,192,596	3,935,308	136,954	(347,337)	(563)	(21)	474,673	131,736	–	117,595	7,156,250	23,229,966	200,000	873,233	24,303,199
– Effects of adopting Amendment to FRS 2	52(ii)	–	–	–	–	–	–	–	–	–	318,071	–	(318,071)	–	–	–	–
As restated		7,432,775	4,192,596	3,935,308	136,954	(347,337)	(563)	(21)	474,673	131,736	318,071	117,595	6,838,179	23,229,966	200,000	873,233	24,303,199
Profit for the financial year		–	–	–	–	–	–	–	–	–	–	–	4,030,798	4,030,798	–	43,528	4,074,326
Other comprehensive income (net of tax)		–	–	(3)	–	174,664	–	–	61,089	(46,254)	409	–	–	189,905	–	6,132	196,037
Financial investments available-for-sale		–	–	–	–	–	–	–	36,048	–	–	–	–	36,048	–	3,300	39,348
Net investment hedge		–	–	–	–	–	–	–	–	(46,480)	–	–	–	(46,480)	–	(407)	(46,887)
– hedging reserve – cash flow hedge		–	–	–	–	–	–	–	–	226	–	–	–	226	–	–	226
Currency translation difference		–	–	(3)	–	174,664	–	–	–	–	409	–	–	175,070	–	3,239	178,309
Share of other comprehensive income of associate		–	–	–	–	–	–	–	25,041	–	–	–	–	25,041	–	–	25,041
Total comprehensive income for the financial year		–	–	(3)	–	174,664	–	–	61,089	(46,254)	409	–	4,030,798	4,220,703	–	49,660	4,270,363
Dividend for the financial year ended 31 December 2010	40	–	–	–	–	–	–	–	–	–	–	–	(594,622)	(594,622)	–	–	(594,622)
Dividend for the financial year ended 31 December 2011	40	–	–	–	–	–	–	–	–	–	–	–	(891,933)	(891,933)	–	–	(891,933)
Net-controlling interest share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,250)	(11,250)
Transfer to statutory reserve		–	–	168,286	–	–	–	–	–	–	–	–	(168,286)	–	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	–	–	–	–	373,032	(373,032)	–	–	–	–
Arising from reorganisation of investment in subsidiaries and deemed disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(15,953)	(15,953)	–	(185,592)	(201,545)
Issue of share capital arising from:																	
– Bonus issue and capital repayment of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(1,796)	(1,796)	–	(9,110)	(10,906)
Issue of capital funds		–	–	–	150	–	–	–	–	–	–	–	–	150	–	–	150
Rights issue of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(500)	(500)	–	9,749	9,249
Purchase of treasury shares	30(b)	–	–	–	–	–	–	(9)	–	–	–	–	–	(9)	–	–	(9)
Share-based payment expense		–	–	–	–	–	–	–	–	–	76,281	–	–	76,281	–	–	76,281
Shares released under Equity Ownership Plan		–	–	–	–	–	–	–	–	–	(20,429)	–	–	(20,429)	–	–	(20,429)
Purchase of shares in relation to Equity Ownership Plan		–	–	–	–	–	–	–	–	(65,388)	–	–	–	(65,388)	–	–	(65,388)
At 31 December 2011		7,432,775	4,192,596	4,103,591	137,104	(172,673)	(563)	(30)	535,762	20,094	374,332	490,627	8,822,855	25,936,470	200,000	726,690	26,863,160

Consolidated Statements of **Changes in Equity**

for the financial year ended 31 December 2011

The Group	Note	Share capital RM'000	Share premium-ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
		← Attributable to owners of the Parent												→			
At 1 January 2010																	
– as previously reported		3,531,766	5,586,751	3,415,780	136,954	361,780	(563)	–	766,500	(64,386)	–	–	6,265,787	20,000,369	200,000	2,079,035	22,279,404
– Effects of adopting Amendment to FRS 2	52(ii)	–	–	–	–	–	–	–	–	–	298,038	–	(298,038)	–	–	–	–
As restated		3,531,766	5,586,751	3,415,780	136,954	361,780	(563)	–	766,500	(64,386)	298,038	–	5,967,749	20,000,369	200,000	2,079,035	22,279,404
Profit for the financial year		–	–	–	–	–	–	–	–	–	–	–	3,500,803	3,500,803	–	169,084	3,669,887
Other comprehensive income (net of tax)		–	–	–	–	(709,117)	–	–	(291,827)	253,752	–	–	–	(747,192)	–	(10,029)	(757,221)
Financial investments available-for-sale		–	–	–	–	–	–	–	(291,827)	–	–	–	–	(291,827)	–	2,401	(289,426)
Net investment hedge		–	–	–	–	–	–	–	–	253,752	–	–	–	253,752	–	(109)	253,643
Currency translation difference		–	–	–	–	(709,117)	–	–	–	–	–	–	–	(709,117)	–	(12,321)	(721,438)
Total comprehensive income for the financial year		–	–	–	–	(709,117)	–	–	(291,827)	253,752	–	–	3,500,803	2,753,611	–	159,055	2,912,666
Dividend for the financial year ended 31 December 2009	40	–	–	–	–	–	–	–	–	–	–	–	(653,376)	(653,376)	–	–	(653,376)
Dividends for the financial year ended 31 December 2010																	
– Interim dividend	40	–	–	–	–	–	–	–	–	–	–	–	(339,083)	(339,083)	–	–	(339,083)
– Special dividend	40	–	–	–	–	–	–	–	–	–	–	–	(999,708)	(999,708)	–	–	(999,708)
Non-controlling interest share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,325)	(4,325)
Transfer to statutory reserve		–	–	519,528	–	–	–	–	–	–	–	–	(519,528)	–	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	–	–	–	–	117,595	(117,595)	–	–	–	–
Issue of share capital arising from:	27																
– Bonus shares		3,531,764	(3,531,764)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Share exchange for acquisition of a subsidiary		268,000	1,675,000	–	–	–	–	–	–	–	–	–	–	1,943,000	–	–	1,943,000
– Exercise of warrants		101,245	462,609	–	–	–	–	–	–	(57,630)	–	–	–	506,224	–	–	506,224
Arising from accretion/dilution of equity interests in subsidiary		–	–	–	–	–	–	–	–	–	–	–	(1,083)	(1,083)	–	(1,361,067)	(1,362,150)
Rights issue of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	–	20,535	20,535
Capital repayment of subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(20,000)	(20,000)
Purchase of treasury shares	30(b)	–	–	–	–	–	–	(21)	–	–	–	–	–	(21)	–	–	(21)
Share-based payment expense		–	–	–	–	–	–	–	–	–	20,033	–	–	20,033	–	–	20,033
At 31 December 2010		7,432,775	4,192,596	3,935,308	136,954	(347,337)	(563)	(21)	474,673	131,736	318,071	117,595	6,838,179	23,229,966	200,000	873,233	24,303,199

Company Statements of **Changes in Equity**

for the financial year ended 31 December 2011

		← Non-distributable					→ Distributable		
The Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Treasury shares RM'000**	**Other reserve RM'000**	**Hedging reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011		**7,432,775**	**4,192,596**	**55,982**	**(21)**	**–**	**–**	**1,263,815**	**12,945,147**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**–**	**1,504,611**	**1,504,611**
Total comprehensive income for the financial year		**–**	**–**	**–**	**–**	**–**	**–**	**1,504,611**	**1,504,611**
Dividends for the financial year ended 31 December 2010	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**(594,622)**	**(594,622)**
Dividends for the financial year ended 31 December 2011	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**(891,933)**	**(891,933)**
Purchase of treasury shares	**30(b)**	**–**	**–**	**–**	**(9)**	**–**	**–**	**–**	**(9)**
At 31 December 2011		**7,432,775**	**4,192,596**	**55,982**	**(30)**	**–**	**–**	**1,281,871**	**12,963,194**
At 1 January 2010		3,531,766	5,586,751	55,982	–	57,630	(12,573)	1,995,678	11,215,234
Profit for the financial year		–	–	–	–	–	–	1,260,304	1,260,304
Other comprehensive income (net of tax)		–	–	–	–	–	12,573	–	12,573
Hedging reserve – cash flow hedge		–	–	–	–	–	12,573	–	12,573
Total comprehensive income for the financial year		–	–	–	–	–	12,573	1,260,304	1,272,877
Dividend for the financial year ended 31 December 2009	40	–	–	–	–	–	–	(653,376)	(653,376)
Dividends for the financancal year ended 31 December 2010									
– Interim dividend	40	–	–	–	–	–	–	(339,083)	(339,083)
– Special dividend	40	–	–	–	–	–	–	(999,708)	(999,708)
Issue of share capital arising from:	27								
– exercise of warrants		101,245	462,609	–	–	(57,630)	–	–	506,224
– bonus shares		3,531,764	(3,531,764)	–	–	–	–	–	–
– share exchange of acquisition of a subsidiary		268,000	1,675,000	–	–	–	–	–	1,943,000
Purchase of treasury shares	30(b)	–	–	–	(21)	–	–	–	(21)
At 31 December 2010		7,432,775	4,192,596	55,982	(21)	–	–	1,263,815	12,945,147

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2011

	2011 RM'000	2010 RM'000
Operating Activities		
Profit before taxation	**5,203,142**	4,626,717
Adjustments for:		
Depreciation of property, plant and equipment	**332,205**	345,395
Amortisation of prepaid lease payments	**14,910**	60,483
Gain on disposal of property, plant and equipment/assets held for sale	**(16,194)**	(170,669)
Gain on disposal of leased assets	**(99)**	(511)
Property, plant and equipment written off	**–**	200
Unrealised gain on foreign exchange	**(312,741)**	(600,917)
Dividends from financial investments available-for-sale	**(40,780)**	(42,408)
Dividends from financial investments held-to-maturity	**–**	(77)
Allowance for losses on loans, advances and financing	**900,815**	1,004,159
Gain on sale of financial investments available-for-sale	**(329,432)**	(707,041)
(Gain)/loss on sale of financial assets held for trading and derivative financial instruments	**(222,902)**	96,918
Net loss arising from hedging derivatives	**16,284**	60,234
Gain on maturity of financial investments held-to-maturity	**(76,864)**	(104,278)
Allowance for impairment losses	**14,190**	48,189
Accretion of discounts less amortisation of premiums	**(168,068)**	(192,662)
Impairment of property, plant and equipment	**–**	824
Amortisation of intangible assets	**242,179**	271,508
Revaluation of financial investments available-for-sale	**9,666**	(17,958)
Gain on revaluation of investment properties	**(1,842)**	(8,632)
Gain on deemed disposal/disposal of net assets and interest in subsidiaries	**(250,000)**	(27,218)
Loss on disposal of foreclosed properties	**19,942**	–
Share of results of associates	**(134,038)**	(86,620)
Unrealised loss on revaluation of financial assets held for trading	**36,621**	32,876
Unrealised (gain)/loss on revaluation of derivative financial instruments	**(349,416)**	21,194
Allowance for other receivables	**8,908**	8,085
Allowance (written back)/made for commitments and contingencies	**(55,435)**	20,900
(Recoveries)/losses from investment management and securities services	**(15,000)**	50,000
Loss from fair value hedge of Redeemable Preference Shares ("RPS")	**9,313**	99,331
MES expenses	**23,718**	20,033
Share-based payment expense	**52,563**	–
Share of results of jointly controlled entities	**(16,993)**	(9,548)
	(308,490)	171,790
	4,894,652	4,798,507
(Increase)/decrease in operating assets		
Reverse repurchase agreements	**(425,820)**	740,211
Deposits and placements with banks and other financial institutions	**7,571,811**	(9,382,663)
Financial assets held for trading	**3,064,657**	(2,043,979)
Loans, advances and financing	**(25,640,381)**	(20,516,040)
Other assets	**720,506**	698,446
Derivative financial instruments	**643,509**	105,296
Statutory deposits with central banks	**(3,673,669)**	(566,679)
	(17,739,387)	(30,965,408)
Increase/(decrease) in operating liabilities		
Deposits from customers	**22,087,478**	20,963,328
Deposits and placements of banks and other financial institutions	**(127,848)**	2,960,575
Repurchase agreements	**1,034,859**	(532,010)
Amount due to Cagamas Berhad	**(107,523)**	(228,089)
Bills and acceptances payable	**3,034,245**	336,572
Other liabilities	**(1,781,858)**	352,816
	24,139,353	23,853,192
Cash flows generated from/(used in) operations	**11,294,618**	(2,313,709)

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Taxation paid		**(927,431)**	(703,134)
Net cash flows generated from/(used in) operating activities		**10,367,187**	(3,016,843)
Investing Activities			
Proceeds from disposal of property, plant and equipment		**79,650**	611,932
Proceeds from disposal of prepaid lease payments		**–**	4,828
Dividends received from financial investments available-for-sale		**40,780**	42,408
Dividends received from financial investments held-to-maturity		**–**	77
Net (purchase)/proceeds of financial investments available-for-sale		**(1,733,637)**	46,502
Net (purchase)/proceeds of financial investments held-to-maturity		**(2,551,865)**	443,704
Net cash inflow from acquisitions and disposals of subsidiaries		**640**	235,255
Purchase of property, plant and equipment		**(454,291)**	(348,392)
Disposal of intangible assets		**1,903**	18,295
Purchase of intangible assets		**(308,056)**	(168,250)
Net cash flows (used in)/generated from investing activities		**(4,924,876)**	886,359
Financing Activities			
Dividends paid to shareholders		**(1,497,805)**	(1,996,492)
Redemption of bonds		**(423,982)**	–
Exercise of warrants		**–**	506,224
Net proceeds from Subordinated Notes		**2,128,242**	3,332,602
Proceeds from bonds		**521,225**	–
Redemption of USD200 million Subordinated Notes		**(635,200)**	–
Proceeds/(repayments) from term loan facility		**1,000,658**	(92,838)
(Repayments)/proceeds from revolving credit and overdraft		**(63,018)**	523,158
Net repayment of commercial papers and medium term notes		**604,264**	–
Purchase of treasury shares		**(9)**	(21)
Repayment of redeemable preference shares		**(13,696)**	–
Net repayment of USD100 million syndicated term loan		**–**	(34,150)
Net cash flows generated from financing activities		**1,620,679**	2,238,483
Net increase in cash and short-term funds during the financial year		**7,062,990**	107,999
Effects of exchange rate changes		**420,595**	(1,197,426)
Cash and short-term funds at beginning of the financial year		**27,185,260**	28,274,687
Cash and short-term funds at end of the financial year	2	**34,668,845**	27,185,260
Statutory deposits with Bank Indonesia*		**(3,887,585)**	(2,985,829)
Monies held in trust		**(384,083)**	(329,070)
Cash and cash equivalents at end of the financial year		**30,397,177**	23,870,361

* This represent non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM3,887,585,000 (2010: RM2,985,829,000), which is not readily available for use by the Group.

Company Statements of Cash Flows

for the financial year ended 31 December 2011

	2011 RM'000	2010 RM'000
Operating Activities		
Profit before taxation	**2,005,154**	1,552,599
Adjustments for:		
Depreciation of property, plant and equipment	**2,365**	2,136
Depreciation of investment properties	**110**	125
Impairment of investment properties	**–**	824
Written off of property, plant and equipment	**68**	–
Gain on disposal of investment properties	**(1,670)**	–
Loss on disposal of property, plant and equipment/asset held for sale	**–**	171
Unrealised loss/(gain) on foreign exchange	**9,073**	(6,565)
Unrealised (gain)/loss on revaluation of derivative financial instruments	**(18,386)**	13,264
Net loss arising from hedging derivatives	**194**	–
Dividends from subsidiaries	**(2,240,314)**	(1,741,815)
Dividend from an associate	**(700)**	(1,534)
Interest expense on commercial papers	**8,762**	2,618
Accretion of discounts less amortisation of premiums	**(583)**	(3,200)
	(2,241,081)	(1,733,976)
	(235,927)	(181,377)
(Increase)/decrease in operating assets		
Loans, advances and financing	**217**	344
Other assets	**(12,299)**	(7,052)
	(12,082)	(6,708)
(Decrease)/increase in operating liabilities		
Other liabilities	**7,280**	(629,307)
	7,280	(629,307)
Cash flows used in operations	**(240,729)**	(817,392)
Net taxation refund	**17,440**	76,071
Net cash flows used in operating activities	**(223,289)**	(741,321)
Investing Activities		
Proceeds from disposal of property, plant and equipment	**–**	446
Proceeds from disposal of investment properties	**4,550**	–
Purchase of property, plant and equipment	**(2,204)**	(2,298)
(Advances to)/repayment from subsidiaries	**14,456**	(851)
Dividends from subsidiaries	**1,682,735**	1,400,756
Dividend from an associate	**525**	1,150
Acquisition of additional interest in subsidiary	**(1,794,470)**	–
Net cash flows generated from investing activities	**(94,408)**	1,399,203

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

	Note	2011 RM'000	2010 RM'000
Financing Activities			
Dividends paid to shareholders		**(1,486,555)**	(1,992,167)
Proceeds from syndicated term loan		**–**	315,000
Repayment of syndicated term loan		**–**	(342,500)
Proceeds from term loan facility		**1,000,000**	–
Proceeds from issuance of subordinated notes		**–**	750,000
Proceeds from commercial papers and medium term notes		**1,490,995**	347,382
Purchase of treasury shares		**(9)**	(21)
Repayment of commercial papers and medium term notes		**(900,000)**	(350,000)
Exercise of warrants		**–**	506,224
Net cash flows used in financing activities		**104,431**	(766,082)
Net (decrease)/increase in cash and cash equivalents during the financial year		**(213,266)**	(108,200)
Effects of exchange rate changes		**268**	85
Cash and cash equivalents at beginning of the financial year		**529,826**	637,941
Cash and cash equivalents at end of the financial year	2	**316,828**	529,826

Summary of **Significant Group 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 Company 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 Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

The preparation of Financial Statements in conformity with 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 Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

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

The new accounting standards, amendments to published standards and interpretations that are effective for the Group and the Company 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 Combination"
- 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"
- Amendments to FRS 132 "Financial instruments: Presentation-Classification of Rights Issue"
- IC Interpretation 4 "Determining Whether an Arrangement contains a Lease"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- 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 Company is set out in Note 52.

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

A BASIS OF PREPARATION (CONTINUED)

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

In November 2011, the Malaysian Accounting Standards 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 exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Group will be required to adopt the new standards, amendments to standards and interpretations 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:

(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.

- 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.

- Amendments to IC Interpretation 14 "MFRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

- 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.

- 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 if 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2011

A BASIS OF PREPARATION (CONTINUED)

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

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

- Amendments 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 living securitisation of financial assets.

The adoption of the new standards, amendments to published standards and interpretations are not expected to have a material impact on the financial effect of the Group and the Company.

(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".

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- 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.

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

A BASIS OF PREPARATION (CONTINUED)

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

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

- 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.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

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

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

The Company treats as subsidiaries, those corporations, partnerships or other entities (including special purpose entities) in which the Company 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 Company 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 FRS 127, 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 Company and all its subsidiaries made up to the end of the financial year.

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

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

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

The 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 acquire are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in statement of income.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the 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 acquire 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.

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

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

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 related to the subsidiary required in statement of income attributable to the parent.

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" and 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 acquire was measure at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustments 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 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 disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interest 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 gains 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 Group Accounting Policies

for the financial year ended 31 December 2011

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(c) Jointly controlled entities

The Group treats as a jointly controlled entity, corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated Financial Statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of the jointly controlled entities in the statements of comprehensive income and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any).

(d) Associates

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

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of incomes, 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.

(e) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. This fair value is its fair value on initial recognition as a financial asset in accordance with 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.

Change 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, joint 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 "Investment in Associates" and FRS 131 "Interests in Joint Ventures".

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

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

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(f) Interests in subsidiaries, jointly controlled entities and associates

In the Company's separate financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, jointly controlled entities 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.

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

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

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

Fees 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.

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

E FINANCIAL ASSETS

(a) Classification

The Group and the Company 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 Company as fair value through profit or loss upon initial recognition.

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Company's management has the positive intent and ability to hold to maturity. If the Group or the Company 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.

(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 directly in the other comprehensive 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 profit or loss. 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 Group Accounting Policies**
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E FINANCIAL ASSETS (CONTINUED)

(d) Reclassification of financial assets

The Group and the Company 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 Company 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 Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

F FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value 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 Company accounting policy on derivatives is detailed in Note P.

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

(b) Financial liabilities at amortised cost

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

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2011

H 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 Company 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.

The Group and the Company 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 Company to reduce any differences between loss estimates and actual loss experience.

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

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

The Group 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 financial statements are prepared in full compliance under FRS 139 principles.

(b) Assets classified as available-for-sale

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

For debt securities, the Group and the Company 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2011

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets classified as available-for-sale (Continued)

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 the 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.

I SALE AND REPURCHASE AGREEMENTS

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

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

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

J 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

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

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

Summary of **Significant Group Accounting Policies**
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J PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

K INVESTMENT PROPERTIES

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

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

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

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

L INTANGIBLE ASSETS

(a) Goodwill

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

Goodwill is 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 Group Accounting Policies
for the financial year ended 31 December 2011

L INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

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

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

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

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

Customer relationships:	
– credit card	12 years
– revolving credit	4 – 5 years
– overdraft	6 – 7 years
– trade finance	5 years
Core deposits	8 – 20 years
Computer software	3 – 15 years

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 Company are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property, plant and equipment.

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

(b) Operating lease

Leasehold land

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

Others

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

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

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

N ASSETS SOLD UNDER LEASE

(a) Finance lease

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

(b) Operating lease

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

O BILLS AND ACCEPTANCES PAYABLE

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

P 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 value. 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 Company recognise statement of income immediately.

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 Company 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 Company 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 also documents its 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/profit 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 earnings until the disposal of the equity security.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2011

P DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(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 statement of income.

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

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. 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.

Q 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 Company'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 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 available-for-sale are included in the revaluation reserve-financial investments available-for-sale in equity.

Summary of **Significant Group Accounting Policies**
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Q CURRENCY TRANSLATIONS (CONTINUED)

(c) Group companies

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

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;

- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity beginning on or after 1 January 2006 are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has applied the transitional provision for acquisitions prior to 1 January 2006 which allows the goodwill and fair value adjustments arising from acquisitions to be treated as assets and liabilities of the parent rather than that of the foreign entities. Therefore, those goodwill and fair value adjustments either are already expressed in the parent's functional currency or are non-monetary foreign currency items, which are reported using the exchange rates at the date of the acquisitions.

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

Deferred income tax related to the fair value re-measurement of 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 deferred gain or loss.

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

Deferred 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.

Summary of Significant Group Accounting Policies
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S SHARE CAPITAL

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

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

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

T EMPLOYEE BENEFITS

(a) Short-term employee benefits
The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

(b) Post employment benefits
The Group and the Company have various post employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

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

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

Defined benefit plans
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of services or compensation.

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

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

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at statements of financial position date of government securities which have currency and terms to maturity that approximate the terms of the related liability.

Plan assets in excess of the defined obligation are subject to the asset limitation specified in FRS 119 – Employee Benefits.

Summary of Significant Group Accounting Policies
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T EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (Continued)

Defined benefit plans (Continued)

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the statement of income is determined by the corridor method in accordance with FRS 119 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Past-service costs are recognised immediately in statement of income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(c) Other long term employee benefits

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

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) Share-based compensation benefits

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

The Group has an equity-settled, share-based compensation plan of the equities in the Group which is settled by a shareholder of the Company. The Group 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 the 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 each balance sheet date, the Group revises 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 did not account for the transaction in its financial statements. The Group had changed its accounting policy upon adoption of Amendment to FRS 2 on 1 January 2011 retrospectively. As the Group does not have an obligation to settle the transactions with its employees, the Group has 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 52.

Employee Ownership Plan

Effective 1 April 2011, the Group operates an equity-settled, share-based compensation plan, where ordinary shares of the Company are purchased from the market at market value and awarded to the eligible executive employees.

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

Summary of Significant Group Accounting Policies
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U IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

V FORECLOSED PROPERTIES

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

W PROVISIONS

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

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

Provisions are not recognised for future operating losses.

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

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

X 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 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 Group'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 judgment 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 Group Accounting Policies
for the financial year ended 31 December 2011

Y ZAKAT

This represents business zakat which is an obligatory amount payable by the Group to comply with the principles of Shariah. Zakat provision is calculated based on the "Adjusted Growth" method, at 2.5% for individual Bumiputra shareholders of the Company.

Z CASH AND CASH EQUIVALENTS

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

AA SEGMENT REPORTING

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

AB CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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.

AC LIFE INSURANCE FUND

Life insurance liabilities of CIMB Aviva Assurance Berhad ("CAAB") are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefit. For participating life policy, liabilities are measured at an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

Adjustments to the liabilities at each reporting date are recorded in statement of income. Profits originated from margins of adverse deviations on run-off contracts are recognised in statement of income over the life of the contract, whereas losses are fully recognised in statement of income during the first year of run-off.

The liability is derecognised when the contract expires, discharged or cancelled.

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

AC LIFE INSURANCE FUND (CONTINUED)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") and deferred acquisition cost ("DAC") by using an existing liability adequacy test.

Any inadequacy is recorded in statement of income, initially by impairing PVIF and DAC, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

AD FAMILY TAKAFUL FUND

The Family Takaful fund surplus/deficit is determined by the annual actuarial valuation of the Family Takaful fund's long-term liabilities. Any actuarial deficit in the Family Takaful fund will be made good by CIMB Aviva Takaful Berhad's ("CATB") shareholders' fund via a profit-free loan or Qardh. Surplus distributable to participants is determined after deducting claims/benefits paid and payable, retakaful, provisions, reserves, commissions and management expenses and distributed in accordance with the terms and conditions prescribed by the Shariah Committee in CATB.

AE GENERAL TAKAFUL CONTRACT LIABILITIES

General takaful contract liabilities of CATB are recognised when contracts are entered into and contributions are charged.

These liabilities comprise outstanding claims provision and provision for unearned contributions.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related expenses and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date at best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present obligation at the statements of financial position date. The liabilities are derecognised when the contract expires, discharged or cancelled.

The provision for unearned contributions represents contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and recognised as contribution income.

At each reporting date, CATB reviews the unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned contributions. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general takaful technical provisions. If these estimates show that the carrying amount of the unearned contributions less related deferred acquisition costs is inadequate, the deficiency is recognised in statement of income by setting up a provision for liability adequacy.

AF NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 12 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, management of unit trust funds and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

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

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

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	**9,299,580**	8,204,383	**4,979**	15,457
Money at call and deposit placements maturing within one month	**25,369,265**	18,980,877	**311,849**	514,369
	34,668,845	27,185,260	**316,828**	529,826

(i) Included in the Group's cash and short-term funds is non-interest bearing statutory deposits of a foreign subsidiary of RM3,887,585,000 (2010: RM2,985,829,000) maintained with Bank Indonesia in compliance with their applicable legislation.

(ii) Monies held in trust in relation to the Group's stockbroking business:

	The Group	
	2011 RM'000	2010 RM'000
Clients' trust balances and dealers' representatives' balances	**356,400**	307,538
Remisiers' trust balances	**27,683**	21,532
	384,083	329,070

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2011 RM'000	2010 RM'000
Licensed banks	**2,356,084**	7,864,641
Licensed investment banks	**248,578**	232,176
Bank Negara Malaysia and other central banks	**1,475,612**	3,019,806
Other financial institutions	**93,738**	629,200
	4,174,012	11,745,823

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

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		The Group	
	Note	2011 RM'000	2010 RM'000
Financial assets held for trading	(a)	**13,665,700**	16,221,146
Financial assets designated at fair value through profit or loss	(b)	**–**	861,450
		13,665,700	17,082,596

(a) Financial assets held for trading

	The Group	
	2011 RM'000	2010 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	**253,409**	360,214
Cagamas bonds	**52,511**	13,186
Malaysian Government treasury bills	**90,484**	57,779
Bank Negara Malaysia bills	**156,856**	2,597,966
Bank Negara Malaysia negotiable notes	**1,817,293**	2,226,623
Negotiable instruments of deposit	**2,069,683**	1,778,088
Bankers' acceptances and Islamic accepted bills	**575,819**	740,811
Credit-linked notes	**46,059**	123,158
Commercial papers	**168,458**	163,033
Other Government's securities	**2,933,501**	2,053,218
Government investment issues	**147,201**	320,534
	8,311,274	10,434,610
Quoted securities:		
In Malaysia		
Warrants	**–**	5
Shares	**904,743**	1,210,166
Outside Malaysia		
Shares	**6,534**	26,102
Private and Islamic debt securities	**305,183**	57,525
Other Government bonds	**448,161**	79,143
Bank Indonesia certificates	**67,775**	1,478,043
Investment linked funds	**299,213**	54,017
	2,031,609	2,905,001

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

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Financial assets held for trading (Continued)

	The Group	
	2011 RM'000	2010 RM'000
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	**1,925,800**	1,628,798
Shares	**6,243**	5,948
Outside Malaysia		
Private and Islamic debt securities	**1,322,944**	1,246,789
Shares	**58,157**	–
Unit trust	**9,673**	–
	3,322,817	2,881,535
Total financial assets held for trading	**13,665,700**	16,221,146

(b) Financial assets designated at fair value through profit or loss

	The Group	
	2011 RM'000	2010 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government Securities	**–**	223,810
Cagamas bonds	**–**	22,536
Khazanah bonds	**–**	8,012
Government investment issues	**–**	195,523
	–	449,881
Quoted securities:		
In Malaysia		
Shares	**–**	81,637
Unit trusts	**–**	10,797
	–	92,434
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	**–**	265,410
Shares	**–**	2,334
Investment-linked funds	**–**	51,391
	–	319,135
Total financial assets designated at fair value through profit or loss	**–**	861,450

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

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Financial assets designated at fair value through profit or loss (Continued)

Financial assets designated at fair value through profit or loss arises from securities held by an insurance subsidiary which has been reclassified from financial assets held for trading as a result of the adoption of FRS 139 as at 1 January 2010. These securities eliminate or significantly reduce a measurement or recognition inconsistency ('accounting mismatch') that would otherwise have arisen from measuring the assets at a basis different from the liabilities of the insurance subsidiary.

With effect from 1 January 2011, the financial results of CIMB Aviva Assurance Berhad ("CAAB") and CIMB Aviva Takaful Berhad ("CATB"), are now equity accounted for in the financial statements of the Group (see Note 46(a)). Hence, financial assets designated at fair value through profit or loss from securities for the financial year ended 31 December 2011 is RM Nil.

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group	
	2011 RM'000	**2010 RM'000**
Money market instruments:		
Unquoted:		
Malaysian Government Securities	**320,703**	346,720
Cagamas bonds	**201,174**	184,494
Khazanah bonds	**44,786**	–
Other Government securities	**25,874**	–
Government investment issues	**345,990**	282,022
	938,527	813,236
Quoted securities:		
<u>In Malaysia</u>		
Shares	**26,504**	115,676
Unit trusts	**122,654**	240,949
<u>Outside Malaysia</u>		
Shares	**21,319**	12,074
Private and Islamic debt securities	**371,387**	24,582
Other Government bonds	**2,807,382**	2,635,564
Unit trusts	**292,209**	318,435
	3,641,455	3,347,280

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

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

	The Group	
	2011 RM'000	2010 RM'000
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	**6,789,561**	6,477,787
Shares	**976,604**	905,404
Loan stocks	**19,774**	26,624
Property funds	**188**	175
Investment-linked funds	**–**	6,947
Bond funds	**12,611**	12,380
Outside Malaysia		
Shares	**207,581**	80,480
Private equity and unit trust funds	**81,604**	224,453
Private and Islamic debt securities	**1,476,710**	176,323
Loan stocks	**1,568**	1,531
	9,566,201	7,912,104
	14,146,183	12,072,620
Allowance for impairment losses:		
Private debt securities	**(210,510)**	(240,661)
Quoted shares	**(16,854)**	(27,413)
Quoted bonds	**(3,411)**	–
Unquoted shares	**(128,270)**	(130,874)
Unit trusts	**(1,113)**	(878)
Loan stocks	**(12,806)**	(14,092)
	(372,964)	(413,918)
	13,773,219	11,658,702

Included in financial investments available-for-sale of the Group are securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM3,746,054,821 (2010: RM3,212,092,000).

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

	The Group	
	2011 RM'000	2010 RM'000
At 1 January	**413,918**	386,632
Net allowance made during the financial year	**12,941**	23,844
Amount written off	**(836)**	(5,474)
Disposal of securities	**(53,582)**	(9,716)
Reclassification from investment in associates	**–**	4,986
Exchange fluctuation	**523**	13,646
At 31 December	**372,964**	413,918

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

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2011 RM'000	2010 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government Securities	**1,088,815**	1,123,977
Cagamas bonds	**255,977**	254,817
Other government securities	**490,820**	–
Malaysian Government investment issues	**862,212**	600,245
Bank Negara negotiable notes	**9,986**	9,948
Khazanah bonds	**134,776**	–
	2,842,586	1,988,987
Quoted securities:		
Outside Malaysia		
Private debt securities	**3,602,677**	1,414,395
Islamic bonds	**23,818**	23,983
Medium term notes – Islamic	**3,527**	8,565
Other Government bonds	**204,816**	117,303
Bank Indonesia certificates	**363,350**	286,090
	4,198,188	1,850,336
Unquoted securities:		
In Malaysia		
Private debt securities	**6,685,239**	7,190,838
Loan stocks	**30,781**	31,814
Danaharta Urus Sdn Bhd ("DUSB") bonds	**795,335**	795,335
	7,511,355	8,017,987
Outside Malaysia		
Private debt securities	**2,071,299**	2,036,903
	16,623,428	13,894,213
Accretion of discount net of amortisation of premium	**341,979**	271,562
Less: Allowance for impairment losses	**(46,623)**	(45,512)
	16,918,784	14,120,263

Included in the financial investments held-to-maturity of the Group as at 31 December 2011 are 10-year promissory notes of THB415 million (2010: THB746 million) maturing between 2011 to 2015. The promissory notes were received from Thai Asset Management Corporation ("TAMC") for settlement of impaired loans transferred by CIMB Thai Bank Public Company Limited ("CIMB Thai Bank") to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer the impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. During the financial year, promissory notes of THB331 million has matured and CIMB Bank Thai has recognised a gain of approximately THB1.009 billion (RM101 million) arising from the sharing arrangement.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

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

	The Group	
	2011 RM'000	2010 RM'000
At 1 January	**45,512**	40,914
Allowance made/(written back) during the financial year	**785**	(587)
Exchange fluctuation	**326**	5,185
At 31 December	**46,623**	45,512

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES

(i) Derivative financial instruments

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

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

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2011						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**11,664,292**	**152,198**	**(172,128)**	–	–	–
– Less than 1 year	**9,407,525**	**107,872**	**(126,346)**	–	–	–
– 1 year to 3 years	**971,908**	**40,641**	**(22,110)**	–	–	–
– More than 3 years	**1,284,859**	**3,685**	**(23,672)**	–	–	–
Currency swaps	**38,210,727**	**412,086**	**(328,753)**	–	–	–
– Less than 1 year	**37,870,738**	**394,071**	**(324,315)**	–	–	–
– 1 year to 3 years	**128,276**	**6,806**	**(4,081)**	–	–	–
– More than 3 years	**211,713**	**11,209**	**(357)**	–	–	–
Currency spots	**3,185,666**	**2,100**	**(2,329)**	–	–	–
– Less than 1 year	**3,185,666**	**2,100**	**(2,329)**	–	–	–
Currency options	**2,246,845**	**9,030**	**(14,226)**	–	–	–
– Less than 1 year	**2,246,845**	**9,030**	**(14,226)**	–	–	–

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Cross currency interest rate swaps	16,993,262	535,129	(393,016)	315,000	–	(4,164)
– Less than 1 year	3,516,246	90,581	(130,104)	–	–	–
– 1 year to 3 years	6,199,649	255,084	(106,253)	315,000	–	(4,164)
– More than 3 years	7,277,367	189,464	(156,659)	–	–	–
	72,300,792	1,110,543	(910,452)	315,000	–	(4,164)
Interest rate derivatives						
Interest rate swaps	244,561,024	2,711,995	(2,338,891)	500,000	13,188	–
– Less than 1 year	32,606,090	85,636	(60,632)	–	–	–
– 1 year to 3 years	131,899,721	1,010,775	(1,050,691)	–	–	–
– More than 3 years	80,055,213	1,615,584	(1,227,568)	500,000	13,188	–
Interest rate futures	11,930,771	31,861	(2,279)	–	–	–
– Less than 1 year	5,734,380	10,485	(2,279)	–	–	–
– 1 year to 3 years	4,844,425	17,375	–	–	–	–
– More than 3 years	1,351,966	4,001	–	–	–	–
Interest rate options	150,000	10,407	(4,549)	–	–	–
– Less than 1 year	–	7,452	(4,542)	–	–	–
– 1 year to 3 years	100,000	2,278	–	–	–	–
– More than 3 years	50,000	677	(7)	–	–	–
	256,641,795	2,754,263	(2,345,719)	500,000	13,188	–
Equity related derivatives						
Index futures	17,121	1	(132)	–	–	–
– Less than 1 year	17,121	1	(132)	–	–	–
Equity options	8,651,175	60,008	(374,549)	–	–	–
– Less than 1 year	1,839,406	50,392	(272,089)	–	–	–
– 1 year to 3 years	3,087,134	351	(69,162)	–	–	–
– More than 3 years	3,724,635	9,265	(33,298)	–	–	–
Equity swaps	525,927	416	(18,399)	–	–	–
– More than 3 years	525,927	416	(18,399)	–	–	–
	9,194,223	60,425	(393,080)			

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Commodity related derivatives						
Commodity options	203,200	48,048	(48,048)	–	–	–
– Less than 1 year	34,947	10,075	(10,075)	–	–	–
– 1 year to 3 years	168,253	37,973	(37,973)	–	–	–
Commodity swaps	80,961	4,456	(5,498)	–	–	–
– Less than 1 year	44,312	3,730	(3,663)	–	–	–
– 1 year to 3 years	36,649	726	(1,835)	–	–	–
Commodity futures	39,642	782	(863)	–	–	–
– Less than 1 year	38,235	684	(845)	–	–	–
– 1 year to 3 years	1,407	98	(18)	–	–	–
	323,803	53,286	(54,409)	–	–	–
Credit related contract						
Credit default swaps	1,344,019	38,374	(40,744)	–	–	–
– Less than 1 year	158,850	24	–	–	–	–
– 1 year to 3 years	839,250	3,613	(10,290)	–	–	–
– More than 3 years	345,919	34,737	(30,454)	–	–	–
Hedging derivatives						
Interest rate swaps	14,221,710	257,182	(472,290)	150,000	4,271	–
– Less than 1 year	20,911	318	(329)	–	–	–
– 1 year to 3 years	1,163,570	32,874	(10,503)	150,000	4,271	–
– More than 3 years	13,037,229	223,990	(461,458)	–	–	–
Cross currency interest rate swaps	71,131	–	(597)	–	–	–
– More than 3 years	71,131	–	(597)	–	–	–
	14,292,841	257,182	(472,887)	150,000	4,271	–
Total derivative assets/(liabilities)	354,097,473	4,274,073	(4,217,291)	965,000	17,459	(4,164)

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2010						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	10,895,870	160,377	(155,349)	–	–	–
– Less than 1 year	8,620,215	52,888	(127,990)	–	–	–
– 1 year to 3 years	423,654	13,602	(4,281)	–	–	–
– More than 3 years	1,852,001	93,887	(23,078)	–	–	–
Currency swaps	34,993,961	515,653	(489,576)	–	–	–
– Less than 1 year	34,684,832	507,854	(486,527)	–	–	–
– 1 year to 3 years	49,362	2,018	–	–	–	–
– More than 3 years	259,767	5,781	(3,049)	–	–	–
Currency options	3,405,312	16,694	(20,901)	–	–	–
– Less than 1 year	3,405,312	16,694	(20,901)	–	–	–
Cross currency interest rate swaps	15,962,201	626,336	(746,157)	315,000	–	(9,363)
– Less than 1 year	4,521,983	145,670	(239,900)	–	–	–
– 1 year to 3 years	6,239,274	266,962	(294,195)	315,000	–	(9,363)
– More than 3 years	5,200,944	213,704	(212,062)	–	–	–
	65,257,344	1,319,060	(1,411,983)	315,000	–	(9,363)
Interest rate derivatives						
Interest rate swaps	183,436,844	1,791,631	(1,344,587)	–	–	–
– Less than 1 year	54,389,510	339,772	(308,923)	–	–	–
– 1 year to 3 years	63,610,038	441,927	(357,772)	–	–	–
– More than 3 years	65,437,296	1,009,932	(677,892)	–	–	–
Interest rate futures	13,746,090	18,185	(15,428)	–	–	–
– Less than 1 year	7,276,246	8,610	(13,457)	–	–	–
– 1 year to 3 years	5,273,591	6,772	(1,971)	–	–	–
– More than 3 years	1,196,253	2,803	–	–	–	–
Interest rate options	750,000	7,179	(3,602)	–	–	–
– Less than 1 year	600,000	–	–	–	–	–
– 1 year to 3 years	100,000	5,314	(2,818)	–	–	–
– More than 3 years	50,000	1,865	(784)	–	–	–
	197,932,934	1,816,995	(1,363,617)	–	–	–

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group			The Company		
		Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Equity related derivatives						
Index futures	10,845	–	(145)	–	–	–
– Less than 1 year	10,845	–	(145)	–	–	–
Equity options	10,545,680	223,081	(606,369)	–	–	–
– Less than 1 year	3,593,370	168,358	(571,441)	–	–	–
– 1 year to 3 years	3,606,018	3,849	(3,849)	–	–	–
– More than 3 years	3,346,292	50,874	(31,079)	–	–	–
Equity swaps	273,717	1,777	(51,329)	–	–	–
– Less than 1 year	272,086	1,433	(51,023)	–	–	–
– 1 year to 3 years	1,631	344	(306)	–	–	–
	10,830,242	224,858	(657,843)	–	–	–
Commodity related derivatives						
Commodity options	104,840	15,028	(15,028)	–	–	–
– Less than 1 year	70,921	12,068	(12,068)	–	–	–
– 1 year to 3 years	33,919	2,960	(2,960)	–	–	–
Commodity swaps	60,480	4,085	–	–	–	–
– Less than 1 year	20,400	1,624	–	–	–	–
– 1 year to 3 years	40,080	2,461	–	–	–	–
Commodity futures	60,553	1	(3,653)	–	–	–
– Less than 1 year	60,553	1	(3,653)	–	–	–
	225,873	19,114	(18,681)	–	–	–
Credit related contract						
Credit default swaps	1,397,612	31,585	(37,674)	–	–	–
– Less than 1 year	580,483	2,805	(175)	–	–	–
– 1 year to 3 years	169,593	143	(2,386)	–	–	–
– More than 3 years	647,536	28,637	(35,113)	–	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2011

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Hedging derivatives						
Interest rate swaps	13,426,998	165,543	(215,376)	150,000	5,676	–
– Less than 1 year	1,428,650	31,058	–	–	–	–
– 1 year to 3 years	1,180,155	30,646	(6,211)	150,000	5,676	–
– More than 3 years	10,818,193	103,839	(209,165)	–	–	–
Cross currency interest rate swaps	218,378	–	(43,342)	–	–	–
– More than 3 years	218,378	–	(43,342)	–	–	–
	13,645,376	165,543	(258,718)	150,000	5,676	–
Total derivative assets/(liabilities)	289,289,381	3,577,155	(3,748,516)	465,000	5,676	(9,363)

(a) Fair value hedges

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

For the financial year ended 31 December 2011, the Group has derecognised fair value hedge item of RM6,220,990 due to maturity of negotiable instruments of deposit. The Group has also fully amortised the cumulative fair value loss of redesignated negotiable instruments of deposit of RM22,512,000 upon its maturity.

Included in the net non-interest income (Note 33) is the net gains and losses arising from fair value hedges during the financial year as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loss on hedging instruments	**(150,195)**	(50,768)	**(1,363)**	(2,727)
Gain on the hedged items attributable to the hedged risk	**133,911**	10,603	**1,170**	2,618

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

(b) Net investment hedge

Foreign exchange swaps and non derivative financial liabilities are used to hedge the Group's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the foreign exchange swaps are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. Ineffectiveness from hedges of net investments was recognised in the statement of income during the year for the Group of RM6,075,860 (2010: RM10,097,661). No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

(c) Cash flows hedge

Cash flow hedges are used by the Group to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group hedges cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps. During the financial year ended 31 December 2011, the Group has ceased cash flow hedge accounting with cumulative gain of RM225,502 remaining in equity.

(ii) Commitments and contingencies

In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. 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 Company, except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

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

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

	2011 Principal RM'000	2010 Principal RM'000
The Group		
Credit-related		
Direct credit substitutes	**5,255,701**	4,929,234
Certain transaction-related contingent items	**5,464,748**	5,468,256
Short-term self-liquidating trade-related contingencies	**2,549,245**	3,511,093
Obligations under underwriting agreement	**226,887**	235,000
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	**36,370,852**	33,812,453
– maturity exceeding one year	**6,710,863**	6,778,430
Forward assets purchases	**–**	303,084
Miscellaneous commitments and contingencies	**4,941,508**	5,609,923
Total credit-related commitments and contingencies	**61,519,804**	60,647,473
Treasury-related		
Foreign exchange related contracts:		
– less than one year	**50,683,044**	47,207,625
– one year to less than five years	**11,901,101**	10,641,952
– five years and above	**4,523,518**	3,353,629
	67,107,663	61,203,206

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies (Continued)

	2011 Principal RM'000	2010 Principal RM'000
The Group (continued)		
Interest rate related contracts:		
– less than one year	**49,632,388**	55,274,126
– one year to less than five years	**162,478,157**	88,003,758
– five years and above	**37,636,526**	41,825,221
	249,747,071	185,103,105
Equity related contracts:		
– less than one year	**1,852,206**	3,616,346
– one year to less than five years	**4,949,209**	5,121,018
– five years and above	**2,392,808**	2,092,883
	9,194,223	10,830,247
Other treasury related contracts	**26,628,646**	31,285,226
Total treasury-related commitments and contingencies	**352,677,603**	288,421,784
	414,197,407	349,069,257
The Company		
Foreign exchange related contracts:		
– one year to less than five years	**315,000**	315,000
	315,000	315,000
Interest rate related contracts:		
– one year to less than five years	**650,000**	150,000
	965,000	465,000

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

Not included in the above is a performance guarantee given by CIMB Group Sdn Bhd to Hang Seng Index/Hang Seng Data Services in respect of any potential breach of licensing agreement by CIMB Aviva Assurance Berhad. The Directors are of the view that the likelihood of the performance guarantee to be called on is remote.

The Group is providing a contingency funding line to its subsidiary, CIMB Thai Bank Plc (CIMB Thai), in the event of liquidity crisis in CIMB Thai.

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

8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Overdrafts	**6,052,496**	6,317,493	**–**	–
Term loans/financing				
– Housing loans/financing	**48,812,565**	42,496,812	**–**	–
– Syndicated term loans	**9,738,460**	6,996,472	**–**	–
– Hire purchase receivables	**11,614,260**	11,384,643	**–**	–
– Lease receivables	**109,868**	32,087	**–**	–
– Factoring receivables	**12,172**	23,655	**–**	–
– Other term loans/financing	**72,645,836**	60,588,953	**–**	–
Bills receivable	**3,740,413**	2,636,548	**–**	–
Trust receipts	**1,300,741**	1,145,109	**–**	–
Claims on customers under acceptance credits	**4,578,277**	4,548,433	**–**	–
Staff loans [of which RM10,050,224 (2010: RM6,473,245) are to Directors]	**706,835**	728,594	**930**	1,147
Credit card receivables	**5,604,180**	4,981,667	**–**	–
Revolving credits	**24,593,593**	24,289,359	**–**	–
Share margin financing	**1,882,615**	1,299,816	**–**	–
Other loans	**890**	9,730	**–**	–
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147
Fair value changes arising from fair value hedge	**398,797**	44,340	**–**	–
	191,791,998	167,523,711	**930**	1,147
Less: Allowance for impairment losses				
– Individual impairment allowance	**(3,988,345)**	(4,079,367)	**–**	–
– Portfolio impairment allowance	**(3,964,876)**	(4,262,959)	**–**	–
	(7,953,221)	(8,342,326)	**–**	–
Total net loans, advances and financing	**183,838,777**	159,181,385	**930**	1,147

(a) Included in the Group's loans, advances and financing balances are RM69,977,000 (2010: RM75,347,000) of reinstated loans which were previously non-performing and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM7,237,885,000 (2010: RM7,663,278,000) loans, advances and financing using interest rate swaps.

	The Group	
	2011 RM'000	2010 RM'000
Gross loans hedged	**7,237,885**	7,663,278
Fair value changes arising from fair value hedges	**398,797**	44,340
	7,636,682	7,707,618

The fair value loss of interest rate swaps in the hedge transaction as at 31 December 2011 was RM445,176,674 (2010: RM127,755,094).

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

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ii) By type of customer:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Domestic banking financial institutions	**57,963**	65,091	**–**	–
Domestic non-bank financial institutions				
– others	**1,705,420**	2,645,801	**–**	–
Domestic business enterprises				
– small medium enterprises	**29,824,771**	24,984,641	**–**	–
– others	**44,209,093**	37,223,540	**–**	–
Government and statutory bodies	**12,657,089**	10,666,029	**–**	–
Individuals	**89,303,602**	80,444,835	**930**	1,147
Other domestic entities	**3,515,254**	3,878,422	**–**	–
Foreign entities	**10,120,009**	7,571,012	**–**	–
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147

(iii) By interest/profit rate sensitivity:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Fixed rate				
– Housing loans	**2,124,114**	3,718,109	**–**	–
– Hire-purchase receivables	**11,646,009**	11,403,949	**–**	–
– Other fixed rate loans	**40,379,810**	33,221,004	**930**	1,147
Variable rate				
– BLR plus	**91,771,906**	78,906,381	**–**	–
– Cost plus	**23,129,879**	20,295,232	**–**	–
– Other variable rates	**22,341,483**	19,934,696	**–**	–
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147

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

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personal use	**6,781,937**	5,123,491	**18**	27
Credit card	**5,604,180**	4,981,667	**–**	–
Purchase of consumer durables	**954**	1,216	**–**	–
Construction	**5,217,186**	4,324,911	**–**	–
Residential property (Housing)	**48,808,900**	43,708,701	**775**	915
Non-residential property	**12,758,609**	11,843,651	**–**	–
Purchase of fixed assets other than land and building	**16,528,217**	10,261,260	**–**	–
Mergers and acquisitions	**4,750,746**	2,620,451	**–**	–
Purchase of securities	**9,103,875**	8,013,606	**–**	–
Purchase of transport vehicles	**16,281,213**	15,803,368	**137**	205
Working capital	**46,078,495**	46,081,461	**–**	–
Other purpose	**19,478,889**	14,715,588	**–**	–
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysia	**118,894,085**	111,065,224	**930**	1,147
Indonesia	**46,022,974**	37,516,196	**–**	–
Thailand	**13,077,940**	9,906,698	**–**	–
Singapore	**9,514,291**	5,964,290	**–**	–
United Kingdom	**996,344**	621,152	**–**	–
Hong Kong	**598,442**	248,187	**–**	–
Other countries	**2,289,125**	2,157,624	**–**	–
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147

(vi) Loans, advances and financing analysed by their residual contractual maturity are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Within one year	**42,579,113**	35,403,191	**9**	9
One year to less than three years	**44,274,774**	38,204,037	**35**	77
Three years to less than five years	**21,348,048**	22,449,382	**7**	9
Five years and more	**83,191,266**	71,422,761	**879**	1,052
Gross loans, advances and financing	**191,393,201**	167,479,371	**930**	1,147

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

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group	
	2011 **RM'000**	**2010** **RM'000**
Personal use	**355,210**	399,960
Credit card	**127,609**	98,523
Purchase of consumer durables	**570**	251
Construction	**1,343,284**	1,380,526
Residential property (Housing)	**1,781,704**	1,909,586
Non-residential property	**406,835**	491,942
Purchase of fixed assets other than land and building	**556,579**	365,872
Purchase of securities	**123,855**	101,641
Purchase of transport vehicles	**424,208**	322,967
Working capital	**3,566,045**	4,123,317
Other purpose	**1,118,782**	1,089,794
Gross impaired loans	**9,804,681**	10,284,379

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

	The Group	
	2011 **RM'000**	**2010** **RM'000**
Malaysia	**6,058,318**	6,781,354
Indonesia	**1,846,522**	1,687,775
Thailand	**1,442,422**	1,466,154
Singapore	**62,500**	116,176
United Kingdom	**54,025**	48,095
Other countries	**340,894**	184,825
Gross impaired loans	**9,804,681**	10,284,379

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

	The Group	
	2011 **RM'000**	**2010** **RM'000**
At 1 January	**10,284,379**	11,490,890
Classified as impaired during the financial year	**3,973,790**	5,433,418
Reclassified as not impaired during the financial year	**(1,967,542)**	(3,346,847)
Amount written back in respect of recoveries	**(1,380,212)**	(1,446,918)
Arising from deemed disposal of subsidiaries	**(942)**	–
Amount written off	**(1,202,023)**	(1,500,162)
Purchase of impaired loans from third party	**126**	294
Sale of impaired loans	**–**	(145,981)
Exchange fluctuation	**97,105**	(200,315)
At 31 December	**9,804,681**	10,284,379
Ratio of gross impaired loans to gross loans, advances and financing	**5.12%**	6.14%

Notes to the Financial Statements

for the financial year ended 31 December 2011

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group	
	2011 RM'000	2010 RM'000
Individual impairment allowance		
At 1 January	**4,079,367**	4,988,992
Net allowance made during the financial year	**348,005**	157,058
Amount written off	**(339,739)**	(873,331)
Allowance made and charged to deferred assets	**140**	2,431
Amount transferred to portfolio impairment allowance	**(1,970)**	(5,795)
Allowance written off in relation to deemed disposal of subsidiaries	**(942)**	–
Unwinding income	**(73,737)**	(110,843)
Exchange fluctuation	**(22,779)**	(79,145)
At 31 December	**3,988,345**	4,079,367
Portfolio impairment allowance		
At 1 January	**4,262,959**	4,252,946
Net allowance made during the financial year	**539,855**	816,418
Amount transferred from individual impairment allowance	**1,970**	5,795
Amount written off	**(828,307)**	(702,457)
Allowance made/(written back) and charged to deferred assets	**844**	(3,352)
Unwinding income	**(20,293)**	(89,698)
Exchange fluctuation	**7,848**	(16,693)
At 31 December	**3,964,876**	4,262,959
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	**2.55%**	2.87%

9 OTHER ASSETS

		The Group		The Company	
	Notes	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Due from brokers and clients net of allowance for impairment losses of RM18,236,179 (2010: RM15,906,849)	(a)	**1,352,950**	1,250,003	**–**	–
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM64,939,762 (2010: RM60,900,962)	(b)	**2,471,597**	2,976,433	**1,269**	1,487
Due from insurers, brokers and reinsurers		**28,716**	25,476	**–**	–
Option premium receivable		**249,461**	278,032	**–**	–
Deferred assets	(c)	**131,204**	170,961	**–**	–
Foreclosed properties net of allowance for impairment losses of RM57,153,449 (2010: RM72,613,405)		**167,765**	228,785	**–**	–
Collateral pledged for derivative transactions		**745,295**	752,344	**21,915**	8,410
Due from jointly controlled entity	(d)	**1,371,367**	1,671,488	**–**	–
		6,518,355	7,353,522	**23,184**	9,897

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

9 OTHER ASSETS (CONTINUED)

(a) Movements of allowance for impairment losses on amount due from brokers and clients are as follows:

	The Group					
	2011			2010		
	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000	Total RM'000	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000	Total RM'000
At 1 January	**4,821**	**11,086**	**15,907**	5,421	13,318	18,739
Allowance made during the financial year	**2,872**	**128**	**3,000**	763	–	763
Write back during the financial year	**(435)**	**(152)**	**(587)**	(966)	(2,214)	(3,180)
Write off	**(164)**	**–**	**(164)**	(310)	–	(310)
Exchange fluctuation	**80**	**–**	**80**	(87)	(18)	(105)
At 31 December	**7,174**	**11,062**	**18,236**	4,821	11,086	15,907

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

	The Group	
	2011 Individual impairment allowance RM'000	2010 Individual impairment allowance RM'000
At 1 January	**60,901**	194,493
Allowance made during the financial year	**11,668**	23,302
Write back during the financial year	**(5,175)**	(15,248)
Arising from acquisition of a subsidiary	**–**	669
Write off	**(75)**	(158,914)
Exchange fluctuation	**(2,379)**	16,599
At 31 December	**64,940**	60,901

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

	The Group	
	2011 RM'000	2010 RM'000
At 1 January	**170,961**	198,610
Amortisation during the financial year	**(40,741)**	(26,728)
Individual impairment allowance write back/(made)	**984**	(921)
At 31 December	**131,204**	170,961

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

9 OTHER ASSETS (CONTINUED)

(d) With the adoption of FRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's loans, advances and financing as the risks and rewards relating to the cash flows of these hire-purchase receivables have been substantially transferred to PCSB. The de-recognised hire-purchase receivables are regarded as amount due from jointly controlled entity.

10 DEFERRED TAXATION

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

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	**49,998**	15,269	**–**	–
Deferred tax liabilities	**(134,285)**	(12,124)	**(2,122)**	(3,988)
	(84,287)	3,145	**(2,122)**	(3,988)

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

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	**3,145**	292,272	**(3,988)**	3,012
Credited/(charged) to profit or loss (Note 38)				
– loans, advances and financing	**(103,939)**	(415,043)	**–**	–
– unutilised tax losses	**484**	(8,735)	**–**	–
– excess of capital allowance over depreciation	**12,328**	(4,758)	**–**	–
– intangible assets	**15,177**	11,427	**–**	–
– financial investments available-for-sale	**(8,036)**	(641)	**–**	–
– provision for accrued expenses	**(46,005)**	47,490	**–**	–
– (over)/under accrual in prior years	**11,231**	54,048	**22**	231
– other temporary differences	**37,506**	9,127	**1,844**	(1,971)
	(81,254)	(307,085)	**1,866**	(1,740)
Disposal of subsidiaries	**3,488**	–	**–**	–
Transferred to equity				
– revaluation reserve – financial investments available-for-sale	**(9,666)**	17,958	**–**	–
– hedging reserve – cash flow hedge	**–**	–	**–**	(5,260)
At 31 December	**(84,287)**	3,145	**(2,122)**	(3,988)

Notes to the Financial Statements
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10 DEFERRED TAXATION (CONTINUED)

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets (before offsetting)				
Loans, advances and financing	**88,893**	169,410	**–**	–
Financial investments available-for-sale	**–**	45	**–**	–
Unutilised tax losses	**5,889**	5,801	**–**	–
Provision for accrued expenses	**201,757**	233,703	**365**	334
Other temporary differences	**140,095**	162,826	**–**	–
	436,634	571,785	**365**	334
Offsetting	**(386,636)**	(556,516)	**(365)**	(334)
Deferred tax assets (after offsetting)	**49,998**	15,269	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(65,759)**	(75,099)	**(36)**	(7)
Financial investments available-for-sale	**(114,996)**	(93,110)	**–**	–
Intangible assets	**(296,154)**	(357,009)	**–**	–
Other temporary differences	**(44,012)**	(43,422)	**(2,451)**	(4,315)
	(520,921)	(568,640)	**(2,487)**	(4,322)
Offsetting	**386,636**	556,516	**365**	334
Deferred tax liabilities (after offsetting)	**(134,285)**	(12,124)	**(2,122)**	(3,988)

11 STATUTORY DEPOSITS WITH CENTRAL BANKS

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

12 INVESTMENT IN SUBSIDIARIES

	The Company	
	2011 RM'000	2010 RM'000
Ordinary shares	**7,336,383**	7,336,383
Redeemable preference shares	**10,552,853**	8,708,941
Redeemable convertible unsecured loan stocks	**–**	49,442
	17,889,236	16,094,766
Less: Allowance for impairment loss of a subsidiary	**(1,275)**	(1,275)
	17,887,961	16,093,491

Notes to the Financial Statements
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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held 2011 %	2010 %
CIMB Berhad	Investment holding	**100**	100
CIMB Group Sdn Bhd	Investment holding	**99.9**	99.9
Commerce MGI Sdn Bhd	Dormant	**51**	51
Commerce Asset Realty Sdn Bhd	Holding of properties for letting to a related company	**100**	100
iCIMB (MSC) Sdn Bhd	Provision of management and outsourcing services	**100**	100
SBB Berhad	Dormant	**100**	100
CIMB Foundation ∞	Special purpose vehicle	**–**	–
Touch 'n Go Sdn Bhd @	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20

∞ In accordance with IC 112-Consolidation: "Special Purpose Entities", CIMB Foundation is consolidated in the Group as the substance of the relationship between the Company and the special purpose entity indicates that the entity is controlled by the Company

@ The combined interests of these subsidiaries within the Group are more than 51%

The subsidiaries held through CIMB Berhad are:

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMB Berhad 2011 %	Directly by CIMB Berhad 2010 %	Indirectly by the Company 2011 %	Indirectly by the Company 2010 %
CIMB Trustee Berhad @	Trustee services	**20**	20	**100**	100
BHLB Trustee Berhad @	Trustee services	**20**	20	**100**	100

Notes to the **Financial Statements**
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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	**99.9**	99.9	**–**	–
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	**100**	100	**–**	–
PT Bank CIMB Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	**96.9**	96.9	**1.0**	1.0
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	**99.0**	99.0	**1.0**	1.0
CIMB SI Sdn Bhd	Trading in securities and direct principal investments	**100**	100	**–**	–
CIMB SI I Sdn Bhd	Investment holding	**–**	–	**100**	100
CIMB SI II Sdn Bhd	Investment holding	**100**	100	**–**	–
CIMB Private Equity Sdn Bhd	Investment holding	**100**	100	**–**	–
Maju Uni Concept Sdn Bhd	Investment holding	**–**	–	**100**	100
Mutiara Makmur Ventures Sdn Bhd	Investment holding	**–**	–	**100**	100
Semantan Investment Holdings Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**100**	100
Papyrus Capital Sdn Bhd	Investment holding	**–**	–	**100**	100
Armada Investment Holdings Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**84.8**	84.8
CIMB General Partner Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**100**	100
CIMB Securities International Pte Ltd + (Incorporated in the Republic of Singapore)	Investment holding	**100**	100	**–**	–
CIMB Securities (Singapore) Pte Ltd + (Incorporated in the Republic of Singapore)	Stock and sharebroking	**–**	–	**100**	100
CIMB Research Pte Ltd + (Incorporated in the Republic of Singapore)	Investment research	**–**	–	**100**	100

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CIMB Securities (UK) Ltd + (Incorporated in the United Kingdom)	Securities related business	**–**	–	**100**	100
CIMB Securities (USA) Inc # (Incorporated in the United States of America)	Dormant	**–**	–	**100**	100
CIMB Securities (HK) Ltd + (Incorporated in Hong Kong)	Securities broking, dealing and trading	**–**	–	**100**	100
CIMB Securities (HK) Nominees Ltd + (Incorporated in Hong Kong)	Nominee services	**–**	–	**100**	100
PT CIMB Securities Indonesia + (Incorporated in the Republic of Indonesia)	Stockbroking	**–**	–	**100**	100
CIMB-GK Securities (Thailand) Ltd + (Incorporated in the Kingdom of Thailand)	Dormant	**–**	–	**99.9**	99.9
CIMB Real Estate Sdn Bhd	Real estate investment	**100**	100	**–**	–
CIMB-Mapletree Management Sdn Bhd	Real estate fund management	**–**	–	**60**	60
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	**60**	60	**–**	–
CIMB-Principal Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**–**	–	**60**	60
Sathorn Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Asset Management	**–**	–	**99.9**	99.9
CIMB Principal Asset Management (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**–**	–	**60**	60
PT CIMB-Principal Asset Management + (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**–**	–	**60.4**	60.4
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**–**	–	**60**	60

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for the financial year ended 31 December 2011

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2011 %**	**2010 %**	**2011 %**	**2010 %**
i-Wealth Advisors Sdn Bhd	Provision of management services and distribution of products and services	**60**	60	**–**	–
CIMB Strategic Assets Sdn Bhd	Investment holding	**100**	100	**–**	–
Capital Advisors Partners Asia Sdn Bhd	Investment advisory services	**–**	–	**100**	60
Capital Advisors Partners Asia Pte Ltd + (Incorporated in the Republic of Singapore)	Investment advisory services	**–**	–	**100**	60
Capasia South East Asian Strategic Asset Fund (General Partner) Ltd (Incorporated in the Cayman Islands)	Investment advisory services	**–**	–	**60**	60
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**–**	–	**100**	60
CIMB Private Equity Advisors Sdn Bhd	Investment advisory and private equity management	**100**	100	**–**	–
CIG Berhad	Insurance holding company	**100**	100	**–**	–
CIMB Aviva Assurance Berhad ^	Life assurance business	**–**	–	**51**	51
CIMB Aviva Takaful Berhad ^	Takaful business	**–**	–	**51**	51
CIMB Insurance Brokers Sdn Bhd	Insurance broking	**–**	–	**100**	100
PT CIMB Sun Life + (Incorporated in the Republic of Indonesia)	Life assurance business	**–**	–	**51**	51
Commerce Asset Ventures Sdn Bhd ("CAV")	Investment holding company	**100**	100	**–**	–
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	**100**	100	**–**	–
Kibaru Manufacturing Sdn Bhd	Manufacturing of rubber components	**–**	–	**64.1**	64.1
CAV Private Equity Management Sdn Bhd	Providing management and advisory services	**–**	–	**100**	100
Commerce Technology Ventures Sdn Bhd	Investment holding company	**–**	–	**100**	100
VC Prestige Sdn Bhd	Investment holding company	**–**	–	**100**	–
Commerce Agro Ventures Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CAV BAT Sdn Bhd	Investment holding company	**–**	–	**100**	100
Commerce Growth Sdn Bhd	Investment holding company	**–**	–	**100**	100
Prima Special Sdn Bhd *	Investment holding company	**–**	–	**30**	30
Edufuture Sdn Bhd *	Investment holding company	**–**	–	**30**	30
Metro Bumimas Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3
Sedia Fajar Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3
Peranan Dinamik Sdn Bhd*	Investment holding company	**–**	–	**33.3**	33.3
Trace Tracker Malaysia Sdn Bhd &	Provider of traceability services	**–**	–	**9.7**	9.7
Pesat Dinamik Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3
Prima Mahawangsa Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3
Tetap Fajar Sdn Bhd *	Investment holding company	**–**	–	**33.3**	33.3
Vital Remarks Sdn Bhd *	Manufacturing and distribution of halal meat based products	**–**	–	**17**	17
Ekspedisi Yakin Sdn Bhd #	Dormant	**–**	–	**–**	100
Titan Setup Sdn Bhd #	Investment holding company	**–**	–	**100**	100
Commerce-KPF Ventures Sdn Bhd *	Investment holding company	**–**	–	**30**	30
Touch 'n Go Sdn Bhd @	Establishment, operation and management of an electronic collection system for toll and transport operators	**–**	–	**32.2**	32.2
Radiant Direction Sdn Bhd #	Dormant	**–**	–	**–**	100
Quantum Epic Sdn Bhd #	Dormant	**–**	–	**–**	100
Goodmaid Chemical Corporation Sdn Bhd #	Manufacturing of household care products	**–**	–	**99.6**	99.6
Goodmaid Marketing Sdn Bhd #	Trading and marketing of household care products	**–**	–	**100**	100
Goodmaid Industrial Supplies Sdn Bhd #	Trading of industrial chemical products	**–**	–	**100**	100
EQ Industry Supplies Sdn Bhd #	Trading and marketing of industrial chemicals	**–**	–	**100**	100
Itopia Sdn Bhd #@	Provision of telephony infrastructure, products and services	**–**	–	**49**	49

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CIMB Middle East BSC [&+] (Incorporated in the Kingdom of Bahrain)	Islamic investment	**50**	50	**–**	–
CIMB-Trustcapital Advisors Singapore Pte Ltd [#] (Incorporated in the Republic of Singapore)	Real estate management and advisory	**–**	–	**67**	70
CIMB-Trustcapital AOF1 GP Pte Ltd [#] (Incorporated in the Republic of Singapore)	Property fund management (including REIT manager)	**–**	–	**100**	100
CIMB Southeast Asia Research Sdn Bhd (CARI)	Public advocacy through research, publication and events	**100**	–	**–**	–
PT CIMB ASEAN Research [#] (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events	**–**	–	**100**	–

& Deemed a subsidiary by virtue of board control over the company's financial and operating policies
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia
* Effective 4th June 2010, the Group's effective interest in these companies is based on RPS subscribed
@ The combined interests of these subsidiaries within the Group are more than 51%
^ These subsidiaries are now classified as associates

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

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment 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	**–**	–
CIMB Trustee Berhad @	Trustee services	**–**	–	**20**	20
BHLB Trustee Berhad @	Trustee services	**–**	–	**20**	20

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CIMB FactorLease Bhd	Leasing, hire purchase financing, debt factoring, loan management and property management	**100**	100	**–**	–
CIMB Trustee Berhad @	Trustee services	**20**	20	**40**	40
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	**100**	100	**–**	–
Mutiara Aset Berhad (formerly known as Bumiputra-Commerce Finance Bhd)	Dormant	**100**	100	**–**	–
iCIMB (M) Sdn Bhd	Provision of management and outsourcing services	**100**	100	**–**	–

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
CIMB Group Nominees Sdn Bhd	Nominee services	**100**	100	**–**	–
CIMB Group Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**–**	–
CIMB Group Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**–**	–
Semerak Services Sdn Bhd	Service company	**100**	100	**–**	–
BBMB Finance (Hong Kong) Ltd ^^ (Incorporated in Hong Kong)	Dormant	**–**	100	**–**	–
CIMB Islamic Bank Berhad	Islamic banking and related financial services	**100**	100	**–**	–
CIMB Trust Ltd (Incorporated in the Federal Territory of Labuan)	Trustee services	**100**	100	**–**	–
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100
Halyconia Asia Fund Limited (Incorporated in the British Virgin Islands)	Open-ended investment fund	**–**	–	**100**	100
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	**100**	100
CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	**100**	100
CIMB Islamic Nominees (Tempatan) Sdn Bhd (formerly known as Southern Nominees (Tempatan) Sdn Bhd)	Nominee services	**100**	100	**–**	–
CIMB Islamic Nominees (Asing) Sdn Bhd (formerly known as Southern Nominees (Asing) Sdn Bhd)	Nominee services	**100**	100	**–**	–

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2011 %	2010 %	2011 %	2010 %
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	**100**	100	**–**	–
BHLB Properties Sdn Bhd	Property ownership and management	**100**	100	**–**	–
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**–**	–
SBB Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**–**	–
CIMB Nominees (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Nominee services	**100**	100	**–**	–
SBB Capital Corporation	Special purpose vehicle	**100**	100	**–**	–
SFB Auto Berhad	Dormant	**100**	100	**–**	–
Premier Fidelity Berhad	Dormant	**100**	100	**–**	–
CIMB Bank PLC + (Incorporated in Cambodia)	Commercial banking and related financial services	**100**	100	**–**	–
Perdana Visi Hartanah Sdn Bhd	Property investment	**100**	100	**–**	–
SBB Capital Markets Sdn Bhd	Investment holding	**100**	100	**–**	–
BHLB Trustee Berhad @	Trustee services	**20**	20	**40**	40
S.B. Properties Sdn Bhd	Property ownership and management	**100**	100	**–**	–
SFB Development Sdn Bhd	Property investment	**100**	100	**–**	–
Seal Line Trading Sdn Bhd ^^	Property investment	**–**	–	**–**	100
SIBB Berhad	Dormant	**80**	80	**–**	–
Perdana Nominees (Tempatan) Sdn Bhd	Nominee services	**–**	–	**80**	80
Commerce Returns Berhad ∞	Special purpose vehicle	**–**	–	**–**	–
CIMB Thai Bank Public Company Limited + (Incorporated in the Kingdom of Thailand)	Banking	**93.2**	93.2	**–**	–

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 2011 %	2010 %
PT CIMB Niaga Auto Finance + (Incorporated in the Republic of Indonesia)	Financing services	**99.9**	99.9
PT Kencana Internusa Artha Finance + (Incorporated in the Republic of Indonesia)	Financing services	**51**	51

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

Name of Subsidiary	Principal activities	Percentage of equity held 2011 %	2010 %
CIMB Securities (Thailand) Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Stock and share broking	**99.9**	99.9
CT Coll Co., Ltd (formerly known as BT Business Consulting Co., Ltd.) + (Incorporated in the Kingdom of Thailand)	Consultancy services	**99.9**	99.9
Centre Auto Lease Co., Ltd (formerly known as BT Leasing Co., Ltd.) + (Incorporated in the Kingdom of Thailand)	Leasing/hire purchase	**99**	99
Worldlease Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**75**	75

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

∞ In accordance with IC 112-Consolidation: "Special Purpose Entities", Commerce Returns Berhad is consolidated in the Group as the substance of the relationship between CIMB Bank and the special purpose entity indicates that the entity is controlled by CIMB Bank

@ The combined interests of these subsidiaries are more than 51%

^^ Strike off during the financial year

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

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13 INVESTMENT IN ASSOCIATES

	The Group	
	2011 RM'000	2010 RM'000
Costs of investment	**1,169,387**	508,807

CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad
Due to the realignment of the Board of Directors in CIMB Aviva Assurance Berhad ("CAAB") and CIMB Aviva Takaful Berhad ("CATB"), the Group has lost control over these subsidiaries with effect from 1 January 2011, without a change to the Group's existing 51% equity interest held in CAAB and CATB. Consequent thereto, CAAB and CATB have ceased to be subsidiaries and have been accounted for as associates of the Group. The financial results of the insurance companies are now equity accounted for in the financial statements of the Group for the financial year ended 31 December 2011.

	The Company	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	**3,834**	3,834

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

	2011 RM'000	2010 RM'000
Income	**316,420**	237,822
Expenses	**(145,902)**	(123,179)
Allowance for losses on loans and advances	**(4,518)**	(6,625)
Allowance written back/(made) for impairment losses	**825**	(450)
Profit before taxation	**166,825**	107,568
Taxation	**(32,670)**	(20,877)
Profit after taxation	**134,155**	86,691
Non-controlling interests	**(117)**	(71)
	134,038	86,620

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

	2011 RM'000	2010 RM'000
Total assets	**6,947,205**	4,550,536
Total liabilities	**(6,091,558)**	(4,109,590)
Net assets	**855,647**	440,946

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

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The direct associate of the Company is:

Name of Associate	Principal activities	Percentage of equity held 2011 %	2010 %
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20

The associates held through CAV are:

Name of Associate	Principal activities	Percentage of equity held 2011 %	2010 %
IHS Innovations Sdn Bhd	Provider and consultant specialising in reliability testing systems, vision and imaging systems	**20**	20
Evermal Resources Sdn Bhd	Investment holding company	**20.5**	20.5
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	**–**	16.1

The associate held through CAV's subsidiary, Ekspedisi Yakin Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2011 %	2010 %
Opera Café Sdn Bhd	Leisure and entertainment services	**–**	49

The associates held through CAV's subsidiary, Commerce-KPF are:

Name of Associate	Principal activities	Percentage of equity held 2011 %	2010 %
In-fusion Solutions Sdn Bhd @	Provision of educational and training related solutions and services to various government bodies and private institutions	**6**	6
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	**–**	3.1
Delphax Sdn Bhd @	Manufacturer of reconstructive & spinal implants, trauma & related orthopaedic surgical products	**7.0**	7.0

Notes to the Financial Statements
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13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associate held through CAV's subsidiary, Commerce Agro Ventures Sdn Bhd is:

		Percentage of equity held	
Name of Associate	**Principal activities**	**2011 %**	**2010 %**
Landas Bina Aquaventures Sdn Bhd @	Aquaculture	**13.3**	13.3
Kejmukda Co. Ltd @	Investment holding company	**16.3**	–

The associates held through CAV's subsidiary, Commerce Technology Ventures Sdn Bhd are:

		Percentage of equity held	
Name of Associate	**Principal activities**	**2011 %**	**2010 %**
Sesama Equilab Sdn Bhd	Dormant	**29**	29
Consolidated Liquid Eggs Sdn Bhd	Dormant	**30**	30
Explorium (M) Sdn Bhd	Provider for customer and marketing management services, e-learning and brand experience	**30**	30
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	**20.3**	20.3
CMnet DotCom Sdn Bhd	Dormant	**36.5**	36.5

The associates held through CIMB Bank are:

		Percentage of equity held	
Name of Associate	**Principal activities**	**2011 %**	**2010 %**
Bank of Yingkou Co. Ltd (Incorporated in the Peoples Republic of China)	Banking	**20**	20
The South East Asian Strategic Assets Fund (Incorporated in the Cayman Islands)	Invest in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	**31.9**	31.9
SEASAF Power Sdn Bhd	Investment holding	**31.9**	31.9
SEASAF Highway Sdn Bhd	Investment holding	**31.9**	31.9
SEASAF Education Sdn Bhd	Investment holding	**31.9**	31.9
SEASAF Sdn Bhd	Investment holding	**31.9**	31.9
SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	**31.9**	31.9

Notes to the **Financial Statements**

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13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associate held through CIMBG's subsidiary, CIMB SI I Sdn Bhd is:

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
Engage Media Sdn Bhd	Operates out of home digital media network	**35**	35

The associate held through CIMBG's subsidiary, CIMB SI II Sdn Bhd is:

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
Tune Money Sdn Bhd	Online financial services	**25**	25

The associate held through CIMBG's subsidiary, CIG is:

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
CIMB Aviva Assurance Berhad ^	Life assurance business	**51**	51
CIMB Aviva Takaful Berhad ^	Takaful Business	**51**	51

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

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
CIMB Private Equity 1 Sdn Bhd	Investment holding	**28.2**	28.2
Ekuiti Erasama Sdn Bhd @	Investment holding	**19.7**	19.7
Bigbite Ventures Sdn Bhd	Investment holding	**20.1**	20.1
Big Ship Sdn Bhd	Investment management company	**20.1**	20.1
Eagle Eye Capital Sdn Bhd @	Investment holding	**14.1**	14.1
Silverbell Capital Sdn Bhd	Investment holding	**28.2**	28.2
Silverbell Investment Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	**28.2**	28.2
Mezzanine Holdings Sdn Bhd @	Investment holding	**18.5**	18.5
Top Sigma Sdn Bhd	Investment holding	**20.1**	20.1

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

13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
CMREF 1 Sdn Bhd	Investment holding	**24.9**	24.9
Eleven Section Sixteen Sdn Bhd	Property investment and management	**24.9**	24.9
Dynamic Concept One Sdn Bhd	Property investment	**24.9**	24.9
Jaya Section Fourteen Sdn Bhd	Property investment and management	**24.9**	24.9
Project Asia City Sdn Bhd	Property investment and management	**24.9**	24.9
Forward Wealth Advisors Sdn Bhd	Property management services	**24.9**	24.9
Sentral Parc City Sdn Bhd	Property investment	**24.9**	24.9
Lot A Sentral Sdn Bhd @	Property investment	**14.9**	14.9

The associates held through PT Bank CIMB Niaga Tbk is:

		Percentage of equity held	
Name of Associate	Principal activities	2011 %	2010 %
Asuransi Cigna (Incorporated in the Republic of Indonesia)	Life insurance activities	**–**	20

@ The combined interests of these associates within the Group are more than 20%

^ These are associates of the Group in 2011

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

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011 RM'000	2010 RM'000
Share of net assets of jointly controlled entities	**188,479**	171,486
Unquoted shares, at cost	**156,636**	156,636
Accumulated share of results	**31,843**	14,850
	188,479	171,486

The jointly controlled entities, which are incorporated in Malaysia and held under CIMB Group are as follows:

		Percentage of equity held through subsidiary company	
Name	Principal activities	2011 %	2010 %
Proton Commerce Sdn Bhd	Financing of vehicles	**50**	50
Alam-PE Holdings (L) Inc (Incorporated in the Federal Territory of Labuan)	Owning and chartering offshore supply vessels	**51**	51
CIMB-Principal Islamic Asset Management Sdn Bhd	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	**50**	50
Hasrat Eramas Sdn Bhd	Investment holding	**60**	60

Notes to the Financial Statements
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14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Proton Commerce Sdn Bhd

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

Alam-PE Holdings (L) Inc

CIMB Private Equity Sdn Bhd ("PE") entered into a joint venture agreement with Alam Maritim Resources Berhad ("AMRB") and set up a joint venture company, incorporated under the name of Alam-PE Holdings (L) Inc. ("Alam-PE"), which is 51%:49% owned by Armada Investment Holding Ltd and AMRB respectively. The investment is made via an investment holding company, Armada Investment Holding Ltd, a subsidiary of PE with 84.8% equity interest.

CIMB-Principal Islamic Asset Management Sdn Bhd

Following the disposal of 50% equity interest in CIMB-Principal Islamic Asset Management Sdn Bhd ("CPIAM") by CIMB-Principal Asset Management Berhad during the previous financial year, the Group via CIMB Group Sdn Bhd owns 50% equity interest in CPIAM and is treated as a jointly controlled entity.

Hasrat Eramas Sdn Bhd

PE entered into a joint venture agreement with Koperasi Permodalan Felda Berhad ("KPFB") and set up a jointly controlled entity, Hasrat Eramas Sdn Bhd ("HESB"), with 60% shareholding of the issued ordinary shares of HESB. HESB is an investment holding company and is funded primarily by the issuance of redeemable preference shares ("RPS"), of which none is held by PE. The investment is classified as investment in jointly controlled entity instead of a subsidiary due to shared control of operating decisions between PE and KPFB.

The Group's share of income and expenses of the jointly controlled entities are as follows:

	2011 RM'000	2010 RM'000
Income	**81,818**	65,624
Expenses	**(62,206)**	(52,174)
Profit before taxation	**19,612**	13,450
Taxation	**(2,619)**	(3,902)
Net profit for the financial year	**16,993**	9,548

The Group's share of the assets and liabilities of the jointly controlled entities other than those that are held in trust by CIMB Bank are as follows:

	2011 RM'000	2010 RM'000
Non-current assets	**289,389**	346,881
Current assets	**171,451**	142,088
Current liabilities	**(124,211)**	(112,712)
Long term liabilities	**(148,150)**	(204,771)
Net assets	**188,479**	171,486

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for the financial year ended 31 December 2011

15 PROPERTY, PLANT AND EQUIPMENT

The Group 2011	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January		86,357	35,113	1,804	430,589	111,366	318,104	1,572,413	839,827	62,684	129,792	17,380	14,774	3,620,203
Additions		17,376	–	–	–	–	20,880	252,494	100,160	1,184	36,986	1,361	23,850	454,291
Disposals/written off		(1,594)	(601)	–	(31,920)	(3,157)	(11,168)	(15,590)	(17,208)	(240)	(18,967)	(298)	(417)	(101,160)
Transfer/reclassifications		–	–	–	–	–	–	9,274	3,919	(477)	–	–	(12,716)	–
Deemed disposal of subsidiaries		(8,544)	–	–	(8,044)	(7,648)	–	(8,636)	(66,116)	(37)	(1,748)	–	(5,499)	(106,272)
Reclassified to intangible assets	19	–	–	–	–	–	–	(477)	(1,676)	–	–	–	–	(2,153)
Reclassified to investment properties	16	–	–	–	–	(539)	–	–	–	–	–	–	–	(539)
Reclassified to non-current assets held for sale		(7,400)	–	–	(5,516)	(135)	(832)	–	–	–	–	–	–	(13,883)
Exchange fluctuation		1,255	–	–	(4,018)	447	3,662	8,503	(1,362)	103	51	–	12	8,653
At 31 December		87,450	34,512	1,804	381,091	100,334	330,646	1,817,981	857,544	63,217	146,114	18,443	20,004	3,859,140
Accumulated depreciation and impairment loss														
At 1 January		9,639	8,802	956	128,535	47,583	213,871	1,012,488	629,416	50,142	64,022	11,858	(57)	2,177,255
Charge for the financial year		–	825	22	5,484	2,539	20,826	180,238	94,732	5,247	21,122	1,170	–	332,205
Disposals/written off		(633)	(406)	–	(9,042)	(941)	(10,199)	(11,410)	(10,749)	(205)	(15,725)	(279)	–	(59,589)
Transfer/reclassifications		–	–	–	–	–	–	–	–	–	–	–	–	–
Deemed disposal of subsidiaries		–	–	–	(1,742)	(3,566)	–	(3,372)	(42,824)	–	(1,672)	–	(13)	(53,189)
Reclassified to investment properties	16	–	–	–	–	(327)	–	–	–	–	–	–	–	(327)
Reclassified to non-current asset held for sale		–	–	–	(1,521)	(82)	(112)	–	–	–	–	–	–	(1,715)
Exchange fluctuation		(176)	–	–	(1,840)	75	2,600	6,257	(920)	47	57	–	–	6,100
At 31 December		8,830	9,221	978	119,874	45,281	226,986	1,184,201	669,655	55,231	67,804	12,749	(70)	2,400,740
Net book value at 31 December 2011		78,620	25,291	826	261,217	55,053	103,660	633,780	187,889	7,986	78,310	5,694	20,074	1,458,400

Notes to the **Financial Statements**

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2010	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January		112,207	42,156	3,115	424,922	116,380	323,828	1,513,939	738,724	62,110	101,445	16,650	9,903	3,465,379
Additions		4,708	–	–	1,541	88	10,465	164,219	106,117	1,906	45,075	1,949	12,324	348,392
Arising from acquisition of subsidiaries	49	–	–	–	–	–	–	16,221	2,592	–	369	–	3,717	22,899
Disposals/written off		(21,445)	(7,043)	(1,205)	(4,781)	(2,287)	(559)	(59,933)	(18,097)	(881)	(16,857)	(1,219)	(9,137)	(143,444)
Transfer/reclassifications		–	–	–	–	–	–	(11,752)	13,750	–	(4)	–	(1,994)	–
Reclassified to intangible assets	19	–	–	–	12,368	–	–	(15,073)	(1,638)	–	–	–	–	(4,343)
Reclassified from prepaid lease payments	17	–	–	–	–	–	940	–	–	–	–	–	–	940
Reclassified to non-current assets held for sale		–	–	–	–	–	(784)	–	–	–	–	–	–	(784)
Exchange fluctuation		(9,113)	–	(106)	(3,461)	(2,815)	(15,786)	(35,208)	(1,621)	(451)	(236)	–	(39)	(68,836)
At 31 December		86,357	35,113	1,804	430,589	111,366	318,104	1,572,413	839,827	62,684	129,792	17,380	14,774	3,620,203
Accumulated depreciation and impairment loss														
At 1 January		9,008	10,615	1,906	122,985	46,406	204,913	890,639	531,140	44,281	60,359	11,368	(57)	1,933,563
Charge for the financial year		–	891	26	8,696	2,519	20,835	184,922	102,382	6,518	17,243	1,363	–	345,395
Arising from acquisition of subsidiaries	49	–	–	–	–	–	–	15,569	2,041	–	335	–	–	17,945
Disposals/written off		–	(2,704)	(903)	(2,826)	(952)	(596)	(34,104)	(13,449)	(521)	(13,892)	(873)	–	(70,820)
Transfer/reclassifications		–	–	–	–	–	–	(8,369)	8,373	–	(4)	–	–	–
Impairment charged for the financial year		633	–	–	191	–	–	–	–	–	–	–	–	824
Reclassified to intangible assets	19	–	–	–	–	–	–	(11,947)	–	–	–	–	–	(11,947)
Reclassified from prepaid lease payments	17	–	–	–	–	–	9	–	–	–	–	–	–	9
Reclassified to non-current asset held for sale		–	–	–	–	–	(427)	–	–	–	–	–	–	(427)
Exchange fluctuation		(2)	–	(73)	(511)	(390)	(10,863)	(24,222)	(1,071)	(136)	(19)	–	–	(37,287)
At 31 December		9,639	8,802	956	128,535	47,583	213,871	1,012,488	629,416	50,142	64,022	11,858	(57)	2,177,255
Net book value at 31 December 2010		76,718	26,311	848	302,054	63,783	104,233	559,925	210,411	12,542	65,770	5,522	14,831	1,442,948

Notes to the **Financial Statements**
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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
2011									
Cost									
At 1 January	**6,792**	**31**	**45,687**	**3,420**	**202**	**2,635**	**39**	**634**	**59,440**
Additions	**–**	**–**	**–**	**2,037**	**9**	**–**	**158**	**–**	**2,204**
Disposals	**–**	**–**	**–**	**(45)**	**(50)**	**–**	**(24)**	**(634)**	**(753)**
At 31 December	**6,792**	**31**	**45,687**	**5,412**	**161**	**2,635**	**173**	**–**	**60,891**
Accumulated depreciation									
At 1 January	**2,592**	**31**	**20,795**	**1,614**	**187**	**1,744**	**6**	**–**	**26,969**
Charge for the financial year	**168**	**–**	**1,469**	**619**	**13**	**79**	**17**	**–**	**2,365**
Disposals	**–**	**–**	**–**	**(41)**	**(4)**	**–**	**(5)**	**–**	**(50)**
At 31 December	**2,760**	**31**	**22,264**	**2,192**	**196**	**1,823**	**18**	**–**	**29,284**
Net book value at 31 December 2011	**4,032**	**–**	**23,423**	**3,220**	**(35)**	**812**	**155**	**–**	**31,607**
2010									
Cost									
At 1 January	6,792	31	45,687	3,220	654	2,072	–	–	58,456
Additions	–	–	–	1,062	–	563	39	634	2,298
Disposals	–	–	–	(862)	(452)	–	–	–	(1,314)
At 31 December	6,792	31	45,687	3,420	202	2,635	39	634	59,440
Accumulated depreciation									
At 1 January	2,434	31	19,438	1,523	619	1,486	–	–	25,531
Charge for the financial year	158	–	1,357	336	21	258	6	–	2,136
Disposals	–	–	–	(245)	(453)	–	–	–	(698)
At 31 December	2,592	31	20,795	1,614	187	1,744	6	–	26,969
Net book value at 31 December 2010	4,200	–	24,892	1,806	15	891	33	634	32,471

Notes to the **Financial Statements**
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16 INVESTMENT PROPERTIES

The Group	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2011						
At 1 January		**905**	**4,554**	**2,900**	**52,857**	**61,216**
Additions		**–**	**1,200**	**–**	**–**	**1,200**
Reclassification		**(79)**	**79**	**–**	**–**	**–**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**212**	**212**
Reclassified to prepaid lease payment	17	**–**	**–**	**(689)**	**–**	**(689)**
Reclassified to non-current assets held for sale	51	**(389)**	**(1,111)**	**–**	**(771)**	**(2,271)**
Fair value adjustments		**–**	**–**	**–**	**(52,858)**	**(52,858)**
Exchange fluctuation		**–**	**1,200**	**–**	**643**	**1,843**
At 31 December		**437**	**5,922**	**2,211**	**83**	**8,653**
2010						
At 1 January		15,975	4,617	52,800	46,957	120,349
Disposals		(14,842)	(500)	–	–	(15,342)
Reclassification		(228)	228	–	–	–
Reclassified to non-current assets held for sale	51	–	–	(46,804)	–	(46,804)
Fair value adjustments		–	–	2,073	6,559	8,632
Exchange fluctuation		–	209	(5,169)	(659)	(5,619)
At 31 December		905	4,554	2,900	52,857	61,216

Notes to the **Financial Statements**
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16 INVESTMENT PROPERTIES (CONTINUED)

The Company	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2011			
Cost			
At 1 January	**1,708**	**4,149**	**5,857**
Disposals	**(1,473)**	**(3,588)**	**(5,061)**
At 31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**1,517**	**1,517**
Charge for the financial year	**–**	**110**	**110**
Disposals	**–**	**(1,358)**	**(1,358)**
At 31 December	**–**	**269**	**269**
Accumulated impairment loss			
At 1 January	**633**	**191**	**824**
Disposals	**(633)**	**(191)**	**(824)**
At 31 December	**–**	**–**	**–**
Net book value at 31 December 2011	**235**	**292**	**527**
2010			
Cost			
At 1 January/31 December	1,708	4,149	5,857
Accumulated depreciation			
At 1 January	–	1,392	1,392
Charge for the financial year	–	125	125
At 31 December	–	1,517	1,517
Accumulated impairment loss			
At 1 January	–	–	–
Impaired during the financial year	633	191	824
At 31 December	633	191	824
Net book value at 31 December 2010	1,075	2,441	3,516

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

	The Group	
	2011 RM'000	2010 RM'000
Rental income	**559**	1,703
Operating expenses arising from investment properties that generated the rental income	**–**	(163)

Notes to the Financial Statements
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17 PREPAID LEASE PAYMENTS

The Group 2011	Note	Leasehold land less than 50 years RM'000	Total RM'000
Cost			
At 1 January		**289,364**	**289,364**
Reclassified to non-current assets held for sale	51	**(693)**	**(693)**
Reclassified from investment properties	16	**689**	**689**
Disposals/write-off		**(58)**	**(58)**
Exchange fluctuation		**(109)**	**(109)**
At 31 December		**289,193**	**289,193**
Amortisation and impairment loss			
At 1 January		**103,822**	**103,822**
Amortisation during the financial year		**14,910**	**14,910**
Disposals/write-off		**(34)**	**(34)**
Reclassified to non-current assets held for sale	51	**(2)**	**(2)**
Exchange fluctuation		**(67)**	**(67)**
At 31 December		**118,629**	**118,629**
Net book value at 31 December 2011		**170,564**	**170,564**

The Group 2010	Note	Leasehold land less than 50 years RM'000	Total RM'000
Cost			
At 1 January		291,120	291,120
Disposals/write-off		(823)	(823)
Reclassified to property, plant and equipment	15	(940)	(940)
Exchange fluctuation		7	7
At 31 December		289,364	289,364
Amortisation and impairment loss			
At 1 January		43,946	43,946
Amortisation during the financial year		60,483	60,483
Disposals/write-off		(601)	(601)
Reclassified to property, plant and equipment	15	(9)	(9)
Exchange fluctuation		3	3
At 31 December		103,822	103,822
Net book value at 31 December 2010		185,542	185,542

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

17 PREPAID LEASE PAYMENTS (CONTINUED)

Future amortisation of prepaid land lease is as follows:

The Group	2011 Leasehold land less than 50 years RM'000	2010 Leasehold land less than 50 years RM'000
– Not later than one year	**14,910**	14,466
– Later than one year and not later than five years	**59,642**	57,865
– More than five years	**96,012**	113,211
	170,564	185,542

18 GOODWILL

	Note	The Group 2011 RM'000	The Group 2010 RM'000
Cost			
At 1 January			
– as previously reported		**8,195,692**	7,705,392
– arising from fair value adjustments on the completion of initial accounting of additional interest in Touch 'n Go ("TnG")	52(ii)(a)(i)	**(8,037)**	–
As restated		**8,187,655**	7,705,392
Goodwill arising from business combinations:		**–**	51,082
– Acquisition of additional interest in subsidiary – TnG		**–**	59,119
– Arising from fair value adjustments on the completion of initial accounting of additional interest in TnG	52(ii)	**–**	(8,037)
Acquisition of additional interest in PT Bank CIMB Niaga Tbk		**–**	573,939
Deconsolidation of CAV subsidiary		**–**	(9,535)
Deemed disposal of insurance subsidiaries	46(a)	**(26,549)**	–
Exchange fluctuation		**117,606**	(133,223)
At 31 December		**8,278,712**	8,187,655

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

18 GOODWILL

	Note	The Group 2011 RM'000	The Group 2010 RM'000
Impairment			
At 1 January		**(36,223)**	(10,739)
Impairment charge during the financial year		**–**	(25,484)
At 31 December		**(36,223)**	(36,223)
Net book value at 31 December		**8,242,489**	8,151,432

Allocation of goodwill to cash-generating-units

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

Acquisition	CGU	2011 RM'000	2010 RM'000
CIMB Investment Bank Berhad	Corporate and Investment Banking	**21,547**	21,547
CIMB Securities International Pte Ltd	Corporate and Investment Banking	**153,081**	153,081
CIMB SI Sdn Bhd	Corporate and Investment Banking	**19,246**	19,246
Commerce Asset Ventures Sdn Bhd	Asset Management	**10,242**	10,242
Insurance entities	Insurance	**1,500**	28,049
PT Bank CIMB Niaga Tbk	Foreign Banking Operations	**2,578,349**	2,578,349
SBB Berhad	Retail Banking	**1,101,075**	1,101,075
	Business Banking	**911,000**	911,000
	Corporate and Investment Banking	**419,000**	419,000
	Islamic Banking	**136,000**	136,000
	Direct Banking Group	**587,000**	587,000
	Treasury	**537,000**	537,000
CIMB-Principal Asset	Asset Management	**281,772**	281,772
CIMB Thai Bank Public Company Limited	Foreign Banking Operations	**1,199,277**	1,199,277
Touch 'n Go Sdn Bhd	Others	**51,082**	51,082
Exchange fluctuation		**235,318**	117,712
		8,242,489	8,151,432

Notes to the **Financial Statements**
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18 GOODWILL (CONTINUED)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2012 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

The estimated growth rates and discount rates used for value-in-use calculations are as follows:

	2011		2010	
	Growth rate	Discount rate	Growth rate	Discount rate
Corporate and Investment Banking	**2.00%-5.00%**	**6.54%-12.24%**	2.00% – 5.00%	7.12% – 19.23%
Asset Management	**5.00%**	**8.72%**	3.00% – 5.00%	8.89%
Consumer Banking	**5.00%**	**8.72%**	5.00%	8.89%
Treasury and Investment	**5.00%**	**8.72%**	5.00%	8.89%
Foreign banking operation	**2.00%**	**12.33%-12.82%**	2.00%	10.43%-11.59%
Others	**2.00-5.00%**	**8.72%**	4.20% – 5.00%	8.89%

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 current financial year. (2010: Impairment charge of RM25.5 million from Asset Management).

19 INTANGIBLE ASSETS

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Mutual fund license* RM'000	Insurance broker license* RM'000	Total RM'000
2011								
Cost								
At 1 January								
– As previously reported		**211,795**	**1,348,558**	**29,685**	**855,503**	**1,906**	**899**	**2,448,346**
– Arising from fair value adjustments on the completion of initial accounting for acquisition of additional interest in Touch 'n Go	52(ii)(a)(i)	**–**	**–**	**–**	**8,037**	**–**	**–**	**8,037**
As restated		**211,795**	**1,348,558**	**29,685**	**863,540**	**1,906**	**899**	**2,456,383**
Additions during the financial year		**–**	**–**	**–**	**308,056**	**–**	**–**	**308,056**
Disposals during the financial year		**–**	**–**	**–**	**(7,037)**	**–**	**–**	**(7,037)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**2,153**	**–**	**–**	**2,153**
Deemed disposal of subsidiaries		**–**	**–**	**–**	**(13,929)**	**–**	**–**	**(13,929)**
Exchange fluctuation		**–**	**–**	**1,254**	**(1,960)**	**101**	**–**	**(605)**
At 31 December		**211,795**	**1,348,558**	**30,939**	**1,150,823**	**2,007**	**899**	**2,745,021**

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19 INTANGIBLE ASSETS (CONTINUED)

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Mutual fund license* RM'000	Insurance broker license* RM'000	Total RM'000
Accumulated amortisation and impairment								
At 1 January		**80,283**	**316,874**	**29,534**	**478,329**	**31**	**–**	**905,051**
Amortisation during the financial year		**21,141**	**110,641**	**–**	**110,099**	**298**	**–**	**242,179**
Impairment during the financial year		**–**	**–**	**–**	**(1,916)**	**–**	**–**	**(1,916)**
Disposals during the financial year		**–**	**–**	**–**	**(5,134)**	**–**	**–**	**(5,134)**
Deemed disposal of subsidiaries		**–**	**–**	**–**	**(7,626)**	**–**	**–**	**(7,626)**
Exchange fluctuation		**–**	**–**	**1,254**	**(986)**	**320**	**–**	**588**
At 31 December		**101,424**	**427,515**	**30,788**	**572,766**	**649**	**–**	**1,133,142**
Net book value at 31 December 2011		**110,371**	**921,043**	**151**	**578,057**	**1,358**	**899**	**1,611,879**
2010								
Cost								
At 1 January		211,795	1,348,558	30,935	720,989	2,025	899	2,315,201
Arising from fair value adjustements on the completion of additional acquisition of additional interest in subsidiary	49	–	–	–	8,037	–	–	8,037
Arising from acquisition of a subsidiary	49	–	–	–	19,141	–	–	19,141
Additions during the financial year		–	–	–	168,250	–	–	168,250
Disposals during the financial year		–	–	–	(57,170)	–	–	(57,170)
Reclassified from property, plant and equipment	15	–	–	–	4,343	–	–	4,343
Exchange fluctuation		–	–	(1,250)	(50)	(119)	–	(1,419)
At 31 December		211,795	1,348,558	29,685	863,540	1,906	899	2,456,383
Accumulated amortisation and impairment								
At 1 January		50,739	165,831	30,783	399,969	95	–	647,417
Arising from acquisition of a subsidiary	49	–	–	–	14,252	–	–	14,252
Amortisation during the financial year		29,544	151,043	–	90,921	–	–	271,508
Disposals during the financial year		–	–	–	(38,875)	–	–	(38,875)
Reclassified from property, plant and equipment	15	–	–	–	11,947	–	–	11,947
Exchange fluctuation		–	–	(1,249)	115	(64)	–	(1,198)
At 31 December		80,283	316,874	29,534	478,329	31	–	905,051
Net book value at 31 December 2010		131,512	1,031,684	151	385,211	1,875	899	1,551,332

* Mutual fund license and insurance broker license are not amortised as they have an infinite life. They are assessed for impairment on an annual basis.

The above intangible assets include software under construction at cost of RM429,321,508 (2010: RM246,949,720).

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

19 INTANGIBLE ASSETS (CONTINUED)

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

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

The remaining amortisation period of the intangible assets with finite life is as follows:

Customer relationships:	
– credit card	6.5 years
– revolving credit	1 – 2 years
– overdraft	3 – 4 years
– trade finance	2 years
Core deposits	2.5 – 17 years
Computer software	3 – 15 years

20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2011 RM'000	2010 RM'000
Demand deposits	**51,191,447**	43,982,722
Savings deposits	**25,380,012**	22,242,066
Fixed deposits	**98,439,974**	90,291,236
Negotiable instruments of deposit	**3,017,584**	1,545,997
Others	**43,904,125**	41,783,643
	221,933,142	199,845,664

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

	The Group	
	2011 RM'000	2010 RM'000
Due within six months	**87,378,439**	77,723,485
Six months to one year	**10,628,247**	10,887,119
One year to three years	**1,455,173**	1,281,316
Three years to five years	**1,583,660**	1,677,355
More than five years	**412,039**	267,958
	101,457,558	91,837,233

Notes to the Financial Statements

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20 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customer

	The Group	
	2011 RM'000	**2010 RM'000**
Government and statutory bodies	**12,579,786**	14,123,891
Business enterprises	**102,071,661**	95,496,601
Individuals	**84,078,467**	70,213,582
Others	**23,203,228**	20,011,590
	221,933,142	199,845,664

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2011 RM'000	**2010 RM'000**
Licensed banks	**8,549,707**	7,241,711
Licensed finance companies	**129,555**	145,025
Licensed investment banks	**200,041**	529,845
Bank Negara Malaysia	**372,677**	1,598,400
Other financial institutions	**3,712,329**	3,577,176
	12,964,309	13,092,157

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM70,000,000 (2010: RM1,025,300,000) using interest rate swaps.

	The Group	
	2011 RM'000	**2010 RM'000**
Negotiable instruments of deposit	**70,000**	1,025,300
Fair value changes arising from fair value hedges	**721**	(13,613)
	70,721	1,011,687

The fair value gain of the interest rate swaps in this hedge transaction as at 31 December 2011 was RM3,577,351 (2010: fair value loss of RM13,843,746).

Notes to the **Financial Statements**
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22 OTHER LIABILITIES

		The Group		The Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Due to brokers and clients		**1,732,776**	1,381,307	**–**	–
Expenditure payable		**1,534,593**	1,788,075	**–**	–
Provision for legal claims		**128,254**	138,319	**–**	–
Sundry creditors		**981,769**	900,913	**3,188**	1,463
Insurance fund – life and takaful insurance business		**45,397**	998,019	**–**	–
Insurance fund – general insurance business	(a)	**–**	541,062	**–**	–
Allowance for commitments and contingencies	(b)	**33,061**	88,631	**–**	–
Post employment benefit obligations	23	**282,427**	271,273	**54**	52
Credit card expenditure payable		**125,537**	221,237	**–**	–
Call deposit borrowing		**402,705**	281,833	**–**	–
Others		**1,561,291**	2,013,999	**–**	–
		6,827,810	8,624,668	**3,242**	1,515

(a) Insurance fund – general insurance business

	The Group	
	2011 RM'000	2010 RM'000
Participants' fund	**–**	226,840
Investment-linked fund	**–**	250,397
Surplus	**–**	(18,562)
Provision for outstanding claims	**–**	54,915
Unearned premium reserve	**–**	27,472
	–	541,062

With effect from 1 January 2011, CATB is now equity accounted for (see note 46 (a) to financial statements). As such, the insurance fund – general insurance business as at financial year ended 31 December 2011 is RM Nil.

(b) The movements in the allowance for commitments and contingencies are as follows:

	The Group	
	2011 RM'000	2010 RM'000
At 1 January	**88,631**	72,716
Allowance (written back)/made during the financial year	**(55,435)**	20,900
Payment made during the financial year	**(477)**	–
Exchange fluctuation	**342**	(4,985)
At 31 December	**33,061**	88,631

Notes to the **Financial Statements**
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23 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group		The Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Defined contribution plan – EPF	(a)	**19,118**	15,754	**–**	52
Defined benefit plans	(b)	**263,309**	255,519	**–**	–
		282,427	271,273	**–**	52

(a) Defined contribution plan

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

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Malaysia, Indonesia, Thailand and Singapore, the assets of which are held in separate trustee-administered funds. The latest actuarial valuations of the plans in Indonesia, Thailand and Singapore were carried out as at 31 December 2011.

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

	The Group	
	2011 RM'000	2010 RM'000
Present value of funded obligations	**544,838**	538,526
Fair value of plan assets	**(301,522)**	(398,838)
Status of funded plan	**243,316**	139,688
Present value of unfunded obligations	**66,138**	96,930
Unrecognised actuarial losses	**(45,464)**	(21,477)
Unrecognised past service costs	**(681)**	40,378
Liability	**263,309**	255,519

The amount recognised in the statement of income in respect of defined benefit plans is as follows:

	The Group	
	2011 RM'000	2010 RM'000
Current service costs	**38,325**	36,601
Interest costs	**39,637**	48,308
Expected return on plan assets	**(32,616)**	(34,102)
Net actuarial losses recognised during the year	**1,951**	(510)
Past service costs	**5,139**	523
Curtailment gain of unrecognised loss	**(5,046)**	(15,862)
Termination	**(269)**	(9,328)
Total included in personnel costs (Note 34)	**47,121**	25,630

The actual return on plan assets of the Group was RM23,192,000 (2010: RM43,108,000).

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23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

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

	The Group	
	2011 RM'000	**2010 RM'000**
At 1 January	**635,456**	508,631
Current service costs	**38,325**	36,601
Interest costs	**39,637**	48,308
Actuarial gains	**(3,075)**	(11,928)
Benefits paid	**(179,452)**	(16,558)
Past service costs non-vested benefits	**6,546**	512
Past service costs vested benefits	**4,985**	11
Effects of changes in actuarial assumption	**76,298**	47,690
Curtailments	**(5,642)**	(18,550)
Exchange fluctuation	**(2,102)**	40,739
At 31 December	**610,976**	635,456

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

	The Group	
	2011 RM'000	**2010 RM'000**
At 1 January	**398,838**	358,906
Expected return on plan assets	**32,616**	34,102
Actuarial losses	**(14,810)**	(11,856)
Employer contributions	**3,617**	11,030
Benefits paid	**(123,632)**	(10,081)
Exchange fluctuation	**4,893**	16,737
At 31 December	**301,522**	398,838

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

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

	The Group	
	2011 %	**2010 %**
Discount rates	**3.50 – 9.00**	6.60 – 11.00
Expected return on plan assets	**11.00**	5.00 – 11.00
Future salary increases	**5.00 – 8.00**	6.00 – 8.00

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23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The expected contribution to post employment benefits plan for the financial year ending 31 December 2012 is RM3,617,000 (2011: RM3,551,000) to the Group.

	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000
The Group					
As at 31 December					
Present value of funded defined benefit obligation	**544,838**	538,526	410,414	351,129	318,032
Fair value of plan assets	**(301,522)**	(398,838)	(358,906)	(247,806)	(288,677)
Deficit	**243,316**	139,688	51,508	103,323	29,355
Experience adjustments on plan liabilities	**(3,075)**	(11,928)	17,846	23,187	19,190
Experience adjustments on plan assets	**(14,810)**	(11,856)	41,040	(61,236)	23,323

24 BONDS

		The Group	
	Note	2011 RM'000	2010 RM'000
USD140 million bonds 2009/2014 ("USD 140 million bonds")	(a)	**–**	423,982
IDR1,500,000 million bonds	(b)	**521,225**	–
		521,225	423,982

(a) USD140 million bonds

An indirect subsidiary, CIMB Bank (L) Limited, a wholly-owned subsidiary of CIMB Bank, has issued a 2 year senior unsecured USD140 million bonds guaranteed by the Company. The USD140 million bonds were issued at par on 17 April 2009 and bear an interest rate of 3.00% per annum payable annually in arrears on 15 April 2010 and 15 April 2011. The USD140 million bonds are not listed on any exchange and shall be redeemed at the nominal value on the maturity date. The USD140 million bonds were fully subscribed by TPG Malaysia Finance, L.P.

The USD140 million bonds has matured on 15 April 2011.

(b) IDR1,500,000 million bonds

In 2011, a direct subsidiary, CIMB Niaga issued IDR1,500,000 million bonds with fixed interest rates. The bonds are divided into two series:

(i) Series A Bond
The nominal value of the bonds amounted to IDR 180,000 million with a tenor of 3 years which will mature on 23 December 2014. It bears fixed interest rate of 7.375% per annum.

(ii) Series B Bond
The nominal value of the bonds amounted to IDR 1,320,000 million with a tenor of 5 years which will mature on 23 December 2016. It bears fixed interest rate of 8.30% per annum.

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25 OTHER BORROWINGS

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Syndicated term loan					
– USD300 million	(a)	**–**	925,050	**–**	–
Syndicated term loan					
– USD100 million	(b)	**318,052**	308,350	**318,052**	308,633
Commercial Papers/Medium Term Notes	(c)	**861,382**	257,118	**946,804**	343,623
Term loan	(d)	**2,300,642**	1,470,922	**2,001,196**	1,012,092
Others	(e)	**1,843,956**	822,147	**–**	–
		5,324,032	3,783,587	**3,266,052**	1,664,348

(a) In 2006, an indirect subsidiary, CIMB Bank (L) Limited, a wholly owned subsidiary of CIMB Bank, secured a term loan which bears floating interest rates of LIBOR + 0.19% per annum and is guaranteed by CIMB Bank. The term loan has matured on 22 June 2011.

(b) In 2010, the Company secured a syndicated term loan amounting to USD100 million which will mature on 2 December 2013. It bears floating interest rate of LIBOR + 0.80% per annum.

(c) The Conventional Commercial Papers ("CPs"), Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company. The aggregate outstanding nominal value of the CPs, MTN, and iMTN at any point in time shall not exceed RM6 billion.

The main features of the CPs are as follows:

(i) The CPs was issued at discount on zero coupon basis. The discount rate for the CPs ranges from 3.00% to 3.70%;

(ii) The tenure ranges from 1 month to 6 months. The CPs was issued in 2010, and had matured in 2010.

The main features of the MTNs and iMTNs are as follows:

(i) The MTNs and iMTNs were issued at par. The MTNs carry a fixed interest rate of 4.20% per annum and the iMTNs carry a fixed dividend rate of 5.05% per annum;

(ii) On 30 May 2008, the Company issued RM350 million of iMTNs which will mature on 30 May 2013;

(iii) In 2009, the Company has undertaken a fair value hedge on the profit rate risk amounting to RM150 million of the RM350 million iMTNs using profit rate swaps.

	The Company 2011 RM'000	The Company 2010 RM'000
Islamic Medium Term Notes, at cost	**150,000**	150,000
Fair value changes arising from fair value hedge	**(9,052)**	(7,882)
	140,948	142,118

The fair value gain of profit rate swaps in these hedge transactions as at 31 December 2011 was RM4,270,816 (2010: RM5,676,287).

(iv) In 2011, the Company issued RM100 million Commercial Papers and RM500 million MTNs which will mature on 27 January 2012 and 14 April 2016. The Commercial Papers and MTNs carry an interest rate of 3.40% and 4.20% respectively.

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

25 OTHER BORROWINGS (CONTINUED)

(d) In 2009, the Company secured a term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full at the end of three years on 26 June 2012 and bears a floating interest rate of 3.73% per annum.

In 2011, the Company secured another term loan amounting to RM1.0 billion. The term loan is repayable in full at the end of three years on 27 October 2014 and bears a floating interest rate of 3.36% per annum.

In 2008, PT CIMB Niaga Tbk ("CIMB Niaga") secured a term loan amounting to USD25 million which bears a floating interest rate of 1.6% per annum. The term loan matured on 13 June 2011.

In 2009, CIMB Niaga secured a term loan amounting to USD45 million which will mature on 2012. It bears a floating interest rate of 1.01% per annum.

In 2010, Sathorn Asset Management Co. Limited ("STAMC") secured a term loan amounting to THB2,910,000,000 which bears a floating interest rate of 0.85% per annum. The term loan matured on 28 December 2011.

On 27 December 2011, STAMC secured a term loan amounting to THB2,500,000,000 which will mature on 29 December 2012. It bears a floating interest rate of 0.85% per annum.

(e) Included in "others" is CIMB Bank's funding obtained through the securitisation of its hire purchase receivables to a third party:

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

On 16 December 2011, the funding – 2nd tranche of RM320 million is raised for an effective interest rate of 3.0% per annum, payable on monthly basis with coupon payment due on every 28th of the month, and will mature on 28 October 2016.

The Group continues to recognise the hire purchase receivables on its statements of financial position as at 31 December 2011 as the Group continues to retain the risk and rewards of the hire purchase receivables.

26 SUBORDINATED NOTES

		The Group		The Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Subordinated Notes 2006/2011 (USD200 million)	(a)	**–**	443,580	**–**	–
Subordinated Notes 2010/2017 (IDR1,380,000 million)	(b)	**496,607**	467,108	**–**	–
Subordinated Notes 2010/2020 (IDR1,600,000 million)	(c)	**568,762**	546,692	**–**	–
Subordinated bonds RM1.5 billion	(d)	**1,520,952**	1,506,340	**–**	–
Subordinated bonds RM1.0 billion	(e)	**1,015,786**	1,000,000	**–**	–
Subordinated bonds RM1.0 billion	(f)	**991,868**	947,673	**–**	–
Subordinated Notes (USD50 million)	(g)	**–**	158,387	**–**	–
Subordinated Notes (USD40 million)	(h)	**133,734**	126,237	**–**	–
Subordinated Notes – THB544 million	(i)	**54,843**	55,932	**–**	–
Subordinated Sukuk – RM550 million	(j)	**545,590**	295,203	**–**	–
Subordinated Notes – RM1 billion	(k)	**1,027,297**	999,414	**–**	–
Subordinated Notes – RM1 billion	(k)	**1,066,054**	998,774	**–**	–
Subordinated Fixed Rate Notes RM1.38 billion	(l)	**1,380,552**	1,380,000	**1,380,552**	1,380,000
Subordinated Fixed Rate Notes RM150 million	(m)	**146,857**	150,000	**151,917**	150,000
Subordinated Fixed Rate Notes RM600 million	(m)	**591,921**	600,000	**609,186**	600,000
Subordinated Notes – RM1.5 billion	(n)	**1,567,422**	–	**–**	–
Subordinated Notes – THB3 billion	(o)	**309,735**	–	**–**	–
		11,417,980	9,675,340	**2,141,655**	2,130,000

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

26 SUBORDINATED NOTES (CONTINUED)

(a) Subordinated Notes 2006/2011

On 22 November 2006, CIMB Niaga through its Cayman Islands Branch has issued USD200 million Subordinated Notes ("the Notes") for a period of 10 years with call option after the fifth year, on 22 November 2011.

The main features of the Notes are as follows:

(i) The Notes are in registered form in the denomination of USD100,000 each and integral multiples of USD1,000 in excess thereof.

(ii) The Notes bear interest at the rate of 7.375% per annum from and including 22 November 2006 to but excluding 22 November 2011 and interest will be payable semi-annually in arrears on 22 May and 22 November of each year, commencing on 22 May 2007. Unless the Notes are previously redeemed, interest from and including 22 November 2011 to but excluding 22 November 2016 will be reset at the US Treasury Rate plus 4.16% per annum and interest will be payable semi-annually in arrears on 22 May and 22 November of each year, commencing on 22 May 2012.

(iii) The indebtedness evidenced by the Notes constitutes unsecured and subordinated obligations of the Issuer and upon any distribution to creditors of the Issuer in a Winding Up Proceedings (as defined in the Terms and Conditions of the Notes), the Notes shall be subordinated in right of payment, to the extent and in the manner provided in the Terms and Conditions of the Notes, to the prior payment in full of all liabilities of the Issuer, except those subordinated liabilities which by their terms rank equally in right of payment with or junior to the Notes. Claims in respect of the Notes will rank pari passu without any preference among themselves, but in priority to the rights and claims of holders of all classes of equity securities of the Issuer, including holders of preference shares, if any.

(iv) The instrument is listed on the Singapore Stock Exchange.

(v) CIMB Niaga may at its option, but subject to the prior consent of Bank Indonesia, redeem the Notes on 22 November 2011 at a price equal to 100 per cent of the principal amount of the Notes together with accrued and unpaid interest to such date.

CIMB Niaga has fully redeemed the Notes on 21 November 2011 upon obtaining approval from Bank Indonesia.

(b) Subordinated Notes 2010/2017 IDR1,380,000 million

The Subordinated Notes 2010/2017 IDR1,380,000 million ("the Notes") were issued by CIMB Niaga on 8 July 2010. The Notes were issued at scriptless, with term of 7 years from the emission date and with fixed interest rate of 11.30% per annum. The Notes was listed on the Indonesia Stock Exchange on 9 July 2010.

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

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

(d) Subordinated Bonds RM1.5 billion

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

CIMB Bank may at its option, subject to the prior approval of BNM, redeem the RM1.5 billion Bonds in part or in whole, on 28 March 2013 at their principal amount.

The RM1.5 billion Bonds qualify as Tier-2 Capital for the purpose of the RWCR computation.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

26 SUBORDINATED NOTES (CONTINUED)

(d) Subordinated Bonds RM1.5 billion (Continued)

CIMB Bank has undertaken a fair value hedge on the interest rate risk amounting to RM600 million of the RM1.5 billion Bonds using interest rate swaps.

	The Group	
	2011 RM'000	**2010 RM'000**
Subordinated bonds, at cost	**600,000**	600,000
Fair value changes arising from fair value hedges	**1,821**	6,341
	601,821	606,341

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2011 was RM14,993,302 (2010: RM20,380,266).

(e) Subordinated Bonds RM1.0 billion

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

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

The RM1.0 billion Bonds qualify as Tier-1 Capital for the purpose of the RWCR computation.

(f) Subordinated Bonds RM1.0 billion

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

(i) Non-Cumulative Perpetual Capital Securities issued by CIMB Bank; and

(ii) Subordinated Notes issued by Commerce Returns Berhad, a wholly-owned subsidiary of CIMB Bank.

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

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

The Bonds qualify as Tier-1 Capital for the purpose of the RWCR computation.

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

	The Group	
	2011 RM'000	**2010 RM'000**
Subordinated bonds, at cost	**800,000**	800,000
Fair value changes arising from fair value hedges	**(9,119)**	(52,327)
	790,881	747,673

The fair value loss of interest rate swaps in these hedge transactions as at 31 December 2011 was RM11,841,284 (2010: RM55,049,856).

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

26 SUBORDINATED NOTES (CONTINUED)

(g) Subordinated Notes (USD50 million)
On 17 July 2006, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 50 unit unsecured 10-year subordinated notes ("the USD50 million Notes"). The USD50 million Notes were issued at a price of USD1 million per unit and are callable with step-up in 2011. The USD50 million Notes bear an interest rate at six-month LIBOR plus 3.5% for the first 5 years payable semi-annually on 17 July and 17 January, after which interest rate will be reset at a rate per annum equal to the six-month LIBOR plus 5.25%.

CIMB Thai Bank may at its option, subject to the prior approval of Bank of Thailand, redeem the USD50 million Notes in whole but not in part, on 17 July 2011 at their principal amount plus accrued interest.

CIMB Thai Bank had fully settled the USD50 million Notes on 17 July 2011.

(h) Subordinated Notes (USD40 million)
On 16 February 2007, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 400 unit unsecured 10-year subordinated notes ("the USD40 million Notes"). The USD40 million Notes were issued at a price of USD100,000 per unit and are callable with step-up in 2012. The USD40 million Notes bear an interest rate at six-month LIBOR plus 3.5% for the first 5 years payable semi-annually on 20 February and 20 August, after which interest rate will be reset at a rate per annum equal to the six-month LIBOR plus 5.25%.

CIMB Thai Bank may at its option, subject to the prior approval of Bank of Thailand, redeem the USD40 million Notes in whole but not in part, on 20 February 2012 at their principal amount plus accrued interest.

The USD40 million Notes will mature on 20 February 2017 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

(i) Subordinated Notes – THB544 million
The THB 544 million subordinated notes ("the THB544 million Notes") represent CIMB Thai Bank's obligation with regards to the promissory notes previously issued by few financial institutions before a series of merger. The promissory notes, which are guaranteed by Financial Institutions Development Fund ("FIDF") have been recalled as FIDF is of the opinion that CIMB Thai Bank has no obligations in respect to the related liabilities. However, CIMB Thai Bank has yet to return the promissory notes to FIDF in order to retain its right to claim compensation from FIDF should CIMB Thai Bank need to undertake any responsibility for any obligations in the future.

(j) Subordinated Sukuk – RM550 million
The RM550 million subordinated Sukuk ('the Sukuk") is part of the Tier-2 Junior Sukuk programme by the Company's indirect subsidiary, CIMB Islamic, which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

The RM550 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

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

RM250 million Subordinated debts

	The Group	
	2011 RM'000	2010 RM'000
Subordinated debts, at cost	**250,000**	–
Fair value changes arising from fair value hedges	**7,959**	–
	257,959	–

The fair value gain of profit rate swaps in these hedge transactions as at 31 December 2011 were RM8,194,538 (2010: RM Nil).

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

26 SUBORDINATED NOTES (CONTINUED)

(k) Subordinated Notes RM2 billion

CIMB Bank has on 23 December 2010 completed the issuance of RM2.0 billion Subordinated Debt.

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

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

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

The RM2.0 billion subordinated debts qualify as Tier-2 Capital for the purpose of the RWCR computation.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1 billion subordinated debts (maturity of 10 years) and RM800 million of the RM1 billion subordinated debts (maturity of 15 years) using interest rate swaps.

Subordinated debts with maturity of 10 years

	The Group	
	2011 RM'000	2010 RM'000
Subordinated debts, at cost	**1,000,000**	1,000,000
Fair value changes arising from fair value hedges	**26,237**	(586)
	1,026,237	999,414

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2011 was RM23,117,414 (2010: fair value loss of RM3,113,966).

Subordinated debts with maturity of 15 years

	The Group	
	2011 RM'000	2010 RM'000
Subordinated debts, at cost	**1,000,000**	1,000,000
Fair value changes arising from fair value hedges	**64,870**	(1,226)
	1,064,870	998,774

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2011 was RM55,268,434 (2010: fair value loss of RM8,039,903).

Notes to the **Financial Statements**
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26 SUBORDINATED NOTES (CONTINUED)

(l) Subordinated Fixed Rate Notes RM1.38 billion

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

The RM1.38 billion Notes under the first issuance were issued at par on 30 June 2009 and are due on 30 June 2059, with optional redemption on 30 June 2019 or any periodic payment date thereafter. It bears an interest rate of 7.30% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 6 months KLIBOR + 1% plus original credit spread. The original credit spread is calculated as 7.3% less the 10 year swap rate as per the 11 am BNM fixing rate on 23 June 2009.

(m) Subordinated Fixed Rate Notes RM150 million and RM600 million

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

Both tranches have a maturity of 50 years, with call option for the Issuer to redeem at year 5 and on each subsequent coupon payment date, and year 10 and on each subsequent coupon payment date respectively. The 5 year Tranche pays a semi annual coupon rate of 5.3% per annum whilst the 10 year Tranche pays a coupon of 6.35% per annum. The coupon will be stepped up by 2.0% in the event the Company does not redeem the RM750 million Notes on the respective first call date.

(n) Subordinated Notes RM1.5 billion

CIMB Bank has on 8 August 2011 completed the issuance of RM1.5 billion Subordinated Debt.

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

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

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

The RM1.5 billion Subordinated Debt qualifies as Tier-2 capital for the purpose of the RWCR computation.

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

RM1.35 billion Subordinated debts

	The Group	
	2011 RM'000	2010 RM'000
Subordinated debts, at cost	**1,350,000**	–
Fair value changes arising from fair value hedges	**35,936**	–
	1,385,936	–

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2011 was RM38,756,075 (2010: RM Nil).

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

26 SUBORDINATED NOTES (CONTINUED)

(n) Subordinated Notes RM1.5 billion (Continued)

RM150 million Subordinated debts

	The Group	
	2011 RM'000	**2010 RM'000**
Subordinated debts, at cost	**150,000**	–
Fair value changes arising from fair value hedges	**6,257**	–
	156,257	–

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2011 was RM6,820,237 (2010: RM Nil).

(o) Subordinated Notes – THB3 billion

On 14 July 2011, CIMB Thai Bank, a subsidiary of CIMB Bank, issued 3,000,000 units unsecured 10-year subordinated notes ("the THB3 billion Notes"). The THB 3 billion Notes were issued at a price of THB 1,000 per unit. The THB 3 billion Notes carry constant interest rate of 5.35% per annum payable every 6 months on 14 July and 14 January.

The THB3 billion Notes will mature on 14 July 2021 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

27 SHARE CAPITAL

	The Group and the Company	
	2011 RM'000	**2010 RM'000**
Ordinary shares of RM1.00 each:		
Authorised:		
At 1 January	**10,000,000**	5,000,000
Creation of new authorised share capital during the financial year	**–**	5,000,000
At 31 December	**10,000,000**	10,000,000
Issued and fully paid shares of RM1.00 each:		
At 1 January	**7,432,775**	3,531,766
Issued during the financial year:		
– exercise of warrants	**–**	101,245
– bonus shares	**–**	3,531,764
– share exchange for acquisition of a subsidiary	**–**	268,000
At 31 December	**7,432,775**	7,432,775

Notes to the **Financial Statements**

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28 PREFERENCE SHARES

(a) Non-cumulative guaranteed preference shares

	The Group	
	2011 **RM'000**	**2010** **RM'000**
Authorised		
Redeemable preference shares of USD0.01 each		
At 1 January/31 December	**8**	8
Issued and fully paid		
Redeemable preference shares of USD0.01 each		
Non-cumulative guaranteed preference shares	**741,429**	706,879
Non-cumulative guaranteed preference shares, at cost	**728,250**	728,250
Fair value changes arising from fair value hedges	**108,644**	99,331
Foreign exchange translations	**(95,465)**	(120,702)
	741,429	706,879

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

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

(ii) On 2 November 2015 (First Optional Redemption Date) and on each dividend date thereafter, SCC may at its option, subject to the prior approval of BNM, redeem the SCC Preference Shares in whole but not in part, at their principal amount plus accrued but unpaid dividends. If the SCC Preference Shares are not called on 2 November 2015, dividends will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November.

(iii) The SCC Preference Shares will not be convertible into ordinary shares.

(iv) The SCC Preference Shares are guaranteed by CIMB Bank on a subordinated basis. If the SCC Preference Shares have not been redeemed in full on or prior to 2 November 2055, CIMB Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by CIMB Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatory exchanged for such Substitute Preference Shares having economic terms which are in all material aspects equivalent to those of the SCC Preference Shares.

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

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28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares

		The Group	
	Note	2011 RM'000	2010 RM'000
Authorised			
Redeemable preference shares of RM0.01 each	(i)	**1,000**	1,000
Redeemable preference shares of RM0.01 each	(ii)	**350**	350
Issued and fully paid			
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(i)	**100,000**	100,000
Redeemable preference shares of RM0.01 each	(ii)		
At 1 January		**53,283**	53,283
Redeemed during the financial year		**(13,696)**	–
At 31 December		**39,587**	53,283

(i) On 2 October 2006, a subsidiary, Commerce Agro Ventures Sdn Bhd ("CAgV"), has allotted and issued redeemable preference shares ("RPS") to an external party amounting to RM100,000,000, comprising RM1,000,000 at nominal value and RM99,000,000 at premium.

The main features of the RPS are as follows:

- The RPS does not carry any fixed dividends.
- The maturity date of the RPS is either the date corresponding to the 15th anniversary of the issue date or such other date as the Board may resolve.
- In the event of winding-up of CAgV or other repayment of capital, the RPS carries the rights to have the surplus assets applied first in paying off the RPS holders.
- The RPS rank pari passu in all aspects among themselves.
- Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

(ii) On 20 February 2006, a subsidiary, Commerce-KPF Ventures Sdn Bhd ("CKPF"), has allotted and issued redeemable preference shares ("RPS") to an external party amounting to RM35,000,000, comprising RM350,000 at nominal value and RM34,650,000 at premium.

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 5% per annum.
- The maturity date of the RPS is either:-
  - (i) the date corresponding to the 5th anniversary of the issue date; or
  - (ii) the date corresponding to the 7th anniversary of the issue date; or
  - (iii) such other date as the Board may resolve.
- Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

Notes to the Financial Statements
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28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares (Continued)

Subsequently, CKPF has allotted and issued RPS to an external party amounting to RM17,500,000, comprising RM175,000 at nominal value and RM17,325,000 at premium.

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 5% per annum.
- The maturity date of the RPS is either:-
  - (i) the date corresponding to the 5th anniversary of the issue date; or
  - (ii) the date corresponding to the 7th anniversary of the issue date; or
  - (iii) such other date as the Board may resolve.
- Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

A subsidiary, Vital Remarks Sdn Bhd ("VRSB"), has allotted and issued RPS to an external party amounting to RM3,133,126.

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 8% per annum.
- The maturity date of the RPS is the date corresponding to the 5th anniversary of the issue date.
- Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

(c) Perpetual preference shares

	The Group	
	2011 RM'000	2010 RM'000
Authorised		
Perpetual preference shares of RM1.00 each	**500,000**	500,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each	**200,000**	200,000

The main features of the perpetual preference shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank pari passu in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 1965 and as approved by Bank Negara Malaysia.

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for the financial year ended 31 December 2011

29 RESERVES

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Share premium – ordinary shares		**4,192,596**	4,192,596	**4,192,596**	4,192,596
Statutory reserves	(a)	**4,103,591**	3,935,308	**–**	–
Regulatory reserve	(b)	**490,627**	117,595	**–**	–
Capital reserve		**137,104**	136,954	**55,982**	55,982
Exchange fluctuation reserves	(c)	**(172,673)**	(347,337)	**–**	–
Revaluation reserve					
– financial investments available-for-sale	(d)	**535,762**	474,673	**–**	–
Retained earnings	(e)	**8,822,855**	6,838,179	**1,281,871**	1,263,815
Share-based payment reserve	(f)	**374,332**	318,071	**–**	–
Other reserves					
– hedging reserve – net investment hedge	(g)	**85,482**	131,736	**–**	–
– EOP reserve-shares purchased pending release	(h)	**(65,388)**	–	**–**	–
		18,504,288	15,797,775	**5,530,449**	5,512,393

(a) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. These reserves are not distributable by way of cash dividends.

(b) Regulatory reserve of the Group is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of FRS 139 beginning 1 January 2010.

(c) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.

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

(e) 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 Company, but are exempted from tax in the hands of the shareholders ("single tier system"). During the financial year 2009, the Company has fully utilised the credit in the Section 108 balance to distribute dividend payments to its shareholders as allowed by the transitional provision under the Finance Act, 2007. As at 31 December 2011, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2010: RM467,522,037) out of its retained earnings.

(f) The Share-based payment reserve arose from the Management Equity Scheme ("MES") and Equity Ownership Plan ("EOP"), the Group's share-based compensation benefit.

(g) Hedging reserve arises from net investment hedge activities undertaken by the Group on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed.

(h) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.

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30 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2011 RM'000	2010 RM'000
At 1 January/At 31 December	**563**	563

As an integral part of the CIMBB's restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2011, 258,000 units remain unexercised.

(b) Treasury shares, at cost

	The Group and the Company			
	2011		2010	
	Units '000	RM'000	Units '000	RM'000
At 1 January	**2**	**21**	–	–
Purchased during the year	**1**	**9**	2	21
At 31 December	**3**	**30**	2	21

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

30 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost (Continued)

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 22 April 2011, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back 1,004 (2010: 2,000) of its issued share capital at an average price of RM8.60 per share (2010: RM10.41 per share), from the open market. As at statements of financial position date, there were 3,004 ordinary shares held as treasury shares (2010: 2,000). The total consideration paid for the share buyback during the financial year, including transaction costs is RM8,631 (2010: RM20,983) and was financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

31 INTEREST INCOME

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing				
– interest income other than recoveries	**10,130,012**	8,933,391	**32**	16,925
– unwinding income ^	**158,602**	190,871	**–**	–
Money at call and deposits with financial institutions	**531,544**	359,571	**7,417**	8,915
Reverse repurchase agreements	**107,351**	79,410	**–**	–
Financial assets held for trading	**351,863**	298,284	**–**	–
Financial assets designated at fair value through profit or loss	**–**	3,442	**–**	–
Financial investments available-for-sale	**511,145**	500,869	**–**	–
Financial investments held-to-maturity	**705,049**	600,357	**–**	–
Others	**17,878**	10,001	**541**	–
	12,513,444	10,976,196	**7,990**	25,840
Accretion of discounts less amortisation of premiums	**168,068**	192,662	**583**	3,200
	12,681,512	11,168,858	**8,573**	29,040

^ Unwinding income is interest income earned on impaired financial assets

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for the financial year ended 31 December 2011

32 INTEREST EXPENSE

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits and placements of banks and other financial institutions	**112,832**	55,279	**–**	–
Deposits from other customers	**4,868,975**	3,817,391	**–**	–
Repurchase agreements	**2,480**	569	**–**	–
Bonds	**968**	–	**–**	–
Subordinated notes	**576,782**	386,559	**146,790**	134,931
Loans sold to Cagamas	**1,635**	8,974	**–**	–
Negotiable certificates of deposits	**141,756**	152,066	**–**	–
Other borrowings	**186,480**	81,518	**88,654**	55,235
Others	**113,353**	61,727	**–**	–
	6,005,261	4,564,083	**235,444**	190,166

33 NET NON-INTEREST INCOME

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net fee and commission income:				
Commissions	**475,792**	350,398	**–**	–
Fee on loans, advances and financing	**357,342**	329,266	**–**	–
Portfolio management fees	**27,305**	24,308	**–**	–
Service charges and fees	**332,060**	369,141	**–**	–
Corporate advisory fees	**133,989**	121,355	**–**	–
Guarantee fees	**66,148**	48,624	**–**	–
Other fee income	**381,719**	412,696	**–**	–
Placement fees	**51,441**	53,819	**–**	–
Underwriting commission	**34,286**	143,267	**–**	–
Al-Wakalah fee	**–**	29,738	**–**	–
Fee and commission income	**1,860,082**	1,882,612	**–**	–
Fee and commission expense	**(365,195)**	(337,047)		
Net fee and commission income	**1,494,887**	1,545,565	**–**	–

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

33 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**2,240,314**	1,741,815
– Associates	**–**	–	**700**	1,534
– Financial assets held for trading	**31,477**	16,857	**–**	–
– Financial investments available-for-sale	**20,757**	21,861	**–**	–
– Financial investments held-to-maturity	**–**	77	**–**	–
Outside Malaysia				
– Financial assets held for trading	**2,143**	980	**–**	–
– Financial investments available-for-sale	**20,023**	20,547	**–**	–
	74,400	60,322	**2,241,014**	1,743,349
Net gain/(loss) arising from financial assets held for trading				
– realised	**(315,618)**	84,963	**–**	–
– unrealised	**(36,621)**	(32,876)	**–**	–
	(352,239)	52,087	**–**	–
Net gain/(loss) arising from derivative financial instruments				
– realised	**538,520**	(181,881)	**(7,129)**	(48,070)
– unrealised	**349,416**	(21,194)	**18,386**	(13,264)
	887,936	(203,075)	**11,257**	(61,334)
Net loss arising from hedging derivatives	**(16,284)**	(60,234)	**(194)**	–
Net gain from sale of financial investments available-for-sale	**329,432**	707,041	**–**	–
Net gain from redemption/maturity of financial investments held-to-maturity	**76,864**	104,278	**–**	–
Net gain from financial assets designated at fair value through profit or loss	**–**	6,988	**–**	–
Income from assets management and securities services	**178,901**	175,170	**–**	–
Brokerage income	**349,461**	372,433	**–**	–

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

33 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other non-interest income:				
Foreign exchange gain/(loss):				
– realised	**(110,977)**	81,210	**(318)**	37,242
– unrealised	**312,741**	600,917	**(9,073)**	6,565
Share of gain from recovery of impaired loans	**101,220**	–	**–**	–
Gain on deemed disposal/disposal of and interests in subsidiaries	**250,000**	27,218	**–**	–
Rental income	**13,069**	17,947	**2,778**	3,135
Gain/(loss) on disposal of property, plant and equipment/assets held for sale	**16,194**	170,669	**–**	(171)
Gain on disposal of leased assets	**99**	511	**–**	–
Gain on disposal of investment properties	**–**	–	**1,670**	–
Net gain from insurance business	**–**	38,845	**–**	–
Gain/(loss) on revaluation of investment properties	**1,842**	8,632	**–**	–
Other non-operating income	**371,044**	231,136	**6**	39
Underwriting surplus before management expenses (Note (a))	**16,809**	6,748	**–**	–
Loss on disposal of foreclosed properties	**(19,942)**	(1,016)	**–**	–
	952,099	1,182,817	**(4,937)**	46,810
	3,975,457	3,943,392	**2,247,140**	1,728,825

(a) Underwriting surplus before management expenses is as follows:

	The Group	
	2011 RM'000	2010 RM'000
Insurance premium earned	**67,998**	20,633
Net claims incurred	**(33,274)**	(689)
Net commissions	**(17,915)**	(13,196)
	16,809	6,748

Notes to the Financial Statements
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34 OVERHEADS

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs				
– Salaries, allowances and bonus	**2,711,023**	2,574,840	**1,307**	1,016
– Pension costs (defined contribution plan)	**169,312**	187,123	**213**	240
– Pension costs (defined benefit plans (Note 23(b))	**47,121**	25,630	**–**	–
– Overtime	**33,014**	31,931	**18**	32
– Staff incentives and other staff payments	**139,560**	128,032	**–**	–
– Medical expenses	**78,530**	76,700	**6**	4
– Others	**339,375**	297,307	**144**	5
Establishment costs				
– Depreciation of property, plant and equipment	**332,205**	345,395	**2,365**	2,136
– Impairment of property, plant and equipment	**–**	824	**–**	–
– Depreciation of investment properties	**–**	–	**110**	125
– Amortisation of prepaid lease payments	**14,910**	60,483	**–**	–
– Impairment of investment properties	**–**	–	**–**	824
– Rental	**301,823**	273,309	**62**	–
– Repair and maintenance	**215,492**	297,264	**439**	615
– Outsourced services	**287,695**	253,736	**22**	–
– Security expenses	**95,600**	91,191	**–**	–
– Others	**196,428**	174,541	**502**	408
Marketing expenses				
– Sales commission	**13,556**	41,824	**–**	–
– Advertisement	**278,573**	261,666	**10**	109
– Others	**64,543**	68,459	**–**	–
Administration and general expenses				
– Amortisation of intangible assets	**242,179**	271,508	**–**	–
– Legal and professional fees	**171,449**	206,164	**6,736**	5,116
– Stationery	**91,070**	91,543	**2**	1,214
– Communication	**160,733**	145,585	**50**	52
– Incidental expenses on banking operations	**56,487**	79,683	**–**	–
– Insurance	**150,796**	138,896	**–**	–
– Others	**438,438**	489,670	**3,129**	3,204
	6,629,912	6,613,304	**15,115**	15,100

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

34 OVERHEADS (CONTINUED)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Directors' remuneration (Note 37)	**16,490**	18,514	**2,589**	2,096
Rental of premises	**225,427**	193,040	**21**	–
Hire of equipment	**7,270**	8,835	**41**	–
Lease rental	**19,631**	20,727	**–**	–
Auditors' remuneration				
Audit				
– Statutory audit (PricewaterhouseCoopers Malaysia*)	**3,314**	4,098	**171**	171
– Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)	**4,898**	3,792	**–**	–
– Limited review (PricewaterhouseCoopers Malaysia*)	**663**	963	**–**	–
– Limited review (other member firms of PricewaterhouseCoopers International Limited*)	**638**	300	**–**	–
– Other audit related (PricewaterhouseCoopers Malaysia*)	**160**	640	**–**	–
– Other audit related (other member firms of PricewaterhouseCoopers International Limited*)	**227**	1,411	**–**	–
Non-audit				
– Non-audit services (PricewaterhouseCoopers Malaysia*)	**661**	1,179	**27**	101
– Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)	**889**	823	**–**	–
Property, plant and equipment written off	**–**	200	**–**	–

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

35 ALLOWANCE MADE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2011 RM'000	**2010 RM'000**
Allowance for bad and doubtful debts on loans and financing		
Net allowance made during the financial year		
– Individual impairment allowance	**348,005**	157,058
– Portfolio impairment allowance	**539,855**	816,418
Impaired loans and financing		
– recovered	**(413,472)**	(396,983)
– written off	**12,955**	30,683
	487,343	607,176

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36 ALLOWANCE MADE/(WRITTEN BACK) FOR IMPAIRMENT LOSSES

	The Group	
	2011 RM'000	2010 RM'000
Financial investments available-for-sale		
– net allowance made/(written back) during the financial year	**12,941**	23,844
Financial investments held-to-maturity		
– net allowance (written back)/made during the financial year	**785**	(587)
– recovered	**(2,509)**	–
Goodwill		
– impaired during the financial year	**–**	25,484
Associates/Jointly controlled entity		
– net allowance made/(written back) during the financial year	**2,973**	(552)
	14,190	48,189

37 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Directors
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Mohd Shukri bin Hussin

Non-Executive Directors
Tan Sri Dato' Md Nor bin Md Yusof
Tan Sri Dato' Seri Haidar bin Mohamed Nor
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing
Hiroyuki Kudo
Glenn Muhammad Surya Yusuf
Watanan Petersik

Notes to the Financial Statements
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37 DIRECTORS' REMUNERATION (CONTINUED)

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive Directors				
– Salary and other remuneration	**6,285**#^	7,814#^	**1,193**	720
– Benefits-in-kind	**4,155**	5,367	**35**	42
	10,440	13,181	**1,228**	762
Non-Executive Directors				
– Fees	**1,452**	1,513	**829**	886
– Other remuneration	**4,028**^	3,443^	**532**	448
– Benefits-in-kind	**570**	377	**–**	–
	6,050	5,333	**1,361**	1,334
	16,490	18,514	**2,589**	2,096

^ These salary and other remuneration include bonus accruals in relation to the directorship of certain Directors in certain subsidiaries excluding Bank CIMB Niaga. 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.

These salary and other remuneration include RM512,442 (2010: RM419,000) paid by Bank CIMB Niaga in relation to the directorship of Dato' Mohd Shukri bin Hussin in Bank CIMB Niaga. The amount was paid to CIMB Group Sdn Bhd in which he is employed.

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37 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
2011								
Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	–	4,580	4,120	8,700	–	–	–	–
Dato' Mohd Shukri bin Hussin	–	1,705	35	1,740	–	1,193	35	1,228
	–	6,285	4,155	10,440	–	1,193	35	1,228
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	126	325	–	451	102	320	–	422
Tan Sri Dato' Seri Haidar bin Mohamed Nor	62	325	122	509	35	11	–	46
Dato' Zainal Abidin bin Putih	280	482	14	776	126	57	–	183
Dato' Hamzah bin Bakar	180	292	–	472	126	43	–	169
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	246	410	16	672	126	44	–	170
Dato' Robert Cheim Dau Meng	–	807	233	1,040	–	–	–	–
Hiroyuki Kudo	–	915	96	1,011	–	–	–	–
Cezar Peralta Consing	187	20	–	207	102	16	–	118
Glenn Muhammad Surya Yusuf	257	267	89	613	110	22	–	132
Watanan Petersik	114	185	–	299	102	19	–	121
	1,452	4,028	570	6,050	829	532	–	1,361
	1,452	10,313	4,725	16,490	829	1,725	35	2,589

Notes to the **Financial Statements**

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37 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	The Company Total RM'000
2010								
Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	–	6,675	5,325	12,000	–	–	–	–
Dato' Mohd Shukri bin Hussin	–	1,139	42	1,181	–	720	42	762
	–	7,814	5,367	13,181	–	720	42	762
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	126	261	–	387	102	256	–	358
Tan Sri Dato' Seri Haidar bin Mohamed Nor	210	377	22	609	114	26	–	140
Dato' Zainal Abidin bin Putih	222	281	–	503	126	49	–	175
Dato' Hamzah bin Bakar	174	263	–	437	126	36	–	162
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	222	324	6	552	126	36	–	162
Dato' Robert Cheim Dau Meng	–	1,026	214	1,240	–	–	–	–
Hiroyuki Kudo	–	740	122	862	–	–	–	–
Cezar Peralta Consing	186	21	–	207	102	15	–	117
Glenn Muhammad Surya Yusuf	213	66	13	292	95	15	–	110
Watanan Petersik	160	84	–	244	95	15	–	110
	1,513	3,443	377	5,333	886	448	–	1,334
	1,513	11,257	5,744	18,514	886	1,168	42	2,096

38 TAXATION

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Taxation based on the profit for the financial year:				
– Malaysian income tax	**766,508**	356,887	**502,409**	303,499
– Foreign tax	**337,732**	266,842	**–**	–
	1,104,240	623,729	**502,409**	303,499
Deferred tax (Note 10)	**92,485**	361,133	**(1,844)**	1,971
Over accrual in prior years	**(67,909)**	(28,032)	**(22)**	(13,175)
	1,128,816	956,830	**500,543**	292,295

Notes to the Financial Statements
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38 TAXATION (CONTINUED)

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation and zakat	**5,203,142**	4,646,750	**2,005,154**	1,552,599
Tax calculated at a rate of 25% (2010: 25%)	**1,300,785**	1,161,688	**501,289**	388,150
Income not subject to tax	**(212,528)**	(415,100)	**(1,216)**	(103,737)
Effects of different tax rates in other countries	**(58,834)**	(69,253)	**–**	–
Effects of change in tax rates	**743**	–	**–**	–
Expenses not deductible for tax purposes	**108,679**	344,932	**492**	21,057
Utilisation of previously unrecognised tax losses	**57,880**	(37,405)	**–**	–
Over accrual in prior years	**(67,909)**	(28,032)	**(22)**	(13,175)
Tax charge of current year	**1,128,816**	956,830	**500,543**	292,295

39 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2011	2010
Net profit for the financial year (RM'000)	**4,030,798**	3,500,803
Weighted average number of ordinary shares in issue ('000)	**7,432,772**	7,186,034
Basic earnings per share (expressed in sen per share)	**54.2**	48.7

(b) Diluted earnings per share

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

40 DIVIDENDS PER ORDINARY SHARE

Dividends recognised as distributions to owners:

The second interim dividend for the previous financial year were approved by the Board of Directors on 22 February 2011 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single tier interim and special dividend of 12.0 sen per ordinary share on 7,432,771,757 ordinary shares amounting to RM891,932,611 for the financial year ended 31 December 2011. The interim dividend of 12.0 sen per ordinary share was approved by the Board of Directors on 18 August 2011 and paid on 30 September 2011.

The Directors have proposed a second interim single tier dividend of 10.0 sen per ordinary share, on 7,432,771,631 ordinary shares amounting to RM743,277,163 in respect of the financial year ended 31 December 2011, to be paid in 2012. The second interim single tier dividend was approved by the Board of Directors on 27 February 2012.

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

40 DIVIDENDS PER ORDINARY SHARE (CONTINUED)

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2011.

	The Group and the Company			
	2011		2010	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend	**8.0**	**594,622**	18.5	653,376
Interim dividend	**12.0**	**891,933**	4.6	339,083
Special dividend	**–**	**–**	13.5	999,708
	20.0	**1,486,555**	36.6	1,992,167

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	**Relationship**
Subsidiaries of the Company as disclosed in Note 12	Subsidiaries
Associates of the Company as disclosed in Note 13	Associates
Jointly controlled entities as disclosed in Note 14	Jointly controlled entities
Key management personnel	See below

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

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Subsidiaries		Associates		Key management personnel	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Related party transactions						
The Group						
Income earned						
Interest on loans, advances and financing	**–**	–	**–**	–	**42**	578
Brokerage income	**–**	–	**–**	–	**42**	92
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	**–**	–	**–**	–	**3,766**	741

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions (Continued)

	Subsidiaries		Associates		Key management personnel	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
The Company						
Income earned						
Interest on fixed deposits and money market	**7,333**	8,884	**–**	–	**–**	–
Accretion on financial investments held-to-maturity	**583**	3,200	**–**	–	**–**	–
Interest on savings account	**84**	31	**–**	–	**–**	–
Interest on IMTN	**5,597**	4,295	**–**	–	**–**	–
Dividend income	**2,240,314**	1,741,815	**700**	1,534	**–**	–
Rental income	**2,773**	3,135	**–**	–	**–**	–

(c) Related party balances

	Subsidiaries		Associates		Key management personnel	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Related party balances						
The Group						
Amount due from						
Loans, advances and financing	**–**	–	**–**	–	**20,740**	5,338
Amount due to						
Deposits from customers and securities sold under repurchase agreements	**–**	–	**–**	–	**324,625**	279,201
Others	**–**	–	**–**	–	**–**	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	**316,828**	529,826	**–**	–	**–**	–
Commerce International Group RCULS	**–**	34,345	**–**	–	**–**	–
Redeemable preference shares	**29,750**	37,750	**–**	–	**–**	–
Others	**26,726**	27,677	**–**	–	**–**	–
Amount due to						
Amount due to CIMB Bank Berhad	**87,750**	65,472	**–**	–	**–**	–
Amount due to CIMB Islamic Bank Berhad	**20,089**	20,089	**–**	–	**–**	–
Amount due to CIMB Investment Bank Berhad	**–**	110	**–**	–	**–**	–

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel
Key management compensation

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Salaries and other short-term employee benefits	**99,963**	109,240	**15,390**	14,096
Share options of the Company (units)	**11,008,700**	20,373,860	**4,760,000**	7,760,000
Shares of the Company (units)	**3,618,435**	–	**484,945**	–

Included in the above table is the Executive Directors' compensation which is disclosed in Note 37. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 42 to the Financial Statements.

Excluded in the above table are bonus accruals for financial year 2011 and 2010, in relation to the key management personnel in CIMB Niaga, which is subject to approval from the shareholders of CIMB Niaga at their Annual General Meeting.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowance has been required in 2011 and 2010 for the loans, advances and financing made to the key management personnel.

(e) Credit transactions and exposures with connected parties
Credit exposures with connected parties as per 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 RM'000	**2010 RM'000**
Outstanding credit exposures with connected parties	**11,984,397**	14,928,121
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**5.13%**	7.22%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.00%**	0.00%

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

42 EMPLOYEE BENEFITS

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

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company, whereby share options are granted to selected employees of the Group. The scheme was initially launched on 1 March 2004 and the scheme will continue to be in force until 28 February 2012.

The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of the Company. Entitlements of eligible members of senior management are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of the Company administers the scheme on behalf of the substantial shareholder. The entitlements granted vest in proportions across various exercised periods.

The Scheme previously was not accounted for in the financial statements of the Group and Company as it does not fall within the scope of FRS 2 "Share-based Payment". The amendments 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 amendments, the Scheme is now within the scope of FRS 2.

The Group has changed its accounting policy upon adoption of Amendments to FRS 2 on 1 January 2011 retrospectively. As the Group does not have an obligation to settle the transaction with its employees, the Group has accounted for transaction as equity settled in accordance with Amendments to FRS 2. The impact of the change in accounting policy to the prior period presented is disclosed in Note 52.

The weighted average fair value of the entitlements granted, determined using the Binomial Valuation Model was RM6.60 each (2010: RM6.60 each). The significant inputs into the model were as follows:

Valuation assumptions

– Expected volatility	33.9%
– Expected dividend yield	1.8%
– Expected option life	0.16 years
– Weighted average share price at grant date	RM9.98
– Weighted average risk-free interest rate	3.10%

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 during the current financial year amounted RM23,717,843 (2010: RM20,033,228). The shares are exercisable 2 years from the grant date.

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

Options (units '000)	2011	2010
At 1 January	**36,674**	19,555
Granted	**–**	11,565
Bonus issue	**–**	25,486
Exercised	**(18,905)**	(19,481)
Forfeited	**(62)**	(451)
At 31 December	**17,707**	36,674

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

42 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
22.3.2007	28.2.2012	10,000,000	3.48
31.5.2007	28.2.2012	5,455,000	3.48
27.3.2008	28.2.2012	4,450,000	3.48
30.1.2009	28.2.2012	780,000	3.48
31.3.2009	28.2.2012	9,116,000	3.48
11.6.2009	28.2.2012	329,000	3.48
6.8.2009	28.2.2012	172,000	3.48
1.10.2009	28.2.2012	400,000	3.48
8.3.2010	28.2.2012	8,944,100	3.48
30.3.2010	28.2.2012	1,351,000	3.48
15.4.2010	28.2.2012	900,140	3.48
26.5.2010	28.2.2012	369,400	1.74

The weighted average share price at the time of exercise was RM8.12 (2010: RM9.46). The weighted average remaining contractual life is 0.16 years (2010: 1.16 years).

The total entitlement granted during the financial year was nil (2010: 11,564,640 units) and number of entitlements that are exercisable at the financial year end is 17,707,137 units (2010: 16,894,140 units).

(b) Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by the Group where the Group will grant ordinary shares of the Company to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group will be utilised to purchase ordinary shares of the Company from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A subsidiary company will act on behalf of the Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of the Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will 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 expenses recognised in statement of income during the financial year amounted to RM59,847,030 (2010: RM Nil).

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:

	2011 Total Shares (units '000)
At 1 January	–
Granted	**10,545**
Released	**(2,738)**
Forfeited	–
At 31 December	**7,807**

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

43 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group	
	2011 RM'000	2010 RM'000
Capital expenditure:		
Authorised and contracted for	**320,582**	320,388
Authorised but not contracted for	**1,123,558**	1,291,836
	1,444,140	1,612,224

Analysed as follows:

	The Group	
	2011 RM'000	2010 RM'000
Property, plant and equipment	**736,947**	1,033,084
Subscription for investments	**61,736**	64,486
Software development	**35,885**	9,315
Computer software	**601,004**	468,413
Others	**8,568**	36,926
	1,444,140	1,612,224

44 LEASE COMMITMENTS

The lease commitments are in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	The Group	
	2011 RM'000	2010 RM'000
Within one year	**174,445**	130,317
One year to less than five years	**777,449**	187,322
Five years and more	**456,911**	150,585

45 SEGMENT REPORTING

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

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

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

45 SEGMENT REPORTING (CONTINUED)

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

(a) Business segment reporting

Definition of segments

For management purposes, the Group is organised into six major operating divisions. The divisions form the basis on which the Group reports its primary segment information.

Consumer Banking
Consumer Banking comprises of Retail Banking, Business Banking, Direct Banking and Cards and CIMB Express.

Retail Banking focuses on introducing innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, shares financing and hire purchase financing), private client services, remittance services and deposit acceptance.

Business Banking is responsible for the development of products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises (SMEs) and mid-sized corporation, as well as the management of business loan portfolios of these customer segments.

Direct Banking and Cards focuses on mass affluent customers and credit card business while CIMB Express caters to lower income customers offering product such as microcredit loan.

Corporate and Investment Banking
Corporate and Investment Banking comprise investment banking, corporate finance, corporate banking, regional banking and transactional services, equity capital markets, retail and institutional equities, equity derivatives and equity investment and trading.

Investment Banking and Corporate Finance offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debt restructuring, mergers and acquisitions, initial public offerings, secondary offerings and general corporate advisory. Corporate Banking provides a broad spectrum of financial and Ringgit lending services for domestic and multinational corporations as well as institutional and public sector clients. Regional banking oversees the activities of the Group's overseas branches in London, Singapore and Hong Kong and provides conventional and customised financial packages in order to meet customers' needs, with products including non-Ringgit corporate lending, nominee services and cash management services.

Equity Capital Markets provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making. Equity Derivatives Group develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues. Equity Investment and Trading is the Group's Proprietary Equity Trading Unit. Retail and Institutional Equities provide stock broking services to retail and corporate clients.

Treasury and Investment
Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It also invests the Group's proprietary capital.

Asset Management and Insurance
Asset Management comprises wholesale fund management, unit trust, private equity and venture capital activities. It includes the Group's life and takaful activities.

Foreign Banking Operations
Foreign Banking Operations comprise of PT Bank CIMB Niaga Tbk, CIMB Thai Bank Public Company Limited, CIMB Bank PLC and Bank of Yingkou Co Ltd, which are involved in the provision in the commercial banking and related services.

Support and others
Support services comprise all middle and back-office processes, cost centres and non-profit generating divisions of companies in the Group. Other business segments in the Group include investment holding, property management and other related services, whose results are not material to the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2011

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2011						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Net interest income							
– external income/(expense)	2,537,928	1,223,026	(121,095)	12,739	3,218,236	(194,583)	6,676,251
– inter-segment income	62,386	(531,475)	492,386	(11)	(19)	(23,267)	–
	2,600,314	691,551	371,291	12,728	3,218,217	(217,850)	6,676,251
Non-interest income	821,693	868,429	923,645	262,928	1,091,759	7,003	3,975,457
Income from Islamic banking operations	643,269	158,287	585,365	–	80,600	2,800	1,470,321
	4,065,276	1,718,267	1,880,301	275,656	4,390,576	(208,047)	12,122,029
Overheads of which:	(2,646,782)	(891,501)	(522,476)	(205,169)	(2,341,090)	(22,894)	(6,629,912)
– Depreciation of property, plant and equipment	(142,064)	(35,178)	(12,633)	(9,601)	(117,535)	(15,194)	(332,205)
– Amortisation of prepaid lease payments	–	–	–	–	(14,910)	–	(14,910)
– Amortisation of intangible assets	(112,489)	(13,620)	(8,040)	(2,487)	(101,895)	(3,648)	(242,179)
Profit/(loss) before allowances	1,418,494	826,766	1,357,825	70,487	2,049,486	(230,941)	5,492,117
Allowance (made)/written back for impairment losses on loans, advances and financing	(9,102)	(38,088)	(5,803)	–	(434,306)	(44)	(487,343)
Allowance written back/(made) for losses on other receivables	(896)	(2,501)	18,227	(1,072)	(17,926)	(4,740)	(8,908)
Allowance (made)/written back for commitments and contingencies	(1,518)	20,336	–	–	36,617	–	55,435
Recoveries from investment management and securities services	–	–	15,000	–	–	–	15,000
Allowance written back/(made) for other impairment losses	–	473	(13,648)	–	(3,504)	2,489	(14,190)
Segment results	1,406,978	806,986	1,371,601	69,415	1,630,367	(233,236)	5,052,111
Share of results of jointly controlled entity	9,359	–	8,898	(1,264)	–	–	16,993
Share of results of associates	–	–	22,225	23,413	88,400	–	134,038
Profit/(loss) before taxation	1,416,337	806,986	1,402,724	91,564	1,718,767	(233,236)	5,203,142
Taxation							(1,128,816)
Profit after taxation							4,074,326

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2011						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Segment assets	82,866,256	58,707,487	75,903,872	1,316,165	71,749,460	1,044,254	291,587,494
Investment in associates and jointly controlled entities	149,208	–	229,097	511,517	462,941	5,103	1,357,866
	83,015,464	58,707,487	76,132,969	1,827,682	72,212,401	1,049,357	292,945,360
Unallocated assets	–	–	–	–	–	–	7,257,347
Total assets	83,015,464	58,707,487	76,132,969	1,827,682	72,212,401	1,049,357	300,202,707
Segment liabilities	78,640,765	26,236,283	91,512,652	598,054	66,008,808	6,597,989	269,594,551
Unallocated liabilities	–	–	–	–	–	–	3,744,996
Total liabilities	78,640,765	26,236,283	91,512,652	598,054	66,008,808	6,597,989	273,339,547
Other segment items							
Incurred capital expenditure	344,373	73,555	24,972	23,211	250,267	47,169	763,547
Investment in jointly controlled entities	149,208	–	36,157	3,114	–	–	188,479
Investment in associates	–	–	192,940	508,403	462,941	5,103	1,169,387

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2010						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Net interest income							
– external income/(expense)	2,601,577	1,212,813	(132,066)	17,192	3,055,506	(150,247)	6,604,775
– inter-segment income	(150,417)	(505,062)	675,879	(6)	(7)	(20,387)	–
	2,451,160	707,751	543,813	17,186	3,055,499	(170,634)	6,604,775
Non-interest income	774,796	971,741	720,787	297,392	1,119,182	59,494	3,943,392
Income from Islamic banking operations	552,332	220,930	493,944	–	62,091	739	1,330,036
	3,778,288	1,900,422	1,758,544	314,578	4,236,772	(110,401)	11,878,203
Overheads of which:	(2,735,067)	(952,755)	(553,494)	(225,597)	(2,078,432)	(67,959)	(6,613,304)
– Depreciation of property, plant and equipment	(145,779)	(39,544)	(13,192)	(9,907)	(123,907)	(13,066)	(345,395)
– Amortisation of prepaid lease payments	–	–	–	–	(60,483)	–	(60,483)
– Amortisation of intangible assets	(94,312)	(16,151)	(7,740)	(4,568)	(143,463)	(5,274)	(271,508)
Profit/(loss) before allowances	1,043,221	947,667	1,205,050	88,981	2,158,340	(178,360)	5,264,899
Allowance (made)/written back for impairment losses on loans, advances and financing	(250,963)	226,871	(35,051)	–	(546,679)	(1,354)	(607,176)
Allowance written back/(made) for losses on other receivables	–	2,731	(16,330)	(813)	6,642	(315)	(8,085)
Allowance (made)/written back for commitments and contingencies	(12,601)	–	–	–	(8,567)	268	(20,900)
Losses from investment management and securities services	–	–	(50,000)	–	–	–	(50,000)
Allowance written back/(made) for other impairment losses	–	835	(46,630)	–	(3,513)	1,119	(48,189)
Segment results	779,657	1,178,104	1,057,039	88,168	1,606,223	(178,642)	4,530,549
Share of results of jointly controlled entity	10,449	–	299	(1,200)	–	–	9,548
Share of results of associates	–	–	31,222	–	54,586	812	86,620
Profit/(loss) before taxation	790,106	1,178,104	1,088,560	86,968	1,660,809	(177,830)	4,626,717
Taxation							(956,830)
Profit after taxation							3,669,887

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

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2010						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Segment assets	78,502,660	52,191,855	65,351,610	3,266,558	61,536,648	734,936	261,584,267
Investment in associates and jointly controlled entities	139,849	–	54,212	131,657	349,472	5,103	680,293
	78,642,509	52,191,855	65,405,822	3,398,215	61,886,120	740,039	262,264,560
Unallocated assets	–	–	–	–	–	–	7,100,684
Total assets	78,642,509	52,191,855	65,405,822	3,398,215	61,886,120	740,039	269,365,244
Segment liabilities	70,667,886	20,313,514	86,435,350	2,429,057	57,713,009	3,550,089	241,108,905
Unallocated liabilities	–	–	–	–	–	–	3,953,140
Total liabilities	70,667,886	20,313,514	86,435,350	2,429,057	57,713,009	3,550,089	245,062,045
Other segment items							
Incurred capital expenditure	238,637	66,992	23,644	37,267	123,797	26,305	516,642
Investment in jointly controlled entities	139,849	–	–	31,637	–	–	171,486
Investment in associates	–	–	54,212	100,020	349,472	5,103	508,807

Basis of pricing for inter-segment transfers:
Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

(b) Geographical segment reporting

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Indonesia, the areas of operation in this country include all the primary business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the primary business segments of a subsidiary bank, CIMB Thai Bank.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, United States of America, Cambodia and Hong Kong. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

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45 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting (Continued)

	Net interest income RM'000	Total non current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
The Group					
2011					
Malaysia	**3,218,678**	**15,882,470**	**204,222,063**	**186,618,702**	**461,588**
Indonesia	**2,677,924**	**585,032**	**58,709,549**	**52,117,726**	**155,977**
Thailand	**547,377**	**459,665**	**17,105,661**	**15,781,156**	**79,977**
Other countries	**232,272**	**1,074,035**	**20,165,434**	**18,821,963**	**66,005**
	6,676,251	**18,001,202**	**300,202,707**	**273,339,547**	**763,547**
2010					
Malaysia	3,410,112	11,959,885	186,090,488	169,049,462	368,601
Indonesia	2,544,348	664,444	49,383,809	44,606,090	69,727
Thailand	514,544	600,902	14,721,092	13,494,510	42,683
Other countries	135,771	332,287	19,169,855	17,911,983	35,631
	6,604,775	13,557,518	269,365,244	245,062,045	516,642

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Loss of control in insurance subsidiaries

CIMB Aviva Assurance Berhad ("CAAB") and CIMB Aviva Takaful Berhad ("CATB"), formerly indirect subsidiaries of the Group, have ceased to be subsidiaries of the Group due to realignment in the composition of CAAB and CATB's Board of Directors effective 1 January 2011. There was no change in the Group's existing 51% equity interest held in the two entities. The Group has lost control over CAAB and CATB and now has significant influence over the two entities. Therefore, CAAB and CATB have been accounted for as investment in associates of the Group. The financial results of CAAB and CATB are equity accounted for in the financial statements of the Group for the financial year ended 31 December 2011.

The loss of control is deemed partial disposal of subsidiaries and the investment retained in CAAB and CATB is recognised at fair value in accordance with revised FRS 127 – "Consolidated and separated Financial Statements", resulting in a gain of RM250 million recognised in the statement of income of the Group.

(b) Acquisition of additional equity stake in CIMB Capital Advisors Partner Asia Sdn Bhd ("CAPA") (formerly known as CIMB Standard Strategic Asset Advisor Sdn Bhd)

On 10 May 2011, CIMB Strategic Assets Sdn Bhd ("CIMB SA"), a wholly-owned subsidiary of the Group, had acquired 200,000 ordinary shares of CAPA for a cash consideration of RM1,522,299, representing the remaining 40% of issued share capital not owned by CIMB SA. As a result, CAPA became a wholly-owned subsidiary of CIMB SA and indirect wholly-owned subsidiary of the Group.

(c) Potential acquisition of a stake in Bank of Commerce in the Philippines

On 6 October 2011, the Group announced that it is in an early stage of discussion with San Miguel Corporation for a possible acquisition of a stake in Bank of Commerce in the Philippines.

Notes to the Financial Statements
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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Rights issue on ordinary shares by CIMB Niaga
On 15 November 2010, CIMB Niaga announced a 1-for-20 rights issue of up to 1,196,743,183 new CIMB Niaga shares at IDR1,250 each. The rights issue was completed and the new CIMB Niaga shares were listed on 12 January 2011.

(e) Issuance of Subordinated Sukuk
On 21 April 2011, CIMB Islamic, an indirect subsidiary of the Company, had issued Subordinated Sukuk (the "Sukuk") as part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time. The Sukuk qualifies as Tier-2 capital for the purpose of the RWCR computation.

(f) Issuance of additional new ordinary shares by CIMB Islamic
On 30 May 2011, CIMB Islamic had issued 250 million additional new ordinary shares of RM1 each (at par value) amounting to RM250 million, which were fully subscribed by CIMB Bank.

(g) Settlement of bonds and term loans
CIMB Bank (L) Limited, a subsidiary of CIMB Bank had fully settled its USD140 million bonds and USD300 million term loan on 15 April 2011 and 22 June 2011 respectively.

(h) Issuance of RM1.5 billion Subordinated Debt
CIMB Bank has on 8 August 2011 completed the issuance of RM1.5 billion Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Progromme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010.

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

(i) Issuance of THB3 billion subordinated notes
CIMB Thai Bank, a subsidiary of CIMB Bank had fully settled its USD50 million subordinated notes on 17 July 2011. CIMB Thai Bank had on 14 July 2011 issued 3,000,000 units unsecured 10-year subordinated notes (the "THB3 billion Notes"). The THB3 billion Notes were issued at a price of THB1,000 per unit. The THB3 billion Notes carry constant interest rate of 5.35% per annum payable every 6 months on 14 July and 14 January. The THB3 billion Notes will mature on 14 July 2021 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

(j) Settlement of USD200 million subordinated notes
On 19 October 2011, CIMB Niaga announced its intention to call the USD200 million subordinated notes, which is callable on 22 November 2011. The USD200 million subordinated notes was settled on 21 November 2011.

(k) Issuance of IDR1,500,000 million bonds with fixed interest rates
On 15 December 2011, CIMB Niaga issued a IDR1,500,000 million bonds with fixed interest rates. The bonds are divided into Series A Bond and Series B Bond. Series A Bond is IDR180,000 million bond with a tenor of 3 years which will mature on 23 December 2014. It bears fixed interest rate of 7.375% per annum. Series B Bond is IDR1,320,000 million bond with a tenor of 5 years which will mature on 23 December 2016. It bears fixed interest rate of 8.30% per annum.

(l) Disposal of impaired loans
On 30 December 2011, CIMB Bank Thai disposed unsecured retail impaired loans portfolio to Sathorn Asset Management Company Limited ("STAMC"), an indirect subsidiary of CIMB Group for a total cash consideration of THB200 million (approximately RM20,144,000 based on exchange rate of RM10.072:THB100 as at 30 December 2011).

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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(m) Joint venture in Sri Lanka

On 4 August 2011, CIMB Securities International Pte. Ltd. ("CIMBSI"), an indirect wholly-owned subsidiary of the Company, has entered into a Joint Venture and Shareholders' Agreement with its partners, Mr. Alex Lovell and Ms. Reshani Dangalia, to establish an investment banking advisory joint venture in Sri Lanka ("Joint Venture"). Pursuant to the Agreement, the shareholders have committed up to USD2 million for the venture and it will be a subsidiary of CIMBSI upon its incorporation. The Joint Venture company shall provide investment banking services such as corporate, equity and debt capital market and general advisory on mergers and acquisitions, initial public offerings and secondary offerings, primary and dual listings, privatisations, corporate restructuring and capital management, as well as such other related businesses that the Joint Venture company may choose to undertake in the future.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) Potential acquisition of a stake in Bank of Commerce in the Philippines

On 12 January 2012, the Group announced that discussions on the possible acquisition of a stake in Bank of Commerce in the Philippines is still on-going and wishes to conclude the negotiations with San Miguel Corporation by first quarter 2012.

(b) Investment in Siam Industrial Credit Public Company Limited ("SSEC")

On 15 February 2012, CIMB Securities International Pte. Ltd. ("CSI"), an indirect wholly-owned subsidiary of the Company, has completed a conditional Share Sale and Purchase Agreement ("SSPA") with Siam Industrial Credit Public Company Limited ("SICCO") for the Proposed Acquisition of 70.06% interest in SICCO Securities Public Company Limited ("SSEC") at a total cash consideration of THB767,907,519 (equivalent to RM78,426,395) or a cash consideration of THB1.72 per ordinary share of SSEC. Under the laws of Thailand, CSI is required to conduct a mandatory tender offer to acquire all the remaining shares in SSEC not owned by CSI from other shareholders of SSEC, subject to the fulfilment of conditions precedent under the SSPA and upon completion of the Proposed Acquisition.

The mandatory tender offer is expected to be completed by April 2012.

The fair value of the assets and liabilities arising from the acquisition are as follows:

	Fair value RM'000
Cash and cash equivalents	20,087
Deposits and placements with banks and other financial institution	252
Financial assets at fair value through profit or loss	6,409
Loans, advances and financing	96,653
Other assets	16,558
Other long term investments carried at cost	827
Property, plant and equipment	4,652
Trade and other payables	(50,079)
Current tax liabilities	(621)
Net assets acquired	94,738
Less: Non-controlling interest measured at non-controlling interest's proportionate share of SICCO's net identifiable assets	(16,996)
Add: Provisional goodwill	13,331
Purchase consideration satisfied via cash	91,073
Less: Cash and cash equivalents acquired	(20,339)
Cash inflow on acquisition	70,734

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47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(b) Investment in Siam Industrial Credit Public Company Limited ("SSEC") (Continued)

The fair value of identifiable assets acquired and liabilities assumed, proportionate share of non-controlling interests, and the residual goodwill has been provisionally accounted for as the accounting for the acquisition is still incomplete at the time the financial statements have been authorised for issue.

Acquisition related costs

Acquisition related costs amounting to RM346,480 have been incurred for financial year ended 31 December 2011. These costs are included in administration and general expenses in the consolidated statements of income.

Acquired receivables

The fair value of receivables acquired amounted to RM107,360,000 comprising of balances in loans, advances and financing of RM96,411,720 and balances in other assets of RM10,948,280. The gross contractual amount for loans, advances and financing due is RM103,387,680 of which RM6,975,960 is expected to be uncollectible.

(c) Disposal of 6.8% stake in The South East Asian Strategic Assets Fund LP

On 21 February 2012, CIMB Bank entered into a sale and purchase agreement with a third party for the disposal of 6.8% stake in The South East Asian Strategic Assets Fund LP.

(d) Joint venture in Sri Lanka

On 28 February 2012, CIMB Securities International Pte Ltd ("CIMBSI") has entered into a Deed of Accession to the Joint Venture and Shareholders' Agreement to facilitate the entry of Vista Knowledge Pte Ltd ("Vista Knowledge"), a wholly-owned subsidiary of Genting Berhad, as a new shareholder of the Joint Venture company. The new shareholding structure following Vista Knowlege's entry is; CIMB (45%), Mr. Alex Lovell (20%), Vista Knowledge (20%) and Ms Reshani Dangalla (15%).

(e) Acquisition proposal on Royal Bank of Scotland ("RBS")

On 1 March 2012, CIMB Group Sdn Bhd, a wholly-owned subsidiary of the Group, has signed a memorandum of understanding (the "MOU") for the proposed acquisition of certain of the cash equities, equity capital markets and corporate finance businesses of The Royal Bank of Scotland in Asia Pacific. The MOU provides for the parties to negotiate exclusively with each other and finalise the scope and terms of a sale and purchase agreement.

48 CAPITAL ADEQUACY

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

The capital management process is centrally supervised by the Group Executive Committee (EXCO), Group Risk Committee (GRC) and Branch 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 banking subsidiaries of the Group are computed as follows:

The capital adequacy ratios of CIMB Bank Group (other than CIMB Thai Bank and CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with Bank Negara Malaysia ("BNM") Guidelines on Risk Weight Capital Adequacy Framework: Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational Risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

With effect from November 2011, the capital adequacy ratios of CIMB Investment Bank are computed in accordance with BNM Guidelines on Risk Weight Capital Adequacy Framework: Standardised approach (SA approach) for Credit Risk and Basic Indicator Approach for Operational Risk. Market Risk remained unchanged under Standardised Approach. In 2010, IRB approach is adopted to compute Credit Risk.

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48 CAPITAL ADEQUACY (CONTINUED)

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 impractical to apply IRB Approach due to lack of IRB assets in CIMB Investment Bank. In November 2011, CIMB Investment Bank has adopted the SA approach for the Group to better reflect the nature of the underlying business activities. The change does not in any way affect how business is conducted at CIMB Investment Bank and will in fact maintain the efficient employment of capital at CIMB Investment Bank.

The capital adequacy ratios of Bank CIMB Niaga and CIMB Thai Bank remained unchanged based on guidelines issued by Bank of Indonesia and Bank of Thailand respectively. Credit Risk and Market Risk is based on Standardised Approach (SA) while Operational Risk is based on Basic Indicator Approach. The capital adequacy ratio of CIMB Bank PLC is completed based on National Bank of Cambodia's requirements.

Capital Structure and Adequacy
The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2011. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, including tier-2 Subordinated Debt, innovative and non-innovative tier-1 hybrid securities that qualify as capital pursuant to the RWCAF and Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM.

(a) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Bank Group, CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai Bank and CIMB Bank PLC for the financial year ended 31 December 2011 are as follows. The individual entities within the Group and the Group complied with all externally imposed capital requirements to which they are subject to.

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
31 December 2011							
Before deducting proposed dividends							
Core capital ratio	**15.26%**	**10.44%**	**7.65%**	**11.97%**	**21.02%**	**10.17%**	**N/A**
Risk-weighted capital ratio	**17.59%**	**14.42%**	**13.00%**	**16.87%**	**21.04%**	**13.09%**	**56.33%**
After deducting proposed dividends							
Core capital ratio	**14.45%+**	**10.44%**	**7.65%**	**11.33%+**	**16.51%@**	**10.17%**	**N/A**
Risk-weighted capital ratio	**16.78%+**	**14.42%**	**13.00%**	**16.24%+**	**16.53%@**	**13.09%**	**56.33%**
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	**83,785,262**	**14,677,578**	**13,168,819**	**109,351,226**	**1,081,967**	**46,387,969**	**184,352**
Market risk	**8,105,302**	**346,673**	**339,155**	**8,785,131**	**307,315**	**611,862**	**–**
Operational risk	**9,949,736**	**1,402,324**	**–**	**12,620,584**	**807,424**	**5,117,613**	**–**
Large exposure risk	**400,148**	**–**	**862,316**	**400,148**	**–**	**–**	**–**
	102,240,448	**16,426,575**	**14,370,290**	**131,157,089**	**2,196,706**	**52,117,444**	**184,352**

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

48 CAPITAL ADEQUACY (CONTINUED)

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

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
31 December 2011							
Tier I capital							
Paid-up capital	3,764,469	1,000,000	809,961	3,764,469	100,000	561,888	117,549
Perpetual preference shares	200,000	70,000	–	200,000	–	–	–
Non-innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Innovative Tier I Capital	1,635,400	–	–	1,635,400	–	–	–
Share premium	5,033,633	–	147,266	5,033,633	–	2,823,236	–
Other reserves	7,642,406	791,169	141,948	8,783,032	402,127	1,948,607	(12,130)
Non-controlling interests	–	–	–	266,211	–	–	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	–	–	–	–	–	(35,245)	–
Deferred tax assets	(118,506)	(10,791)	–	(89,327)	(40,460)	–	–
Intangible assets	–	–	–	–	–	–	(2,916)
Goodwill	(3,555,075)	(136,000)	–	(4,899,904)	–	–	–
Total Tier I capital	15,602,327	1,714,378	1,099,175	15,693,514	461,667	5,298,486	102,503
Tier II capital							
Redeemable preference shares	29,740	–	–	29,740	10	–	–
Subordinated notes	5,000,000	550,000	439,728	5,813,057	–	–	–
Subordinated loans	–	–	–	–	–	1,051,495	–
Revaluation reserve	–	–	36,571	–	–	–	–
Regulatory reserve	431,514	59,113	–	490,627	–	–	–
Portfolio impairment allowance √	188,389	64,585	41,044	397,291	623	464,878	1,346
Surplus of total eligible provision over expected loss under the IRB approach	359,190	(18,719)	–	255,860	–	–	–
Others	–	–	251,674	–	–	40,010	–
Total eligible Tier II capital	6,008,833	654,979	769,017	6,986,575	633	1,556,383	1,346
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,249,823)	–	–	(177,125)	(50)	(35,245)	–
Securitisation exposures subject to deductions**	(70,116)	–	–	(70,116)	–	–	–
Investment in associates	(306,061)	–	–	(306,061)	–	–	–
Total Eligible Tier II capital	2,382,833	654,979	769,017	6,433,273	583	1,521,138	1,346
Total Capital base	17,985,160	2,369,357	1,868,192	22,126,787	462,250	6,819,624	103,849
Less:							
Proposed dividends	(827,000)	–	–	(827,000)	(99,034)	–	–
	17,158,160	2,369,357	1,868,192	21,299,787	363,216	6,819,624	103,849

Notes to the Financial Statements
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48 CAPITAL ADEQUACY (CONTINUED)

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

@ Interim dividend for financial year ended 31 December 2011 to be paid in March 2012

+ Interim dividend for financial year ended 31 December 2011 to be paid in March 2012

** Financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach;

The investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II – Risk Weighted Assets Computation) Guideline dated 31 December 2009.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2011 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM463,064,140, RM441,690,248 and RM21,373,892 respectively

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited and CIMB (L) Limited), CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga and CIMB Thai Bank for the financial year ended 31 December 2010 are as follows:

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
31 December 2010							
Before deducting proposed dividends							
Core capital ratio	14.38%	13.22%	9.04%	11.83%	19.76%	9.53%	N/A
Risk-weighted capital ratio	15.27%	17.19%	14.69%	15.30%	19.80%	13.24%	636.20%
After deducting proposed dividends							
Core capital ratio	13.81%+	13.22%	9.04%	11.35%+	17.06%@	9.53%	N/A
Risk-weighted capital ratio	14.71%+	17.19%	14.69%	14.82%+	17.11%@	13.24%	636.20%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	87,236,173	7,623,657	10,911,021	104,892,665	1,028,430	36,364,455	17,184
Market risk	9,176,183	285,115	313,670	9,658,308	192,321	394,887	–
Operational risk	9,604,531	1,041,278	–	11,242,737	765,308	3,230,655	–
Large exposure risk	360,424	–	777,097	360,424	–	–	–
	106,377,311	8,950,050	12,001,788	126,154,134	1,986,059	39,989,997	17,184

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48 CAPITAL ADEQUACY (CONTINUED)

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

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
31 December 2010							
Tier I capital							
Paid-up capital	3,764,469	750,000	837,999	3,764,469	100,000	531,876	114,090
Perpetual preference shares	200,000	70,000	–	200,000	–	–	–
Non-innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Innovative Tier I Capital	1,616,700	–	–	1,616,700	–	–	–
Share premium	5,033,633	–	152,364	5,033,633	–	2,283,429	–
Other reserves	7,351,412	506,180	95,115	8,051,484	336,741	1,053,455	(1,395)
Non-controlling interests	–	–	–	260,586	–	–	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	–	–	–	–	–	(56,634)	–
Deferred tax assets	(115,206)	(7,283)	–	(82,519)	(44,329)	–	–
Intangible assets	–	–	–	–	–	–	(3,374)
Goodwill	(3,555,075)	(136,000)	–	(4,923,428)	–	–	–
Total Tier I capital	15,295,933	1,182,897	1,085,478	14,920,925	392,412	3,812,126	109,321
Tier II capital							
Redeemable preference shares	29,740	–	–	29,740	10	–	–
Subordinated notes	3,500,000	300,000	342,732	3,936,919	–	–	–
Subordinated loans	–	–	–	–	–	1,108,000	–
Revaluation reserve	–	–	38,336	–	–	–	–
Regulatory reserve	110,190	7,405	–	117,595	–	–	–
Portfolio impairment allowance √	221,940	30,892	30,840	381,876	650	391,631	–
Surplus of total eligible provision over expected loss under the IRB approach	404,989	17,577	–	409,200	209	–	–
Others	–	–	265,240	–	–	39,333	–
Total eligible Tier II capital	4,266,859	355,874	677,148	4,875,330	869	1,538,964	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,000,892)	–	–	(178,194)	(50)	(56,634)	–
Securitisation exposures subject to deductions**	(70,116)	–	–	(70,116)	–	–	–
Investment in associates	(245,134)	–	–	(245,134)	–	–	–
Total Eligible Tier II capital	950,717	355,874	677,148	4,381,886	819	1,482,330	–
Total Capital base	16,246,650	1,538,771	1,762,626	19,302,811	393,231	5,294,456	109,321
Less:							
Proposed dividends	(600,903)	–	–	(600,903)	(53,500)	–	–
Total Capital base (net of proposed dividend)	15,645,747	1,538,771	1,762,626	18,701,908	339,731	5,294,456	109,321

Notes to the **Financial Statements**
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48 CAPITAL ADEQUACY (CONTINUED)

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

+ Second interim dividend for financial year ended 31 December 2010 to be paid before 31 March 2011

@ Final dividend for financial year ended 31 December 2010 to be paid before 30 April 2011

** In the previous financial year, CIMB Bank was required to deduct 50% of its investment in its jointly controlled entity, PCSB, from the capital base for purposes of computing the capital adequacy ratio in accordance with a circular by Bank Negara Malaysia ("BNM") dated 25 April 2006.

As at 31 December 2010, the following has been applied in computing the capital adequacy ratio:

- financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach;
- the investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) Guideline dated 31 December 2009.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2010 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM495,950,492, RM476,240,986 and RM19,709,506 respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

With effect from November 2011, CIMB Investment Bank Group has adopted the SA approach to better reflect the nature of the underlying business activities. Had the Investment Bank Group adopted the SA approach in 2010, the capital adequacy ratios and risk-weighted assets are as follows:

	CIMB Investment Bank Group RM'000
Before deducting proposed dividend	
Core capital ratio	19.12%
Risk-weighted capital ratio	19.16%
After deducting proposed dividend	
Core capital ratio	16.51%
Risk-weighted capital ratio	16.55%
Risk-weighted assets	2,052,644

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

49 BUSINESS COMBINATIONS

Completion of initial accounting for acquisition of additional equity interest in Touch 'n Go Sdn Bhd ("TnG")

On 26 March 2010, CIMB SI, a wholly owned subsidiary of the Company had acquired additional 32.22% stake in TnG of the total issued and paid-up share capital of TnG for a cash consideration of RM53,811,107.

The additional investment in TnG has increased the Group's equity interest in TnG from 20% to 52.22% and accordingly, the results of TnG have been consolidated as a subsidiary in the Financial Statements of the Group.

As allowed by revised FRS 3 – Business Combinations, the Group has accounted for the acquisition of TnG using the provisional fair values of the assets and liabilities which were based on TnG carrying amount as at 25 March 2010. The goodwill on acquisition, which was determined provisionally, represents the value of synergies arising from the acquisition.

In financial year 2011, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities assumed. The fair value adjustments and intangible assets identified on acquisition are based on finalised purchase allocation and fair value exercise.

As required by revised FRS 3, the fair values of assets and liabilities arising from the acquisition of TnG on 26 March 2010 have been restated and are set out as below. The goodwill on acquisition of TnG was restated to RM51,082,000.

	Acquiree's provisional fair values RM'000	Fair value adjustments RM'000	Adjusted fair value RM'000
Cash and short-term funds	221,737	–	221,737
Property, plant and equipment	4,954	–	4,954
Intangible assets	4,889	8,037	12,926
Other assets	44,811	–	44,811
Other liabilities	(241,029)	–	(241,029)
Net assets	35,362	8,037	43,399
Less: Non-controlling interest	(23,968)	–	(23,968)
Net assets acquired	11,394	8,037	19,431
Goodwill on acquisition			34,380*
Purchase consideration satisfied via cash			53,811
Less: Cash and cash equivalents acquired			(221,737)
Cash inflow on acquisition			(167,926)

* Goodwill arising from previous acquisition of 20% stake in TnG amounted to RM16,702,000. Hence, total goodwill in relation to TnG acquisition during the financial year amounted to RM51,082,000.

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

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) *Impairment of available-for-sale equity investments*

The Group and the Company determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged required judgement. The Group and the Company 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 Company 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 timing of the cash flows in assessing 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 (a) of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various 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 price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of capital, which requires exercise of judgement. Refer to Note 18 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) *Intangible assets*

The Group's intangible assets that derive their value from contractual customer relationships and core deposits or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgement by the Group's management. At each statement of financial position date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount: the higher of fair value less cost to sell and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed in a binding agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets' continued use, including those resulting from its ultimate disposal, at a market-based discount rate on pre-tax basis.

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

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(e) *Fair value of financial instruments*

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 53.4.

(f) *Fair value of associates – CAAB and CATB*

Following the loss of control over CAAB and CATB on 1 January 2011, the former subsidiaries ceased to be consolidated and the Group's retained interest of 51% is recognised as investment in associate at fair value.

The fair value is based on the appraisal valuation, which comprises the Value in Force and Structural Value of the insurance businesses. The appraisal valuation is performed by an independent external actuary, Actuarial Partners Consulting Sdn Bhd, who has applied the actuarial appraisal approach to determine the fair value. The projected cash flows are derived using the following key assumptions, which are determined at the date of valuation:

(i) Risk discount rates
- 9.5%, being the current market discount rates used for the Malaysian insurance industry

(ii) New business volume
- Projection to their natural termination, a ten-year tranche of new business commencing from 1 January 2012, representing the existing Structural Value of the Life fund, with an average growth rate of 10% from 2012 onwards; and
- For General Takaful fund, the expected contribution growth on products ranging from an average of 13.7% to 34.3% from 2012 to 2014. The claims liabilities estimated are following the valuation guidelines for general insurance/general takaful liabilities issued by BNM.

(iii) Investment returns
- Investment returns ranging from 3.1% to 3.5% per annum

(iv) Management expense assumptions
- Expenses overrun allowed in the valuation is based on the projected new business from 2012 to 2014

(v) Minimum solvency margin
- Based on the insurance entities' internal capital adequacy ratios

(vi) Taxation
- 22% to 25%, which represents the net tax rate assumed on surplus transferred to the shareholders' funds; and
- 8% of investment income based on life insurance fund/family takaful fund.

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

51 NON-CURRENT ASSETS HELD FOR SALE

		The Group	
	Note	2011 RM'000	2010 RM'000
Non-current assets held for sale:			
– property, plant and equipment		**14,286**	3,411
– prepaid lease payments	17	**691**	–
– foreclosed properties		**–**	8,835
– investment properties	16	**2,271**	46,804
Total non-current assets held for sale		**17,248**	59,050

Property, plant and equipment, foreclosed properties and investment properties of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2012.

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

(i) Change in accounting policies

During the financial year, the Group and the Company 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 disclosures of financial instruments. 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 53.

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

(ii) Change in comparatives

(a) Certain comparatives were restated to conform to the current financial year's presentation. There was no significant impact to the financial performance and ratios in relation to the financial year ended 31 December 2010.

(i) The restatement was in relation to the finalisation of the fair value exercise and purchase price allocation in respect of the acquisition of additional interest in Touch 'n Go ("TnG") as allowed by FRS 3 (revised) – "Business Combinations". There was no significant impact to the statement of income for the financial year ended 31 December 2010.

(ii) The reclassification was in relation to the STAMC short term loan to conform with current year's presentation.

(iii) Reclassification of a subsidiary's insurance deposit expense to conform with current year's presentation.

(b) 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 has elected to present the Statement of Comprehensive Income in two statements, to give a better presentation of the Group's performance. Therefore, the Statement of Income and the Statement of Comprehensive Income of the Group and the Company for the financial year ended 31 December 2010 have been re-presented to conform to the current financial year presentation.

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

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTINUED)

(ii) Change in comparatives (Continued)
The impact of the above on the financial statement of the Group are set out as follows:

Impact on the Group's consolidated statement of changes in equity

Consolidated statement of changes in equity

	Balances as at 31 December 2010		
	As previously reported RM'000	Effects of adopting Amendment to FRS 2 RM'000	As restated RM'000
Retained earnings	7,156,250	(318,071)	6,838,179
Share-based payment reserve	–	318,071	318,071

	Balances as at 1 January 2010		
	As previously reported RM'000	Effects of adopting Amendment to FRS 2 RM'000	As restated RM'000
Retained earnings	6,265,787	(298,038)	5,967,749
Share-based payment reserve	–	298,038	298,038

	Increase/(decrease) to balances as at 31 December 2011 Effects of adopting Amendment to FRS 2 RM'000
Retained earnings	(23,718)
Share-based payment reserve	23,718

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

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTINUED)

(ii) Change in comparatives (Continued)

Impact on the Group's consolidated statements of income

	For the financial year ended 31 December 2010			
	As previously reported RM'000	Effects of adopting Amendment to FRS 2 RM'000	Reclassification (Note 52(ii)(a)(iii)) RM'000	As restated RM'000
Interest expenses	(4,631,581)	–	67,498	(4,564,083)
Overheads	(6,525,773)	(20,033)	(67,498)	(6,613,304)
Profit before taxation and zakat	4,646,750	(20,033)	–	4,626,717
Profit after taxation and zakat	3,689,920	(20,033)	–	3,669,887
Profit for the financial year attributable to owners of the Parent	3,520,836	(20,033)	–	3,500,803
Earnings per share attributable to ordinary equity holders of the Parent				
– basic (sen)	49.0	(0.3)	–	48.7

	Increase/(decrease) for the financial year ended 31 December 2011 Effects of adopting Amendment to FRS 2 RM'000
Overheads	(23,718)
Profit before/after taxation and zakat	(23,718)

Impact on the Group's consolidated statements of financial position

		Balances as at 31 December 2010		
	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Assets				
Goodwill	(i)	8,159,469	(8,037)	8,151,432
Intangible assets	(i)	1,543,295	8,037	1,551,332
Liabilities				
Bills and acceptances payable	(ii)	4,831,366	(298,920)	4,532,446
Other borrowings	(ii)	3,484,667	298,920	3,783,587

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

53 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 Framework

CIMB Group employs the Enterprise Wide Risk Management Framework ("EWRM") 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:

GOVERNANCE

ECONOMIC CAPITAL FRAMEWORK | REGULATORY CAPITAL FRAMEWORK – RISK WEIGHTED ASSETS

RISK MANAGEMENT LIMITS & CONTROL | RISK ANALYSIS & REPORTING | STRESS TESTING

The framework is centered on resilient risk and capital management which requires the Group to identify, evaluate, measure, mitigate and monitor/report its material risks, and relate these to its capital requirements and at all times ensure capital adequacy. The 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.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Enterprise Wide Risk Management Framework (Continued)

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.

(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 proposal of 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.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, capital allocation and asset liability management processes across our Group

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)	Operational Risk Committee (ORC)	Balance Sheet Management Committee (BSMC)
• Oversee Group's exposures to market risks • Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments • Credit approval authority for Malaysian centric cases • Assign and review the Malaysian Sectorial Exposures • Review and approve Global Banking Institutions Limits for Malaysian centric banking groups	• Credit approval authority for Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures • Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking	• Review and approve or concur non-Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures • Review and approve or concur all non-Malaysian Interbank Limit, Global FI Counterparty Limits and Global Country Limit	• Credit approval authority for non-Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures	• Oversee the Group's overall liquidity management • Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner	• Oversee operational risk management in terms of best practices, policies and risk tolerance • Review controls and action plans to address identified risks • Oversight on all Business Continuity Management (BCM)/ Disaster Recovery (DR) activities	• Review balance sheet positions • Recommend and executing balance sheet strategies and hedging • Ensure risk profile is kept within the established risk appetite/limits/MAT

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

(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.

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 strategies, 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.

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/financing and advances, fixed income, derivatives, sales and trading, prior to submission to the CBCC, GWBRC, 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.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

53.1 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 Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risk.

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning various delegated authorities and various credit committees. The credit committees namely, SBCC, CBCC, RCC and GWBRC are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the Group's business units. The Committees also ensures the overall loan/financing portfolio meets the guidelines of the regulatory authorities and adherence to the approved credit policies and procedures.

All credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

Adherence to established credit limits is monitored daily by GRM, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures on an annual basis and more frequently when material information on the obligor or other external factors come to light.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

Credit Risk Management (Continued)

The exposures are actively monitored, reviewed on a regular basis and reported monthly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs CaR to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio CaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries. In estimating the portfolio CaR, the Group uses 25,000 simulation numbers at 99% confidence level. The generated portfolio CaR and any shortfall in the provision for defaulted accounts make up to the total Credit CaR utilisation to be compared against the allocated capital. The CaR usage versus pre-determined limit is monitored by Risk Management & Analytics ("RMA") within GRM. Any exception will be highlighted to Management in accordance with the Group's exception management procedure. These are summarised and reported to GRC and BRC on a monthly basis.

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.

Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GWBRC/RCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral include land and buildings and vehicles. Guarantors accepted are in line with BNM's Risk Weighted Capital Adequacy Framework ("BASEL II") ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

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.

Concentrations within risk mitigation

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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 Annexes ("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.

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.

53.1.1 (a) 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 exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	The Group Maximum exposure	
	2011 RM'000	2010 RM'000
Items not recognised in the statements of financial position		
Financial guarantees	**4,155,355**	4,399,652
Credit related commitments and contingencies	**49,465,662**	47,049,824
	53,621,017	51,449,476

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 65% (2010: 70%) while the financial effect of collateral for the Group is 60% (2010: 59%). The financial effect of collateral held for the remaining on balance sheet financial assets are insignificant.

53.1.2 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.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(a) Geographical sectors

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

The Group 2011	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Items recognised in the statements of financial position									
Cash and short-term funds	21,476,743	4,089,693	217,240	2,113,996	1,400,608	1,095,606	723,305	414,612	31,531,803
Reverse repurchase agreements	4,169,452	–	–	61,030	–	–	–	–	4,230,482
Deposits and placements with banks and other financial institutions	2,033,552	1,453,179	103,059	159,149	–	127,086	95,367	202,620	4,174,012
Financial investments at fair value through profit or loss									
– Financial assets held for trading									
– Money market instruments	5,342,968	58,867	–	2,701,268	208,171	–	–	–	8,311,274
– Quoted securities	–	599,693	221,426	–	–	–	–	–	821,119
– Unquoted securities	2,258,052	75,902	153,720	489,618	64,273	79,426	53,844	73,909	3,248,744
Financial investments available-for-sale									
– Money market instruments	912,653	25,874	–	–	–	–	–	–	938,527
– Quoted securities	–	2,321,511	853,847	–	–	–	–	–	3,175,358
– Unquoted securities	7,110,001	241,084	94,919	164,294	–	–	345,536	179,985	8,135,819
Financial investments held-to-maturity									
– Money market instruments	2,355,073	–	–	490,777	–	–	–	–	2,845,850
– Quoted securities	–	2,299,237	1,780,436	–	59,748	–	–	55,493	4,194,914
– Unquoted securities	8,189,740	36,938	39,044	962,346	254,944	24,966	60,421	309,620	9,878,019
Derivative financial instruments									
– Trading derivatives	1,413,127	19,877	211,601	894,950	681,375	229,791	114,836	451,334	4,016,891
– Hedging derivatives	104,688	28,575	–	103,980	18,571	–	–	1,368	257,182
Loans, advances and financing									
– Overdrafts	4,613,129	5,848	672,506	83,310	57	800	1,399	54,264	5,431,313
– Term loans/financing	96,439,961	23,282,618	7,780,920	8,351,178	53,145	587,532	581,148	1,562,648	138,639,150
– Bills receivable	692,399	566	2,873,289	17,099	3,107	2,025	–	7,877	3,596,362
– Trust receipts	376,398	47,744	587,025	105,566	–	–	7,817	5	1,124,555
– Claim on customers under acceptance credit	3,265,824	831,494	5,058	–	–	–	–	–	4,102,376
– Credit card receivables	4,068,576	915,976	–	436,002	–	–	–	–	5,420,554
– Revolving credit	3,927,957	18,611,230	54,618	390,266	–	367,137	6,165	337,055	23,694,428
– Share margin financing	497,270	912,096	46,094	367,960	–	–	–	6,619	1,830,039
Other assets	4,236,742	1,135,114	185,896	377,651	15,148	16,805	141,951	21,817	6,131,124
	173,484,305	56,993,116	15,880,698	18,270,440	2,759,147	2,531,174	2,131,789	3,679,226	275,729,895
Items not recognised in the statements of financial position									
Financial guarantees	3,300,949	568,590	59,553	169,408	–	50,428	–	6,427	4,155,355
Credit related commitments and contingencies	44,005,130	1,221,153	997,069	2,859,376	2,217	63,284	18,574	298,859	49,465,662
Total credit exposures	220,790,384	58,782,859	16,937,320	21,299,224	2,761,364	2,644,886	2,150,363	3,984,512	329,350,912

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 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 as at 31 December 2011 and 31 December 2010 are as follows (Continued):

The Group 2010	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Items recognised in the statements of financial position									
Cash and short-term funds	16,121,244	3,170,480	157,517	1,034,009	1,586,252	142,071	1,251,980	687,607	24,151,160
Reverse repurchase agreements	2,687,276	–	1,014,376	12,074	–	90,936	–	–	3,804,662
Deposits and placements with banks and other financial institutions	4,307,520	2,879,320	60,687	1,562,265	241,259	624,583	898,840	1,171,349	11,745,823
Financial investments at fair value through profit or loss									
– Financial assets held for trading									
– Money market instruments	8,380,084	6,763	–	2,047,763	–	–	–	–	10,434,610
– Quoted securities	5	1,605,911	8,800	–	–	–	–	–	1,614,716
– Unquoted securities	1,851,805	76,018	247,444	604,601	22,531	42,962	–	30,226	2,875,587
– Financial assets designated at fair value through profit or loss									
– Money market instruments	449,881	–	–	–	–	–	–	–	449,881
– Unquoted securities	265,410	–	–	–	–	–	–	–	265,410
Financial investments available-for-sale									
– Money market instruments	813,236	–	–	–	–	–	–	–	813,236
– Quoted securities	–	2,090,905	569,023	–	–	–	–	–	2,659,928
– Unquoted securities	6,288,078	90,186	–	15,258	–	–	–	45,232	6,438,754
Financial investments held-to-maturity									
– Money market instruments	1,988,979	–	–	–	–	–	–	–	1,988,979
– Quoted securities	–	391,840	943,124	38,245	57,817	–	–	402,579	1,833,605
– Unquoted securities	8,544,824	3,532	333,445	914,984	–	24,052	108,193	368,649	10,297,679
Derivative financial instruments									
– Trading derivatives	1,406,040	41,138	65,381	506,076	840,338	125,429	57,124	370,086	3,411,612
– Hedging derivatives	16,813	21,339	–	93,167	34,224	–	–	–	165,543
Loans, advances and financing									
– Overdrafts	4,851,224	2,372	627,578	80,726	68	289	5,495	5,553	5,573,305
– Term loans/financing	86,395,695	16,312,478	6,572,502	5,688,587	50,188	203,004	268,354	1,218,827	116,709,635
– Bills receivable	413,125	–	2,002,191	63,070	2,896	–	–	10,233	2,491,515
– Trust receipts	409,787	34,843	449,592	48,431	–	–	–	–	942,653
– Claim on customers under acceptance credit	3,472,377	465,582	5,142	286	–	–	–	–	3,943,387
– Credit card receivables	3,885,531	686,228	–	290,000	–	–	–	–	4,861,759
– Revolving credit	4,170,981	18,525,812	51,401	361,530	–	174,793	57,142	33,706	23,375,365
– Share margin financing	623,747	136,573	18,815	496,448	–	–	–	–	1,275,583
– Other loans	8,183	–	–	–	–	–	–	–	8,183
Other assets	4,575,119	513,317	76,042	808,959	28,180	86,779	103,056	24,068	6,215,520
	161,926,964	47,054,637	13,203,060	14,666,479	2,863,753	1,514,898	2,750,184	4,368,115	248,348,090
Items not recognised in the statements of financial position									
Financial guarantees	1,079,020	939,865	392,916	1,867,101	–	49,340	71,395	15	4,399,652
Credit related commitments and contingencies	41,551,273	1,043,713	1,003,400	2,879,636	–	37,294	13	534,495	47,049,824
Total credit exposures	204,557,257	49,038,215	14,599,376	19,413,216	2,863,753	1,601,532	2,821,592	4,902,625	299,797,566

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 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 as at 31 December 2011 and 31 December 2010 are as follows (Continued):

The Company	Malaysia RM'000	Indonesia RM'000	Total RM'000
2011			
Items recognised in the statements of financial position			
Cash and short-term funds	**316,822**	**6**	**316,828**
Derivative financial instruments			
– Hedging derivatives	**17,459**	**–**	**17,459**
Loans, advances and financing			
– Term loans/financing	**930**	**–**	**930**
Other assets	**21,959**	**–**	**21,959**
Amount owing by subsidiaries	**4,811**	**–**	**4,811**
	361,981	**6**	**361,987**
2010			
Items recognised in the statements of financial position			
Cash and short-term funds	528,646	1,179	529,825
Derivative financial instruments			
– Hedging derivatives	5,676	–	5,676
Loans, advances and financing			
– Term loans/financing	1,147	–	1,147
Other assets	8,509	–	8,509
Amount owing by subsidiaries	19,267	–	19,267
	563,245	1,179	564,424

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 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 position 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 RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Derivative financial instruments: Trading derivatives RM'000	Derivative financial instruments: Hedging derivatives RM'000	Loans, advances and financing (ii) RM'000	Other financial assets RM'000	Total credit exposures RM'000
Agriculture	–	–	–	–	172,407	102,873	2,858	–	5,085,963	14,869	5,378,970
Mining and quarrying	–	–	–	–	–	–	7,627	–	3,479,946	24	3,487,597
Manufacturing	–	–	–	314,068	145,652	59,440	51,683	–	14,946,693	15,874	15,533,410
Electricity, gas and water	–	–	–	256,146	1,310,097	596,184	32,319	–	1,730,886	7,210	3,932,842
Construction	–	–	–	278,563	862,925	303,300	15,285	–	3,319,539	1,180	4,780,792
Transport, storage and communications	–	3,445	–	118,615	1,170,241	2,647,533	237,429	–	9,206,626	9,726	13,393,615
Education and health	–	–	–	2,021	5,544	–	(2)	–	2,670,131	–	2,677,694
Trade and hospitality	–	–	–	–	–	–	–	–	4,668,640	–	4,668,640
Finance, insurance, real estate business:											
Finance, insurance and business services	20,551,172	137,370	4,118,808	4,664,605	3,086,506	5,499,043	3,527,531	257,182	14,089,164	3,593,961	59,525,342
Real estate	–	–	–	55,462	300,972	148,123	885	–	7,312,284	10,623	7,828,349
Others:											
Purchase of landed property											
– Residential	–	–	–	–	–	–	–	–	47,430,865	60	47,430,925
– Non-residential	–	–	–	–	–	–	–	–	7,724,760	–	7,724,760
General commerce	–	–	–	26,071	–	–	18,211	–	12,456,844	174,339	12,675,465
Government and government agencies	10,957,831	4,040,419	55,204	6,379,768	4,710,994	6,993,506	2,656	–	12,610,760	309,020	46,060,158
Purchase of securities	–	18,180	–	–	–	–	–	–	6,463,532	1,269,769	7,751,481
Purchase of transport vehicles	–	–	–	–	–	–	–	–	12,544,718	–	12,544,718
Consumption credit	–	26,982	–	–	81,986	–	–	–	12,657,951	–	12,766,919
Others	22,800	4,086	–	285,818	402,380	568,781	120,409	–	5,439,475	724,469	7,568,218
	31,531,803	4,230,482	4,174,012	12,381,137	12,249,704	16,918,783	4,016,891	257,182	183,838,777	6,131,124	275,729,895

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

							Derivative financial instruments				
The Group 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 investments at fair value through profit or loss (i) RM'000**	**Financial investments available-for-sale (i) RM'000**	**Financial investments held-to-maturity (i) RM'000**	**Trading derivatives RM'000**	**Hedging derivatives RM'000**	**Loans, advances and financing (ii) RM'000**	**Other financial assets RM'000**	**Total credit exposures RM'000**
Agriculture	–	–	–	–	154,034	108,362	5,219	–	4,705,521	12,386	4,985,522
Mining and quarrying	–	–	–	–	–	–	11,239	–	1,578,644	7,001	1,596,884
Manufacturing	–	–	–	274,547	250,323	80,357	27,111	–	14,562,248	81,595	15,276,181
Electricity, gas and water	–	–	–	217,321	1,099,556	346,642	36,851	–	1,663,628	9,234	3,373,232
Construction	–	1,558	–	138,427	1,024,162	277,985	16,592	–	4,547,569	4,812	6,011,105
Transport, storage and communications	–	26,230	–	236,196	699,440	2,813,174	183,724	–	6,298,602	23,904	10,281,270
Education and health	–	–	–	–	–	–	–	–	1,926,924	–	1,926,924
Trade and hospitality	–	–	–	–	–	–	–	–	3,425,596	–	3,425,596
Finance, insurance, real estate business:											
Finance, insurance and business services	8,941,363	1,182,178	8,726,017	4,131,600	3,074,087	5,479,868	2,977,960	165,543	15,935,327	2,057,255	52,671,198
Real estate	–	–	–	200,603	181,106	–	54	–	3,796,727	24,418	4,202,908
Others:											
Purchase of landed property											
– Residential	–	–	–	–	–	–	–	–	35,986,836	–	35,986,836
– Non-residential	–	–	–	–	–	–	–	–	6,441,776	–	6,441,776
General commerce	–	–	–	23,855	56,919	4,639	8,590	–	9,110,725	34,962	9,239,690
Government and government agencies	15,190,917	2,530,859	3,019,806	9,900,791	2,843,228	4,919,322	1,663	–	10,597,839	282,608	49,287,033
Purchase of securities	–	–	–	32,471	168,388	17,662	40,915	–	4,835,556	941,164	6,036,156
Purchase of transport vehicles	–	–	–	–	–	–	–	–	10,769,291	–	10,769,291
Consumption credit	–	47,290	–	1,990	66,207	–	–	–	11,379,498	108,184	11,603,169
Others	18,880	16,547	–	482,403	294,468	72,252	101,694	–	11,619,078	2,627,997	15,233,319
	24,151,160	3,804,662	11,745,823	15,640,204	9,911,918	14,120,263	3,411,612	165,543	159,181,385	6,215,520	248,348,090

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

	Financial assets held for trading			Financial assets designated at fair value through profit or loss		Financial investments available-for-sale			Financial investments held-to-maturity			
The Group 2011	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Total credit exposures RM'000**
Agriculture	–	–	–	–	–	–	–	172,407	–	–	102,873	275,280
Manufacturing	9,891	–	304,178	–	–	–	–	145,652	–	–	59,440	519,161
Electricity, gas and water	46,059	–	210,087	–	–	–	9,218	1,300,879	–	–	596,184	2,162,427
Construction	–	–	278,563	–	–	–	–	862,925	–	–	303,300	1,444,788
Transport, storage and communications	–	–	118,615	–	–	–	–	1,170,241	–	–	2,647,533	3,936,389
Education and health	–	2,021	–	–	–	–	5,544	–	–	–	–	7,565
Trade and hospitality	–	–	–	–	–	–	–	–	–	–	–	–
Finance, insurance, real estate business:												
Finance, insurance and business services	2,800,877	300,573	1,563,153	–	–	325,135	397,430	2,363,939	265,431	1,860,490	3,373,121	13,250,149
Real estate	–	–	55,462	–	–	–	–	300,972	–	–	148,123	504,557
Others:												
General commerce	–	–	26,071	–	–	–	–	–	–	–	–	26,071
Government and government agencies	5,454,447	518,525	406,796	–	–	613,392	2,763,166	1,334,437	2,580,419	2,334,424	2,078,663	18,084,269
Consumption credit	–	–	–	–	–	–	–	81,986	–	–	–	81,986
Others	–	–	285,819	–	–	–	–	402,381	–	–	568,782	1,256,982
	8,311,274	821,119	3,248,744	–	–	938,527	3,175,358	8,135,819	2,845,850	4,194,914	9,878,019	41,549,624

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

	Financial assets held for trading			Financial assets designated at fair value through profit or loss		Financial investments available-for-sale			Financial investments held-to-maturity			
The Group 2010	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Total credit exposures RM'000**
Agriculture	–	–	–	–	–	–	–	154,034	–	3,392	104,970	262,396
Manufacturing	88,826	205	185,516	–	–	–	–	250,323	–	16,321	64,036	605,227
Electricity, gas and water	115,393	–	95,710	–	6,217	–	–	1,099,556	–	–	346,642	1,663,518
Construction	–	–	136,430	–	1,997	–	–	1,024,162	–	3,392	274,593	1,440,574
Transport, storage and communications	–	–	220,163	–	16,033	–	–	699,440	–	56,257	2,756,916	3,748,809
Finance, insurance, real estate business:												
Finance, insurance and business services	2,609,092	167,994	1,267,600	30,548	56,368	184,494	1,217,759	1,671,834	264,840	607,158	4,607,871	12,685,558
Real estate	18,038	–	182,564	–	–	–	–	181,106	–	–	–	381,708
Others:												
General commerce	–	–	23,855	–	–	–	–	56,919	–	–	4,639	85,413
Government and government agencies	7,603,261	1,414,046	464,151	419,333	–	628,742	1,273,782	940,705	1,724,139	1,129,423	2,065,760	17,663,342
Purchase of securities	–	32,471	–	–	–	–	168,387	–	–	17,662	–	218,520
Consumption credit	–	–	–	–	1,990	–	–	66,207	–	–	–	68,197
Others	–	–	299,598	–	182,805	–	–	294,468	–	–	72,252	849,123
	10,434,610	1,614,716	2,875,587	449,881	265,410	813,236	2,659,928	6,438,754	1,988,979	1,833,605	10,297,679	39,672,385

Notes to the **Financial Statements**
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows:

The Group 2011	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Total credit exposures RM'000
Agriculture	192,981	2,772,137	551	19,062	133,536	–	1,967,697	–	5,085,964
Mining and quarrying	17,479	1,906,538	858	123	6,110	–	1,548,839	–	3,479,947
Manufacturing	703,180	4,616,600	2,055,186	577,932	1,831,230	–	5,162,565	–	14,946,693
Electricity, gas and water	4,527	1,341,775	–	1,911	–	–	382,673	–	1,730,886
Construction	542,686	1,740,814	29,988	42,527	143,763	–	819,762	–	3,319,540
Transport, storage and communications	179,697	7,719,346	44,761	8,609	9,028	–	1,245,185	–	9,206,626
Education and health	210,969	2,278,357	8,312	1,700	54,320	–	116,473	–	2,670,131
Trade and hospitality	805,501	1,912,468	37,563	153,800	1,008,314	–	750,994	–	4,668,640
Finance, insurance, real estate business:									
Finance, insurance and business services	370,652	9,536,482	232,700	17,930	896,192	–	3,035,212	–	14,089,168
Real estate	203,563	5,506,446	204,073	295	700	–	1,397,206	–	7,312,283
Others:									
Purchase of landed property									
– Residential	20,396	47,410,468	–	–	–	–	–	–	47,430,864
– Non-residential	144,160	7,580,601	–	–	–	–	–	–	7,724,761
General commerce	47,326	7,516,979	314,725	161,376	–	–	4,416,437	–	12,456,843
Government and government agencies	–	12,610,760	–	–	–	–	–	–	12,610,760
Purchase of securities	19,306	4,518,653	–	–	–	–	95,534	1,830,039	6,463,532
Purchase of transport vehicles	–	11,775,998	–	–	–	–	768,720	–	12,544,718
Consumption credit	1,711,694	5,363,668	984	–	–	5,420,554	161,051	–	12,657,951
Others	257,196	2,531,060	666,661	139,290	19,183	–	1,826,080	–	5,439,470
	5,431,313	138,639,150	3,596,362	1,124,555	4,102,376	5,420,554	23,694,428	1,830,039	183,838,777

Notes to the **Financial Statements**
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows (Continued):

The Group 2010	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Other loans RM'000	Total credit exposures RM'000
Agriculture	130,103	1,922,419	5,423	3,778	148,864	–	2,494,933	–	–	4,705,520
Mining and quarrying	27,600	381,976	3,060	2,779	10,262	–	1,152,966	–	–	1,578,643
Manufacturing	656,931	4,274,350	1,362,212	350,238	1,908,819	–	6,009,697	–	–	14,562,247
Electricity, gas and water	13,390	1,438,335	9,704	4,422	3,478	–	194,299	–	–	1,663,628
Construction	556,636	2,612,119	51,475	62,341	124,141	–	1,132,674	–	8,183	4,547,569
Transport, storage and communications	182,710	5,069,106	18,070	10,343	11,905	–	1,006,468	–	–	6,298,602
Education and health	180,904	7,619,559	23,207	2,313	74,714	–	85,764	–	–	7,986,461
Trade and hospitality	820,642	1,193,672	37,188	170,456	1,078,426	–	125,216	–	–	3,425,600
Finance, insurance, real estate business:										
Finance, insurance and business services	432,874	15,277,698	118,511	19,604	39,005	–	4,585,935	–	–	20,473,627
Real estate	203,280	3,095,980	32,628	359	682	–	463,798	–	–	3,796,727
Others:										
Purchase of landed property										
– Residential	11,973	35,960,584	–	–	–	–	14,278	–	–	35,986,835
– Non-residential	151,065	6,286,346	–	–	–	–	4,365	–	–	6,441,776
General commerce	260,384	1,760,700	730,848	299,096	527,700	–	5,531,997	–	–	9,110,725
Purchase of securities	18,389	3,446,516	–	–	–	–	95,069	1,275,583	–	4,835,557
Purchase of transport vehicles	–	10,769,291	–	–	–	–	–	–	–	10,769,291
Consumption credit	1,793,126	4,587,608	5,279	76	–	4,861,759	131,651	–	–	11,379,499
Others	133,298	11,013,376	93,910	16,848	15,391	–	346,255	–	–	11,619,078
	5,573,305	116,709,635	2,491,515	942,653	3,943,387	4,861,759	23,375,365	1,275,583	8,183	159,181,385

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 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 statement of financial position based on the industry sectors of the counterparty are as follows:

The Company	Cash and short term funds RM'000	Derivative financial instruments* RM'000	Loans, advances and financing** RM'000	Other financial assets*** RM'000	Total credit exposures RM'000
2011					
Finance, insurance, real estate business:					
Finance, insurance and business services	**316,828**	**17,459**	**–**	**26,726**	**361,013**
Others:					
Others	**–**	**–**	**930**	**44**	**974**
	316,828	**17,459**	**930**	**26,770**	**361,987**
2010					
Finance, insurance, real estate business:					
Finance, insurance and business services	529,825	5,676	–	27,677	563,178
Others:					
Others	–	–	1,147	99	1,246
	529,825	5,676	1,147	27,776	564,424

* Relates to trading and hedging derivatives
** Relates to term loans
*** Other financial assets include amount owing by subsidiaries and other financial assets

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations for items not recognised in the statements of financial position based on the industry sectors of the counterparty are as follows:

	The Group			
	Financial guarantees 2011 RM'000	Credit related commitments and contingencies 2011 RM'000	Financial guarantees 2010 RM'000	Credit related commitments and contingencies 2010 RM'000
Agriculture	**10,296**	**659,412**	8,408	1,153,011
Mining and quarrying	**31,830**	**1,177,509**	38,060	663,823
Manufacturing	**269,135**	**5,256,288**	340,381	4,825,520
Electricity, gas and water	**68,415**	**396,135**	27,396	1,089,154
Construction	**78,569**	**2,624,860**	233,139	3,376,824
Transport, storage and communications	**88,103**	**1,119,063**	57,558	888,479
Education and health	**42,794**	**3,036,166**	45,491	1,961,952
Trade and hospitality	**103,909**	**6,523,880**	115,126	4,677,732
Finance, insurance, real estate business:				
Finance, insurance and business services	**3,017,538**	**4,503,438**	2,355,212	4,224,881
Real estate	**81**	**198,526**	46,875	1,145,798
Others:				
Purchase of landed property				
– Residential	**–**	**17,640**	–	298,509
General commerce	**403,291**	**1,011,150**	991,542	1,738,537
Purchase of transport vehicles	**–**	**–**	–	197,724
Consumption credit	**229**	**855**	–	669,766
Others	**41,165**	**22,940,740**	140,464	20,138,114
	4,155,355	**49,465,662**	4,399,652	47,049,824

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 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 are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
2011				
Overdrafts	**4,730,020**	**638,115**	**688,036**	**6,056,171**
Term loans/financing	**126,003,390**	**10,889,921**	**7,255,228**	**144,148,539**
Bills receivable	**3,548,690**	**63,019**	**118,689**	**3,730,398**
Trust receipts	**1,089,738**	**12,771**	**198,429**	**1,300,938**
Claim on customers under acceptance credit	**4,016,958**	**10,349**	**551,773**	**4,579,080**
Credit card receivables	**5,043,398**	**443,978**	**112,084**	**5,599,460**
Revolving credit	**23,533,514**	**140,958**	**823,732**	**24,498,204**
Share margin financing	**1,760,276**	**62,222**	**55,820**	**1,878,318**
Other loans	**–**	**–**	**890**	**890**
Total	**169,725,984**	**12,261,333**	**9,804,681**	**191,791,998**
Less: Impairment allowances *				**(7,953,221)**
Total net amount				**183,838,777**
2010				
Overdrafts	4,823,881	675,207	819,340	6,318,428
Term loans/financing	103,526,901	11,684,676	7,031,043	122,242,620
Bills receivable	2,461,315	35,994	126,742	2,624,051
Trust receipts	901,950	18,919	222,985	1,143,854
Claim on customers under acceptance credit	3,824,505	60,550	664,227	4,549,282
Credit card receivables	4,702,082	173,369	104,139	4,979,590
Revolving credit	22,936,657	124,832	1,249,949	24,311,438
Share margin financing	1,280,311	–	64,407	1,344,718
Other loans	8,183	–	1,547	9,730
Total	144,465,785	12,773,547	10,284,379	167,523,711
Less: Impairment allowances *				(8,342,326)
Total net amount				159,181,385

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment

Loans, advances and financing of the Company as at 31 December 2011 of RM930,000 (31 December 2010: RM1,147,000) are categorised as "neither past due nor impaired".

Notes to the Financial Statements

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 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 Company.

The Group	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
2011				
Overdrafts	**1,758,808**	**488,021**	**2,483,191**	**4,730,020**
Term loans/financing	**50,193,503**	**4,438,643**	**71,371,244**	**126,003,390**
Bills receivable	**1,825,937**	**1,039,181**	**683,572**	**3,548,690**
Trust receipts	**883,212**	**122,232**	**84,294**	**1,089,738**
Claim on customers under acceptance credit	**3,311,027**	**169,147**	**536,784**	**4,016,958**
Credit card receivables	**832,116**	**–**	**4,211,282**	**5,043,398**
Revolving credit	**22,507,965**	**324,651**	**700,898**	**23,533,514**
Share margin financing	**771,740**	**–**	**988,536**	**1,760,276**
Total	**82,084,308**	**6,581,875**	**81,059,801**	**169,725,984**
2010				
Overdrafts	1,880,997	195,654	2,747,230	4,823,881
Term loans/financing	39,164,039	3,324,023	61,038,839	103,526,901
Bills receivable	2,106,949	112,989	241,377	2,461,315
Trust receipts	655,214	44,387	202,349	901,950
Claim on customers under acceptance credit	3,183,525	73,599	567,381	3,824,505
Credit card receivables	618,819	–	4,083,263	4,702,082
Revolving credit	22,240,893	337,651	358,113	22,936,657
Share margin financing	89,351	–	1,190,960	1,280,311
Other loans	–	8,183	–	8,183
Total	69,939,787	4,096,486	70,429,512	144,465,785

The Company	2011 No rating RM'000	2011 Total RM'000	2010 No rating RM'000	2010 Total RM'000
Term loans/financing	**930**	**930**	1,147	1,147
Total	**930**	**930**	1,147	1,147

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for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

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

(ii) Loans, advances and financing that are "past due but not impaired"

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of loans, advances and financing that are "past due but not impaired" is set out below:

The Group	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
2011			
Overdrafts	**551,157**	**86,958**	**638,115**
Term loans/financing	**7,688,549**	**3,201,372**	**10,889,921**
Bills receivable	**44,434**	**18,585**	**63,019**
Trust receipts	**10,141**	**2,630**	**12,771**
Claim on customers under acceptance credit	**5,276**	**5,073**	**10,349**
Credit card receivables	**301,241**	**142,737**	**443,978**
Revolving credit	**44,090**	**96,868**	**140,958**
Share margin financing	**62,222**	**–**	**62,222**
Total	**8,707,110**	**3,554,223**	**12,261,333**
2010			
Overdrafts	568,458	106,749	675,207
Term loans/financing	7,989,402	3,695,274	11,684,676
Bills receivable	35,994	–	35,994
Trust receipts	12,762	6,157	18,919
Claim on customers under acceptance credit	43,898	16,652	60,550
Credit card receivables	111,095	62,274	173,369
Revolving credit	55,842	68,990	124,832
Total	8,817,451	3,956,096	12,773,547

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(iii) Impaired loans, advances and financing

The Group	2011 RM'000	2010 RM'000
Total gross impaired loans	**9,804,681**	10,284,379
Less: Impairment allowances	**(4,784,613)**	(6,507,183)
Total net impaired loans	**5,020,068**	3,777,196

Refer to Note 8(vii) and Note 8(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

(b) Financial investments at fair value through profit or loss and financial investments

Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

The Group 2011	Neither pass due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Financial investments at fair value through profit or loss			
– Financial assets held for trading			
– Money market instruments	**8,311,274**	**–**	**8,311,274**
– Quoted securities	**821,119**	**–**	**821,119**
– Unquoted securities	**3,248,744**	**8,000**	**3,256,744**
Financial investments available-for-sale			
– Money market instruments	**938,527**	**–**	**938,527**
– Quoted securities	**3,178,770**	**–**	**3,178,770**
– Unquoted securities	**8,007,713**	**351,421**	**8,359,134**
Financial investments held-to-maturity			
– Money market instruments	**2,845,850**	**–**	**2,845,850**
– Quoted securities	**4,199,903**	**5,228**	**4,205,131**
– Unquoted securities	**9,832,730**	**81,695**	**9,914,425**
Total	**41,384,630**	**446,344**	**41,830,974**
Less: Impairment allowance *			**(281,350)**
Total net amount			**41,549,624**

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

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows (Continued):

The Group 2010	Neither pass due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Financial investments at fair value through profit or loss			
– Financial assets held for trading			
– Money market instruments	10,434,610	–	10,434,610
– Quoted securities	1,614,716	–	1,614,716
– Unquoted securities	2,875,587	–	2,875,587
– Financial assets designated at fair value through profit or loss			
– Money market instruments	449,881	–	449,881
– Unquoted securities	265,410	–	265,410
Financial investments available-for-sale			
– Money market instruments	813,236	–	813,236
– Quoted securities	2,660,146	–	2,660,146
– Unquoted securities	6,262,887	430,402	6,693,289
Financial investments held-to-maturity			
– Money market instruments	1,988,979	–	1,988,979
– Quoted securities	1,837,739	5,139	1,842,878
– Unquoted securities	10,219,113	114,805	10,333,918
Total	39,422,304	550,346	39,972,650
Less: Impairment allowance *			(300,265)
Total net amount			39,672,385

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

There were no financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2011 and 31 December 2010 for the Group.

Notes to the **Financial Statements**
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

(i) Financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
2011					
Financial investments at fair value through profit or loss					
– Financial assets held for trading					
– Money market instruments	**5,398,744**	**2,866,472**	**–**	**46,058**	**8,311,274**
– Quoted securities	**515,936**	**305,183**	**–**	**–**	**821,119**
– Unquoted securities	**250,201**	**2,885,354**	**3,533**	**109,656**	**3,248,744**
Financial investments available-for-sale					
– Money market instruments	**632,996**	**305,531**	**–**	**–**	**938,527**
– Quoted securities	**2,805,641**	**373,129**	**–**	**–**	**3,178,770**
– Unquoted securities	**1,536,998**	**5,985,300**	**67,933**	**417,482**	**8,007,713**
Financial investments held-to-maturity					
– Money market instruments	**2,508,470**	**337,380**	**–**	**–**	**2,845,850**
– Quoted securities	**3,614,907**	**579,768**	**5,228**	**–**	**4,199,903**
– Unquoted securities	**1,449,759**	**6,031,005**	**59,906**	**2,292,060**	**9,832,730**
Total	**18,713,652**	**19,669,122**	**136,600**	**2,865,256**	**41,384,630**
2010					
Financial investments at fair value through profit or loss					
– Financial assets held for trading					
– Money market instruments	8,046,419	2,265,032	–	123,159	10,434,610
– Quoted securities	1,557,186	57,525	–	5	1,614,716
– Unquoted securities	231,610	2,068,346	48,086	527,545	2,875,587
– Financial assets designated at fair value through profit or loss					
– Money market instruments	427,345	22,536	–	–	449,881
– Unquoted securities	–	244,786	20,624	–	265,410
Financial investments available-for-sale					
– Money market instruments	664,165	149,071	–	–	813,236
– Quoted securities	2,635,565	24,581	–	–	2,660,146
– Unquoted securities	1,269,748	4,687,228	90,186	215,725	6,262,887
Financial investments held-to-maturity					
– Money market instruments	1,734,089	254,890	–	–	1,988,979
– Quoted securities	1,185,920	651,819	–	–	1,837,739
– Unquoted securities	2,454,010	5,571,276	55,670	2,138,157	10,219,113
Total	20,206,057	15,997,090	214,566	3,004,591	39,422,304

Securities with no ratings consists of government securities, credit-linked notes and private debt securities.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets

Other financial assets of the Group and the Company are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired RM'000	Total gross amount RM'000
2011				
Cash and short term funds	**31,531,803**	**–**	**–**	**31,531,803**
Reverse repurchase agreements	**4,230,482**	**–**	**–**	**4,230,482**
Deposits and placements with banks and other financial institutions	**4,174,012**	**–**	**–**	**4,174,012**
Other assets	**5,932,739**	**187,079**	**94,483**	**6,214,301**
Derivative financial instruments	**4,274,073**	**–**	**–**	**4,274,073**
Total	**50,143,109**	**187,079**	**94,483**	**50,424,671**
Less: Impairment allowance*				**(83,177)**
Total net amount				**50,341,494**
2010				
Cash and short term funds	24,151,160	–	–	24,151,160
Reverse repurchase agreements	3,804,662	–	–	3,804,662
Deposits and placements with banks and other financial institutions	11,745,823	–	–	11,745,823
Other assets	6,030,793	181,492	80,043	6,292,328
Derivative financial instruments	3,577,155	–	–	3,577,155
Total	49,309,593	181,492	80,043	49,571,128
Less: Impairment allowance*				(76,808)
Total net amount				49,494,320

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

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

Other financial assets of the Group and the Company are summarised as follows (Continued):

The Company	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
2011			
Cash and short term funds	**316,828**	**–**	**316,828**
Other assets	**21,959**	**–**	**21,959**
Derivative financial instruments	**17,459**	**–**	**17,459**
Amount owing by subsidiaries	**4,811**	**775**	**5,586**
Total	**361,057**	**775**	**361,832**
Less: Impairment allowance *			**(775)**
Total net amount			**361,057**
2010			
Cash and short term funds	529,825	–	529,825
Other assets	8,509	–	8,509
Derivative financial instruments	5,676	–	5,676
Amount owing by subsidiaries	19,267	805	20,072
Total	563,277	805	564,082
Less: Impairment allowance *			(805)
Total net amount			563,277

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

There were no other credit risk financial assets that are "past due but not impaired" as at 31 December 2011 and 31 December 2010 for the Company.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"

The tables below present an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
2011					
Cash and short term funds	**21,858,134**	**9,222,064**	**28,418**	**423,187**	**31,531,803**
Reverse repurchase agreements	**3,048,774**	**1,181,708**	**–**	**–**	**4,230,482**
Deposits and placements with banks and other financial institutions	**1,612,898**	**2,545,605**	**730**	**14,779**	**4,174,012**
Other assets	**240,684**	**477,296**	**–**	**5,214,759**	**5,932,739**
Derivative financial instruments	**90,079**	**3,692,293**	**227,636**	**264,065**	**4,274,073**
Total	**26,850,569**	**17,118,966**	**256,784**	**5,916,790**	**50,143,109**
2010					
Cash and short term funds	15,291,289	7,959,882	82,522	817,467	24,151,160
Reverse repurchase agreements	3,231,252	573,410	–	–	3,804,662
Deposits and placements with banks and other financial institutions	3,648,907	8,023,390	18,575	54,951	11,745,823
Other assets	267,457	381,869	405	5,381,062	6,030,793
Derivative financial instruments	20,780	3,094,199	83,894	378,282	3,577,155
Total	22,459,685	20,032,750	185,396	6,631,762	49,309,593

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
2011			
Cash and short term funds	**316,828**	**–**	**316,828**
Other assets	**21,915**	**44**	**21,959**
Derivative financial instruments	**17,459**	**–**	**17,459**
Amount owing by subsidiaries	**23**	**4,788**	**4,811**
Total	**356,225**	**4,832**	**361,057**

Notes to the Financial Statements

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired" (Continued)

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
2010			
Cash and short term funds	529,825	–	529,825
Other assets	8,410	99	8,509
Derivative financial instruments	5,676	–	5,676
Amount owing by subsidiaries	18,446	821	19,267
Total	562,357	920	563,277

(ii) Other financial assets that are "past due but not impaired"

An age analysis of the other financial assets of the Group that are "past due but not impaired" as at 31 December 2011 and 31 December 2010 are set out as below.

	Past due but not impaired		
The Group	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**Total RM'000**
2011			
Other assets	**62,416**	**124,663**	**187,079**
2010			
Other assets	126,330	55,162	181,492

53.1.4 Repossessed collateral

The Group and the Company obtained assets by taking possession of collateral held as security as at year ended 31 December are as follows:

	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2011		
Nature of assets		
Industrial and residential properties and development land	**167,765**	**–**
2010		
Nature of assets		
Industrial and residential properties and development land	237,620	–

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 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, foreign exchange risk and commodity 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 Risk Middle Office (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 53.2.1.

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.

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 or 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 documented and validated by the Quantitative Analysts to assess its applicability to market conditions. The process includes verification of the rate sources, parameters, assumptions modeling approach and its implementations. 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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.1 CaR

The usage of market CaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

The Group	2011 RM'000	2010 RM'000
CaR (99%)		
Foreign exchange risk	**7,540**	9,092
Interest rate risk	**11,959**	13,950
Equity risk	**1,920**	2,151
Commodity risk	**136**	–
Total	**21,555**	25,193
Total shareholder's fund	**25,936,470**	23,229,966
Percentage of shareholder's fund	**0.08%**	0.11%

53.2.2 Interest rate risk

Interest rate risk relates to the potential adverse impact on net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

(a) The table below summarise the Group's and the Company's financial assets and financial liabilities at their full carrying amounts analysed by the earlier of contractual repricing or maturity dates.

		Non-trading book								
The Group 2011	**Note**	**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		30,855,563	–	–	–	–	–	3,813,282	–	34,668,845
Reverse repurchase agreements		2,110,638	1,532,314	–	580,483	–	–	7,047	–	4,230,482
Deposits and placements with banks and other financial institutions		1,488,828	1,855,644	648,376	63,769	7,069	3,377	106,949	–	4,174,012
Financial assets held for trading		–	–	–	–	–	–	–	13,665,700	13,665,700
Financial investments available-for-sale	(i)	263,990	507,618	1,045,418	870,466	3,683,577	5,565,361	1,836,789	–	13,773,219
Financial investments held-to-maturity	(i)	1,108,620	1,617,190	365,338	959,101	8,775,651	3,997,007	95,877	–	16,918,784
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	4,016,891	4,016,891
– Hedging derivatives		–	–	–	319	215,525	41,338	–	–	257,182
Loans, advances and financing	(i)	95,408,302	13,680,143	10,488,823	5,462,490	31,956,287	26,842,732	–	–	183,838,777
Other assets		151,012	–	81,135	55,000	–	110,153	5,700,428	33,396	6,131,124
Total financial assets		131,386,953	19,192,909	12,629,090	7,991,628	44,638,109	36,559,968	11,560,372	17,715,987	281,675,016

Notes to the Financial Statements

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (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	145,049,963	25,989,361	12,265,874	12,031,325	4,350,702	1,402,187	20,843,730	–	221,933,142
Deposits and placements of banks and other financial institutions	6,165,637	2,486,729	984,210	227,750	1,755,627	1,148,088	196,268	–	12,964,309
Repurchase agreements	–	–	486,918	580,483	–	–	545	–	1,067,946
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	3,744,404	3,744,404
– Hedging derivatives	5,580	22,699	9,585	329	24,408	410,286	–	–	472,887
Bills and acceptances payable	2,612,453	2,992,758	1,321,190	2,135	11,410	–	626,745	–	7,566,691
Other liabilities	–	–	–	–	–	–	5,998,154	–	5,998,154
Other borrowings	579,936	79,077	1,101,495	120,243	2,884,884	539,886	18,511	–	5,324,032
Subordinated notes	–	131,848	–	–	4,142,278	6,988,110	155,744	–	11,417,980
Bonds	–	–	–	–	521,225	–	–	–	521,225
Non-cumulative guaranteed and redeemable preference shares	–	–	–	–	774,122	100,000	6,894	–	881,016
Total financial liabilities	154,413,569	31,702,472	16,169,272	12,962,265	14,464,656	10,588,557	27,846,591	3,744,404	271,891,786
Net interest sensitivity gap for items recognised in the statements of financial position	(23,026,616)	(12,509,563)	(3,540,182)	(4,970,637)	30,173,453	25,971,411		13,971,583	
Net interest sensitivity gap for items not recognised in the statements of financial position									
Financial guarantees	–	–	–	–	–	–	4,155,355	–	4,155,355
Credit related commitments and contingencies	–	–	–	–	–	–	49,465,662	–	49,465,662
Treasury related commitments and contingencies (hedging)	126,595	631,896	207,459	20,911	4,503,207	8,802,773	–	–	14,292,841
	126,595	631,896	207,459	20,911	4,503,207	8,802,773	53,621,017	–	67,913,858

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

The Group 2010	Note	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		19,137,526	–	–	–	–	–	8,047,734	–	27,185,260
Reverse repurchase agreements		2,741,383	1,001,833	405	–	–	–	61,041	–	3,804,662
Deposits and placements with banks and other financial institutions		2,773,679	5,369,855	2,355,925	908,213	6,000	138,758	193,393	–	11,745,823
Financial assets held for trading		–	–	–	–	–	–	–	16,221,146	16,221,146
Financial assets designated at fair value through profit or loss	(i)	1,001	4,971	7,813	22,206	232,050	447,250	146,159	–	861,450
Financial investments available-for-sale	(i)	217,492	426,928	170,975	679,744	4,094,445	4,278,284	1,790,834	–	11,658,702
Financial investments held-to-maturity	(i)	261,796	581,133	498,680	1,648,006	7,175,661	3,953,027	1,960	–	14,120,263
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,411,612	3,411,612
– Hedging derivatives		2,992	–	1,343	26,723	123,349	11,136	–	–	165,543
Loans, advances and financing	(i)	91,093,226	26,210,764	5,936,019	4,091,115	13,126,702	18,723,559	–	–	159,181,385
Other assets		840	–	81,756	–	264,629	111,018	5,757,277	–	6,215,520
Total financial assets		116,229,935	33,595,484	9,052,916	7,376,007	25,022,836	27,663,032	15,998,398	19,632,758	254,571,366
Financial liabilities										
Deposits from customers		110,526,194	40,884,713	9,406,760	10,949,502	4,932,562	1,143,779	22,002,154	–	199,845,664
Deposits and placements of banks and other financial institutions		5,398,778	2,673,116	2,106,639	1,453,846	1,217,248	185,010	57,520	–	13,092,157
Repurchase agreements		–	33,087	–	–	–	–	–	–	33,087
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,489,798	3,489,798
– Hedging derivatives		–	–	–	–	61,516	197,202	–	–	258,718
Bills and acceptances payable		1,774,077	1,559,807	524,598	184,088	1,148	–	488,728	–	4,532,446
Amount due to Cagamas Berhad		–	45,416	62,107	–	–	–	–	–	107,523
Other liabilities		–	–	–	–	–	–	7,650,947	–	7,650,947
Other borrowings		902,507	239,284	77,425	580,919	1,808,786	174,666	–	–	3,783,587
Subordinated notes		–	–	–	–	2,505,756	7,113,653	55,931	–	9,675,340
Bonds		–	–	382,527	–	–	–	41,455	–	423,982
Non-cumulative guaranteed and redeemable preference shares		–	–	–	–	760,162	100,000	–	–	860,162
Total financial liabilities		118,601,556	45,435,423	12,560,056	13,168,355	11,287,178	8,914,310	30,296,735	3,489,798	243,753,411
Net interest sensitivity gap for items recognised in the statements of financial position		(2,371,621)	(11,839,939)	(3,507,140)	(5,792,348)	13,735,658	18,748,722		16,142,960	

Notes to the **Financial Statements**
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

The Group 2010	Note	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
Net interest sensitivity gap for items not recognised in the statements of financial position										
Financial guarantees		–	–	–	–	–	–	4,399,652	–	4,399,652
Credit related commitments and contingencies		–	–	–	–	–	–	47,049,824	–	47,049,824
Treasury related commitments and contingencies (hedging)		853,500	–	553,500	65,611	3,919,265	8,253,500	–	–	13,645,376
		853,500	–	553,500	65,611	3,919,265	8,253,500	51,449,476	–	65,094,852

(i) The interest rate risk for financial assets designated at fair value through profit or loss, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows:

The Group 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	Total RM'000
Financial investments available-for-sale								
– Money market instruments	122,205	–	15,014	50,365	335,344	406,382	9,217	938,527
– Quoted securities	109,362	5,040	–	208,120	1,075,626	1,741,245	480,684	3,620,077
– Unquoted securities	32,423	502,578	1,030,404	611,981	2,272,607	3,417,734	1,346,888	9,214,615
Financial investments held-to-maturity								
– Money market instruments	9,986	–	100,040	150,000	2,319,563	240,453	25,792	2,845,834
– Quoted securities	943,937	831,514	105,199	243,210	1,754,163	285,171	31,720	4,194,914
– Unquoted securities	154,697	785,676	160,099	565,891	4,701,925	3,471,383	38,365	9,878,036
Loans, advances and financing								
– Overdrafts	5,431,313	–	–	–	–	–	–	5,431,313
– Term loans/financing	72,972,793	6,395,806	5,838,479	1,489,653	27,155,356	24,787,063	–	138,639,150
– Bills receivable	2,016,758	1,049,666	447,968	76,699	–	5,271	–	3,596,362
– Trust receipts	511,001	265,941	333,379	6,165	8,069	–	–	1,124,555
– Claim on customers under acceptance credit	1,988,191	1,521,319	591,051	1,815	–	–	–	4,102,376
– Credit card receivables	5,420,554	–	–	–	–	–	–	5,420,554
– Revolving credit	6,074,625	4,342,565	3,197,064	3,867,922	4,224,403	1,987,849	–	23,694,428
– Share margin financing	993,067	104,846	80,882	20,236	568,459	62,549	–	1,830,039
Total	96,780,912	15,804,951	11,899,579	7,292,057	44,415,515	36,405,100	1,932,666	214,530,780

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial assets designated at fair value through profit or loss, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows (Continued):

	Non-trading book							
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	Non-interest sensitive RM'000	Total RM'000
Financial assets designated at fair value through profit or loss								
– Money market instruments	–	–	–	–	70,770	379,111	–	449,881
– Quoted securities	–	–	–	–	–	–	92,434	92,434
– Unquoted securities	1,001	4,971	7,813	22,206	161,280	68,139	53,725	319,135
Financial investments available-for-sale								
– Money market instruments	–	–	–	27,427	330,020	455,789	–	813,236
– Quoted securities	48,277	102,565	30,657	211,482	1,028,298	1,238,651	637,827	3,297,757
– Unquoted securities	169,215	324,363	140,318	440,835	2,736,127	2,583,844	1,153,007	7,547,709
Financial investments held-to-maturity								
– Money market instruments	–	9,948	–	149,979	1,829,052	–	–	1,988,979
– Quoted securities	69,492	–	199,099	771,170	701,507	92,337	–	1,833,605
– Unquoted securities	192,304	571,185	299,581	726,857	4,645,102	3,860,690	1,960	10,297,679
Loans, advances and financing								
– Overdrafts	5,573,305	–	–	–	–	–	–	5,573,305
– Term loans/financing	64,630,082	12,129,944	4,914,145	3,485,972	12,947,216	18,602,276	–	116,709,635
– Bills receivable	1,169,990	698,576	245,352	377,597	–	–	–	2,491,515
– Trust receipts	448,097	162,050	149,644	181,334	1,528	–	–	942,653
– Claim on customers under acceptance credit	1,338,550	2,014,934	586,984	2,919	–	–	–	3,943,387
– Credit card receivables	4,161,242	694,098	6,419	–	–	–	–	4,861,759
– Revolving credit	12,632,948	10,414,527	21,988	14,844	177,958	113,100	–	23,375,365
– Share margin financing	1,139,012	96,635	11,487	28,449	–	–	–	1,275,583
– Other loans	–	–	–	–	–	8,183	–	8,183
Total	91,573,515	27,223,796	6,613,487	6,441,071	24,628,858	27,402,120	1,938,953	185,821,800

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial assets designated at fair value through profit or loss, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Company are further analysed by classes of financial assets as follows (Continued):

	← Non-trading book						→		
The Company 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**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	311,709	–	–	–	–	–	5,119	–	316,828
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	13,188	13,188
– Hedging derivatives	–	–	–	–	4,271	–	–	–	4,271
Loans, advances and financing									
– Term loans/financing	–	2	–	–	42	879	7	–	930
Other assets	21,860	–	–	–	–	–	99	–	21,959
Amount due from subsidiaries	–	–	–	–	–	–	4,811	–	4,811
Total financial assets	333,569	2	–	–	4,313	879	10,036	13,188	361,987
Financial liabilities									
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	4,164	4,164
Other liabilities	–	–	–	–	–	–	3,242	–	3,242
Other borrowings	99,757	–	1,000,000	–	1,658,648	500,000	7,647	–	3,266,052
Subordinated notes	–	–	–	–	–	2,130,000	11,655	–	2,141,655
Total financial liabilities	99,757	–	1,000,000	–	1,658,648	2,630,000	22,544	4,164	5,415,113
Net interest sensitivity gap for items recognised in the statements of financial position	233,812	2	(1,000,000)	–	(1,654,335)	(2,629,121)		(9,024)	
Net interest sensitivity gap for items not recognised in the statements of financial position									
Treasury related commitments and contingencies	–	–	–	–	150,000	–	–	–	150,000

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial assets designated at fair value through profit or loss, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Company are further analysed by classes of financial assets as follows (Continued):

The Company 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	515,468	–	–	–	–	–	14,358	–	529,826
Derivative financial instruments									
– Hedging derivatives	–	–	–	–	5,676	–	–	–	5,676
Loans, advances and financing									
– Term loans/financing	–	–	–	20	88	1,039	–	–	1,147
Other assets	–	–	–	–	8,410	–	99	–	8,509
Amount due from subsidiaries	–	–	–	–	–	–	19,267	–	19,267
Total financial assets	515,468	–	–	20	14,174	1,039	33,724	–	564,425
Financial liabilities									
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	9,363	9,363
Other liabilities	–	–	–	–	–	–	1,463	–	1,463
Other borrowings	–	–	–	–	1,650,468	–	13,880	–	1,664,348
Subordinated notes	–	–	–	–	–	2,130,000	–	–	2,130,000
Amount owing to subsidiaries	–	–	–	–	–	–	147	–	147
Total financial liabilities	–	–	–	–	1,650,468	2,130,000	15,490	9,363	3,805,321
Net interest sensitivity gap for items recognised in the statements of financial position	515,468	–	–	20	(1,636,294)	(2,128,961)		(9,363)	
Net interest sensitivity gap for items not recognised in the statements of financial position									
Treasury related commitments and contingencies	–	–	–	–	150,000	–	–	–	150,000

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group and the Company's banking book to movement in interest rates:

	The Group		The Company	
	+100 basic points RM'000	–100 basic points RM'000	+100 basic points RM'000	–100 basic points RM'000
2011				
Impact to profit (after tax)	**(281,484)**	**281,484**	**(3,008)**	**3,008**
2010				
Impact to profit (after tax)	(117,636)	117,636	4,001	(4,001)

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.

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's banking book to movement in interest rates:

The Group	+100 basic points 2011 RM'000	–100 basic points 2011 RM'000	+100 basic points 2010 RM'000	–100 basic points 2010 RM'000
Impact to revaluation reserve-financial investments available-for-sale	**(554,651)**	**554,651**	(391,174)	391,174

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk

The Group and Company are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manage its exposure to foreign exchange currencies at each entity level.

(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.

The Group 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Items recognised in the statements of financial position											
Financial assets											
Cash and short-term funds	22,344,105	4,050,284	379,541	953,658	5,151,103	151,497	385,469	157,347	1,095,841	12,324,740	34,668,845
Reverse repurchase agreements	3,685,282	–	–	135,796	409,404	–	–	–	–	545,200	4,230,482
Deposits and placements with banks and other financial institutions	1,487,024	1,447,654	59,749	293	1,138,141	–	–	–	41,151	2,686,988	4,174,012
Financial assets held for trading											
– Money market instruments	5,282,946	34,806	–	2,825,336	168,186	–	–	–	–	3,028,328	8,311,274
– Quoted securities	579,918	878,082	224,008	9,215	333,210	1,839	–	421	4,916	1,451,691	2,031,609
– Unquoted securities	1,779,889	49,605	9,673	456,639	1,027,011	–	–	–	–	1,542,928	3,322,817
Financial investments available-for-sale											
– Money market instruments	754,995	–	–	–	183,532	–	–	–	–	183,532	938,527
– Quoted securities	138,883	2,321,510	1,158,549	1,135	–	–	–	–	–	3,481,194	3,620,077
– Unquoted securities	7,504,740	182,852	82,851	8,129	1,110,870	28,863	–	–	296,310	1,709,875	9,214,615
Financial investments held-to-maturity											
– Money market instruments	2,355,692	–	–	235,834	254,308	–	–	–	–	490,142	2,845,834
– Quoted securities	–	2,358,942	1,835,930	–	42	–	–	–	–	4,194,914	4,194,914
– Unquoted securities	8,331,684	–	21,552	1,085,214	439,586	–	–	–	–	1,546,352	9,878,036
Derivative financial instruments											
– Trading derivatives	2,794,775	12,669	167,050	34,526	878,551	10,071	3,430	697	115,122	1,222,116	4,016,891
– Hedging derivatives	120,514	28,575	–	–	108,093	–	–	–	–	136,668	257,182
Loans, advances and financing											
– Overdrafts	4,628,620	–	669,976	92,541	40,176	–	–	–	–	802,693	5,431,313
– Term loans/financing	96,139,981	19,411,157	7,554,702	6,939,612	6,986,028	414,390	510,635	190,360	492,285	42,499,169	138,639,150
– Bills receivable	692,400	1,454	2,728,202	8,443	151,925	–	2,253	79	11,606	2,903,962	3,596,362
– Trust receipts	376,396	–	368,054	35,671	329,897	–	132	2,257	12,148	748,159	1,124,555
– Claim on customers under acceptance credit	3,265,824	203,872	5,058	–	590,798	–	–	32,930	3,894	836,552	4,102,376
– Credit card receivables	4,068,576	915,976	–	436,002	–	–	–	–	–	1,351,978	5,420,554
– Revolving credit	3,624,567	14,600,429	54,618	400,541	4,631,875	–	367,137	–	15,261	20,069,861	23,694,428
– Share margin financing	497,270	912,098	52,712	367,959	–	–	–	–	–	1,332,769	1,830,039
Other assets	4,188,180	1,164,878	171,236	199,274	364,161	4,096	2,046	1,012	36,241	1,942,944	6,131,124
	174,642,261	48,574,843	15,543,461	14,225,818	24,296,897	610,756	1,271,102	385,103	2,124,775	107,032,755	281,675,016

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)
53.2.3 Foreign exchange risk (Continued)

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

The Group 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	141,717,289	37,400,917	10,188,843	9,650,744	19,558,425	557,636	289,260	164,511	2,405,517	80,215,853	221,933,142
Deposits and placements of banks and other financial institutions	2,668,604	531,513	150,413	3,734,977	4,127,814	374,023	776,488	2,877	597,600	10,295,705	12,964,309
Repurchase agreement	581,027	–	–	486,919	–	–	–	–	–	486,919	1,067,946
Derivatives financial instruments											
– Trading derivatives	2,550,375	11,183	151,880	39,228	855,816	11,918	3,339	813	119,852	1,194,029	3,744,404
– Hedging derivatives	398,343	29,744	1,806	–	41,492	–	–	–	1,502	74,544	472,887
Bills and acceptances payable	3,218,810	172,159	3,479,785	72,196	586,901	–	16	32,930	3,894	4,347,881	7,566,691
Other liabilities	3,564,865	1,298,825	230,815	484,633	332,787	2,554	9,495	934	73,246	2,433,289	5,998,154
Other borrowings	3,357,129	755,020	–	277,553	933,376	648	–	306	–	1,966,903	5,324,032
Bonds	–	521,225	–	–	–	–	–	–	–	521,225	521,225
Subordinated notes	9,854,298	1,065,370	364,578	–	133,734	–	–	–	–	1,563,682	11,417,980
Non-cumulative guaranteed and redeemable preference shares	881,016	–	–	–	–	–	–	–	–	–	881,016
	168,791,756	41,785,956	14,568,120	14,746,250	26,570,345	946,779	1,078,598	202,371	3,201,611	103,100,030	271,891,786
Items not recognised in the statements of financial position											
Financial guarantees	808,854	138,392	336,117	1,854,479	657,033	–	66,155	11,607	282,718	3,346,501	4,155,355
Credit related commitments and contingencies	39,046,453	902,669	775,680	2,964,458	4,696,487	210,899	192,184	57,248	619,584	10,419,209	49,465,662
	39,855,307	1,041,061	1,111,797	4,818,937	5,353,520	210,899	258,339	68,855	902,302	13,765,710	53,621,017

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

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

The Group 2010	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Items recognised in the statements of financial position											
Financial assets											
Cash and short-term funds	15,802,289	3,725,176	430,148	205,260	5,693,233	267,628	51,355	166,525	843,646	11,382,971	27,185,260
Reverse repurchase agreements	2,680,216	–	1,014,376	10,901	99,169	–	–	–	–	1,124,446	3,804,662
Deposits and placements with banks and other financial institutions	4,162,034	2,740,563	60,687	–	3,697,174	125,661	383,508	–	576,196	7,583,789	11,745,823
Financial assets held for trading											
– Money market instruments	8,250,199	–	–	2,061,253	123,158	–	–	–	–	2,184,411	10,434,610
– Quoted securities	859,706	1,662,336	13,904	74,476	262,462	8,571	–	195	23,351	2,045,295	2,905,001
– Unquoted securities	1,425,305	44,531	–	551,839	859,860	–	–	–	–	1,456,230	2,881,535
Financial assets designated at fair value through profit or loss											
– Money market instruments	449,881	–	–	–	–	–	–	–	–	–	449,881
– Quoted securities	92,434	–	–	–	–	–	–	–	–	–	92,434
– Unquoted securities	319,135	–	–	–	–	–	–	–	–	–	319,135
Financial investments available-for-sale											
– Money market instruments	813,236	–	–	–	–	–	–	–	–	–	813,236
– Quoted securities	335,840	2,090,905	867,836	1,386	–	–	–	–	1,790	2,961,917	3,297,757
– Unquoted securities	6,955,309	98,201	27,475	775	312,935	–	–	–	153,014	592,400	7,547,709
Financial investments held-to-maturity											
– Money market instruments	1,988,979	–	–	–	–	–	–	–	–	–	1,988,979
– Quoted securities	–	275,033	999,621	–	558,951	–	–	–	–	1,833,605	1,833,605
– Unquoted securities	8,852,700	–	76,641	759,550	608,788	–	–	–	–	1,444,979	10,297,679
Derivative financial instruments											
– Trading derivatives	2,446,367	32,999	182,447	13,913	697,383	8	297	1,521	36,677	965,245	3,411,612
– Hedging derivatives	52,699	–	–	–	112,844	–	–	–	–	112,844	165,543
Loans, advances and financing											
– Overdrafts	4,860,508	–	623,097	89,700	–	–	–	–	–	712,797	5,573,305
– Term loans/financing	85,725,269	14,275,973	6,433,347	4,465,598	5,037,542	172,917	72,489	179,643	346,857	30,984,366	116,709,635
– Bills receivable	413,126	–	1,866,955	64,260	142,113	–	563	883	3,615	2,078,389	2,491,515
– Trust receipts	408,295	–	194,236	12,230	311,408	–	1,939	5,496	9,049	534,358	942,653
– Claim on customers under acceptance credit	3,472,378	103,375	5,142	286	306,910	–	–	42,765	12,531	471,009	3,943,387
– Credit card receivables	3,885,531	686,228	–	290,000	–	–	–	–	–	976,228	4,861,759
– Revolving credit	3,328,919	14,082,982	51,401	520,924	5,207,356	–	175,114	2,789	5,880	20,046,446	23,375,365
– Share margin financing	623,747	136,573	18,815	496,448	–	–	–	–	–	651,836	1,275,583
– Other loans	8,183	–	–	–	–	–	–	–	–	–	8,183
Other assets	4,402,690	752,465	84,613	432,532	466,397	8,007	5,094	255	63,467	1,812,830	6,215,520
	162,614,975	40,707,340	12,950,741	10,051,331	24,497,683	582,792	690,359	400,072	2,076,073	91,956,391	254,571,366

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

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

The Group 2010	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	126,537,374	33,774,821	9,653,079	7,803,996	19,693,258	376,561	372,371	192,226	1,441,978	73,308,290	199,845,664
Deposits and placements of banks and other financial institutions	6,424,122	323,732	210,436	1,917,625	3,626,405	138,861	354,879	1,712	94,385	6,668,035	13,092,157
Repurchase agreements	–	–	–	–	33,087	–	–	–	–	33,087	33,087
Derivatives financial instruments											
– Trading derivatives	2,524,166	24,169	131,617	50,185	700,618	1,545	70	201	57,227	965,632	3,489,798
– Hedging derivatives	204,090	8,660	2,626	–	43,342	–	–	–	–	54,628	258,718
Bills and acceptances payable	2,231,859	89,622	1,824,889	20,053	310,726	–	–	42,765	12,532	2,300,587	4,532,446
Amount due to Cagamas Berhad	107,523	–	–	–	–	–	–	–	–	–	107,523
Other liabilities	5,743,019	988,567	210,517	315,464	292,033	24,478	8,734	1,049	67,086	1,907,928	7,650,947
Other borrowings	1,727,466	267,483	298,920	377,094	1,112,624	–	–	–	–	2,056,121	3,783,587
Bonds	–	–	–	–	423,982	–	–	–	–	423,982	423,982
Subordinated notes	7,900,271	1,145,090	66,240	–	563,739	–	–	–	–	1,775,069	9,675,340
Non-cumulative guaranteed and redeemable preference shares	860,162	–	–	–	–	–	–	–	–	–	860,162
	154,260,052	36,622,144	12,398,324	10,484,417	26,799,814	541,445	736,054	237,953	1,673,208	89,493,359	243,753,411
Items not recognised in the statements of financial position											
Financial guarantees	840,971	737,688	391,287	1,729,865	408,061	563	49,340	–	241,877	3,558,681	4,399,652
Credit related commitments and contingencies	36,855,856	541,968	775,643	2,142,432	5,530,191	159,235	228,348	169,435	646,716	10,193,968	47,049,824
	37,696,827	1,279,656	1,166,930	3,872,297	5,938,252	159,798	277,688	169,435	888,593	13,752,649	51,449,476

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for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

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

The Company	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
2011					
Items recognised in the statements of financial position					
Financial assets					
Cash and short-term funds	**316,050**	**6**	**772**	**778**	**316,828**
Derivative financial instruments					
– Trading derivatives	**13,188**	**–**	**–**	**–**	**13,188**
– Hedging derivatives	**4,271**	**–**	**–**	**–**	**4,271**
Loans, advances and financing					
– Term loans/financing	**930**	**–**	**–**	**–**	**930**
Other assets	**21,959**	**–**	**–**	**–**	**21,959**
Amount due from subsidiaries	**4,811**	**–**	**–**	**–**	**4,811**
	361,209	**6**	**772**	**778**	**361,987**
Financial liabilities					
Derivatives financial instruments					
– Trading derivatives	**–**	**–**	**4,164**	**4,164**	**4,164**
Other liabilities	**3,240**	**–**	**–**	**–**	**3,240**
Other borrowings	**2,948,000**	**–**	**318,052**	**318,052**	**3,266,052**
Subordinated notes	**2,141,655**	**–**	**–**	**–**	**2,141,655**
	5,092,895	**–**	**322,216**	**322,216**	**5,415,111**
2010					
Items recognised in the statements of financial position					
Financial assets					
Cash and short-term funds	527,899	1,179	748	1,927	529,826
Derivative financial instruments					
– Hedging derivatives	5,676	–	–	–	5,676
Loans, advances and financing					
– Term loans/financing	1,147	–	–	–	1,147
Other assets	8,509	–	–	–	8,509
Amount due from subsidiaries	19,223	44	–	44	19,267
	562,454	1,223	748	1,971	564,425
Financial liabilities					
Derivatives financial instruments					
– Trading derivatives	9,363	–	–	–	9,363
Other liabilities	1,463	–	–	–	1,463
Other borrowings	1,355,715	–	308,633	308,633	1,664,348
Subordinated notes	2,130,000	–	–	–	2,130,000
Amount due to subsidiaries	147	–	–	–	147
	3,496,688	–	308,633	308,633	3,805,321

Notes to the **Financial Statements**
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

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

	The Group		The Company	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
2011				
Impact to profit (after tax)	**3,755**	**(3,755)**	**(2,412)**	**2,412**
Impact to reserves	**(17,283)**	**17,283**	**–**	**–**
2010				
Impact to profit (after tax)	561	(561)	(2,484)	2,484
Impact to reserves	(20,475)	20,475	–	–

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

53.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a stable large funding base.

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. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established risk tolerance levels. Management action triggers 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.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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 Group Risk Committee, 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.

53.3.1 Contractual maturity of financial assets and liabilities

The table below analyses assets and liabilities of the Group based on the remaining period at the end of the reporting 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	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	34,668,845	–	–	–	–	–	–	34,668,845
Reverse repurchase agreements	2,117,685	1,532,314	–	580,483	–	–	–	4,230,482
Deposits and placements with banks and other financial institutions	1,061,090	1,806,237	348,652	64,224	258,409	635,400	–	4,174,012
Financial investments at fair value through profit or loss	2,041,400	4,040,512	1,616,874	1,193,501	2,556,819	928,444	1,288,150	13,665,700
Financial investments available-for-sale	279,083	55,254	288,233	871,985	5,107,587	5,907,349	1,263,728	13,773,219
Financial investments held-to-maturity	1,053,761	1,196,728	340,506	980,200	9,060,871	4,286,718	–	16,918,784
Derivative financial instruments	381,429	213,463	111,739	199,542	2,141,779	1,226,121	–	4,274,073
Loans, advances and financing	30,820,633	11,292,480	6,494,291	10,301,773	42,969,937	81,959,663	–	183,838,777
Other assets	4,639,407	38,465	224,620	65,466	67,380	1,481,737	1,280	6,518,355
Taxation recoverable	139,258	–	–	–	–	–	–	139,258
Deferred tax assets	–	–	–	–	–	–	49,998	49,998
Statutory deposits with central banks	–	–	–	–	–	–	5,084,105	5,084,105
Investment in associates	–	–	–	–	–	–	1,169,387	1,169,387
Investment in joint controlled entities	–	–	–	–	–	–	188,479	188,479
Property, plant and equipment	–	–	–	–	–	–	1,458,400	1,458,400
Investment properties	–	–	–	–	–	–	8,653	8,653
Prepaid lease payment	–	–	–	–	–	–	170,564	170,564
Goodwill	–	–	–	–	–	–	8,242,489	8,242,489
Intangible assets	–	–	–	–	–	–	1,611,879	1,611,879
Non-current assets/disposal groups held for sale	5,043	–	–	–	–	–	12,205	17,248
Total assets	77,207,634	20,175,453	9,424,915	14,257,174	62,162,782	96,425,432	20,549,317	300,202,707

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

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

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	Non-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	165,841,200	26,015,619	12,278,385	12,040,903	4,312,621	1,444,414	–	221,933,142
Deposits and placements of banks and other financial institutions	6,217,328	2,549,561	684,424	227,753	2,137,155	1,148,088	–	12,964,309
Repurchase agreement	544	–	–	580,483	–	486,919	–	1,067,946
Derivatives financial instruments	686,204	190,544	85,389	240,587	1,766,667	1,247,900	–	4,217,291
Bills and acceptances payable	3,229,466	2,998,338	1,325,341	2,136	11,410	–	–	7,566,691
Other liabilities	5,862,743	694,414	25,644	29,930	46,448	168,631	–	6,827,810
Deferred tax liabilities	–	–	–	–	–	–	134,285	134,285
Current tax liabilities	483,820	–	–	–	–	–	–	483,820
Bonds	–	–	–	–	–	521,225	–	521,225
Other borrowings	586,713	80,720	1,106,378	378,812	3,129,383	42,026	–	5,324,032
Subordinated notes	125,794	1,886	11,654	–	5,205,506	6,073,140	–	11,417,980
Non cumulative guaranteed and redeemable preference shares	–	–	–	–	781,016	100,000	–	881,016
Total liabilities	183,033,812	32,531,082	15,517,215	13,500,604	17,390,206	11,232,343	134,285	273,339,547
Net liquidity gap	(105,826,178)	(12,355,629)	(6,092,300)	756,570	44,772,576	85,193,089	20,415,032	26,863,160

Notes to the Financial Statements
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group based on the remaining period at the end of the reporting 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	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	27,185,260	–	–	–	–	–	–	27,185,260
Reverse repurchase agreements	2,802,424	1,001,833	405	–	–	–	–	3,804,662
Deposits and placements with banks and other financial institutions	5,373,729	2,709,677	2,367,811	906,268	249,580	138,758	–	11,745,823
Financial investments at fair value through profit or loss	5,969,164	4,197,918	1,669,228	603,549	2,010,451	1,249,956	1,382,330	17,082,596
Financial investments available-for-sale	212,919	426,929	172,765	669,535	4,113,064	4,375,610	1,687,880	11,658,702
Financial investments held-to-maturity	83,030	94,944	269,190	1,671,189	7,930,421	4,071,489	–	14,120,263
Derivative financial instruments	430,440	203,461	193,322	278,352	1,631,206	840,374	–	3,577,155
Loans, advances and financing	29,994,524	9,466,053	6,264,936	7,867,608	40,521,182	65,067,082	–	159,181,385
Other assets	4,987,616	3,540	91,078	76,600	412,182	1,782,506	–	7,353,522
Taxation recoverable	98,358	–	–	–	–	–	–	98,358
Deferred tax assets	–	–	–	–	–	–	15,269	15,269
Statutory deposits with central banks	–	–	–	–	–	–	1,410,436	1,410,436
Investment in associates	–	–	–	–	–	–	508,807	508,807
Investment in joint controlled entities	–	–	–	–	–	–	171,486	171,486
Property, plant and equipment	–	–	–	–	–	–	1,442,948	1,442,948
Investment properties	–	–	–	–	–	–	61,216	61,216
Prepaid lease payment	–	–	–	–	–	–	185,542	185,542
Goodwill	–	–	–	–	–	–	8,159,469	8,159,469
Intangible assets	–	–	–	–	–	–	1,543,295	1,543,295
Non-current assets/disposal groups held for sale	100	46,904	–	–	–	–	12,046	59,050
Total assets	77,137,564	18,151,259	11,028,735	12,073,101	56,868,086	77,525,775	16,580,724	269,365,244
Liabilities								
Deposits from customers	132,683,276	40,421,818	9,619,799	11,130,102	4,826,141	1,164,528	–	199,845,664
Deposits and placements of banks and other financial institutions	5,212,419	2,673,116	2,106,638	1,453,783	1,461,191	185,010	–	13,092,157
Repurchase agreements	–	33,087	–	–	–	–	–	33,087
Derivatives financial instruments	832,066	208,956	313,614	278,100	1,490,325	625,455	–	3,748,516
Bills and acceptances payable	2,262,805	1,559,807	524,598	184,088	1,148	–	–	4,532,446
Other liabilities	6,296,290	411,694	4,349	83,732	210,194	1,618,409	–	8,624,668
Deferred tax liabilities	–	–	–	–	–	–	12,124	12,124
Current tax liabilities	322,789	–	–	–	–	–	–	322,789
Amount due to Cagamas Berhad	–	45,416	62,107	–	–	–	–	107,523
Bonds	–	–	423,982	–	–	–	–	423,982
Other borrowings	85,693	131,049	1,261,037	322,357	1,836,786	146,665	–	3,783,587
Subordinated notes	55,932	–	–	–	3,255,754	6,363,654	–	9,675,340
Non cumulative guaranteed and redeemable preference shares	–	–	–	–	760,162	100,000	–	860,162
Total liabilities	147,751,270	45,484,943	14,316,124	13,452,162	13,841,701	10,203,721	12,124	245,062,045
Net liquidity gap	(70,613,706)	(27,333,684)	(3,287,389)	(1,379,061)	43,026,385	67,322,054	16,568,600	24,303,199

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

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

The Company 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	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	316,828	–	–	–	–	–	–	316,828
Derivative financial instruments	–	–	–	–	17,459	–	–	17,459
Loans, advances and financing	–	2	7	–	42	879	–	930
Other assets	21,904	–	–	–	–	–	1,280	23,184
Taxation recoverable	93,288	–	–	–	–	–	–	93,288
Investment in subsidiaries	–	–	–	–	–	–	17,887,961	17,887,961
Amount owing from subsidiaries	23	–	–	2,000	2,788	–	–	4,811
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	31,607	31,607
Investment properties	–	–	–	–	–	–	527	527
Total assets	432,043	2	7	2,000	20,289	879	17,925,209	18,380,429
Liabilities								
Derivatives financial instruments	–	–	–	–	4,164	–	–	4,164
Other liabilities	3,242	–	–	–	–	–	–	3,242
Deferred tax liabilities	–	–	–	–	–	–	2,122	2,122
Other borrowings	100,953	352	1,006,099	–	2,158,648	–	–	3,266,052
Subordinated notes	–	–	11,655	–	–	2,130,000	–	2,141,655
Total liabilities	104,195	352	1,017,754	–	2,162,812	2,130,000	2,122	5,417,235
Net liquidity gap	327,848	(350)	(1,017,747)	2,000	(2,142,523)	(2,129,121)	17,923,087	12,963,194

Notes to the Financial Statements
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

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

The Company 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	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	529,826	–	–	–	–	–	–	529,826
Derivative financial instruments	–	–	–	–	5,676	–	–	5,676
Loans, advances and financing	–	–	–	20	88	1,039	–	1,147
Other assets	1,487	–	–	–	8,410	–	–	9,897
Taxation recoverable	55,383	–	–	–	–	–	–	55,383
Investment in subsidiaries	–	–	–	–	–	–	16,093,491	16,093,491
Amount owing from subsidiaries	19,267	–	–	–	–	–	–	19,267
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	32,471	32,471
Investment properties	–	–	–	–	–	–	3,516	3,516
Total assets	605,963	–	–	20	14,174	1,039	16,133,312	16,754,508
Liabilities								
Derivatives financial instruments	–	–	–	–	9,363	–	–	9,363
Other liabilities	1,515	–	–	–	–	–	–	1,515
Amount owing to subsidiaries	147	–	–	–	–	–	–	147
Deferred tax liabilities	–	–	–	–	–	–	3,988	3,988
Other borrowings	13,880	–	–	–	1,650,468	–	–	1,664,348
Subordinated notes	–	–	–	–	750,000	1,380,000	–	2,130,000
Total liabilities	15,542	–	–	–	2,409,831	1,380,000	3,988	3,809,361
Net liquidity gap	590,421	–	–	20	(2,395,657)	(1,378,961)	16,129,324	12,945,147

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	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	Total RM'000
2011							
Non-derivative financial liabilities							
Deposits from customers	**165,851,836**	**26,165,653**	**12,432,907**	**12,324,846**	**3,612,980**	**2,698,893**	**223,087,115**
Deposits and placements of banks and other financial institutions	**6,225,864**	**2,561,575**	**695,087**	**234,819**	**2,181,706**	**1,240,872**	**13,139,923**
Repurchase agreements	**544**	**–**	**–**	**594,150**	**–**	**486,919**	**1,081,613**
Bills and acceptances payable	**3,231,179**	**3,005,946**	**1,332,618**	**2,237**	**11,410**	**–**	**7,583,390**
Other liabilities	**4,993,231**	**50,768**	**29,519**	**33,915**	**72,460**	**35,868**	**5,215,761**
Other borrowings	**573,447**	**96,465**	**1,269,932**	**394,099**	**3,433,053**	**116,254**	**5,883,250**
Bonds	**2,026**	**7,135**	**10,702**	**21,405**	**224,921**	**462,897**	**729,086**
Subordinated obligations	**135,983**	**97,753**	**222,282**	**339,037**	**6,690,698**	**8,385,794**	**15,871,547**
Non-cumulative guaranteed and redeemable preference shares	**6,894**	**–**	**20,800**	**20,800**	**940,519**	**100,000**	**1,089,013**
	181,021,004	**31,985,295**	**16,013,847**	**13,965,308**	**17,167,747**	**13,527,497**	**273,680,698**
Items not recognised in the statements of financial position							
Financial guarantees	**2,798,299**	**420,284**	**341,442**	**351,377**	**243,609**	**344**	**4,155,355**
Credit related commitments and contingencies	**38,068,387**	**1,930,856**	**614,353**	**1,224,919**	**1,387,316**	**6,239,831**	**49,465,662**
	40,866,686	**2,351,140**	**955,795**	**1,576,296**	**1,630,925**	**6,240,175**	**53,621,017**
2010							
Non-derivative financial liabilities							
Deposits from customers	133,316,008	40,648,129	9,761,046	11,287,446	7,611,869	1,223,698	203,848,196
Deposits and placements of banks and other financial institutions	5,287,552	2,706,066	2,130,720	1,481,066	2,493,072	201,850	14,300,326
Repurchase agreements	–	33,325	–	–	–	–	33,325
Bills and acceptances payable	2,266,995	1,566,924	529,233	184,088	1,148	–	4,548,388
Amount due to Cagamas Berhad	452	46,137	62,647	–	–	–	109,236
Other liabilities	5,555,586	398,843	112,695	107,912	536,157	673,582	7,384,775
Other borrowings	171,015	169,157	1,406,402	586,177	2,019,115	150,074	4,501,940
Bonds	–	–	437,112	–	–	–	437,112
Subordinated obligations	68,954	71,569	227,385	326,154	5,654,799	8,152,882	14,501,743
Non-cumulative guaranteed and redeemable preference shares	–	–	20,187	20,187	922,453	100,000	1,062,827
	146,666,562	45,640,150	14,687,427	13,993,030	19,238,613	10,502,086	250,727,868
Items not recognised in the statements of financial position							
Financial guarantees	2,610,877	133,860	203,676	289,117	1,068,967	93,155	4,399,652
Credit related commitments and contingencies	36,456,575	1,806,829	625,257	950,628	2,263,115	4,947,420	47,049,824
	39,067,452	1,940,689	828,933	1,239,745	3,332,082	5,040,575	51,449,476

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Company	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	Total RM'000
2011							
Non-derivative financial liabilities							
Other liabilities	**3,242**	**–**	**–**	**–**	**–**	**–**	**3,242**
Other borrowings	**106,318**	**13,110**	**1,038,340**	**38,392**	**2,315,437**	**–**	**3,511,597**
Subordinated obligations	**–**	**–**	**73,320**	**73,596**	**725,224**	**2,365,010**	**3,237,150**
	109,560	**13,110**	**1,111,660**	**111,988**	**3,040,661**	**2,365,010**	**6,751,989**
2010							
Non-derivative financial liabilities							
Other liabilities	1,515	–	–	–	–	–	1,515
Amount owing to subsidiaries	147	–	–	–	–	–	147
Other borrowings	–	617	29,400	30,125	1,701,750	–	1,761,892
Subordinated obligations	–	–	73,320	73,596	1,337,160	1,903,850	3,387,926
	1,662	617	102,720	103,721	3,038,910	1,903,850	5,151,480

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Derivative financial liabilities

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

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. 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.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
2011								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	**910,452**	**–**	**–**	**–**	**–**	**–**	**–**	**910,452**
– Interest rate derivatives	**2,345,719**	**–**	**–**	**–**	**–**	**–**	**–**	**2,345,719**
– Equity related derivatives	**393,080**	**–**	**–**	**–**	**–**	**–**	**–**	**393,080**
– Commodity related derivatives	**54,409**	**–**	**–**	**–**	**–**	**–**	**–**	**54,409**
– Credit related contracts	**40,744**	**–**	**–**	**–**	**–**	**–**	**–**	**40,744**
Hedging derivatives								
– Interest rate derivatives	**3,434**	**(26,746)**	**78,228**	**56,341**	**433,495**	**281,505**	**–**	**826,257**
	3,747,838	**(26,746)**	**78,228**	**56,341**	**433,495**	**281,505**	**–**	**4,570,661**
2010								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	41,209	3,917	23,779	25,229	67,289	23,875	38,479	223,777
– Interest rate derivatives	231,481	97,391	133,464	(148,671)	420,729	179,852	15,028	929,274
– Equity related derivatives	11,441	78,305	79,979	255,402	17,310	154,402	49,114	645,953
– Commodity related derivatives	–	1,186	1,700	9,084	6,565	–	–	18,535
– Credit related contracts	–	466	416	572	4,113	36,354	(74)	41,847
Hedging derivatives								
– Interest rate derivatives	23,986	(9,188)	27,300	41,217	359,266	283,613	–	726,194
	308,117	172,077	266,638	182,833	875,272	678,096	102,547	2,585,580

Notes to the Financial Statements

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's and the Company's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2011							
Derivative financial liabilities							
Hedging derivatives							
Cross currency interest rate derivatives							
– Outflow	**(1,674)**	**–**	**–**	**(1,638)**	**(81,366)**	**–**	**(84,678)**
– Inflow	**384**	**–**	**391**	**787**	**77,064**	**–**	**78,626**
	(1,290)	**–**	**391**	**(851)**	**(4,302)**	**–**	**(6,052)**
2010							
Derivative financial liabilities							
Trading derivatives							
Foreign exchange derivatives:							
– Outflow	(12,656,491)	(8,244,384)	(6,783,493)	(3,748,341)	(5,606,627)	(1,602,872)	(38,642,208)
– Inflow	12,465,855	8,010,064	6,418,671	3,494,259	5,009,575	1,486,522	36,884,946
Hedging derivatives							
Cross currency interest rate derivatives							
– Outflow	–	(1,488)	–	(1,782)	(8,882)	–	(12,152)
– Inflow	–	511	–	507	2,526	–	3,544
	(190,636)	(235,297)	(364,822)	(255,357)	(603,408)	(116,350)	(1,765,870)

The Company	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	Total RM'000
2011							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	**4,164**	**–**	**–**	**–**	**–**	**–**	**4,164**
	4,164	**–**	**–**	**–**	**–**	**–**	**4,164**
2010							
Derivative financial liabilities							
Trading derivatives							
Foreign exchange derivatives:							
– Outflow	–	(2,788)	(2,850)	(5,670)	(22,648)	–	(33,956)
– Inflow	–	848	869	1,729	6,905	–	10,351
	–	(1,940)	(1,981)	(3,941)	(15,743)	–	(23,605)

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 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.

53.4.1 Determination of fair value and fair value hierarchy

With effect 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 are not presented for 31 December 2011 as allowed by the transitional provision arising from the adoption of Amendment to FRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments".

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 Company				
		Fair Value					Fair Value			
2011	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
Financial assets										
Financial assets held for trading										
– Money market instruments	8,311,274	–	8,311,274	–	8,311,274	–	–	–	–	–
– Quoted securities	2,031,609	1,211,007	820,602	–	2,031,609	–	–	–	–	–
– Unquoted securities	3,322,817	–	3,115,435	207,382	3,322,817	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	938,527	–	938,527	–	938,527	–	–	–	–	–
– Quoted securities	3,620,077	420,043	3,200,028	6	3,620,077	–	–	–	–	–
– Unquoted securities	9,161,401	–	8,158,178	1,003,223	9,161,401	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	4,016,891	32,645	3,984,246	–	4,016,891	13,188	–	13,188	–	13,188
– Hedging derivatives	257,182	–	257,182	–	257,182	4,271	–	4,271	–	4,271
Total	31,659,778	1,663,695	28,785,472	1,210,611	31,659,778	17,459	–	17,459	–	17,459
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	3,744,404	3,273	3,741,131	–	3,744,404	4,164	–	4,164	–	4,164
– Hedging derivatives	472,887	–	472,887	–	472,887	–	–	–	–	–
Total	4,217,291	3,273	4,214,018	–	4,217,291	4,164	–	4,164	–	4,164

Notes to the Financial Statements

for the financial year ended 31 December 2011

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.1 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 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.

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2011 for the Group.

	Financial Assets		
The Group 2011	**Financial assets held for trading Unquoted securities RM'000**	**Financial investments available-for-sale Quoted and Unquoted securities RM'000**	**Total RM'000**
At 1 January	140,081	1,014,387	1,154,468
Total gains recognised in statement of income	9,144	26,217	35,361
Total losses recognised in other comprehensive income	(553)	(19,506)	(20,059)
Purchases	58,710	98,943	157,653
Sales	–	(48,451)	(48,451)
Settlements	–	(61,866)	(61,866)
Exchange fluctuation	–	(6,495)	(6,495)
At 31 December	207,382	1,003,229	1,210,611
Total gains recognised in statement of income relating to assets held on 31 December	5,196	39,995	45,191
Total gains recognised in other comprehensive income relating to assets held on 31 December	(553)	(19,568)	(20,121)

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 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 year ended 31 December of the Group and the Company approximates the total carrying value as at the reporting date, except for the following:

	2011		2010	
The Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Other assets	**6,518,355**	**6,498,550**	7,353,522	7,271,394
Deposits and placement with banks and other financial institutions	**4,174,012**	**4,398,242**	11,745,823	11,845,472
Financial investments held-to-maturity	**16,918,784**	**17,273,261**	14,120,263	14,267,806
Loans, advances and financing	**183,838,777**	**184,015,982**	159,181,385	155,391,958
Financial liabilities				
Deposits from customers	**221,933,142**	**221,794,683**	199,845,664	199,539,559
Deposits and placement of banks and other financial institutions	**12,964,309**	**13,042,209**	13,092,157	13,118,440
Bonds	**–**	**–**	423,982	424,962
Other borrowings	**5,324,032**	**5,300,826**	–	–
Subordinated notes	**11,417,980**	**11,496,338**	9,675,340	9,940,775

	2011		2010	
The Company	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loans, advances and financing	**930**	**882**	1,147	1,107
Financial liabilities				
Subordinated notes	**2,141,655**	**2,255,598**	2,130,000	2,359,441
Other borrowings	**3,266,052**	**3,285,816**	–	–

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.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 Financial instruments not measured at fair value (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions
For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity
The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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 (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

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

Deposits and placements of banks and other financial institutions
The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements
The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Floating rate certificates of deposits
For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 Financial instruments not measured at fair value (Continued)

The fair values are based on the following methodologies and assumptions:

Bills and acceptances payable
The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities
The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Other borrowings
The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated notes
The fair values for the quoted subordinated notes are obtained from quoted market prices while the fair values for unquoted subordinated notes are estimated based on discounted cash flow models.

Redeemable preference shares
The estimated fair value of redeemable preference shares ("RPS") approximates the carrying value based on Directors' estimate as the effective interest rate of the RPS is a reflection of the current rate for such similar instrument.

Derivative financial instruments
The fair values of derivative financial instruments 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.

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.

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

54 THE OPERATIONS OF ISLAMIC BANKING

Statement of Financial Position as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Cash and short-term funds	(a)	**8,391,678**	7,934,045
Deposits and placements with banks and other financial institutions	(b)	**1,557,983**	1,340,924
Financial assets held for trading	(c)	**2,911,603**	2,549,533
Islamic derivative financial instruments	(d)	**249,169**	284,789
Financial investments available-for-sale	(e)	**942,125**	459,123
Financial investments held-to-maturity	(f)	**1,884,889**	1,425,372
Financing, advances and other financing/loans	(g)	**29,500,400**	23,368,509
Deferred tax assets	(h)	**8,035**	5,589
Amount due from related companies		**55,439**	48,835
Amount due from holding company		**568,921**	514,680
Statutory deposits with Bank Negara Malaysia	(i)	**1,097,797**	143,406
Property, plant and equipment	(j)	**9,567**	7,314
Other assets	(k)	**545,199**	764,109
Goodwill	(l)	**136,000**	136,000
Intangible assets	(m)	**4,170**	4,287
Total assets		**47,862,975**	38,986,515
Liabilities			
Deposits from customers	(n)	**31,565,815**	24,923,994
Deposits and placements of banks and other financial institutions	(o)	**10,726,368**	10,244,515
Islamic derivative financial instruments	(d)	**452,582**	265,725
Amount due to holding company		**402,487**	184,519
Amount due to related companies		**1,112**	247
Provision for taxation and Zakat	(p)	**112,330**	86,284
Other liabilities	(q)	**1,005,532**	853,473
Subordinated Sukuk	(r)	**564,679**	300,000
Total liabilities		**44,830,905**	36,858,757
Equity			
Islamic banking funds		**55,000**	91,693
Ordinary share capital	(s)	**1,000,000**	750,000
Perpetual preference shares	(s)	**70,000**	70,000
Reserves	(t)	**1,897,025**	1,176,620
		3,022,025	2,088,313
Non-controlling interests		**10,045**	39,445
Total equity		**3,032,070**	2,127,758
Total equity and liabilities		**47,862,975**	38,986,515
Commitments and contingencies	(d)(ii)	**18,848,467**	20,596,415

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement 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	(u)	**1,817,027**	1,594,000
Net income derived from investment of shareholders' funds	(v)	**390,223**	343,851
Allowances for impairment losses on financing, advances and other loans	(w)	**(151,366)**	(54,116)
Allowance for impairment losses on other receivables		**(2,753)**	(134)
Total distributable income		**2,053,131**	1,883,601
Income attributable to depositors	(x)	**(736,929)**	(607,815)
Total net income		**1,316,202**	1,275,786
Personnel expenses	(y)	**(219,145)**	(135,925)
Other overheads and expenditures	(z)	**(150,045)**	(147,138)
Profit before allowances		**947,012**	992,723
Writeback of impairment losses		**7**	–
Profit before taxation and zakat		**947,019**	992,723
Taxation	(aa)	**(233,420)**	(218,749)
Profit after taxation and zakat		**713,599**	773,974
Profit attributable to:			
Owners of the Parent		**713,931**	771,559
Non-controlling interests		**(332)**	2,415
		713,599	773,974

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2011 RM'000	2010 RM'000
Net profit after taxation	**713,599**	773,974
Other comprehensive income:		
Revaluation reserve-financial investments available-for-sale	**(473)**	3,885
– Net gain from change in fair value	**7,827**	6,044
– Realised gain transferred to statement of income on disposal and impairment	**(7,238)**	(530)
– Income tax effects	**(1,062)**	(1,629)
Exchange fluctuation reserve	**14,906**	593
Other comprehensive income, net of tax	**14,433**	4,478
Total comprehensive income for the financial year	**728,032**	778,452
Total comprehensive income attributable to:		
Owners of the Parent	**720,620**	780,180
Non-controlling interests	**7,412**	(1,728)
	728,032	778,452
Income from Islamic Banking operations:		
Total net income	**1,316,202**	1,275,786
Add: Allowances for impairment losses on financing, advances and other loans	**151,366**	54,116
Add: Allowances for impairment losses on other receivables	**2,753**	134
	1,470,321	1,330,036

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of changes in equity for the financial year ended 31 December 2011

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2011												
At 1 January 2011												
– as previously reported	750,000	70,000	91,693	303,343	4,523	2,276	7,405	–	859,073	2,088,313	39,445	2,127,758
– effect of adopting Amendments to FRS 2	–	–	–	–	–	–	–	15,534	(15,534)	–	–	–
As restated	750,000	70,000	91,693	303,343	4,523	2,276	7,405	15,534	843,539	2,088,313	39,445	2,127,758
Net profit for the financial year	–	–	–	–	–	–	–	–	713,931	713,931	(332)	713,599
Other comprehensive income (net of tax)	–	–	–	417	(371)	6,643	–	–	–	6,689	7,744	14,433
Financial investments available-for-sale	–	–	–	–	(371)	–	–	–	–	(371)	(102)	(473)
Currency translation difference	–	–	–	417	–	6,643	–	–	–	7,060	7,846	14,906
Total comprehensive income for the financial year	–	–	–	417	(371)	6,643	–	–	713,931	720,620	7,412	728,032
Share-based payment expense	–	–	–	–	–	–	–	1,100	–	1,100	–	1,100
Transfer to statutory reserve	–	–	–	167,986	–	–	–	–	(167,867)	119	(119)	–
Transfer to regulatory reserve	–	–	–	439	–	–	51,708	–	(52,147)	–	–	–
Reclassified to conventional	–	–	(36,693)	(1,095)	(204)	–	–	–	–	(37,992)	(36,693)	(74,685)
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(135)	–	(135)	–	(135)
Issue of share capital during the year	250,000	–	–	–	–	–	–	–	–	250,000	–	250,000
At 31 December 2011	1,000,000	70,000	55,000	471,090	3,948	8,919	59,113	16,499	1,337,456	3,022,025	10,045	3,032,070

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of changes in equity for the financial year ended 31 December 2010 (Continued)

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2010												
At 1 January 2010												
– as previously reported	550,000	70,000	91,693	152,218	467	(2,289)	–	–	245,395	1,107,484	41,173	1,148,657
– effect of adopting Amendments to FRS 2	–	–	–	–	–	–	–	14,885	(14,885)	–	–	–
As restated	550,000	70,000	91,693	152,218	467	(2,289)	–	14,885	230,510	1,107,484	41,173	1,148,657
Net profit for the financial year	–	–	–	–	–	–	–	–	771,559	771,559	2,415	773,974
Other comprehensive income (net of tax)	–	–	–	–	4,056	4,565	–	–	–	8,621	(4,143)	4,478
Financial investments available-for-sale	–	–	–	–	4,056	–	–	–	–	4,056	(171)	3,885
Currency translation difference	–	–	–	–	–	4,565	–	–	–	4,565	(3,972)	593
Total comprehensive income for the financial year	–	–	–	–	4,056	4,565	–	–	771,559	780,180	(1,728)	778,452
Share-based payment expense	–	–	–	–	–	–	–	649	–	649	–	649
Transfer to statutory reserve	–	–	–	151,125	–	–	–	–	(151,125)	–	–	–
Transfer to regulatory reserve	–	–	–	–	–	–	7,405	–	(7,405)	–	–	–
Issue of share capital during the year	200,000	–	–	–	–	–	–	–	–	200,000	–	200,000
At 31 December 2010	750,000	70,000	91,693	303,343	4,523	2,276	7,405	15,534	843,539	2,088,313	39,445	2,127,758

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2011 RM'000	2010 RM'000
Operating activities		
Profit before taxation	**947,019**	992,723
Add/(less) adjustments:		
Depreciation of property, plant and equipment	**2,932**	2,767
Amortisation of intangible assets	**1,280**	3,030
Net unrealised loss/(gain) on revaluation of financial assets held for trading	**1,431**	(247)
Net unrealised loss on derivatives	**35,237**	193,477
Accretion of discount less amortisation of premium	**(25,142)**	(28,969)
Net gain from sale of financial investments available-for-sale	**(7,237)**	(530)
Net gain from sale of financial assets held for trading	**(3,262)**	–
Profit income from financial investments held-to-maturity	**(76,580)**	(23,978)
Profit income from financial investments available-for-sale	**(26,693)**	(21,017)
Profit expense on Subordinated Sukuk	**23,307**	–
Share-based payment expense	**1,100**	649
Shares vested under Equity Ownership Plan	**(135)**	–
Net loss from hedging derivatives	**7,959**	–
Impairment losses on securities	**(7)**	–
Allowance for impairment losses on other receivables	**2,753**	–
Allowance for impairment losses on financing, advances and other financing/loans	**191,304**	75,016
	1,075,266	1,192,921
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**(217,059)**	1,068,334
Financial assets held for trading	**(334,451)**	942,423
Islamic derivative financial instruments	**187,240**	(1,360)
Financing, advances and other financing/loans	**(6,323,195)**	(6,762,372)
Statutory deposits with Bank Negara Malaysia	**(954,391)**	29,400
Other assets	**234,508**	(169,492)
Amount due from related company	**(6,604)**	(47,288)
Amount due from holding company	**(154,316)**	(601,344)
	(7,568,268)	(5,541,699)
Increase/(decrease) in operating liabilities		
Deposits from customers	**6,641,821**	4,743,675
Deposits and placements of banks and other financial institutions	**481,853**	1,124,175
Other liabilities	**156,765**	300,670
Amount due to ultimate holding company	**217,968**	170,996
Amount due to related companies	**865**	(7,864)
	7,499,272	6,331,652
Cash flows generated from/(used in) operations	**1,006,270**	1,982,874
Taxation and Zakat paid	**(113,834)**	(55,331)
Net cash flows (used in)/generated from operating activities	**892,436**	1,927,543

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	Note	2011 RM'000	2010 RM'000
Investing activities			
Net proceeds from sale of financial investments available-for-sale		**(471,531)**	164,879
Purchase of property, plant and equipment		**(5,856)**	(4,605)
Purchase of intangible assets		**(689)**	(2,809)
Net proceeds from (purchase)/sale of financial investments held-to-maturity		**(457,176)**	(375,347)
Profit income from financial investments held-to-maturity		**72,931**	19,674
Profit income from financial investments available-for-sale		**23,615**	21,645
Net cash flows (used in)/generated from investing activities		**(838,706)**	(176,563)
Financing activities			
Issuance of Subordinated Sukuk		**250,000**	–
Profit expense paid on Subordinated Sukuk		**(21,293)**	–
Reclassified to conventional		**(74,403)**	–
Issuance of share capital		**250,000**	200,000
Net cash flows generated from financing activities		**404,304**	200,000
Net increase/(decrease) in cash and cash equivalents		**458,034**	1,950,980
Cash and cash equivalents at beginning of financial year		**7,934,045**	5,943,123
Effect of exchange rate changes		**(401)**	39,942
Cash and cash equivalents at end of financial year		**8,391,678**	7,934,045
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	**8,391,678**	7,934,045

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(a) Cash and short-term funds

	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	**220,994**	133,640
Money at call and deposit placements maturing within one month	**8,170,684**	7,800,405
	8,391,678	7,934,045

(b) Deposits and placements with banks and other financial institutions

	2011 RM'000	2010 RM'000
Licensed banks	**1,328,619**	790,924
Licensed investment banks	**229,364**	–
Other financial institutions	**–**	550,000
	1,557,983	1,340,924

(c) Financial assets held for trading

	2011 RM'000	2010 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	**95,456**	194,227
Malaysian Government Securities	**20,163**	–
Malaysian Government treasury bills	**9,734**	–
Bank Negara Malaysia Negotiable Notes	**1,806,188**	1,283,822
Islamic accepted bills	**146,891**	98,364
Islamic negotiable instruments of deposits	**504,157**	638,001
	2,582,589	2,214,414
Quoted securities:		
Outside Malaysia		
Sukuk	**122,356**	96,185
Unquoted securities:		
In Malaysia		
Private debt securities	**170,480**	133,479
Outside Malaysia		
Islamic debt securities	**36,178**	105,455
	206,658	238,934
	2,911,603	2,549,533

Notes to the Financial Statements

for the financial year ended 31 December 2011

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at statements of financial position date, and do not represent amounts at risk. In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic derivative financial instruments" Assets and Liabilities respectively.

	2011			2010		
	Principal RM'000	Asset RM'000	Liability RM'000	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**463,003**	**8,586**	**(1,641)**	33,825	42	(460)
– Less than 1 year	**463,003**	**8,586**	**(1,641)**	33,825	42	(460)
Currency swaps	**1,788,566**	**11,293**	**(13,542)**	2,010,317	15,448	(20,753)
– Less than 1 year	**1,788,566**	**11,293**	**(13,542)**	2,010,317	15,448	(20,753)
Currency spots	**1,425**	**2**	**–**	245	1	–
– Less than 1 year	**1,425**	**2**	**–**	245	1	–
Currency options	**67,409**	**714**	**(714)**	–	–	–
– Less than 1 year	**67,409**	**714**	**(714)**	–	–	–
Cross currency profit rate swaps	**330,114**	**15,939**	**(15,939)**	88,549	2,652	(2,652)
– 1 year to 3 years	**89,714**	**2,867**	**(2,867)**	88,549	2,652	(2,652)
– More than 3 years	**240,400**	**13,072**	**(13,072)**	–	–	–
Profit rate derivatives						
Islamic profit rate swaps	**6,151,909**	**192,831**	**(146,708)**	7,214,997	204,463	(130,672)
– Less than 1 year	**1,391,479**	**6,831**	**(618)**	740,379	6,481	–
– 1 year to 3 years	**1,908,124**	**31,513**	**(23,397)**	4,708,718	114,530	(15,490)
– More than 3 years	**2,852,306**	**154,487**	**(122,693)**	1,765,900	83,452	(115,182)
Equity derivatives						
Equity options	**2,437,168**	**11,609**	**(11,609)**	3,086,897	51,047	(51,047)
– Less than 1 year	**208,568**	**–**	**–**	860,857	11,475	(11,475)
– 1 year to 3 years	**1,050,637**	**351**	**(351)**	1,377,773	23,250	(23,250)
– More than 3 years	**1,177,963**	**11,258**	**(11,258)**	848,267	16,322	(16,322)
Held for hedging derivatives						
Islamic profit rate swaps	**4,629,498**	**8,195**	**(262,429)**	4,400,000	11,136	(60,141)
– More than 3 years	**4,629,498**	**8,195**	**(262,429)**	4,400,000	11,136	(60,141)
Total derivative assets/(liabilities)	**15,869,092**	**249,169**	**(452,582)**	16,834,830	284,789	(265,725)

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

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

The commitments and contingencies constitute the following:

	2011 Principal RM'000	2010 Principal RM'000
Credit related		
Direct credit substitutes	**28,627**	37,197
Certain transaction-related contingent items	**345,460**	374,102
Short-term self-liquidating trade-related contingencies	**249,517**	17,949
Irrevocable commitments to extend credit:		
– maturity less than one year	**1,469,542**	1,829,505
– maturity exceeding one year	**857,762**	1,411,601
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	**28,467**	91,231
Total credit-related commitments and contingencies	**2,979,375**	3,761,585
Treasury related		
Foreign exchange related contracts:	**2,650,517**	2,132,936
– less than one year	**2,320,403**	2,044,387
– one year to less than five years	**89,714**	88,549
– five years and above	**240,400**	–
Profit rate related contracts:	**10,781,407**	11,614,997
– less than one year	**1,391,478**	740,379
– one year to less than five years	**3,027,141**	4,708,718
– five years and above	**6,362,788**	6,165,900
Equity related contracts:	**2,437,168**	3,086,897
– less than one year	**208,568**	860,857
– one year to less than five years	**1,210,171**	1,377,773
– five years and above	**1,018,429**	848,267
Total treasury-related commitments and contingencies	**15,869,092**	16,834,830
Total commitments and contingencies	**18,848,467**	20,596,415

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Financial investments available-for-sale

	2011 RM'000	2010 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	**97,538**	65,526
Islamic Cagamas bonds	**35,857**	35,423
Malaysian Government Securities	**98,940**	–
	232,335	100,949
Unquoted securities:		
In Malaysia		
Private debt securities	**597,723**	354,435
Placements with Islamic Banking and Finance Institute Malaysia	**575**	575
Outside Malaysia		
Private debt securities	**103,738**	3,161
Private equity funds	**7,754**	3
	709,790	358,174
	942,125	459,123

(f) Financial investments held-to-maturity

	2011 RM'000	2010 RM'000
Money market instruments		
Unquoted		
Government Investment Issue	**354,429**	100,056
Quoted securities:		
Outside Malaysia		
Islamic bonds	**40,989**	23,983
Medium term notes	**3,527**	3,426
Bank Indonesia Certificates	**299,933**	69,492
	344,449	96,901
Unquoted securities:		
In Malaysia		
Private debt securities	**831,991**	1,001,081
Outside Malaysia		
Private debt securities	**363,756**	235,111
	1,195,747	1,236,192
Amortisation of premium less accretion of discount	**(9,063)**	(7,502)
Less: Allowance for impairment loss	**(673)**	(275)
	1,884,889	1,425,372

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans

	2011 RM'000	2010 RM'000
(i) By type:		
Cash line	**373,056**	322,529
Term financing		
– House financing	**7,346,169**	5,625,895
– Syndicated financing	**287,618**	579,701
– Hire purchase receivables	**5,551,836**	5,252,944
– Other term financing	**15,160,078**	11,051,273
Bills receivable	**2,581**	2,235
Trust receipts	**35,391**	59,091
Claims on customers under acceptance credits	**233,479**	191,657
Revolving credits	**502,124**	407,330
Credit card receivables	**111,886**	90,472
Share margin financing	**167,485**	92,962
Other financing/loans	**55,172**	17,796
Gross financing, advances and other financing/loans	**29,826,875**	23,693,885
Fair value changes arising from fair value hedge	**241,966**	17,997
	30,068,841	23,711,882
Less: Allowance for impairment losses		
– Individual impairment allowance	**(139,775)**	(97,021)
– Portfolio impairment allowance	**(428,666)**	(246,352)
	(568,441)	(343,373)
Net financing, advances and other financing/loans	**29,500,400**	23,368,509

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

As at 31 December 2011, the gross exposures to RPSIA financing is RM1,065 million (2010: RM7,331 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM3.7 million (2010: RM154.8 million) is recognised in the Financial Statements of CIMB Bank. There was no individual impairment provided on this RPSIA financing.

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

(b) During the financial year, the Group has undertaken fair value hedges on RM4,350 million (2010: RM4,400 million) financing using Islamic profit rate swaps.

	2011 RM'000	2010 RM'000
Gross financing hedged	**4,350,000**	4,400,000
Fair value changes arising from fair value hedges	**241,966**	17,997
	4,591,966	4,417,997

The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 December 2011 was RM262.0 million (2010: RM49.0 million).

		2011 RM'000	2010 RM'000
(ii)	**By contract:**		
	Bai' Bithaman Ajil *(deferred payment sale)*	**11,569,606**	10,320,341
	Murabahah *(Cost Plus Sale)*	**1,470,041**	1,147,289
	Ijarah Muntahia Bittamlik/AITAB *(Lease Ending with Ownership)*	**6,319,905**	5,979,854
	Bai' al-'inah *(Sale and repurchase)*	**9,913,017**	5,827,671
	Others	**554,306**	418,730
		29,826,875	23,693,885
(iii)	**By type of customers:**		
	Domestic non-bank financial institutions	**357,211**	213,028
	Domestic business enterprises		
	– small medium enterprises	**2,084,187**	1,750,873
	– others	**3,146,764**	3,131,681
	Government and statutory bodies	**6,545,671**	4,539,837
	Individuals	**17,120,833**	13,483,758
	Other domestic entities	**90,017**	34,246
	Foreign entities	**482,192**	540,462
		29,826,875	23,693,885
(iv)	**By profit sensitivity:**		
	Fixed rate		
	– House financing	**614,443**	511,823
	– Hire purchase receivables	**5,551,836**	5,252,944
	– Other fixed rate financing	**12,499,271**	8,416,119
	Variable rate		
	– House financing	**6,731,726**	5,114,072
	– Others	**4,429,599**	4,398,927
		29,826,875	23,693,885

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

	2011 RM'000	2010 RM'000
(v) By economic purposes:		
Personal use	**3,201,548**	1,726,286
Credit card	**111,842**	90,472
Construction	**1,014,686**	759,803
Residential property	**7,375,048**	5,673,643
Non-residential property	**1,926,886**	1,651,458
Purchase of fixed assets other than land and building	**428,357**	391,915
Purchase of securities	**10**	20,606
Purchase of transport vehicles	**5,551,562**	5,252,944
Working capital	**7,339,091**	7,473,576
Other purpose	**2,877,845**	653,182
	29,826,875	23,693,885
(vi) By geographical distribution:		
Malaysia	**28,353,137**	22,739,752
Indonesia	**1,158,232**	614,211
Other countries	**315,506**	339,922
	29,826,875	23,693,885
(vii) Impaired financing, advances and other financing/loans by economic purposes:		
Personal use	**19,240**	17,165
Residential property	**89,593**	86,362
Non-residential property	**27,302**	16,131
Purchase of fixed assets other than land and building	**1,154**	1,738
Purchase of securities	**3**	19,364
Purchase of transport vehicles	**99,353**	86,560
Working capital	**218,837**	106,523
Credit cards	**4,506**	2,616
Other purpose	**12,644**	5,714
	472,632	342,173
(viii) Impaired financing, advances and other financing/loans by geographical distribution:		
Malaysia	**441,331**	335,879
Indonesia	**31,301**	6,294
	472,632	342,173

Notes to the **Financial Statements**

for the financial year ended 31 December 2011

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

	2011 RM'000	2010 RM'000
(ix) Movements in impaired financing, advances and other financing/loans:		
At 1 January	**342,173**	506,348
Classified as impaired during the financial year	**505,090**	345,743
Reclassified as not impaired during the financial year	**(127,965)**	(174,234)
Amount recovered	**(90,543)**	(121,239)
Amount written off	**(130,641)**	(87,164)
Sale of impaired financing	**–**	(105,739)
Exchange fluctuation	**(25,482)**	(21,542)
At 31 December	**472,632**	342,173
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**1.58%**	1.44%

	2011 RM'000	2010 RM'000
(x) Movements in allowance for impaired financing/bad and doubtful financing:		
Individual impairment allowance		
At 1 January	**97,021**	272,235
Amount made/(written back) in respect of recoveries	**48,229**	(93,419)
Amount written off	**(8,135)**	(77,163)
Unwinding income	**(1,477)**	(2,622)
Amount transferred from portfolio impairment allowance	**3,001**	2,899
Exchange fluctuation	**1,136**	(4,909)
At 31 December	**139,775**	97,021
Portfolio impairment allowance		
At 1 January	**246,352**	264,540
Allowance made during the financial year	**143,075**	168,430
Amount written off	**(119,912)**	(61,605)
Unwinding income	**(4,181)**	(1,838)
Amount transferred to individual impairment allowance	**(3,001)**	(2,899)
Allowance transferred from/(to) intercompany	**166,234**	(119,980)
Exchange fluctuation	**99**	(296)
At 31 December	**428,666**	246,352
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**2.21%**	2.16%

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred taxation

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

	2011 RM'000	2010 RM'000
Portfolio impairment allowance for bad and doubtful financing	**27**	–
Accelerated tax depreciation	**(839)**	(809)
Revaluation reserve financial investments available-for-sale	**(2,756)**	(1,694)
Other temporary differences	**11,603**	8,092
Deferred tax assets	**8,035**	5,589

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

Deferred tax assets/(liabilities)	Note	Portfolio impairment allowance/ general allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
2011						
At 1 January		**–**	**(809)**	**(1,694)**	**8,092**	**5,589**
(Credited)/charged to profit or loss	(aa)	**27**	**(8)**	**–**	**2,689**	**2,708**
Under/(over) provision in prior year		**–**	**(22)**	**–**	**822**	**800**
Transferred to equity		**–**	**–**	**(1,062)**	**–**	**(1,062)**
At 31 December 2011		**27**	**(839)**	**(2,756)**	**11,603**	**8,035**
2010						
At 1 January		46,541	(912)	(65)	14,175	59,739
(Credited)/charged to profit or loss	(aa)	(46,541)	39	–	(5,377)	(51,879)
Under/(over) provision in prior year		–	64	–	(706)	(642)
Transferred to equity		–	–	(1,629)	–	(1,629)
At 31 December 2010		–	(809)	(1,694)	8,092	5,589

(i) Statutory deposits with Bank Negara Malaysia

The 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.

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Property, plant and equipment

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2011					
Cost					
At 1 January		**14,955**	**1,017**	**4,569**	**20,541**
Additions		**3,007**	**1,597**	**1,252**	**5,856**
Reclassifed to conventional banking		**(854)**	**–**	**(470)**	**(1,324)**
Reclassified to intangible assets	(m)	**(474)**	**–**	**–**	**(474)**
Disposals		**(19)**	**(25)**	**–**	**(44)**
Exchange fluctuation		**(1,536)**	**–**	**1,712**	**176**
At 31 December		**15,079**	**2,589**	**7,063**	**24,731**
Accumulated depreciation					
At 1 January		**10,129**	**478**	**2,620**	**13,227**
Charge for the financial year		**1,619**	**190**	**1,123**	**2,932**
Reclassified to conventional banking		**(577)**	**–**	**(465)**	**(1,042)**
Disposals		**(19)**	**(24)**	**–**	**(43)**
Exchange fluctuation		**(423)**	**1**	**512**	**90**
At 31 December		**10,729**	**645**	**3,790**	**15,164**
Net book value at 31 December		**4,350**	**1,944**	**3,273**	**9,567**
2010					
Cost					
At 1 January		12,387	450	4,629	17,466
Additions		4,036	569	–	4,605
Reclassifications		8	–	(8)	–
Reclassified to intangible assets	(m)	(832)	–	–	(832)
Exchange fluctuation		(644)	(2)	(52)	(698)
At 31 December		14,955	1,017	4,569	20,541
Accumulated depreciation					
At 1 January		7,993	286	2,574	10,853
Charge for the financial year		2,475	192	100	2,767
Reclassifications		4	–	(4)	–
Exchange fluctuation		(343)	–	(50)	(393)
At 31 December		10,129	478	2,620	13,227
Net book value at 31 December		4,826	539	1,949	7,314

The above property, plant and equipment include renovations and computer equipment and software under construction at cost of RM Nil (2010: RM Nil).

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Other assets

	2011 RM'000	2010 RM'000
Deposits and prepayments	**150**	308
Clearing accounts	**93,086**	212,214
Collateral pledged for derivative transactions	**52,090**	68,470
Sundry debtors	**399,873**	483,117
	545,199	764,109

(l) Goodwill

	2011 RM'000	2010 RM'000
At 1 January/31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ('CGU').

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2012 financial budgets approved by management, projected for 5 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 discount rate is 8.72% (2010: 8.89%) which reflects the specific risks relating to the CGU.

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

(m) Intangible assets

	Note	2011 RM'000	2010 RM'000
Computer software			
Cost			
At 1 January		**15,979**	12,338
Additions		**689**	2,809
Reclassified from property, plant and equipment	(j)	**474**	832
At 31 December		**17,142**	15,979
Accumulated amortisation			
At 1 January		**11,692**	8,662
Charge for the financial year		**1,280**	3,030
At 31 December		**12,972**	11,692
Net book value at 31 December		**4,170**	4,287

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) Intangible assets (Continued)

The above intangible assets include computer software under construction at cost of RM77,000 (2010: RM479,000).

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

Computer software	
– core and front-end systems	3 – 15 years
– others	3 years

(n) Deposits from customers

	2011 RM'000	2010 RM'000
(i) By type of deposits		
Non-Mudharabah		
Demand deposits	**3,204,849**	3,055,079
Savings deposits	**1,169,598**	821,968
General investment deposits	**419,745**	634,517
Commodity Murabahah	**440,600**	69,379
Fixed return investment account	**5,564,248**	5,127,333
Islamic negotiable instruments of deposit	**2,510,276**	1,033,019
Variable rate deposits	**77,340**	378,330
Equity linked sukuk	**286,629**	219,600
Others	**4,032,419**	25,192
	17,705,704	11,364,417
Mudharabah		
Demand deposits	**2,550,795**	1,497,380
Savings deposits	**478,449**	328,971
General investment deposits	**2,086,941**	1,806,223
Special general investment deposits	**6,987,965**	7,574,239
Specific investment deposits	**1,755,961**	2,352,764
	13,860,111	13,559,577
	31,565,815	24,923,994
(ii) By type of customer		
Government and statutory bodies	**5,454,140**	5,809,043
Business enterprises	**16,838,238**	13,040,210
Individuals	**5,044,236**	4,585,316
Others	**4,229,201**	1,489,425
	31,565,815	24,923,994

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) Deposits and placements of banks and other financial institutions

	2011 RM'000	2010 RM'000
Licensed banks	**9,497,898**	9,561,426
Licensed investment banks	**853,083**	571,200
Other financial institutions	**375,387**	111,889
	10,726,368	10,244,515

(p) Provision for taxation and Zakat

	2011 RM'000	2010 RM'000
Taxation	**111,723**	79,730
Zakat	**607**	6,554
	112,330	86,284

(q) Other liabilities

	2011 RM'000	2010 RM'000
Clearing accounts	**215,259**	327,463
Due to brokers and clients	**–**	128
Accruals and other payables	**790,273**	525,882
	1,005,532	853,473

(r) Subordinated Sukuk

The RM550 million subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

The second tranche of the Sukuk of RM250 million was issued at par on 21 April 2011 and is due on 21 April 2021. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

The RM550 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) Ordinary share capital and perpetual preference shares

	2011 RM'000	2010 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	**900,000**	900,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	**750,000**	550,000
Issued during the financial year	**250,000**	200,000
At 31 December	**1,000,000**	750,000
Perpetual preference shares		
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**100,000**	100,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**70,000**	70,000

(t) Reserves

(a) The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividends.

(b) Regulatory reserves are maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of FRS 139 beginning 1 January 2010.

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

(u) Income derived from investment of depositors' funds and others

	2011 RM'000	2010 RM'000
Income derived from investment of:		
(i) General investment deposits	**798,533**	770,417
(ii) Specific investment deposits	**325,387**	436,896
(iii) Other deposits	**693,107**	386,687
	1,817,027	1,594,000

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

		2011 RM'000	2010 RM'000
(i)	**Income derived from investment of general investment deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**612,738**	508,886
	– unwinding income*	**2,198**	2,870
	Financial assets held for trading	**9,843**	15,352
	Financial investments available-for-sale	**12,820**	11,526
	Financial investments held-to-maturity	**15,367**	6,906
	Money at call and deposit with financial institutions	**73,498**	82,629
		726,464	628,169
	Accretion of discount less amortisation of premium	**12,174**	16,374
		738,638	644,543
	Other operating income:		
	Net loss from foreign exchange transactions	**(14,863)**	(353)
	Net gain from sale of financial investments available-for-sale	**3,098**	287
	Net loss from sale of financial investments held-to-maturity	**(104)**	(100)
	Net gain/(loss) from financial assets held for trading		
	– realised	**2,332**	1,358
	– unrealised	**(1,233)**	676
		(10,770)	1,868
	Fees and commission income:		
	Fee on financing and advances	**13,673**	27,048
	Guarantee fees	**3,457**	2,892
	Service charges and fees	**3,450**	3,579
		20,580	33,519
	Other income:		
	Sundry income	**50,085**	90,487
		798,533	770,417

* *Unwinding income is income earned on impaired financial assets*

Notes to the Financial Statements

for the financial year ended 31 December 2011

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

		2011 RM'000	2010 RM'000
(ii)	**Income derived from investment of specific investment deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**233,922**	349,922
	Money at call and deposit with banks and other financial institutions	**64,135**	42,657
	Financial investments held-to-maturity	**27,330**	44,317
		325,387	436,896
(iii)	**Income derived from investment of other deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**573,767**	303,848
	– unwinding income*	**2,568**	1,781
	Financial assets held for trading	**8,325**	7,678
	Financial investments available-for-sale	**12,580**	7,967
	Financial investments held-to-maturity	**12,687**	3,907
	Money at call and deposit with banks and other financial institutions	**79,641**	50,263
		689,568	375,444
	Accretion of discount less amortisation of premium	**11,555**	11,226
		701,123	386,670
	Other operating income:		
	Net gain from sale of financial investments available-for-sale	**3,827**	218
	Net (loss)/gain from financial assets held for trading		
	– realised	**812**	(487)
	– unrealised	**(152)**	(409)
	Net loss from sale of financial investments held-to-maturity	**(136)**	(70)
	Net loss from foreign exchange transactions	**(16,530)**	(1,130)
		(12,179)	(1,878)
	Fees and commission income:		
	Guarantee fees	**4,163**	1,895
		693,107	386,687

* *Unwinding income is income earned on impaired financial assets*

Notes to the Financial Statements

for the financial year ended 31 December 2011

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(v) Net income derived from investment of shareholders' funds

	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– income other than recoveries	**121,917**	90,336
– unwinding income *	**261**	192
Financial investments available-for-sale	**1,293**	1,524
Financial assets held for trading	**924**	948
Financial investments held-to-maturity	**21,196**	13,298
Money at call and deposit with financial institutions	**30,533**	25,868
	176,124	132,166
Accretion of discount less amortisation of premium	**1,413**	1,369
	177,537	133,535
Other operating income:		
Net gain/(loss) from financial assets held for trading		
– realised	**118**	(5)
– unrealised	**(46)**	(20)
Net gain from sale of financial investments available-for-sale	**312**	25
Net loss from sale of financial investments held-to-maturity	**(10)**	(7)
Net gain/(loss) from Islamic derivative financial instruments		
– realised	**83,197**	214,157
– unrealised	**(35,237)**	(193,477)
Net (loss)/gain from foreign exchange transactions	**(1,741)**	612
Net gain from hedging derivatives	**4,271**	–
	50,864	21,285
Net fees and commission income:		
Fees on financing, advances and other financing/loans	**20,803**	37,979
Advisory fees	**15,239**	6,985
Guarantee fees	**12,476**	15,615
Service charges and fees	**63,026**	4,278
Placement fees	**37,028**	104,872
Underwriting commission	**4,299**	7,620
Others	**3,880**	4,795
Fee and commission income	**156,751**	182,144
Fee and commission expense	**(1,961)**	(1,430)
Net fees and commission income	**154,790**	180,714
Sundry income	**7,032**	8,317
	390,223	343,851

* *Unwinding income is income earned on impaired financial assets*

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(w) Allowance for impairment losses on financing, advances and other financing/loans

	2011 RM'000	2010 RM'000
Allowance for impaired financing/bad and doubtful debts and financing:		
(i) Individual impairment allowance		
– made/(written back) during the financial year	**48,229**	(93,419)
(ii) Portfolio impairment allowance		
– made during the financial year	**143,075**	168,430
Bad debts on financing:		
– recovered	**(39,940)**	(20,900)
– written-off	**2**	5
	151,366	54,116

(x) Income attributable to depositors

	2011 RM'000	2010 RM'000
Deposits from customers		
– Mudharabah	**335,555**	321,501
– Non-Mudharabah	**275,695**	140,254
Deposits and placements of banks and other financial institutions		
– Mudharabah	**41,524**	30,214
– Non-Mudharabah	**10,025**	8,387
Others	**74,130**	107,459
	736,929	607,815

(y) Personnel expenses

	2011 RM'000	2010 RM'000
– salaries, allowances and bonuses	**64,349**	36,462
– outsourced personnel expenses	**133,948**	79,194
– others	**20,848**	20,269
	219,145	135,925

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM772,766 (2010: RM655,500).

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(z) Other overheads and expenditures

	2011 RM'000	2010 RM'000
Establishment costs		
– rental	**2,761**	3,469
– depreciation of property, plant and equipment	**2,932**	2,767
– outsourced establishment costs	**60,044**	37,920
– others	**6,772**	6,964
	72,509	51,120
Marketing expenses		
– advertisement and publicity	**3,791**	8,002
– outsourced marketing costs	**8,496**	16,544
– others	**2,893**	4,784
	15,180	29,330
Administration and general expenses		
– legal and professional fees	**2,215**	2,430
– amortisation of intangible assets	**1,280**	3,030
– outsourced administration and general expenses	**29,567**	21,577
– others	**29,294**	39,651
	62,356	66,688
	150,045	147,138

(aa) Taxation

	Note	2011 RM'000	2010 RM'000
(i) Tax expense for the financial year			
Current year tax			
– Malaysian income tax		**236,841**	164,088
Deferred taxation	(h)	**(2,708)**	51,879
(Over)/under accrual in prior year		**(713)**	2,782
		233,420	218,749

(ii) Numerical reconciliation of income tax expense

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

	2011 RM'000	2010 RM'000
Profit before taxation	**947,019**	992,723
Tax calculated at tax rate of 25%	**236,755**	248,181
– effect of different tax rates	**4,328**	(24,445)
– income not subject to tax	**(8,744)**	(8,622)
– expenses not deductible for tax purposes	**1,794**	853
(Over)/under accrual in prior year	**(713)**	2,782
	233,420	218,749

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

55 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 12 March 2012.

56 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The marked-to-market gains and losses on derivative contracts and financial investments at fair value through profit or loss that remain outstanding in the financial statements of the Group as at 31 December 2011 and 31 December 2010 are deemed unrealised and should be read together as it reflects the nature of the transactions and financial positon of the Group. In addition, the unrealised retained earnings of the Group as disclosed above excludes the translation gains and losses on monetary items denominated in a currency other than the functional currency, as these gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total retained earnings of the Group and subsidiaries				
– Realised	**8,555,184**	5,372,164	**1,264,347**	1,270,568
– Unrealised	**268,222**	371,480	**17,524**	(6,753)
	8,823,406	5,743,644	**1,281,871**	1,263,815
Total share of retained earnings from associates				
– Realised	**158,721**	50,400	**–**	–
– Unrealised	**26,503**	786	**–**	–
Total share of retained earnings from jointly controlled entities				
– Realised	**29,932**	13,306	**–**	–
– Unrealised	**677**	310	**–**	–
	9,039,239	5,808,446	**1,281,871**	1,263,815
Consolidation adjustments	**(216,384)**	1,029,733	**–**	–
Total group retained earnings as per consolidated financial statements	**8,822,855**	6,838,179	**1,281,871**	1,263,815

Basel II Pillar 3 Disclosures
for 2011

ABBREVIATIONS

A-IRB Approach	: Advanced Internal Ratings Based Approach
BAFIA	: Banking and Financial Institutions Act 1989
BI	: Banking Institutions
BNM	: Bank Negara Malaysia
BRC	: Board Risk Committee
BSMC	: Balance Sheet Management Committee
CaR	: Capital-at-Risk
CAFIB	: Capital Adequacy Framework for Islamic Banks
CBCC	: Consumer Bank Credit Committee
CBSM	: Capital and Balance Sheet Management
CBTM	: Corporate Banking, Treasury and Markets
CCR	: Counterparty Credit Risk
CIMBBG	: CIMB Bank, CIMB Islamic Bank Berhad, CIMBTH, CIMB Bank PLC (Cambodia) and CIMB Factorlease Berhad
CIMBIBG	: Consist of CIMB Investment Bank Berhad and CIMB Futures Sdn Bhd
CIMBGH Group	: Group of Companies under CIMB Group Holdings Berhad
CIMBTH	: CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	: CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the RWCAF to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	: Collectively CIMBBG, CIMBIBG and CIMB Islamic as described within this Report
CIMB IB	: CIMB Investment Bank Berhad
CIMB Islamic	: CIMB Islamic Bank Berhad
CRM	: Credit Risk Mitigants
CSA	: Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	: Development Financial Institutions
EAD	: Exposure At Default
EaR	: Earnings-at-Risk
ECAIs	: External Credit Assessment Institutions
EL	: Expected Loss
EP	: Eligible Provision
EVE	: Economic Value of Equity
EWRM	: Enterprise Wide Risk Management
Group EXCO	: Group Executive Committee
F-IRB Approach	: Foundation Internal Ratings Based Approach
Fitch	: Fitch Ratings
GC	: Group Credit
GRC	: Group Risk Committee
GRD	: Group Risk Division
GRM	: Group Risk Management
GWBRC	: Group Wholesale Bank Risk Committee
HPE	: Hire Purchase Exposures
IRB Approach	: Internal Ratings Based Approach
IRRBB	: Interest Rate Risk in the Banking Book

Basel II **Pillar 3 Disclosures**
for 2011

ABBREVIATIONS (CONTINUED)

KRI	:	Key Risk Indicators
LGD	:	Loss Given Default
MARC	:	Malaysian Rating Corporation Berhad
MDBs	:	Multilateral Development Banks
MATs	:	Management Action Triggers
Moody's	:	Moody's Investors Service
MTM	:	Mark-to-Market and/or Mark-to-Model
ORC	:	Operational Risk Committee
ORM	:	Operational Risk Management
ORMD	:	Operational Risk Management Department
ORMF	:	Operational Risk Management Framework
OTC	:	Over the Counter
PD	:	Probability of Default
PSEs	:	Non-Federal Government Public Sector Entities
PSIA	:	Profit Sharing Investment Accounts
QRRE	:	Qualifying Revolving Retail Exposures
R&I	:	Rating and Investment Information, Inc
RAM	:	RAM Rating Services Berhad
RAROC	:	Risk Adjusted Return on Capital
RCC	:	Regional Credit Committee
RCM	:	Regional Credit Management
RCSA	:	Risk and Control Self Assessments
RLRC	:	Regional Liquidity Risk Committee
RMA	:	Risk Management & Analytics
RMO	:	Risk Middle Office
RORBB	:	Rate of Return Risk in the Banking Book
RRE	:	Residential Real Estate
RWA	:	Risk Weighted Assets
RWCAF	:	Risk Weighted Capital Adequacy Framework (Basel II)
RWCR	:	Risk Weighted Capital Ratio
S&P	:	Standard & Poor's
SA	:	Standardised Approach
SBCC	:	Singapore Business Credit Committee
SCF	:	Shariah Compliance Framework
SMEs	:	Small and Medium Enterprises

Basel II **Pillar 3 Disclosures**
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OVERVIEW OF BASEL II AND PILLAR 3

Basel II Regulatory Capital Framework seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial instituition's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. Since 1 July 2010, CIMB Bank and its subsidiaries, CIMB IB and its subsidiaries and CIMB Islamic (collectively known as 'CIMB Group' or the 'Group' for purpose of this disclosure) have been applying the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD.

Subsequent to the transition to Basel II IRB Approach 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 CIMBIBG. In November 2011, the Group has adopted the SA for CIMBIBG to better reflect the nature of the underlying business activities. The change does not in any way affect how business is conducted at CIMBIBG and will in fact; maintain the efficient employment of capital at the Group. For purposes of this disclosure, CIMBIBG has re-presented the credit RWA under the SA for the year ended 31 December 2010 to provide better representation on comparative information.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels. In light of BNM's guidelines on the RWCAF – Internal Capital Adequacy Assessment Process (Pillar 2) and CAFIB – Internal Capital Adequacy Assessment Process (Pillar 2), a comprehensive self assessment to evaluate existing capital and risk management practices against the expectations set forth in the BNM's guidelines was conducted and development of action plans to close any gaps has been submitted to BNM in June 2011.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participants can assess key pieces of information attributed to the capital adequacy framework of financial institutions. These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3).

The qualitative disclosures in this Report are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles. These disclosures are also available on the Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank and CIMB IB are also available at the CIMBGH Group's corporate website.

All these disclosures published are for the year ended 31 December 2011. The basis of consolidation for financial accounting purposes is described in the 2011 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements with the exception of subsidiaries engaged in non-financial activities which have been excluded from the regulatory consolidation and have been deducted from regulatory capital. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in this report is a prescribed definition by BNM based on the RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2011 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this Report is not directly comparable to that of the 2011 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board of Directors of CIMBGH Group.

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RISK MANAGEMENT OVERVIEW

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, 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 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.

Enterprise Wide Risk Management 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:

<table>
<tr><td colspan="6">GOVERNANCE</td></tr>
<tr><td colspan="3">ECONOMIC CAPITAL FRAMEWORK</td><td colspan="3">REGULATORY CAPITAL FRAMEWORK –
RISK WEIGHTED ASSETS</td></tr>
<tr><td colspan="2">RISK MANAGEMENT LIMITS & CONTROLS</td><td colspan="2">RISK ANALYSIS & REPORTING</td><td colspan="2">STRESS TESTING</td></tr>
</table>

The framework is centered on resilient risk and capital management framework which requires the Group to identify, evaluate, measure, mitigate and monitor/report its material risks, and relate these to its capital requirements and at all times ensure capital adequacy. The 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 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.

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RISK MANAGEMENT OVERVIEW (CONTINUED)

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.

GRC is the primary delegated authority for managing risk on a group-wide basis and reports directly to BRC. Sub-committees, namely GWBRC, CBCC, RCC, SBCC, RLRC and ORC, delegated from the GRC are set up to manage and control specific risk areas. In relation to IRRBB/RORBB, GRC is further assisted by 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.

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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, capital allocation and asset liability management processes across our Group

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)	Operational Risk Committee (ORC)	Balance Sheet Management Committee (BSMC)
• Oversee Group's exposures to market risks • Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments • Credit approval authority for Malaysian centric cases • Assign and review the Malaysian Sectorial Exposures • Review and approve Global Banking Institutions Limits for Malaysian centric banking groups	• Credit approval authority for Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures • Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking	• Review and approve or concur non-Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures • Review and approve or concur all non-Malaysian Interbank Limit, Global FI Counterparty Limits and Global Country Limit	• Credit approval authority for non-Malaysian centric cases • Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures	• Oversee the Group's overall liquidity management • Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner	• Oversee operational risk management in terms of best practices, policies and risk tolerance • Review controls and action plans to address identified risks • Oversight on all Business Continuity Management (BCM)/ Disaster Recovery (DR) activities	• Review balance sheet positions • Recommend and executing balance sheet strategies and hedging • Ensure risk profile is kept within the established risk appetite/limits/MAT

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RISK MANAGEMENT OVERVIEW (CONTINUED)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

The roles of Group Risk Division

The primary oversight body for risk management activities is GRD, comprising GRM, GC and 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.

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.

- **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 strategies, 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.

  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.

- **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, GWBRC, the 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.

- **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, 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.

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RISK MANAGEMENT OVERVIEW (CONTINUED)

Strategies and Processes for Various Risk Management
These information are available in later sections for each Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book.

SHARIAH GOVERNANCE DISCLOSURE

CIMBGH Group Shariah Compliance Framework or SCF is the enterprise-wide Shariah management plan consisting of Shariah governance structure, systems, processes and controls to be undertaken by relevant sections across the Group.

CIMBGH Group Shariah Compliance Policy and General Procedures Manual serves as a solid platform for all the processes under the SCF.

The implementation of the SCF is effected through the following functions:

- Shariah Advisory;
- Shariah Compliance review; and
- Shariah Audit.

The Shariah Committee of CIMB Islamic was established under the provision of Section 3(5)(b) of the Islamic Banking Act of 1983 to advise CIMB Islamic and CIMBGH Group on the operations of their Islamic banking and finance business in order to ensure that they do not involve any element which is not approved by Shariah.

In advising CIMB Islamic and CIMBGH Group, the Shariah Committee also adopts the view of Shariah advisory councils of BNM and Securities Commission from time to time.

The duties and responsibilities of Shariah Committee are to advise the Directors on the operations of the Islamic banking and finance business of CIMB Islamic and CIMBGH Group in order to ensure that they do not involve any element which is not approved by Shariah.

The roles of the Shariah Committee in monitoring the Islamic banking and finance activities of CIMB Islamic and CIMBGH Group are as follows:

- Review the products and services to ensure conformity with the Shariah principles;
- Deliberate on Shariah Issues pertaining to the day-to-day operations of the CIMB Islamic and CIMBGH Group; and
- Advice on the payment of Zakat to the appropriate authority.

Rectification process of non-Shariah compliant income occurring during the year
A comprehensive review on the CIMB Islamic operational processes in financing transactions was conducted and finalised in year 2010. As a result, RM159,766 was identified as non-compliant income. All the identified non-Shariah compliant income recorded by CIMB Islamic has been channelled to the approved charitable bodies in the year 2011.

CAPITAL MANAGEMENT

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

The Bank sets an internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Bank considers many critical factors, including, amongst others, credit rating implication, current and future operating environment and peers comparisons. The capital management process is centrally supervised by the Group EXCO, GRC and BRC who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Monthly updates on capital position of the CIMBGH Group and the Group are also provided to the Board of Directors.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy
The table below sets out the summary of the sources of capital and the capital adequacy ratios for CIMBBG, CIMBIBG and CIMB Islamic as at 31 December 2011 and 31 December 2010 respectively. The relevant entities under the Group issue various capital instruments pursuant to the respective regulatory guidelines, including Tier 2 subordinated debt, innovative and non-innovative tier 1 hybrid securities that qualify as capital pursuant to the RWCAF and CAFIB issued by BNM. Notes 27 to 29 in CIMBGH Financial Statement show the summary information of terms and conditions of the main features of capital instruments.

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	**2011**	**2010**
Tier 1 Capital		
Paid-up share capital + Share Premium	**8,798,102**	8,798,102
Non-Innovative Tier 1 instruments	**1,200,000**	1,200,000
Innovative Tier 1 instruments	**1,635,400**	1,616,700
Statutory Reserve	**4,835,694**	4,667,828
Retained Earnings/Profits	**3,594,664**	3,383,656
General Reserve Fund	**263,347**	–
Interim Dividend	**–**	–
Minority Interest	**266,211**	260,586
Less: Deductions from Tier 1 Capital		
Goodwill	**4,899,903**	4,923,428
Eligible Tier 1 Capital	**15,693,514**	15,003,444
Tier 2 Capital		
Subordinated Debt Capital	**5,813,057**	3,936,919
Cumulative Preference Shares	**29,740**	29,740
General Provision	**887,918**	499,471
Surplus of EP over EL	**255,860**	409,200
Tier 2 Capital Subject to Limits	**6,986,575**	4,875,330
Less: Deductions from Tier 2 capital	**553,301**	493,444
Investment in subsidiaries	**136,135**	175,352
Investment in capital instruments of other BI	**347,051**	247,976
Other Deductions	**70,116**	70,116
Eligible Tier 2 Capital	**6,433,273**	4,381,886
Total Eligible Capital	**22,126,787**	19,385,330
RWA		
Credit	**109,351,226**	104,892,665
Credit RWA Absorbed by PSIA	**–**	–
Market	**8,785,131**	9,658,308
Operational	**12,620,584**	11,242,737
Large Exposure for Equity Holdings	**400,148**	360,424
Total RWA	**131,157,089**	126,154,134
Capital Adequacy Ratios		
Tier 1 Capital Adequacy Ratio (%)	**11.97%**	11.89%
Total Capital Adequacy Ratio (%)	**16.87%**	15.37%
Proposed Dividends	**(827,000)**	(600,903)
RWCR After Dividends		
Core Capital Ratio	**11.33%**	11.42%
RWCR	**16.24%**	14.89%

RWCR after dividends increased from 14.89% to 16.24% mostly attributable to the new issuance of subordinated debt and sukuk by CIMB Bank and CIMB Islamic Bank amounting to RM1.5 billion and RM250 million respectively. This was slightly offset by the increase in Credit RWA mostly due to growth in the retail loans and advances. The decrease in Market RWA of approximately RM873 million between December 2010 and December 2011 was mainly due to the decrease in interest rate risk/benchmark rate risk, following the increase in hedges of the callable/puttable range accrual interest rate swaps in the option book in 2011.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 1(b): Capital Position for CIMB Islamic

	CIMB Islamic	
(RM'000)	2011	2010
Tier 1 Capital		
Paid-up share capital + Share Premium	**1,000,000**	750,000
Non-Innovative Tier 1 instruments	**70,000**	70,000
Innovative Tier 1 instruments	**–**	–
Statutory Reserve	**452,388**	284,522
Retained Earnings/Profits	**311,492**	216,069
General Reserve Fund	**16,498**	–
Interim Dividend	**–**	–
Minority Interest	**–**	–
Less: Deductions from Tier 1 Capital		
Goodwill	**136,000**	136,000
Eligible Tier 1 Capital	**1,714,378**	1,184,591
Tier 2 Capital		
Subordinated Debt Capital	**550,000**	300,000
Cumulative Preference Shares	**–**	–
General Provision	**123,697**	38,297
Surplus of EP over EL	**–**	17,577
Tier 2 Capital Subject to Limits	**673,697**	355,874
Less: Deductions from Tier 2 capital	**18,719**	–
Investment in subsidiaries	**–**	–
Investment in capital instruments of other BI	**–**	–
Other Deductions	**18,719**	–
Eligible Tier 2 Capital	**654,979**	355,874
Total Eligible Capital	**2,369,357**	1,540,465
RWA		
Credit	**15,261,669**	13,840,772
Credit RWA Absorbed by PSIA	**(584,091)**	(6,217,115)
Market	**346,673**	285,115
Operational	**1,402,324**	1,041,278
Large Exposure for Equity Holdings	**–**	–
Total RWA	**16,426,575**	8,950,050
Capital Adequacy Ratios		
Tier 1 Capital Adequacy Ratio (%)	**10.44%**	13.24%
Total Capital Adequacy Ratio (%)	**14.42%**	17.21%
Proposed Dividends	**–**	–
RWCR After Dividends		
Core Capital Ratio	**10.44%**	13.24%
RWCR	**14.42%**	17.21%

The RWCR after dividends decreased from 17.21% to 14.42% was mostly attributable to the increase in Credit RWA. The said increase was mostly attributable to the unwinding of Restricted Profit Sharing Investment Accounts arrangement on CIMB Islamic's hire purchase portfolio where it was funded previously by CIMB Bank. The RWA for Market Risk increased mainly due to the increase in sukuk exposures in December 2011.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 1(c): Capital Position for CIMBIBG

	CIMBIBG	
(RM'000)	2011	2010
Tier 1 Capital		
Paid-up share capital + Share Premium	**100,000**	100,000
Non-Innovative Tier 1 instruments	**–**	–
Innovative Tier 1 instruments	**–**	–
Statutory Reserve	**155,175**	155,175
Retained Earnings/Profits	**152,377**	137,237
General Reserve Fund	**54,115**	–
Interim Dividend	**–**	–
Minority Interest	**–**	–
Less: Deductions from Tier 1 Capital		
Goodwill	**–**	–
Eligible Tier 1 Capital	**461,667**	392,412
Tier 2 Capital		
Subordinated Debt Capital	**–**	–
Cumulative Preference Shares	**10**	10
General Provision	**623**	650
Surplus of EP over EL	**–**	209
Tier 2 Capital Subject to Limits	**633**	869
Less: Deductions from Tier 2 capital	**50**	50
Investment in subsidiaries	**50**	50
Investment in capital instruments of other BI	**–**	–
Other Deductions	**–**	–
Eligible Tier 2 Capital	**583**	819
Total Eligible Capital	**462,250**	393,231
RWA		
Credit	**1,081,967**	1,095,035
Credit RWA Absorbed by PSIA	**–**	–
Market	**307,315**	192,321
Operational	**807,424**	765,308
Large Exposure for Equity Holdings	**–**	–
Total RWA	**2,196,706**	2,052,644
Capital Adequacy Ratios		
Tier 1 Capital Adequacy Ratio (%)	**21.02%**	19.12%
Total Capital Adequacy Ratio (%)	**21.04%**	19.16%
Proposed Dividends	**(99,034)**	(53,500)
RWCR After Dividends		
Core Capital Ratio	**16.51%**	16.51%
RWCR	**16.53%**	16.55%

The decrease in RWCR after dividends from 16.55% to 16.53% was mostly attributable to the increase in proposed dividends, partially offset by an increase in retained earnings and general reserve fund which caused the capital base to grow. The RWA for Market Risk increased mainly due to the increase in underwriting exposure on rights issue in December 2011 as well as an increase in Foreign Currency Risk.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)
The tables below show the RWA under various exposure classes under the relevant approach and apply the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes.

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2011	CIMBBG				
(RM'000) Exposure Class	Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	47,234,212	47,234,212	150,930	150,930	12,074
Public Sector Entities	397,756	397,756	216,702	216,702	17,336
Banks, DFIs & MDBs	1,383,614	1,350,084	325,081	325,081	26,007
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	81	81	40	40	3
Corporate	14,071,622	13,276,803	13,372,131	13,372,131	1,069,770
Regulatory Retail	26,315,110	21,657,731	16,659,594	16,659,594	1,332,767
Residential Mortgages/RRE Financing	5,036,365	5,036,365	1,838,728	1,838,728	147,098
Higher Risk Assets	1,231,512	1,231,512	1,847,268	1,847,268	147,781
Other Assets	5,770,276	5,770,276	2,995,310	2,995,310	239,625
Securitisation	786,438	786,438	156,982	156,982	12,559
Total for SA	**102,226,986**	**96,741,257**	**37,562,765**	**37,562,765**	**3,005,021**
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	18,834,192	18,834,192	5,432,134	5,432,134	434,571
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	60,604,067	60,604,067	31,789,147	31,789,147	2,543,132
Residential Mortgages/RRE Financing	37,196,895	37,196,895	13,956,194	13,956,194	1,116,496
Qualifying Revolving Retail	8,554,803	8,554,803	6,521,864	6,521,864	521,749
Hire Purchase	10,588,517	10,588,517	7,345,906	7,345,906	587,672
Other Retail	4,760,829	4,760,829	2,679,719	2,679,719	214,377
Securitisation	–	–	–	–	–
Total for IRB Approach	**140,539,303**	**140,539,303**	**67,724,963**	**67,724,963**	**5,417,997**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**242,766,289**	**237,280,560**	**109,351,226**	**109,351,226**	**8,748,098**
Large Exposure Risk Requirement	**400,148**	**400,148**	**400,148**	**400,148**	**32,012**
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			6,676,742	6,676,742	534,139
Foreign Currency Risk			873,080	873,080	69,846
Equity Risk			737,166	737,166	58,973
Commodity Risk			21,147	21,147	1,692
Options Risk			476,996	476,996	38,160
Total Market Risk			**8,785,131**	**8,785,131**	**702,810**
Operational Risk (BIA)			**12,620,584**	**12,620,584**	**1,009,647**
Total RWA and Capital Requirement			**131,157,089**	**131,157,089**	**10,492,567**

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (Continued)

2010 (RM'000) Exposure Class	CIMBBG Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	34,191,143	34,191,143	111,141	111,141	8,891
Public Sector Entities	859,623	286,195	115,587	115,587	9,247
Banks, DFIs & MDBs	999,268	623,742	136,849	136,849	10,948
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	6,114	6,114	3,057	3,057	245
Corporate	13,304,856	12,470,392	12,073,217	12,073,217	965,857
Regulatory Retail	21,886,888	17,389,403	12,782,127	12,782,127	1,022,570
Residential Mortgages/RRE Financing	3,526,034	3,525,782	1,303,868	1,303,868	104,309
Higher Risk Assets	1,086,689	1,086,689	1,630,033	1,630,033	130,403
Other Assets	8,114,421	8,114,421	4,189,386	4,189,386	335,151
Securitisation	806,137	806,137	168,458	168,458	13,477
Total for SA	84,781,173	78,500,018	32,513,723	32,513,723	2,601,098
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	20,317,706	20,317,706	4,671,019	4,671,019	373,682
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	56,748,623	56,748,623	33,657,571	33,657,571	2,692,606
Residential Mortgages/RRE Financing	32,061,235	32,061,235	12,107,801	12,107,801	968,624
Qualifying Revolving Retail	8,209,166	8,209,166	6,996,074	6,996,074	559,686
Hire Purchase	10,795,475	10,795,475	8,779,537	8,779,537	702,363
Other Retail	5,229,649	5,229,649	2,070,020	2,070,020	165,602
Securitisation	–	–	–	–	–
Total for IRB Approach	133,361,854	133,361,854	68,282,021	68,282,021	5,462,562
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	218,143,027	211,861,872	104,892,665	104,892,665	8,391,413
Large Exposure Risk Requirement	360,424	360,424	360,424	360,424	28,834
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			7,175,760	7,175,760	574,061
Foreign Currency Risk			668,093	668,093	53,447
Equity Risk			655,057	655,057	52,405
Commodity Risk			–	–	–
Options Risk			1,159,398	1,159,398	92,752
Total Market Risk			9,658,308	9,658,308	772,665
Operational Risk (BIA)			11,242,737	11,242,737	899,419
Total RWA and Capital Requirement			126,154,134	126,154,134	10,092,331

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMB Islamic

2011	CIMB Islamic				
(RM'000) Exposure Class	Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	15,289,967	15,289,967	6,739	6,739	539
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	32,040	32,040	6,408	6,408	513
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	330,015	329,383	328,608	328,608	26,289
Regulatory Retail	4,154,581	4,140,223	3,238,847	3,238,847	259,108
RRE Financing	–	–	–	–	–
Higher Risk Assets	575	575	863	863	69
Other Assets	96,151	96,151	96,151	96,151	7,692
Securitisation	35,857	35,857	7,171	7,171	574
Total for SA	**19,939,185**	**19,924,196**	**3,684,786**	**3,684,786**	**294,783**
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,047,323	2,047,323	427,565	427,565	34,205
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	6,157,684	6,157,684	3,923,587	3,372,557	269,805
RRE Financing	6,486,660	6,486,660	2,262,946	2,262,946	181,036
Qualifying Revolving Retail	171,747	171,747	164,232	164,232	13,139
Hire Purchase	5,286,837	5,286,837	3,465,614	3,465,614	277,249
Other Retail	1,151,298	1,151,298	677,643	677,643	54,211
Securitisation	–	–	–	–	–
Total for IRB Approach	**21,301,549**	**21,301,549**	**10,921,587**	**10,370,558**	**829,645**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**41,240,734**	**41,225,745**	**15,261,669**	**14,677,578**	**1,174,206**
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			304,847	304,847	24,388
Foreign Currency Risk			41,826	41,826	3,346
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			**346,673**	**346,673**	**27,734**
Operational Risk (BIA)			**1,402,324**	**1,402,324**	**112,186**
Total RWA and Capital Requirement			**17,010,666**	**16,426,575**	**1,314,126**

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMB Islamic (Continued)

2010			CIMB Islamic		
(RM'000) Exposure Class	Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	11,834,620	11,834,620	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	–	–	–	–	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	1,245,200	1,221,525	1,135,607	106,689	8,535
Regulatory Retail	2,605,475	2,062,618	1,457,895	1,449,581	115,966
RRE Financing	–	–	–	–	–
Higher Risk Assets	–	–	–	–	–
Other Assets	379,522	379,522	335,525	335,525	26,842
Securitisation	35,583	35,583	7,117	7,117	569
Total for SA	16,100,400	15,533,868	2,936,143	1,898,911	151,913
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,117,034	2,117,034	479,219	479,219	38,338
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	4,865,731	4,865,731	3,030,466	2,098,019	167,842
RRE Financing	4,900,357	4,900,357	2,043,212	2,043,212	163,457
Qualifying Revolving Retail	168,080	168,080	175,122	175,122	14,010
Hire Purchase	5,082,644	5,082,644	3,954,236	–	–
Other Retail	1,124,378	1,124,378	605,132	605,132	48,411
Securitisation	–	–	–	–	–
Total for IRB Approach	18,258,225	18,258,225	10,287,386	5,400,704	432,056
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	34,358,625	33,792,093	13,840,772	7,623,657	609,893
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			255,237	255,237	20,419
Foreign Currency Risk			29,879	29,879	2,390
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			285,115	285,115	22,809
Operational Risk (BIA)			1,041,278	1,041,278	83,302
Total RWA and Capital Requirement			15,167,165	8,950,050	716,004

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2011	CIMBIBG				
(RM'000) Exposure Class	Net Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	274,850	274,850	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,148,870	2,148,870	603,879	603,879	48,310
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	51,015	51,015	51,015	51,015	4,081
Regulatory Retail	3,306	3,306	2,576	2,576	206
Residential Mortgages	23,517	23,517	9,040	9,040	723
Higher Risk Assets	2,200	2,200	3,300	3,300	264
Other Assets	412,206	412,206	412,156	412,156	32,972
Securitisation	–	–	–	–	–
Total Credit Risk	2,915,963	2,915,963	1,081,967	1,081,967	86,557
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			142,170	142,170	11,374
Foreign Currency Risk			52,427	52,427	4,194
Equity Risk			124	124	10
Commodity Risk			–	–	–
Options Risk			112,594	112,594	9,008
Total Market Risk			307,315	307,315	24,585
Operational Risk (BIA)			807,424	807,424	64,594
Total RWA and Capital Requirement			2,196,706	2,196,706	175,736

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (Continued)

2010	CIMBIBG				
(RM'000) Exposure Class	Net Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	301,070	301,070	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,498,887	2,498,887	523,579	523,579	41,886
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	32,802	32,802	16,401	16,401	1,312
Regulatory Retail	13,047	13,047	10,346	10,346	828
Residential Mortgages	30,961	30,961	11,746	11,746	940
Higher Risk Assets	6,331	6,331	9,496	9,496	760
Other Assets	877,242	877,242	523,468	523,468	41,877
Securitisation	–	–	–	–	–
Total Credit Risk	3,760,340	3,760,340	1,095,035	1,095,035	87,603
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			154,567	154,567	12,365
Foreign Currency Risk			31,461	31,461	2,517
Equity Risk			6,294	6,294	503
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			192,321	192,321	15,386
Operational Risk (BIA)			765,308	765,308	61,225
Total RWA and Capital Requirement			2,052,664	2,052,664	164,213

Internal Capital Adequacy Assessment Process (ICAAP)
The economic capital framework together with the regulatory capital framework are the main considerations in CIMB Group's ICAAP Framework.

CIMB Group has implemented its internal economic capital framework since 2001, whereby capital is allocated to all business units for its risk-taking purposes. The economic capital framework is being refined to include other risks in line with the requirements of BNM's RWCAF – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2).

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CAPITAL MANAGEMENT (CONTINUED)

Internal Capital Adequacy Assessment Process (ICAAP) (Continued)
CIMB Group's ICAAP Framework comprises 5 main elements, namely:

- **Governance by the Board and Senior Management:** The Board and Senior Management are responsible to ensure that capital levels in the Group are proportionate to the level and complexity of the inherent material risks in the Group.
- **Comprehensive Risk Assessment:** Comprehensive risk assessment involves considering the potential financial or reputational impact of material risks on the Group. Material risks can be measureable or non-measurable and are identified, evaluated, measured, mitigated and monitored/reported on a regular basis according to the Group's risk management process.
- **Economic Capital Computation and Allocation:** Each year, capital will be allocated to each business unit based on the respective business plan, budgeted profit and targeted RAROC.
- **Sound Capital Management:** The internal capital targets for the Group are recommended and set by the Group EXCO and approved by the relevant Board of Directors on an annual basis. CIMB Group Holdings Berhad is required to maintain a target Double Leverage Ratio which is approved by the Group EXCO and the Board of CIMB Group Holdings Berhad.
- **Capital Adequacy Assessment:** In assessing its regulatory and economic capital adequacy, the Group adopts several methodologies, including stress test which are integrated into the Group's risk management process. Each methodology used to assess and quantify material risks are validated by an independent team and periodically reviewed by Group Internal Audit. Capital utilisation and the Group's overall regulatory and economic capital positions are monitored and reported to the GRC and BRC on a monthly basis.

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 Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning various delegated authorities and various credit committees. The credit committees namely, SBCC, CBCC, RCC and GWBRC are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the Group's business units. The Committees also ensure the overall loan/financing portfolio meets the guidelines of the regulatory authorities and adherence to the approved credit policies and procedures.

All credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

Adherence to established credit limits is monitored daily by GRM, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

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CREDIT RISK (CONTINUED)

Credit Risk Management (Continued)
It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures on an annual basis and more frequent when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported monthly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs CaR to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio CaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries. In estimating the portfolio CaR, the Group uses 25,000 simulation numbers at 99% confidence level. The generated portfolio CaR and any shortfall in the provision for defaulted accounts make up to the total Credit CaR utilisation to be compared against the allocated capital. The CaR usage versus pre-determined limit is monitored by RMA within GRM. Any exception will be highlighted to Management in accordance with the Group's exception management procedures. These are summarised and reported to GRC and BRC on a monthly basis.

Summary Of Credit Exposures
Gross Credit Exposures by Geographic Distribution
The following tables represent the Group's credit exposures by geographic region. The geographic distribution is based on the country in which the portfolio is geographically managed.

Table 3(a): Geographic distribution of credit exposures for CIMBBG

2011	CIMBBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	43,278,526	1,268,202	2,655,858	31,627	47,234,212
Bank	16,551,050	1,658,808	866,649	1,539,135	20,615,642
Corporate	55,994,262	8,137,703	9,464,366	1,079,359	74,675,689
Mortgage/RRE Financing	37,497,187	2,841,308	1,894,764	–	42,233,259
HPE	10,588,517	–	–	–	10,588,517
QRRE	8,554,803	–	–	–	8,554,803
Other Retail	25,789,050	2,350,339	2,917,719	18,831	31,075,939
Other Exposures	5,868,755	193,452	1,574,415	151,603	7,788,226
Total Gross Credit Exposure	204,122,151	16,449,812	19,373,771	2,820,555	242,766,289

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross Credit Exposures by Geographic Distribution (Continued)
Table 3(a): Geographic distribution of credit exposures for CIMBBG (Continued)

2010	CIMBBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	30,086,881	367,606	3,725,246	11,409	34,191,143
Bank	15,661,854	2,804,778	1,753,298	1,962,781	22,182,712
Corporate	55,310,068	5,965,868	7,756,705	1,020,838	70,053,479
Mortgage/RRE Financing	32,416,077	1,525,244	1,645,947	–	35,587,269
HPE	10,795,475	–	–	–	10,795,475
QRRE	8,209,166	–	–	–	8,209,166
Other Retail	22,741,548	1,364,034	2,899,523	111,432	27,116,537
Other Exposures	8,212,454	155,696	1,566,040	73,056	10,007,246
Total Gross Credit Exposure	183,433,523	12,183,228	19,346,759	3,179,517	218,143,027

Table 3(b): Geographic Distribution of Credit Exposures for CIMB Islamic

2011	CIMB Islamic				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	**15,289,967**	**–**	**–**	**–**	**15,289,967**
Bank	**2,079,363**	**–**	**–**	**–**	**2,079,363**
Corporate	**6,487,699**	**–**	**–**	**–**	**6,487,699**
RRE Financing	**6,486,660**	**–**	**–**	**–**	**6,486,660**
HPE	**5,286,837**	**–**	**–**	**–**	**5,286,837**
QRRE	**171,747**	**–**	**–**	**–**	**171,747**
Other Retail	**5,305,878**	**–**	**–**	**–**	**5,305,878**
Other Exposures	**132,582**	**–**	**–**	**–**	**132,582**
Total Gross Credit Exposure	**41,240,734**	**–**	**–**	**–**	**41,240,734**

2010	CIMB Islamic				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	11,834,620	–	–	–	11,834,620
Bank	2,117,034	–	–	–	2,117,034
Corporate	6,110,931	–	–	–	6,110,931
RRE Financing	4,900,357	–	–	–	4,900,357
HPE	5,082,644	–	–	–	5,082,644
QRRE	168,080	–	–	–	168,080
Other Retail	3,729,853	–	–	–	3,729,853
Other Exposures	415,105	–	–	–	415,105
Total Gross Credit Exposure	34,358,625	–	–	–	34,358,625

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)

Gross Credit Exposures by Geographic Distribution (Continued)

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

2011	CIMBIBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	**274,850**	**–**	**–**	**–**	**274,850**
Bank	**2,148,870**	**–**	**–**	**–**	**2,148,870**
Corporate	**51,015**	**–**	**–**	**–**	**51,015**
Mortgage	**23,517**	**–**	**–**	**–**	**23,517**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**3,306**	**–**	**–**	**–**	**3,306**
Other Exposures	**414,406**	**–**	**–**	**–**	**414,406**
Total Gross Credit Exposure	**2,915,963**	**–**	**–**	**–**	**2,915,963**

2010	CIMBIBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	301,070	–	–	–	301,070
Bank	2,498,887	–	–	–	2,498,887
Corporate	32,802	–	–	–	32,802
Mortgage	30,961	–	–	–	30,961
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	13,047	–	–	–	13,047
Other Exposures	883,572	–	–	–	883,572
Total Gross Credit Exposure	3,760,340	–	–	–	3,760,340

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross credit exposures by sector
The following tables represent the Group's credit exposure analysed by sector.

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

2011	CIMBBG										
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu- facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu- nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	755,901	–	–	637,735	28,852,317	16,988,259	–	47,234,212
Bank	–	–	–	–	–	–	–	20,587,248	28,394	–	20,615,642
Corporate	2,703,194	1,335,532	11,223,417	3,227,428	5,796,583	8,471,304	12,295,142	20,799,321	4,757,302	4,066,466	74,675,689
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	42,233,259	42,233,259
HPE	–	–	–	–	–	–	–	–	–	10,588,517	10,588,517
QRRE	–	–	–	–	–	–	–	–	–	8,554,803	8,554,803
Other Retail	281,461	12,441	588,019	9,191	363,108	1,132,994	110,253	2,057,588	1,829,572	24,691,311	31,075,939
Other Exposures	–	–	–	1,502	–	1,315	–	5,264,675	137,918	2,382,816	7,788,226
Total Gross Credit Exposure	2,984,655	1,347,973	11,811,436	3,994,023	6,159,690	9,605,613	13,043,130	77,561,148	23,741,446	92,517,174	242,766,289

* *Others include Retail exposures and exposures which are not elsewhere classified.*

2010	CIMBBG										
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu- facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu- nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	–	–	–	486,261	17,825,252	15,879,629	–	34,191,143
Bank	–	–	–	–	–	–	25,118	22,004,630	152,964	–	22,182,712
Corporate	2,827,213	748,946	11,254,654	4,052,226	6,873,427	8,898,965	9,758,088	16,606,766	2,763,100	6,270,095	70,053,479
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	35,587,269	35,587,269
HPE	–	–	–	–	–	–	–	–	–	10,795,475	10,795,475
QRRE	–	–	–	–	–	–	–	–	–	8,209,166	8,209,166
Other Retail	76,121	9,647	485,846	13,447	370,441	1,197,291	128,996	1,455,408	2,217,982	21,161,359	27,116,537
Other Exposures	–	–	2,406	1,532	–	1,423	–	7,563,771	1,382,316	1,055,799	10,007,246
Total Gross Credit Exposure	2,903,334	758,592	11,742,906	4,067,204	7,243,868	10,097,678	10,398,463	65,455,827	22,395,991	83,079,163	218,143,027

* *Others include Retail exposures and exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross credit exposures by sector (Continued)
The following tables represent the Group's credit exposure analysed by sector (Continued).

Table 4(b): Distribution of Credit Exposures by Sector for CIMB Islamic

2011	CIMB Islamic										
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Shariah Compliant Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	–	–	–	218,459	12,544,005	2,491,996	35,507	15,289,967
Bank	–	–	–	–	–	–	–	2,079,363	–	–	2,079,363
Corporate	549,963	24,962	651,583	84,816	371,898	391,452	1,280,544	2,348,801	515,369	268,311	6,487,699
RRE Financing	–	–	–	–	–	–	–	–	–	6,486,660	6,486,660
HPE	–	–	–	–	–	–	–	–	–	5,286,837	5,286,837
QRRE	–	–	–	–	–	–	–	–	–	171,747	171,747
Other Retail	1,560	589	4,874	120	14,369	24,798	1,191	20,533	14,773	5,223,071	5,305,878
Other Exposures	–	–	–	–	–	–	–	35,857	–	96,726	132,582
Total Gross Credit Exposure	551,523	25,551	656,457	84,936	386,267	416,249	1,500,193	17,028,559	3,022,139	17,568,859	41,240,734

* *Others include Retail exposures and exposures which are not elsewhere classified.*

2010	CIMB Islamic										
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Shariah Compliant Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	–	–	–	115,428	7,012,920	4,706,271	–	11,834,620
Bank	–	–	–	–	–	–	–	2,117,034	–	–	2,117,034
Corporate	704,490	2,578	413,221	58,834	472,964	516,033	1,105,585	1,636,230	226,930	974,066	6,110,931
RRE Financing	–	–	–	–	–	–	–	–	–	4,900,357	4,900,357
HPE	–	–	–	–	–	–	–	–	–	5,082,644	5,082,644
QRRE	–	–	–	–	–	–	–	–	–	168,080	168,080
Other Retail	7,125	–	11,036	19	15,949	24,238	2,604	23,709	21,842	3,623,331	3,729,853
Other Exposures	–	–	–	–	–	–	–	35,583	–	379,522	415,105
Total Gross Credit Exposure	711,615	2,578	424,256	58,853	488,913	540,271	1,223,618	10,825,475	4,955,044	15,128,001	34,358,625

* *Others include Retail exposures and exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross credit exposures by sector (Continued)
The following tables represent the Group's credit exposure analysed by sector (Continued).

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

2011						CIMBIBG					
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	–	–	–	–	274,850	–	–	274,850
Bank	–	–	–	–	–	–	–	2,148,870	–	–	2,148,870
Corporate	–	–	–	–	112	–	–	6,595	–	44,308	51,015
Mortgage	–	–	–	–	–	–	–	–	–	23,517	23,517
HPE	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	3,306	3,306
Other Exposures	–	–	–	–	–	–	–	–	–	414,406	414,406
Total Gross Credit Exposure	–	–	–	–	112	–	–	2,430,315	–	485,537	2,915,963

* *Others include Retail exposures and exposures which are not elsewhere classified.*

2010						CIMBIBG					
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	–	–	–	–	–	–	–	301,070	–	–	301,070
Bank	–	–	–	–	–	–	–	2,498,887	–	–	2,498,887
Corporate	–	–	–	–	–	–	–	–	–	32,802	32,802
Mortgage	–	–	–	–	–	–	–	–	–	30,961	30,961
HPE	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	13,047	13,047
Other Exposures	–	–	–	–	–	–	–	–	–	883,572	883,572
Total Gross Credit Exposure	–	–	–	–	–	–	–	2,799,958	–	960,383	3,760,340

* *Others include Retail exposures and exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross credit exposures by residual contractual maturity

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

2011	CIMBBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	**21,313,336**	**10,351,847**	**15,569,029**	**47,234,212**
Bank	**11,805,820**	**6,028,657**	**2,781,165**	**20,615,642**
Corporate	**29,302,073**	**24,473,737**	**20,899,879**	**74,675,689**
Mortgage/RRE Financing	**27,862**	**2,338,601**	**39,866,797**	**42,233,259**
HPE	**146,774**	**3,462,190**	**6,979,554**	**10,588,517**
QRRE	**8,554,803**	**–**	**–**	**8,554,803**
Other Retail	**2,732,124**	**4,643,028**	**23,700,787**	**31,075,939**
Other Exposures	**487,703**	**372,714**	**6,927,808**	**7,788,226**
Total Gross Credit Exposure	**74,370,496**	**51,670,774**	**116,725,020**	**242,766,289**

2010	CIMBBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	18,132,900	7,480,374	8,577,869	34,191,143
Bank	14,999,702	4,919,841	2,263,169	22,182,712
Corporate	29,421,940	25,082,672	15,548,867	70,053,479
Mortgage/RRE Financing	26,141	459,416	35,101,712	35,587,269
HPE	198,101	3,758,867	6,838,507	10,795,475
QRRE	8,209,166	–	–	8,209,166
Other Retail	4,306,388	2,353,760	20,456,389	27,116,537
Other Exposures	27,714	616,691	9,362,841	10,007,246
Total Gross Credit Exposure	75,322,052	44,671,620	98,149,354	218,143,027

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMB Islamic

2011	CIMB Islamic			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	**7,013,663**	**457,847**	**7,818,457**	**15,289,967**
Bank	**1,708,188**	**72,214**	**298,962**	**2,079,363**
Corporate	**1,431,150**	**1,911,389**	**3,145,160**	**6,487,699**
RRE Financing	**738**	**32,768**	**6,453,155**	**6,486,660**
HPE	**35,203**	**1,091,726**	**4,159,907**	**5,286,837**
QRRE	**171,747**	**–**	**–**	**171,747**
Other Retail	**34,835**	**535,132**	**4,735,911**	**5,305,878**
Other Exposures	**15,064**	**–**	**117,518**	**132,582**
Total Gross Credit Exposure	**10,410,588**	**4,101,075**	**26,729,071**	**41,240,734**

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CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)
Gross credit exposures by residual contractual maturity (Continued)

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMB Islamic (Continued)

2010	CIMB Islamic			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	6,875,575	132,564	4,826,480	11,834,620
Bank	1,767,897	6,800	342,337	2,117,034
Corporate	2,526,764	1,316,884	2,267,283	6,110,931
RRE Financing	663	25,252	4,874,443	4,900,357
HPE	19,781	1,024,510	4,038,353	5,082,644
QRRE	168,080	–	–	168,080
Other Retail	99,022	438,418	3,192,413	3,729,853
Other Exposures	–	15,098	400,007	415,105
Total Gross Credit Exposure	11,457,783	2,959,526	19,941,316	34,358,625

Table 5(c): Distribution of Credit Exposures Residual Contractual Maturity for CIMBIBG

2011	CIMBIBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	**273,257**	**–**	**1,592**	**274,850**
Bank	**2,131,909**	**15,358**	**1,604**	**2,148,870**
Corporate	**21**	**3,669**	**47,325**	**51,015**
Mortgage	**62**	**827**	**22,628**	**23,517**
HPE	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**
Other Retail	**125**	**2,448**	**733**	**3,306**
Other Exposures	**3,967**	**–**	**410,439**	**414,406**
Total Gross Credit Exposure	**2,409,341**	**22,301**	**484,321**	**2,915,963**

2010	CIMBIBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	300,683	–	387	301,070
Bank	2,319,652	79,323	99,912	2,498,887
Corporate	–	–	32,802	32,802
Mortgage	–	–	30,961	30,961
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	–	–	13,047	13,047
Other Exposures	2,571	–	881,002	883,572
Total Gross Credit Exposure	2,622,906	79,323	1,058,111	3,760,340

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing

Past Due But Not Impaired

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financings and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2011 and 31 December 2010 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	2011	2010
Primary Agriculture	**13,729**	39,516
Mining and Quarrying	**966**	10,212
Manufacturing	**113,148**	218,781
Electricity, Gas and Water Supply	**2,520**	6,836
Construction	**102,526**	250,855
Wholesale and Retail Trade, and Restaurants and Hotels	**177,959**	261,001
Transport, Storage and Communication	**25,997**	62,451
Finance, Insurance/Takaful, Real Estate and Business Activities	**138,321**	158,754
Education, Health and Others	**695,359**	298,193
Others*	**9,894,883**	10,846,588
Total	**11,165,408**	12,153,187

	CIMB Islamic	
(RM'000)	2011	2010
Primary Agriculture	**3,449**	617
Mining and Quarrying	**–**	7,586
Manufacturing	**5,146**	12,414
Electricity, Gas and Water Supply	**2**	4,073
Construction	**4,496**	39,330
Wholesale and Retail Trade, and Restaurants and Hotels	**10,313**	20,705
Transport, Storage and Communication	**2,759**	5,216
Finance, Insurance/Takaful, Real Estate and Business Activities	**12,064**	46,364
Education, Health and Others	**654,235**	236,278
Others*	**706,805**	859,695
Total	**1,399,269**	1,232,278

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)
Past Due But Not Impaired (Continued)
Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector (Continued)

	CIMBIBG	
(RM'000)	2011	2010
Primary Agriculture	–	–
Mining and Quarrying	–	–
Manufacturing	–	–
Electricity, Gas and Water Supply	–	–
Construction	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–
Transport, Storage and Communication	–	–
Finance, Insurance, Real Estate and Business Activities	–	–
Education, Health and Others	–	–
Others*	–	–
Total	**–**	–

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

	CIMBBG	
(RM'000)	2011	2010
Malaysia	**10,517,404**	11,583,194
Singapore	**3,633**	14,770
Thailand	**644,371**	422,646
Other Countries	**–**	132,577
Total	**11,165,408**	12,153,187

	CIMB Islamic	
(RM'000)	2011	2010
Malaysia	**1,399,269**	1,232,278
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**1,399,269**	1,232,278

	CIMBIBG	
(RM'000)	2011	2010
Malaysia	**–**	–
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**–**	–

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)

Impaired Loans/Financings

The Group deems a financial asset or a group of financial asset 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.

Impairment losses are calculated on individual loans/financings and on loans/financings assessed collectively.

Losses for impaired loans/financings are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financings has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit 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.

The Group assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, 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. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financings that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financings are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. 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 following tables provide an analysis of the outstanding balances as at 31 December 2011 and 31 December 2010 which were impaired by sector and geographical respectively.

Table 7(a): Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	**2011**	**2010**
Primary Agriculture	**33,710**	26,218
Mining and Quarrying	**33,287**	9,865
Manufacturing	**685,505**	823,497
Electricity, Gas and Water Supply	**108**	348,685
Construction	**515,380**	522,458
Wholesale and Retail Trade, and Restaurants and Hotels	**524,677**	514,583
Transport, Storage and Communication	**923,484**	892,463
Finance, Insurance/Takaful, Real Estate and Business Activities	**330,642**	302,086
Education, Health and Others	**83,265**	77,371
Others*	**1,968,822**	1,511,615
Total	**5,098,880**	5,028,840

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)
Impaired Loans/Financings (Continued)
Table 7(a): Impaired Loans, Advances and Financing by Sector (Continued)

	CIMB Islamic	
(RM'000)	2011	2010
Primary Agriculture	**7,157**	3,046
Mining and Quarrying	**–**	–
Manufacturing	**12,319**	6,688
Electricity, Gas and Water Supply	**–**	–
Construction	**86,545**	82,790
Wholesale and Retail Trade, and Restaurants and Hotels	**14,267**	15,349
Transport, Storage and Communication	**104,173**	87,976
Finance, Insurance/Takaful, Real Estate and Business Activities	**10,113**	23,015
Education, Health and Others	**32,751**	18,766
Others*	**78,453**	98,249
Total	**345,778**	335,879

	CIMBIBG	
(RM'000)	2011	2010
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Others*	**891**	822
Total	**891**	822

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution

	CIMBBG	
(RM'000)	2011	2010
Malaysia	**4,476,849**	4,467,087
Singapore	**42,661**	59,066
Thailand	**579,370**	502,687
Other Countries	**–**	–
Total	**5,098,880**	5,028,840

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)

Impaired Loans/Financings (Continued)

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution (Continued)

	CIMB Islamic	
(RM'000)	2011	2010
Malaysia	**345,778**	335,879
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**345,778**	335,879

	CIMBIBG	
(RM'000)	2011	2010
Malaysia	**891**	822
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**891**	822

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBBG

	CIMBBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**14,548**	**24,919**	10,946	27,375
Mining and Quarrying	**29,158**	**4,035**	5,538	3,949
Manufacturing	**591,086**	**124,801**	577,800	163,749
Electricity, Gas and Water Supply	**4,420**	**8,940**	27,174	6,399
Construction	**265,531**	**86,977**	253,413	98,328
Wholesale and Retail Trade, and Restaurants and Hotels	**311,705**	**190,247**	239,760	212,500
Transport, Storage and Communication	**589,794**	**48,572**	566,928	45,066
Finance, Insurance/Takaful, Real Estate and Business Activities	**158,462**	**100,689**	223,450	123,722
Education, Health and Others	**22,889**	**29,142**	25,066	27,256
Others*	**73,302**	**1,579,577**	28,498	1,574,272
Total	**2,060,895**	**2,197,899**	1,958,573	2,282,616

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Basel II **Pillar 3 Disclosures**
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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)
Impaired Loans/Financings (Continued)
Table 8(b): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMB Islamic

	CIMB Islamic			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**4,503**	**8,277**	1,859	1,904
Mining and Quarrying	**–**	**192**	–	3
Manufacturing	**5,492**	**8,079**	4,549	4,958
Electricity, Gas and Water Supply	**–**	**545**	–	–
Construction	**71,054**	**9,534**	70,495	2,755
Wholesale and Retail Trade, and Restaurants and Hotels	**9,183**	**8,464**	9,575	4,755
Transport, Storage and Communication	**2,031**	**4,419**	–	1,034
Finance, Insurance/Takaful, Real Estate and Business Activities	**4,501**	**16,178**	2,818	4,832
Education, Health and Others	**660**	**2,154**	3,387	957
Others*	**5,832**	**359,902**	–	219,292
Total	**103,256**	**417,774**	92,683	240,490

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Table 8(c): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBIBG

	CIMBIBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**–**	**–**	–	–
Mining and Quarrying	**–**	**–**	–	–
Manufacturing	**–**	**–**	–	–
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**–**	**–**	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	**–**	–	–
Transport, Storage and Communication	**–**	**–**	–	–
Finance, Insurance, Real Estate and Business Activities	**–**	**–**	–	–
Education, Health and Others	**–**	**–**	–	–
Others*	**891**	**623**	822	650
Total	**891**	**623**	822	650

* *Others include Retail exposures and exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)

Impaired Loans/Financings (Continued)

Table 9(a): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBBG

	CIMBBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**1,782,595**	**1,996,861**	1,682,222	2,096,767
Singapore	**16,841**	**10,450**	15,256	11,793
Thailand	**261,459**	**189,242**	261,095	174,056
Other Countries	**–**	**1,346**	–	–
Total	**2,060,895**	**2,197,899**	1,958,573	2,282,616

Table 9(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMB Islamic

	CIMB Islamic			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**103,256**	**417,744**	92,683	240,490
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**103,256**	**417,744**	92,683	240,490

Table 9(c): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBIBG

	CIMBIBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**891**	**623**	822	650
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**891**	**623**	822	650

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CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)
Impaired Loans/Financings (Continued)
Table 10(a): Charges for Individual Impairment Provision and Write Offs During the Year for CIMBBG

	CIMBBG			
	2011		2010	
(RM'000)	Charges/ Write Back	Write-Off	Charges/ Write Back	Write-Off
Primary Agriculture	**4,661**	**56**	(58,186)	431
Mining and Quarrying	**22,907**	**–**	33	–
Manufacturing	**45,035**	**17,918**	(29,176)	140,301
Electricity, Gas and Water Supply	**(5,111)**	**–**	(6,256)	250,253
Construction	**25,143**	**7,230**	34,897	22,360
Wholesale and Retail Trade, and Restaurants and Hotels	**9,791**	**2,789**	38,956	66,794
Transport, Storage and Communication	**26,254**	**–**	194,851	–
Finance, Insurance/Takaful, Real Estate and Business Activities	**19,887**	**612**	(101,412)	167,058
Education, Health and Others	**(118)**	**–**	2,233	–
Others*	**23,209**	**–**	(43,777)	4,567
Total	**171,658**	**28,605**	32,163	651,764

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Table 10(b): Charges for Individual Impairment Provision and Write Offs During the Year for CIMB Islamic

	CIMB Islamic			
	2011		2010	
(RM'000)	Charges/ Write Back	Write-Off	Charges/ Write Back	Write-Off
Primary Agriculture	**2,746**	**–**	1,910	–
Mining and Quarrying	**–**	**–**	–	–
Manufacturing	**5,993**	**4,342**	(11,846)	7,200
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**1,052**	**–**	140	–
Wholesale and Retail Trade, and Restaurants and Hotels	**925**	**–**	7,726	–
Transport, Storage and Communication	**2,100**	**–**	–	–
Finance, Insurance/Takaful, Real Estate and Business Activities	**(2,371)**	**99**	1,247	3,073
Education, Health and Others	**180**	**–**	391	–
Others*	**5,866**	**–**	159	9
Total	**16,491**	**4,441**	(273)	10,282

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Basel II **Pillar 3 Disclosures**
for 2011

CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)

Impaired Loans/Financings (Continued)

Table 10(c): Charges for Individual Impairment Provision and Write Offs During the Year for CIMBIBG

	CIMBIBG			
	2011		2010	
(RM'000)	Charges/ Write Back	Write-Off	Charges/ Write Back	Write-Off
Primary Agriculture	–	–	–	–
Mining and Quarrying	–	–	–	–
Manufacturing	–	–	–	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–	–	–
Transport, Storage and Communication	–	–	–	–
Finance, Insurance, Real Estate and Business Activities	–	–	–	–
Education, Health and Others	–	–	–	–
Others*	79	10	(55)	–
Total	79	10	(55)	–

* *Others include Retail exposures and exposures which are not elsewhere classified.*

Table 11(a): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2011 and 31 December 2010 for CIMBBG

	CIMBBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	1,958,573	2,282,616	3,356,101	2,222,029
Allowance (written back)/made during the financial period/year	171,890	504,947	32,163	603,725
Amount transferred to portfolio/individual impairment allowance	(1,831)	1,831	(5,795)	5,795
Amount written back in respect of recoveries	(232)	–	–	–
Allowance made and charged to deferred assets	140	844	2,431	(3,352)
Allowance made in relation to jointly controlled entity	–	–	–	–
Amount written off	(28,605)	(566,248)	(651,755)	(464,059)
Transfer(to)/from intercompany	–	–	(357,590)	(28,956)
Disposal of subsidiary	–	–	(324,226)	(11,298)
Unwinding income	(44,973)	(23,388)	(63,538)	(34,758)
Exchange fluctuation	5,933	(2,703)	(29,218)	(6,510)
Total	2,060,895	2,197,899	1,958,573	2,282,616

Basel II **Pillar 3 Disclosures**

for 2011

CREDIT RISK (CONTINUED)

Credit Quality Of Loans, Advances & Financing (Continued)

Impaired Loans/Financings (Continued)

Table 11(b): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2011 and 31 December 2010 for CIMB Islamic

	CIMB Islamic			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**92,683**	**240,490**	105,851	260,926
Allowance (written back)/made during the financial period/year	**16,491**	**135,113**	(273)	162,884
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**–**	**–**	–	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Allowance made in relation to jointly controlled entity	**–**	**–**	–	–
Amount written off	**(4,441)**	**(119,912)**	(10,282)	(61,502)
Transfer (to)/from intercompany	**–**	**166,234**	–	(119,980)
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**(1,477)**	**(4,181)**	(2,613)	(1,838)
Exchange fluctuation	**–**	**–**	–	–
Total	**103,256**	**417,744**	92,683	240,490

Table 11(c): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2011 and 31 December 2010 for CIMBIBG

	CIMBIBG			
	2011		2010	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**822**	**650**	877	679
Allowance (written back)/made during the financial period/year	**214**	**(27)**	214	(29)
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**(135)**	**–**	(269)	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Allowance made in relation to jointly controlled entity	**–**	**–**	–	–
Amount written off	**(10)**	**–**	–	–
Transfer (to)/from intercompany	**–**	**–**	–	–
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**–**	–	–
Total	**891**	**623**	822	650

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA)

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on RWCAF – Risk-Weighted Assets Computation and CAFIB to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG

2011	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/ Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	46,969,159	–	–	–	–	17,702	–	–	2,439,944	–	49,426,804	–
20%	158,047	25,780	1,250,144	–	64,429	1,387	–	–	418,779	713,799	2,632,365	526,473
35%	–	–	–	–	–	–	4,813,516	–	–	–	4,813,516	1,684,730
50%	1,360	320,860	49,775	81	40,257	1,223,512	77,131	–	–	–	1,712,976	856,488
75%	–	–	–	–	–	17,649,674	121,145	–	–	–	17,770,819	13,328,114
100%	79,659	51,116	50,165	–	12,838,119	2,675,759	24,573	–	2,911,554	–	18,630,945	18,630,945
150%	25,987	–	–	–	333,998	89,697	–	1,231,512	–	–	1,681,195	2,521,792
>150%	–	–	–	–	–	–	–	–	–	2,525	2,525	14,222
Total	47,234,212	397,756	1,350,084	81	13,276,803	21,657,731	5,036,365	1,231,512	5,770,276	786,438	96,741,258	37,562,765
Average Risk Weight	–	54%	24%	50%	101%	77%	37%	150%	52%	20%	39%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	70,116	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG (Continued)

2010	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/ Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	34,069,730	–	10,117	–	409,387	296,742	–	–	2,505,188	–	37,291,164	–
20%	–	133,564	566,545	–	30,826	103,880	–	–	1,774,808	733,496	3,343,117	668,623
35%	–	–	–	–	–	–	3,301,384	–	–	–	3,301,384	1,155,484
50%	20,544	127,514	47,081	6,114	226,430	389,671	89,496	–	–	–	906,850	453,425
75%	–	–	–	–	–	16,338,253	125,066	–	–	–	16,463,319	12,347,489
100%	100,868	25,118	–	–	11,503,573	156,925	9,836	–	3,834,425	–	15,630,745	15,630,745
150%	–	–	–	–	300,176	103,934	–	1,086,689	–	–	1,490,798	2,236,197
>150%	–	–	–	–	–	–	–	–	–	2,525	2,525	21,759
Total	34,191,143	286,195	623,742	6,114	12,470,392	17,389,403	3,525,782	1,086,689	8,114,421	806,137	78,500,018	32,513,723
Average Risk Weight	–	40%	22%	50%	97%	74%	37%	150%	52%	21%	41%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	70,116	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(b): Disclosure by Risk Weight under SA for CIMB Islamic

2011	CIMB Islamic											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	15,256,271	–	–	–	–	–	–	–	–	–	15,256,271	–
20%	33,697	–	32,040	–	–	–	–	–	–	35,857	101,593	20,319
35%	–	–	–	–	–	–	–	–	–		–	–
50%	–	–	–	–	21,460	1,177,082	–	–	–	–	1,198,542	599,271
75%	–	–	–	–	–	1,251,746	–	–	–		1,251,746	938,809
100%	–	–	–	–	288,014	1,711,193	–	–	96,151	–	2,095,358	2,095,358
150%	–	–	–	–	19,909	202	–	575	–	–	20,686	31,029
Total	15,289,967	–	32,040	–	329,383	4,140,223	–	575	96,151	35,857	19,924,196	3,684,786
Average Risk Weight	–	–	20%	–	100%	78%	–	150%	100%	20%	18%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 12(b): Disclosure by Risk Weight under SA for CIMB Islamic (Continued)

2010	CIMB Islamic											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	11,834,620	–	–	–	–	–	–	–	–	–	11,834,620	–
20%	–	–	–	–	–	–	–	–	54,996	35,583	90,579	18,116
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	–	–	194,323	356,955	–	–	–	–	551,278	275,639
75%	–	–	–	–	–	1,705,183	–	–	–	–	1,705,183	1,278,888
100%	–	–	–	–	1,004,717	380	–	–	324,526	–	1,329,623	1,329,623
150%	–	–	–	–	22,485	100	–	–	–	–	22,585	33,878
Total	11,834,620	–	–	–	1,221,525	2,062,618	–	–	379,522	35,583	15,533,868	2,936,143
Average Risk Weight	–	–	–	–	93%	71%	–	–	88%	20%	19%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG

2011	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	**274,850**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**–**	**274,899**	**–**
20%	**–**	**–**	**1,569,478**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,569,478**	**313,896**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**19,968**	**–**	**–**	**–**	**19,968**	**6,989**
50%	**–**	**–**	**578,817**	**–**	**–**	**20**	**2,440**	**–**	**–**	**–**	**581,276**	**290,638**
75%	**–**	**–**	**–**	**–**	**–**	**2,879**	**1,109**	**–**	**–**	**–**	**3,988**	**2,991**
100%	**–**	**–**	**575**	**–**	**51,015**	**407**	**–**	**–**	**412,156**	**–**	**464,153**	**464,153**
150%	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,200**	**–**	**–**	**2,200**	**3,300**
Total	**274,850**	**–**	**2,148,870**	**–**	**51,015**	**3,306**	**23,517**	**2,200**	**412,206**	**–**	**2,915,963**	**1,081,967**
Average Risk Weight	**–**	**–**	**28%**	**–**	**100%**	**78%**	**38%**	**150%**	**100%**	**–**	**37%**	
Deduction from Capital Base	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	

* *The total includes the portion which is deducted from Capital Base, if any.*

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG (Continued)

2010	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	301,070	–	–	–	–	–	–	–	33	–	301,103	–
20%	–	–	2,419,558	–	–	–	–	–	442,176	–	2,861,734	572,347
35%	–	–	–	–	–	–	24,898	–	–	–	24,898	8,714
50%	–	–	79,323	–	32,802	–	6,063	–	–	–	118,188	59,094
75%	–	–	–	–	–	12,300	–	–	–	–	12,300	9,225
100%	–	–	6	–	–	–	–	–	435,032	–	435,038	435,038
150%	–	–	–	–	–	747	–	6,331	–	–	7,078	10,616
Total	301,070	–	2,498,887	–	32,802	13,047	30,961	6,331	877,242	–	3,760,340	1,095,035
Average Risk Weight	–	–	21%	–	50%	79%	38%	150%	60%	–	29%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

2011	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	**346,047**	**–**	**51,709**	**397,756**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**81**	**–**	**–**	**81**
Corporate	**110,628**	**22,506**	**13,938,489**	**14,071,622**
Sovereign/Central Banks	**2,999,959**	**93,275**	**44,140,978**	**47,234,212**
Banks, MDBs and DFIs	**1,118,673**	**–**	**264,941**	**1,383,614**
Total	**4,575,387**	**115,781**	**58,396,118**	**63,087,285**

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG (Continued)

2010	**CIMBBG**			
(RM'000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	834,219	–	25,404	859,623
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	6,114	–	–	6,114
Corporate	30,719	–	13,273,650	13,304,369
Sovereign/Central Banks	7,175,257	–	27,015,885	34,191,143
Banks, MDBs and DFIs	897,964	–	101,304	999,268
Total	8,944,273	–	40,416,243	49,360,517

Table 13(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMB Islamic

2011	**CIMB Islamic**			
(RM'000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	**–**	**–**	**–**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**–**	**–**	**–**	**–**
Corporate	**–**	**–**	**330,015**	**330,015**
Sovereign/Central Banks	**348,556**	**–**	**14,941,411**	**15,289,967**
Banks, MDBs and DFIs	**32,040**	**–**	**–**	**32,040**
Total	**380,596**	**–**	**15,271,425**	**15,652,022**

2010	**CIMB Islamic**			
(RM'000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	–	–	–	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	1,245,200	1,245,200
Sovereign/Central Banks	167,970	–	11,666,650	11,834,620
Banks, MDBs and DFIs	–	–	–	–
Total	167,970	–	12,911,850	13,079,820

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 13(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

2011	CIMBIBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	51,015	51,015
Sovereign/Central Banks	–	–	274,850	274,850
Banks, MDBs and DFIs	2,146,942	575	1,352	2,148,870
Total	2,146,942	575	327,217	2,474,735

2010	CIMBIBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	32,802	32,802
Sovereign/Central Banks	–	–	301,070	301,070
Banks, MDBs and DFIs	2,398,976	–	99,912	2,498,887
Total	2,398,976	–	433,784	2,832,759

Table 14(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

2011	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	713,799	–	72,639	786,438

2010	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	803,612	–	2,525	806,137

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

Table 14(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMB Islamic

2011	**CIMB Islamic**			
(RM'000) **Exposure Class**	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	**35,857**	**–**	**–**	**35,857**

2010	**CIMB Islamic**			
(RM'000) **Exposure Class**	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	35,583	–	–	35,583

As at 31 December 2011 and 31 December 2010, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH[1]

CIMBBG and CIMB Islamic adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMB Islamic to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account and predict potential revenue based on the behaviour pattern of the customer.

For non-retail exposures, internal ratings are used to assist the approving committees in making informed decisions of the credit application. Product owners consult GRM for input on internal rating for consideration on pricing of product.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by GRM with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRC and subsequently BRC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

Retail Exposures

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred as programme lending.

[1] This section is not applicable to CIMBIBG.

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (Continued)

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, personal financing and residential mortgages. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. Presently, the models deployed for retail portfolio include application and behavioural scorecards, PD, LGD and EAD[2] segmentation.

PD, LGD and EAD Segmentation Models

PD Calibration for Retail Exposure

- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) must be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which normally referred to "Central Tendency".

EAD Segmentation Model

- The EAD estimation approach adopted is based on Cohort Method. A fixed length cohort, normally one year intervals is defined.

LGD Segmentation Model

- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  - (i) Regularisation of defaulted accounts.
  - (ii) Sale proceeds from physical collaterals.
  - (iii) Cash receipts from borrowers/customers.

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2011 and 31 December 2010:

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG

2011	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure (EAD)	**47,802,942**	**11,362,386**	**1,935,717**	**61,101,044**
Residential Mortgage/RRE Financing	**31,963,150**	**3,927,201**	**1,306,543**	**37,196,895**
QRRE	**4,724,572**	**3,736,844**	**93,388**	**8,554,803**
Hire Purchase	**7,666,730**	**2,633,505**	**288,282**	**10,588,517**
Other Retail	**3,448,489**	**1,064,836**	**247,504**	**4,760,829**
Exposure Weighted LGD %				
Residential Mortgage/RRE Financing	**23%**	**25%**	**36%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**37%**	**58%**	
Other Retail	**28%**	**91%**	**71%**	
Exposure Weighted Average Risk Weight %				
Residential Mortgage/RRE Financing	**31%**	**86%**	**40%**	
QRRE	**33%**	**130%**	**123%**	
Hire Purchase	**55%**	**99%**	**187%**	
Other Retail	**30%**	**70%**	**371%**	

[2] PD, EAD and LGD are Basel II risk parameters.

Probability of Default (PD) is defined as the probability of a borrower defaulting within a one year time horizon.

Exposure at Default (EAD) represents the expected level of usage of the facility when default occurs.

Loss Given Default (LGD) is the estimated amount of loss expected if a loan defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG (Continued)

2010	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure (EAD)	39,968,984	14,231,579	2,094,961	56,295,525
Residential Mortgage/RRE Financing	25,708,649	4,892,483	1,460,103	32,061,235
QRRE	4,073,763	4,055,224	80,180	8,209,166
Hire Purchase	6,900,583	3,602,799	292,094	10,795,475
Other Retail	3,285,990	1,681,074	262,584	5,229,649
Exposure Weighted LGD %				
Residential Mortgage/RRE Financing	22%	23%	34%	
QRRE	90%	28%	90%	
Hire Purchase	56%	31%	59%	
Other Retail	18%	67%	46%	
Exposure Weighted Average Risk Weight %				
Residential Mortgage/RRE Financing	29%	84%	30%	
QRRE	33%	131%	387%	
Hire Purchase	60%	111%	214%	
Other Retail	19%	51%	228%	

Table 15(b): Retail Credit Exposures by PD Band for CIMB Islamic

2011	CIMB Islamic			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure (EAD)	**10,707,205**	**2,210,391**	**178,945**	**13,096,541**
RRE Financing	**5,895,872**	**523,355**	**67,433**	**6,486,660**
QRRE	**63,092**	**104,089**	**4,565**	**171,747**
Hire Purchase	**4,022,394**	**1,168,757**	**95,686**	**5,286,837**
Other Retail	**725,847**	**414,190**	**11,261**	**1,151,298**
Exposure Weighted LGD %				
RRE Financing	**25%**	**26%**	**38%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**53%**	**57%**	
Other Retail	**27%**	**61%**	**78%**	
Exposure Weighted Average Risk Weight %				
RRE Financing	**32%**	**74%**	**14%**	
QRRE	**35%**	**135%**	**40%**	
Hire Purchase	**54%**	**97%**	**185%**	
Other Retail	**28%**	**108%**	**211%**	

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Table 15(b): Retail Credit Exposures by PD Band for CIMB Islamic (Continued)

2010	CIMB Islamic			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure (EAD)	7,928,906	3,184,790	161,764	11,275,460
RRE Financing	3,867,897	965,247	67,213	4,900,357
QRRE	45,869	119,553	2,658	168,080
Hire Purchase	3,453,553	1,549,193	79,898	5,082,644
Other Retail	561,586	550,796	11,995	1,124,378
Exposure Weighted LGD %				
RRE Financing	25%	25%	37%	
QRRE	90%	90%	90%	
Hire Purchase	57%	59%	59%	
Other Retail	16%	51%	51%	
Exposure Weighted Average Risk Weight %				
RRE Financing	31%	85%	17%	
QRRE	35%	128%	225%	
Hire Purchase	61%	111%	186%	
Other Retail	16%	91%	98%	

Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

2011	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	**48,458,112**	**12,333,761**	**309,172**	**61,101,044**
Residential Mortgage/RRE Financing	**33,798,886**	**3,204,809**	**193,199**	**37,196,895**
QRRE	**3,117,053**	**5,437,751**	**–**	**8,554,803**
Hire Purchase	**7,472,838**	**3,023,649**	**92,030**	**10,588,517**
Other Retail	**4,069,335**	**667,552**	**23,942**	**4,760,829**
Exposure Weighted Average LGD %				
Residential Mortgage/RRE Financing	**24%**	**29%**	**39%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**51%**	**55%**	**58%**	
Other Retail	**28%**	**64%**	**79%**	

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG (Continued)

2010	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	41,561,692	14,501,593	232,240	56,295,525
Residential Mortgage/RRE Financing	27,924,815	3,938,894	197,525	32,061,235
QRRE	2,830,425	5,378,741	–	8,209,166
Hire Purchase	6,592,149	4,187,437	15,889	10,795,475
Other Retail	4,214,303	996,521	18,825	5,229,649
Exposure Weighted Average LGD %				
Residential Mortgage/RRE Financing	22%	27%	33%	
QRRE	90%	90%	–	
Hire Purchase	55%	58%	56%	
Other Retail	17%	47%	49%	

Table 16(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMB Islamic

2011	CIMB Islamic			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	**11,109,331**	**1,935,030**	**52,181**	**13,096,541**
RRE Financing	**6,255,623**	**214,139**	**16,898**	**6,486,660**
QRRE	**34,702**	**137,044**	**–**	**171,747**
Hire Purchase	**3,973,470**	**1,282,829**	**30,538**	**5,286,837**
Other Retail	**845,536**	**301,018**	**4,744**	**1,151,298**
Exposure Weighted Average LGD %				
RRE Financing	**25%**	**29%**	**44%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**51%**	**54%**	**56%**	
Other Retail	**27%**	**75%**	**80%**	

2010	CIMB Islamic			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	8,491,032	2,758,921	25,507	11,275,460
RRE Financing	4,338,029	543,508	18,820	4,900,357
QRRE	23,268	144,812	–	168,080
Hire Purchase	3,360,293	1,719,663	2,688	5,082,644
Other Retail	769,442	350,938	3,998	1,124,378
Exposure Weighted Average LGD %				
RRE Financing	25%	26%	44%	
QRRE	90%	90%	–	
Hire Purchase	57%	59%	53%	
Other Retail	15%	72%	70%	

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification.

The process by which an internal rating is assigned to an obligor is governed by the Obligor Risk Rating framework. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by upgrading the final rating accordingly.

For sovereign exposures with external ratings, the internal rating is taken to correspond to the second best long-term issuer rating published by S&P, Moody's and Fitch or any other rating agencies approved by approving authority based on the Group's internal rating system.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2011 and 31 December 2010:

Table 17(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

2011	CIMBBG					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	352,385	14,185	681,138	1,354	997,754	2,046,816
Object Finance	12,990	–	266,875	32,676	–	312,541
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	1,020,623	1,191,516	782,325	94,810	9,833	3,099,107
RWA	940,669	970,200	1,989,890	322,099	–	4,222,857

2010	CIMBBG					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	502,976	–	7,171	363,128	928,761	1,802,036
Object Finance	–	–	214,409	93,834	–	308,243
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	1,047,838	435,531	338,172	3,169	65,933	1,890,643
RWA	901,617	338,402	643,714	1,150,327	–	3,034,060

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (Continued)

Table 17(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMB Islamic

2011	CIMB Islamic					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	**155,768**	**–**	**6,210**	**–**	**–**	**161,978**
Object Finance	**–**	**–**	**266,875**	**–**	**–**	**266,875**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**16,132**	**236,883**	**24,232**	**14,904**	**–**	**292,151**
RWA	**118,507**	**189,664**	**341,915**	**37,259**	**–**	**687,345**

2010	CIMB Islamic					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	–	–	7,151	–	–	7,151
Object Finance	–	–	173,615	93,834	–	267,449
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	152,435	8,181	53,848	–	–	214,465
RWA	92,581	7,363	269,806	234,585	–	604,334

CIMBBG and CIMB Islamic have no exposure to High Volatility Commercial Real Estate and Equities under the Simple Risk Weight Approach.

Table 18(a): Non Retail Exposures under IRB Approach by Risk Grades for CIMBBG

2011	CIMBBG				
(RM'000) Internal Risk Grading	1-6	7-12	13	Default	Total
Total Non-Retail Exposure (EAD)	**46,060,754**	**20,611,796**	**3,352,354**	**3,954,891**	**73,979,796**
Bank	**17,061,122**	**1,056,457**	**556,477**	**160,136**	**18,834,192**
Corporate (excluding Specialised Lending/Financing)	**28,999,632**	**19,555,339**	**2,795,878**	**3,794,755**	**55,145,604**
Exposure Weighted LGD %					
Bank	**46%**	**50%**	**45%**	**45%**	
Corporate (excluding Specialised Lending/Financing)	**43%**	**38%**	**35%**	**44%**	
Exposure Weighted Average Risk Weight %					
Bank	**19%**	**97%**	**225%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**26%**	**76%**	**191%**	**–**	

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (Continued)

Table 18(a): Non Retail Exposures under IRB Approach by Risk Grades for CIMBBG (Continued)

2010 (RM'000) Internal Risk Grading	CIMBBG 1-6	 7-12	 13	 Default	 Total
Total Non-Retail Exposure (EAD)	45,092,627	19,387,383	4,505,611	4,079,787	73,065,408
Bank	19,627,545	525,168	103,324	61,670	20,317,706
Corporate (excluding Specialised Lending/Financing)	25,465,083	18,862,216	4,402,287	4,018,117	52,747,702
Exposure Weighted LGD %					
Bank	46%	50%	45%	45%	
Corporate (excluding Specialised Lending/Financing)	43%	40%	37%	44%	
Exposure Weighted Average Risk Weight %					
Bank	20%	97%	247%	–	
Corporate (excluding Specialised Lending/Financing)	26%	84%	184%	–	

Table 18(b): Non Retail Exposures under IRB Approach by Risk Grades for CIMB Islamic

2011 (RM'000) Internal Risk Grading	CIMB Islamic 1-6	 7-12	 13	 Default	 Total
Total Non-Retail Exposure (EAD)	**4,201,671**	**2,729,580**	**411,943**	**140,810**	**7,484,003**
Bank	**2,031,203**	**16,120**	**–**	**–**	**2,047,323**
Corporate (excluding Specialised Financing)	**2,170,468**	**2,713,460**	**411,943**	**140,810**	**5,436,680**
Exposure Weighted LGD %					
Bank	**45%**	**45%**	**–**	**–**	
Corporate (excluding Specialised Financing)	**40%**	**40%**	**37%**	**44%**	
Exposure Weighted Average Risk Weight %					
Bank	**20%**	**100%**	**–**	**–**	
Corporate (excluding Specialised Financing)	**24%**	**74%**	**170%**	**–**	

2010 (RM'000) Internal Risk Grading	CIMB Islamic 1-6	 7-12	 13	 Default	 Total
Total Non-Retail Exposure (EAD)	4,345,940	1,719,892	286,085	141,785	6,493,701
Bank	2,113,704	3,330	–	–	2,117,034
Corporate (excluding Specialised Financing)	2,232,236	1,716,562	286,085	141,785	4,376,667
Exposure Weighted LGD %					
Bank	45%	45%	–	–	
Corporate (excluding Specialised Financing)	44%	37%	35%	44%	
Exposure Weighted Average Risk Weight %					
Bank	22%	149%	–	–	
Corporate (excluding Specialised Financing)	32%	73%	162%	–	

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CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

The following tables summarise the actual losses by portfolio type:

Table 19(a): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBBG

	CIMBBG	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2010	Actual Losses for the year ended 31 December 2011
Sovereign	–	**–**
Bank	19,442	**–**
Corporate	599,851	**137,609**
Mortgage/RRE Financing	187,107	**66,621**
HPE	377,603	**170,780**
QRRE	366,228	**243,725**
Other Retail	73,758	**30,214**
Total	1,623,990	**648,949**

Table 19(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMB Islamic

	CIMB Islamic	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2010	Actual Losses for the year ended 31 December 2011
Sovereign	–	**–**
Bank	806	**–**
Corporate	47,020	**13,459**
RRE Financing	32,268	**(99)**
HPE	157,487	**33,898**
QRRE	9,751	**10,901**
Other Retail	39,866	**7,956**
Total	287,198	**66,115**

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

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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.

Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GWBRC/RCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's RWCAF and CAFIB guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

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.

Concentrations within risk mitigation

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)
The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010:

Table 21(a): Disclosure on Credit Risk Mitigation for CIMBBG

2011	CIMBBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	47,234,212	–	–	–
Public Sector Entities	397,756	–	89,967	–
Banks, DFIs & MDBs	20,119,694	–	675,689	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	81	–	–	–
Corporate	69,894,639	1,375,533	4,917,257	6,214,854
Residential Mortgages/RRE Financing	40,884,785	–	–	–
Qualifying Revolving Retail	8,461,416	–	–	–
Hire Purchase	10,300,236	–	–	–
Other Retail	30,553,088	1,387	4,506,495	–
Securitisation	696,251	–	–	–
Higher Risk Assets	1,231,512	–	–	–
Other Assets	5,770,276	–	–	–
Defaulted Exposures	3,149,564	9,578	33,515	426,043
Total Exposures	238,693,509	1,386,498	10,222,922	6,640,897

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)
The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010 (Continued):

Table 21(a): Disclosure on Credit Risk Mitigation for CIMBBG (Continued)

2010	CIMBBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	34,191,143	–	–	–
Public Sector Entities	859,623	–	573,428	–
Banks, DFIs & MDBs	21,255,305	–	375,576	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	6,114	–	–	–
Corporate	64,681,602	1,278,180	3,934,073	5,230,377
Residential Mortgages/RRE Financing	34,100,823	–	253	–
Qualifying Revolving Retail	8,128,986	–	–	–
Hire Purchase	10,503,382	–	–	–
Other Retail	26,571,293	135,091	3,964,679	–
Securitisation	806,137	–	–	–
Higher Risk Assets	1,086,689	–	–	–
Other Assets	8,114,421	–	–	–
Defaulted Exposures	3,223,460	52,518	20,673	265,280
Total Exposures	213,528,977	1,465,789	8,868,681	5,495,656

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010 (Continued):

Table 21(b): Disclosure on Credit Risk Mitigation for CIMB Islamic

2011	CIMB Islamic			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	15,289,967	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,079,363	–	–	11,730
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	6,322,400	147,461	279,983	1,338,484
RRE Financing	6,419,227	–	–	–
Qualifying Revolving Retail	167,182	–	–	–
Hire Purchase	5,191,151	–	–	–
Other Retail	5,293,229	–	13,313	–
Securitisation	35,857	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	96,151	–	–	–
Defaulted Exposures	129,373	–	1,167	14,034
Total Exposures	41,024,475	147,461	294,464	1,364,248

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)
The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010 (Continued):

Table 21(b): Disclosure on Credit Risk Mitigation for CIMB Islamic (Continued)

2010	CIMB Islamic			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	11,834,620	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,117,034	–	–	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	5,945,635	94,149	286,195	634,461
RRE Financing	4,833,144	–	–	–
Qualifying Revolving Retail	165,422	–	–	–
Hire Purchase	5,002,747	–	–	–
Other Retail	3,715,643	–	13,091	–
Securitisation	35,583	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	379,522	–	–	–
Defaulted Exposures	129,741	–	908	21,038
Total Exposures	34,159,090	94,149	300,194	655,499

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)
The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010 (Continued):

Table 21(c): Disclosure on Credit Risk Mitigation for CIMBIBG

2011	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	274,850	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,148,870	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	51,015	–	–	–
Residential Mortgages	23,517	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	3,286	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	2,200	–	–	–
Other Assets	412,206	–	–	–
Defaulted Exposures	20	–	–	–
Total Exposures	2,915,963	–	–	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)
The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010 (Continued):

Table 21(c): Disclosure on Credit Risk Mitigation for CIMBIBG (Continued)

2010	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	301,070	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,498,887	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	32,802	–	–	–
Residential Mortgages	30,961	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	12,300	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	6,331	–	–	–
Other Assets	877,242	–	–	–
Defaulted Exposures	747	–	–	–
Total Exposures	3,760,340	–	–	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

OFF BALANCE SHEET EXPOSURES AND 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 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.

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OFF BALANCE SHEET EXPOSURES AND 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.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2011 and 31 December 2010:

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2011	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,402,084		1,402,084	994,085
Transaction Related Contingent Items	4,267,717		2,133,859	1,285,635
Short Term Self Liquidating Trade Related Contingencies	2,654,423		530,885	136,353
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	145,000		72,500	15,893
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	241,568	–	315	94
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	324,498,169	1,293,362	5,711,462	2,339,847
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	18,390,596		8,623,645	4,740,990
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,308,971		1,061,794	978,206
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	36,621,067		–	–
Unutilised credit card lines	15,400,845		5,525,365	3,151,046
Off-balance sheet items for securitisation exposures	5,046		2,523	14,222
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	408,935,487	1,293,362	25,064,432	13,656,370

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (Continued)

2010	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,558,284		1,558,284	1,269,433
Transaction Related Contingent Items	4,239,316		2,119,658	1,252,729
Short Term Self Liquidating Trade Related Contingencies	3,685,343		737,069	229,704
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	235,000		117,500	25,756
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/ Commitments to buy back Islamic securities under Sales and Buy Back Agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	177,640	–	621	225
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	245,236,867	1,417,814	5,309,369	1,892,557
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19,107,518		4,798,002	1,524,037
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,645,635		1,561,959	833,994
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	20,635,345		–	–
Unutilised credit card lines	14,207,466		5,124,530	3,354,131
Off-balance sheet items for securitisation exposures	5,050		2,525	21,759
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	326,733,465	1,417,814	21,329,516	10,404,326

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMB Islamic

2011	CIMB Islamic			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	28,627		28,627	18,047
Transaction Related Contingent Items	355,618		177,809	101,827
Short Term Self Liquidating Trade Related Contingencies	248,892		49,778	23,885
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	11,153,302	44,857	328,545	152,552
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,340,968		507,448	312,859
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	24,320		4,864	353
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	866,686		–	–
Unutilised credit card lines	145,395		67,588	44,699
Off-balance sheet items for securitisation exposures	–		–	–
Total	14,163,807	44,857	1,164,659	654,222

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMB Islamic (Continued)

2010	CIMB Islamic			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	37,197		37,197	21,496
Transaction Related Contingent Items	374,102		187,051	130,362
Short Term Self Liquidating Trade Related Contingencies	17,949		3,590	1,547
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	10,700,506	977	269,781	52,410
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,895,929		302,769	54,148
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	24,589		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	941,008		–	–
Unutilised credit card lines	151,179		77,112	62,653
Off-balance sheet items for securitisation exposures	–		–	–
Total	14,142,460	977	877,500	322,617

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2011	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	–		–	–
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	609,759	–	44,909	37,230
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	514		103	90
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**610,272**	–	**45,011**	**37,320**

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (Continued)

2010	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	–		–	–
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	1,031,607	–	123,105	157,290
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	1,031,607	–	123,105	157,290

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The table below shows the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 23(a): Disclosure on Credit Derivative Transactions for CIMBBG

(RM'000)	CIMBBG			
	2011		2010	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**1,044,859**	**1,096,065**	724,623	641,724
Client Intermediation Activities	**121,220**	**423,770**	–	228,305
Total	**1,166,079**	**1,519,835**	724,623	870,029
Credit Default Swaps	**1,044,859**	**1,096,065**	724,623	641,724
Total Return Swaps	**121,220**	**423,770**	–	228,305
Total	**1,166,079**	**1,519,835**	724,623	870,029

Table 23(b): Disclosure on Credit Derivative Transactions for CIMB Islamic

(RM'000)	CIMB Islamic			
	2011		2010	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**121,220**	–	–
Total	**–**	**121,220**	–	–
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**121,220**	–	–
Total	**–**	**121,220**	–	–

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OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The table below shows the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities (Continued):

Table 23(c): Disclosure on Credit Derivative Transactions for CIMBIBG

(RM'000)	CIMBIBG			
	2011		2010	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**182,150**	131,650	87,950
Total	**–**	**182,150**	131,650	87,950
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**182,150**	131,650	87,950
Total	**–**	**182,150**	131,650	87,950

SECURITISATION

The Role CIMB Plays in the Securitisation Process
In the course of its business, CIMB Group has undertaken securitisations of its own originated assets, as well as securitisations of third party assets as part of its debt capital markets services for external clients.

The Group securitises its own assets in order to manage credit risk and its capital position and to generate term funding for the Group balance sheet.

CIMB Group adopts the following roles in the securitisation activities in which it is involved:
- Originator and servicer of securitised assets
- Executor of securitisation trades including bond marketing and syndication
- Provider of liquidity facilities to self-originated and third-party transactions
- Purchaser of third-party securitisations (where CIMB is not originator or sponsor)

As at 31 December 2011, CIMB Bank has securitised corporate bonds and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables. CIMB advises, arranges and executes securitisations for third-party clients through special purpose vehicles sponsored by each such client.

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SECURITISATION (CONTINUED)

CIMB's Involvement in Securitisation in 2011
In 2011, CIMB arranged and managed a securitisation issuance via Premium Commerce Berhad, a bankruptcy-remote special purpose vehicle established in 2005 pursuant to a securitisation programme arranged for the Tan Chong Group. CIMB Bank also raised funds via the securitisation of RM715 million principal amount of hire purchase receivables in 2011.

Every transaction involving securitisation of CIMB Bank's asset is tabled to the Board of Directors of CIMB Bank for deliberation and approval. Todate, CIMB Bank has not used credit risk mitigation to mitigate the risk retained from any securitisation of its own assets.

In securitisations of its own assets, CIMB Bank continues to administer the assets as servicer for the relevant special purpose vehicle and monitors the credit and market risk inherent in the underlying assets using the same mechanism in place for non-securitised assets.

Summary of Accounting Policies for Securitisation Activities
CIMB has sponsored special purpose vehicles (SPVs) pursuant to securitisation activities involving assets of the Group. Such SPVs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, inter alia, an assessment of the Group's exposure to the risks and rewards of the assets of the SPV.

Assets that have been transferred wholly or proportionately to an unconsolidated entity will also remain on the Group balance sheet, with a liability recognised for the proceeds received, unless (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

Other than (a) or (b) above, securitisations are treated as financing in the separate financial statements of these entities.

ECAIs Used For Securitisation Process
CIMB may employ external credit assessment institutions to provide ratings for its asset backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients.

For securitisations of CIMB-originated assets, RAM has rated a securitisation of corporate bonds, and MARC has rated a securitisation of auto-hire purchase receivables. Both RAM Ratings and MARC have rated a securitisation programme for a joint-venture of auto-hire purchase receivables.

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2011 and 31 December 2010:

Table 24: Disclosure on Securitisation for Trading and Banking Book

2011 (RM'000)	CIMBBG			
Underlying Asset	Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the period
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	**154,339**	**29,642**	**9,841**	**(924)**
Originated by the Banking Institution				
Hire Purchase Exposure	**686,949**	**65,192**	**78**	**(617)**

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SECURITISATION (CONTINUED)

Table 24: Disclosure on Securitisation for Trading and Banking Book (Continued)

2010 (RM'000) Underlying Asset	CIMBBG			
	Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the period
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	225,840	44,801	7,413	168

There were no outstanding exposures securitised by CIMB Islamic and CIMBIBG as at 31 December 2011 and as at 31 December 2010.

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 25(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

2011	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	**669,519**	–	–	–	**669,519**	–	–	–			**133,904**
Mezzanine	**7,216**	–	–	–	**7,216**	–	–	–			**1,443**
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–

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SECURITISATION (CONTINUED)

Table 25(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (Continued)

2011	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Originating Banking Institution											
On-Balance Sheet											
Most senior	16,993	–	–	–	16,993	–	–	–			3,399
Mezzanine	20,071	–	–	–	20,071	–	–	–			4,014
First loss	70,116	70,116	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,523	–			–	–	–	–	> 150%	2,523	14,222
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	**786,438**	**70,116**	**–**	**–**	**713,799**	**–**	**–**	**–**	**–**	**2,523**	**156,982**

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SECURITISATION (CONTINUED)

Table 25(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (Continued)

2010	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	685,748	–	–	–	685,748	–	–	–			137,150
Mezzanine	2,963	–	–	–	2,963	–	–	–			593
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–

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SECURITISATION (CONTINUED)

Table 25(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (Continued)

2010	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Originating Banking Institution											
On-Balance Sheet											
Most senior	24,715	–	–	–	24,715	–	–	–			4,943
Mezzanine	20,071	–	–	–	20,071	–	–	–			4,014
First loss	70,116	70,116	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,525	–			–	–	–	–	> 150%	2,525	21,759
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	806,137	70,116	–	–	733,496	–	–	–	–	2,525	168,458

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SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic

2011	CIMB Islamic										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	**35,857**	–	–	–	**35,857**	–	–	–			7,171
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–

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SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic (Continued)

2011	CIMB Islamic										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Originating Banking Institution											
On-Balance Sheet											
Most senior	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–	–	–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	**35,857**	–	–	–	**35,857**	–	–	–	–	–	**7,171**

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SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic (Continued)

2010			**CIMB Islamic**								
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						**Unrated (Look Through)**		
(RM'000) Exposure Class	**Net Exposure After CRM**	**Exposures subject to deduction**	**0%**	**10%**	**20%**	**50%**	**100%**	**350%**	**Weighted Average RW**	**Exposure Amount**	**Risk Weighted Assets**
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	35,583	–	–	–	35,583	–	–	–			7,117
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–

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SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic (Continued)

2010	CIMB Islamic										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	**Net Exposure After CRM**	**Exposures subject to deduction**	**0%**	**10%**	**20%**	**50%**	**100%**	**350%**	**Weighted Average RW**	**Exposure Amount**	**Risk Weighted Assets**
Originating Banking Institution											
On-Balance Sheet											
Most senior	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–	–	–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	35,583	–	–	–	35,583	–	–	–	–	–	7,117

As at 31 December 2011 and 31 December 2010, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

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SECURITISATION (CONTINUED)

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 26(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

2011	CIMBBG				
(RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	63,948	–	2,369	1,444	47,663
Off-Balance Sheet	–	–	–	–	–
Sub-total	63,948	–	2,369	1,444	47,663
Originated by Banking Institution					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	63,948	–	2,369	1,444	47,663

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SECURITISATION (CONTINUED)

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge (Continued):

Table 26(b): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBIBG

2011	CIMBIBG				
(RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On Balance Sheet	7,063	–	148	141	3,620
Off-Balance Sheet	–	–	–	–	–
Sub-total	7,063	–	148	141	3,620
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	7,063	–	148	141	3,620

As at 31 December 2011, CIMB Islamic has no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

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MARKET RISK – SA

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, foreign exchange risk and commodity 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.

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.

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 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 documented and 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.

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MARKET RISK – SA (CONTINUED)

Capital Treatment for Market Risk
At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on RWCAF – Risk-Weighted Assets Computation and CAFIB.

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG for the following in Tables 2(a), (b) and (c):
- Interest Rate Risk/Benchmark Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The definition includes legal risk but excludes strategic and reputation risks.

Operational Risk Management
CIMB Group recognises that cultivation of an organisational-wide discipline and risk management culture among its staff is the key determinant for a well-managed universal banking operation. Hence, the Group places high importance in having operational risk management where there are processes and tools to identify, assess, monitor and control the operational risk inherent in the Group.

Operational risks arise from inadequate or failed internal processes, people and systems or from external events. These risks are managed by CIMB Group through the following key measures:
- Sound risk management practices in accordance with Basel II and regulatory guidelines;
- Board and senior management oversight;
- Well-defined responsibilities for all personnel concerned;
- Establishment of a risk management culture; and
- ORM Tools implemented:
  - (i) Loss Event Management;
  - (ii) RCSA; and
  - (iii) KRI.

In pursuit of managing and controlling operational risk, ORMD has revised the ORM framework and its main objectives are to:
(i) Provide guidance to the management teams towards establishing a common platform and consistent approach to ORM across the Group;
(ii) Ensure readiness and compliance to BNM as the home supervisor and other regulators' requirements, including preparation towards the Basel II implementation; and
(iii) Assist in the integration of risk factors by providing a singular view of operational risk across the Group's business/support units/entities for effective and efficient ORM.

The ORMF is premised on a set of pillars of Operational Risk Standards and employs various tools including RCSA, risk event management, KRI monitoring and process risk mapping as measures of supervision.

A key structure of the ORMF is the Corporate Governance that is founded on the 3 Levels of Defense approach which underlines the participation of members of the Board of Directors; Senior Management and supported by every employee of the Group as the first line of defense.

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OPERATIONAL RISK (CONTINUED)

Operational Risk Management (Continued)
The philosophy of the governance structure in the ORMF recognises the following:

(i) Ownership of the risk by the business/support areas (line management);
(ii) Oversight by independent risk management; and
(iii) Independent review by Internal Audit.

CIMB Group has also strengthened its infrastructure and in July 2011, the ORM System project has been launched where Loss Event Database, RCSA, KRI and Scenario Analysis are incorporated in the system. These tools are techniques for the administration of operational risks together with the use of rating matrices. Moreover, in line with best practices, incidents on loss events are tracked and captured for analytical risk profiling and to further enhance controls.

The E-learning module which will enhance the awareness of ORM has also been launched in July 2011.

In addition, CIMB Group has progressively set the various foundations to move towards Basel II Standardised Approach and building its capabilities towards the Advanced Measurement Approach.

Escalation and reporting processes are well instituted through various management committees notably the ORC and GRC as well as the Board. The responsibilities of the committees and the Board include the following:

(i) Oversight and implementation of the ORMF;
(ii) Establish risk appetite and provide strategic and specific directions;
(iii) Review operational risks reports and profiles regularly;
(iv) Address operational risk issues; and
(v) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit plays its role in ensuring an independent assurance of the implementation of the 'Framework' through their conduct of regular reviews and report to the Board.

Capital Treatment for Operational Risk
The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on RWCAF - Risk-Weighted Assets Computation and CAFIB.

However, the Group is now moving towards the Basel II Standardised Approach where the foundation pillars are in progress. Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG in Tables 2 (a), (b) and (c).

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and
- Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as either financial investments available-for-sale or Investment in Associates in the 2011 financial statements.

Details of the Group's and the CIMB Bank's investments in financial investments available-for-sale and Associates are also set out in the financial statements.

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EQUITY EXPOSURES IN BANKING BOOK (CONTINUED)

Realised and unrealised gains or losses arising from sales and liquidations of equities for CIMBBG for the year ended 31 December 2011 and 31 December 2010 is as follows:

Table 27: Realised Gains/Losses from Sales and Liquidations of Equities for CIMBBG

	CIMBBG	
(RM'000)	2011	2010
Realised gains		
Investment in associates	**–**	2,265
Shares, private equity funds and unit trusts	**25,971**	308
Unrealised gains		
Shares, private equity funds and unit trusts	**406,873**	398,370

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMB Islamic and CIMBIBG as at 31 December 2011 and 31 December 2010. The following tables show an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2011 and 31 December 2010 for the Group:

Table 28(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

In RM('000)	CIMBBG			
	2011		2010	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**1,277,974**	**1,893,730**	1,143,923	1,687,268
Publicly traded	**261,313**	**53,627**	282,924	62,484
Total	**1,539,286**	**1,947,357**	1,426,848	1,749,751

Table 28(b): Analysis of Equity Investments by Grouping and RWA for CIMB Islamic

In RM('000)	CIMB Islamic			
	2011		2010	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**575**	**863**	–	–
Publicly traded	**–**	**–**	–	–
Total	**575**	**863**	–	–

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EQUITY EXPOSURES IN BANKING BOOK (CONTINUED)

Table 28(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

In RM('000)	CIMBIBG			
	2011		2010	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	–	–	6,331	9,496
Publicly traded	–	–	–	–
Total	–	–	6,331	9,496

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB)

Risk Definition

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/benchmark rates. In the context of Pillar 2, this risk is confined to the banking book positions, given that the interest rate risk/rate of return risk in the trading book is covered under the Pillar 1 market risk regulations.

The material sources of IRRBB/RORBB are repricing risk (which arises from timing differences in the maturity and repricing dates of cash flows), yield curve risk (which arises from the changes in both the overall interest rates/benchmark rates and the relative level of rates across the yield curve), basis risk (arises from imperfect correlation between changes in the rates earned and paid on banking book positions), and option risk (arises from interest rate/rate of return related options embedded in banking book products).

Risk Governance

IRRBB/RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the BRC on behalf of the Board. GRC, supported by the Asset Liability Management function in GRM is responsible to oversee the asset liability management process including an independent review and monitoring of IRRBB/RORBB for the Group. The BSMC, with the support from CBSM, is responsible for the review of the balance sheet and recommends strategies, including hedging activities to manage the overall interest rate risk/rate of return risk. CBTM is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

Risk Measurement

IRRBB/RORBB is measured by:

- Economic Value of Equity (EVE) sensitivity:
  EVE sensitivity measures the long term impact of sudden interest rate/benchmark rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/benchmark rates. Such measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

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INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB) (CONTINUED)

Risk Measurement (Continued)

- Economic Value of Equity (EVE) sensitivity (Continued):
  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth. The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from economic value perspective:

Table 28(a): IRRBB/RORBB – Impact on Economic Value for CIMBBG

(RM'000)	CIMBBG	
	2011	2010
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(962,129)**	(961,781)
US Dollar	**40,537**	44,216
Thai Baht	**(72,440)**	(29,315)
Singapore Dollar	**(128,692)**	(185,826)
Others	**(39,777)**	(5,423)
Total	**(1,162,501)**	(1,138,128)

Table 28(b): RORBB – Impact on Economic Value for CIMB Islamic

(RM'000)	CIMB Islamic	
	2011	2010
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(215,466)**	(141,022)
US Dollar	**(763)**	1,229
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**–**	–
Total	**(216,229)**	(139,793)

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INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB) (CONTINUED)

Risk Measurement (Continued)

- Economic Value of Equity (EVE) sensitivity (Continued):

Table 28(c): IRRBB – Impact on Economic Value for CIMBIBG

(RM'000)	CIMBIBG	
	2011	2010
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**9,635**	3,743
US Dollar	**4**	9
Thai Baht	**–**	–
Singapore Dollar	**(9)**	–
Others	**(8)**	(2)
Total	**9,622**	3,750

- Earnings at Risk (EaR):

EaR measures the short term impact of sudden interest rate/benchmark rate movement on reported earnings over the next 12 months. It defines and quantifies interest rate risk/rate of return as the change in net interest income/net rate income caused by changes in interest rates/benchmark rates.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth. The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from the earnings perspective:

Table 29(a): IRRBB/RORBB – Impact on Earnings for CIMBBG

(RM'000)	CIMBBG	
	2011	2010
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(6,841)**	(26,989)
US Dollar	**(18,906)**	(61,390)
Thai Baht	**(13,761)**	(886)
Singapore Dollar	**(82,586)**	(38,462)
Others	**(9,915)**	(1,269)
Total	**(132,009)**	(128,996)

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INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB) (CONTINUED)

Risk Measurement (Continued)

- Earnings at Risk (EaR) (Continued):

Table 29(b): RORBB – Impact on Earnings for CIMB Islamic

(RM'000)	CIMB Islamic	
	2011	2010
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(44,144)**	(26,169)
US Dollar	**(7,166)**	(5,915)
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**–**	–
Total	**(51,310)**	(32,084)

Table 29(c): IRRBB – Impact on Earnings for CIMBIBG

(RM'000)	CIMBIBG	
	2011	2010
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**7,550**	4,108
US Dollar	**(97)**	(217)
Thai Baht	**–**	–
Singapore Dollar	**219**	–
Others	**195**	42
Total	**7,867**	3,933

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