

CIMB Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2009

1 General information

The Bank is principally engaged in all aspects of commercial banking and in the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 11 in the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

The holding company of the Bank is CIMB Group Sdn Bhd and the Directors regard CIMB Group Holdings Berhad (formerly known as Bumiputra-Commerce Holdings Berhad) (“CIMB Group”), a quoted company, as the ultimate holding company. Both companies are incorporated in Malaysia.

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

The address of the Bank’s registered office is 5th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

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

2 Cash and short-term funds

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	3,199,190	2,830,307	2,684,424	2,629,900
Money at call and deposit placements maturing within one month	<u>21,823,908</u>	<u>19,136,055</u>	<u>15,015,267</u>	<u>11,678,446</u>
	25,023,098	21,966,362	17,699,691	14,308,346

Included in the Bank’s and Group’s cash and short-term funds are RM990 (2008: RM236,891) of money at call and deposit placements relating to a jointly controlled entity, Proton Commerce Sdn Bhd (“PCSB”).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****3 Deposits and placements with banks and other financial institutions**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Licensed banks	719,286	1,599,159	9,874,403	4,627,910
Licensed investment banks	1,889,775	50,000	1,859,875	50,000
Bank Negara Malaysia	200,300	210,300	200,000	210,000
Other financial institutions	593,235	280,000	-	80,000
	3,402,596	2,139,459	11,934,278	4,967,910

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

As at 31 December 2009, the RPSIA placements amounted to RM5,091 million (2008: RM3,020 million) for a tenure between 1 to 3 months at profit rates from 2.42% to 2.50% (2008: 3.56% to 3.93%) per annum.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****4 Securities held for trading**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	1,018,713	1,342,488	1,018,713	1,324,809
Cagamas bonds	28,283	205,323	28,283	205,323
Khazanah bonds	-	9,791	-	-
Malaysian Government treasury bills	185,033	38,262	185,033	38,262
Other Government securities	862,061	-	862,061	-
Bank Negara Malaysia bills	2,779,851	552,598	2,779,851	552,598
Bank Negara Malaysia negotiable notes	1,887,613	46,892	700,649	46,892
Bankers' acceptances and Islamic accepted bills	696,623	1,174,286	641,989	595,865
Negotiable instruments of deposit	3,002,701	3,529,709	1,673,891	1,285,891
Credit-linked notes	158,604	172,884	136,482	159,942
Commercial papers	29,982	332,605	29,982	312,939
Government Investment Issue	500,213	81,376	1,627	66,727
	11,149,677	7,486,214	8,058,561	4,589,248
Quoted securities:				
<u>In Malaysia</u>				
Shares	457,382	137,527	456,470	134,758
Warrants	5	5	-	-
Loan stocks	-	1,272	-	-
	457,387	138,804	456,470	134,758
<u>Outside Malaysia</u>				
Shares	7,840	326	-	-
Private debt securities	2,696	-	-	-
Other Government bonds	41,500	-	-	-
	52,036	326	-	-
Unquoted securities:				
<u>In Malaysia</u>				
Shares	5,001	5,001	5,001	5,001
Private and Islamic debt securities	1,508,728	1,416,966	1,309,247	1,401,255
	1,513,729	1,421,967	1,314,248	1,406,256
<u>Outside Malaysia</u>				
Private and Islamic debt securities	645,250	516,970	322,906	387,137
	13,818,079	9,564,281	10,152,185	6,517,399

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****4 Securities held for trading (Continued)**

During the financial year 2009, the Bank had reclassified securities from held for trading category to available-for-sale category (no such reclassification was made in 2008).

In 2008, the Bank and its banking subsidiaries reclassified a portion of their securities in held for trading category to the held-to-maturity category based on current market prices at the relevant dates of the reclassification.

The above reclassifications have been accounted for in accordance with the BNM circular on 'Reclassification of Securities under Specific Circumstances' dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The fair value of the securities reclassified from the held for trading category to available-for-sale as of the respective dates of reclassification is RM247,330,000 (2008: RMNil) for both the Group and the Bank, while the fair value of the securities reclassified from the held for trading category to held-to-maturity category is RMNil (2008: RM5,955,065,000) and RMNil (2008: RM4,396,670,000) for the Group and the Bank, respectively.

Included in the non-interest income (Note 37) is the net gains/(losses) arising from the change in fair value recognised in the income statement in respect of the reclassified securities:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Net fair value gain/(loss)	70	(110,605)	70	12,449

As of the date of reclassification, the effective interest rates on the reclassified held for trading securities to available-for-sale category, based on the new cost is an average of 4.56% (2008: Nil%) for both the Group and the Bank. The effective interest rates for securities reclassified to held-to-maturity category in 2008 are Nil% (2008: 6.63% per annum) and Nil% (2008: 6.52% per annum) for the Group and the Bank, respectively. The expected recoverable cash flows for the reclassified securities to available-for-sale is RM246,700,000 (2008:RMNil) for both the Group and the Bank, while the expected recoverable cash flows for held-to-maturity category is RMNil (2008: RM6,110,905,000) and RMNil (2008: RM4,430,456,000) for the Group and the Bank respectively, including any coupons receivable on the securities.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****5 Available-for-sale securities**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	180,895	109,729	180,895	99,710
Khazanah bonds	34,975	58,376	-	9,791
Government Investment Issue	360,354	187,714	230,577	66,477
Commercial papers	19,539	134,040	-	134,040
Cagamas bonds	275,157	296,925	240,765	248,011
	870,920	786,784	652,237	558,029
Quoted securities:				
<u>In Malaysia</u>				
Unit trusts	-	703,889	-	703,889
<u>Outside Malaysia</u>				
Shares	5,830	-	-	-
Other Government bonds	469,788	-	-	-
Unit trusts	266,525	-	-	-
Private debt securities	109,214	115,216	105,042	115,216
	851,357	115,216	105,042	115,216
Unquoted securities:				
<u>In Malaysia</u>				
Private debt securities	5,900,409	5,401,347	5,573,980	5,001,921
Shares	379,095	378,104	378,520	378,989
Bonds funds	4,111	-	-	-
Loan stocks	19,437	30,715	19,437	30,715
	6,303,052	5,810,166	5,971,937	5,411,625
<u>Outside Malaysia</u>				
Shares	28,528	9,606	875	633
Private equity funds	119,786	83,953	-	-
Unit trusts	196,878	136,578	61,669	-
Private debt securities	28,325	-	-	-
	373,517	230,137	62,544	633
	8,398,846	7,646,192	6,791,760	6,789,392
Allowance for impairment losses:				
Private debt securities	(253,390)	(279,343)	(253,112)	(279,343)
Quoted shares	(3,026)	-	-	-
Unquoted shares	(33,552)	(6,659)	(7,035)	(6,659)
Loan stocks	(6,905)	-	(6,905)	-
Unit trusts	(21,654)	-	-	-
	(318,527)	(286,002)	(267,052)	(286,002)
	8,080,319	7,360,190	6,524,708	6,503,390

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

5 Available-for-sale securities (Continued)

Included in available-for-sale securities are securities transferred from the held for trading category during the financial year 2009, with the following amortised cost and fair value as at 31 December 2009.

	The Group	
	2009	2008
	RM'000	RM'000
Amortised cost	246,776	-
Fair value	249,342	-

Securities amounting to RM1,822 million (2008: RMNil) were invested by asset management companies on behalf of the Group and the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****6 Held-to-maturity securities**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	1,123,977	149,967	1,123,977	149,967
Cagamas bonds	294,817	294,817	294,817	294,817
	1,418,794	444,784	1,418,794	444,784
Quoted securities:				
<u>Outside Malaysia</u>				
Structured notes	342,847	-	-	-
Private debt securities	740,754	-	-	-
	1,083,601	-	-	-
Unquoted securities:				
<u>In Malaysia</u>				
Shares	270	462	-	192
Loans stocks	31,814	32,478	-	-
Islamic commercial paper	6,775	34,832	-	-
Danaharta Urus Sdn Bhd bonds	929,639	894,807	929,639	929,639
Private debt securities	7,698,001	7,738,316	6,692,180	6,538,110
	8,666,499	8,700,895	7,621,819	7,467,941
<u>Outside Malaysia</u>				
Private debt securities	1,518,478	2,324,723	1,418,763	570,525
Accretion of discount net of amortisation of premium	242,894	231,116	242,894	231,116
Less: Allowance for impairment losses	(55,015)	(75,548)	-	(28,965)
	12,875,251	11,625,970	10,702,270	8,685,401

Private debt securities amounting to RM864 million (2008: RM954 million) are funded by a RPSIA depositor, as part of an arrangement with CIMB Islamic.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****6 Held-to-maturity securities (Continued)**

Included in the held-to-maturity securities in 2008 are securities transferred from the held for trading category during the last quarter of the financial year ended 31 December 2008, with the following carrying value and fair value as at 31 December:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Carrying value	4,698,031	5,973,951	4,257,223	4,393,006
Fair value	4,792,894	5,946,391	4,336,098	4,456,902

During the financial year, CIMB Bank (L) Limited, a subsidiary of the Bank, transferred the securities in held-to-maturity category to CIMB Bank Labuan Offshore branch based on amortised cost at the relevant dates of the transfer. The carrying value and fair value of the securities as of the transferred date is RM1,798,099,000 and RM1,815,411,000 respectively.

Included in the held-to-maturity securities of the Group as at 31 December 2009 are 10-year promissory notes of THB746 million maturing in 2011, which were received from Thai Asset Management Corporation (“TAMC”) for settlement of non-performing loans transferred by 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 non-performing loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the non-performing loans. The sharing of gain or losses will be calculated at the end of the agreement.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing**

(i) By type

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	7,934,860	7,238,366	7,110,689	7,002,421
Term loans/financing				
- Housing loan/financing	35,941,384	25,110,340	24,788,159	23,078,689
- Syndicated term loan	7,616,727	6,670,195	3,567,819	2,543,434
- Other term loans/financing	46,171,054	35,010,869	28,901,592	30,970,022
- Factoring receivables	39,169	48,737	-	-
- Lease receivables	45,355	73,227	-	-
- Hire purchase receivables	14,276,162	13,663,402	9,181,267	11,484,488
Bills receivable	1,893,087	153,420	183,383	153,420
Trust receipts	810,827	795,516	533,707	771,629
Claim on customers under acceptance credit	4,294,096	5,650,525	4,113,973	5,493,816
Staff loans	406,409	442,311	405,075	441,375
Credit card receivables	3,029,562	2,663,733	2,980,589	2,660,753
Revolving credit	8,459,959	7,619,761	6,597,926	6,429,039
Share margin financing	430,368	172,954	407,172	172,954
	131,349,019	105,313,356	88,771,351	91,202,040
Less: Unearned interest	(13,653,593)	(4,717,873)	(1,431,100)	(1,870,394)
	117,695,426	100,595,483	87,340,251	89,331,646
Less: Islamic financing sold to Cagamas	-	(294,946)	-	-
Gross loans, advances and financing	117,695,426	100,300,537	87,340,251	89,331,646
Fair value changes arising from fair value hedges	45,028	177,618	18,509	177,618
	117,740,454	100,478,155	87,358,760	89,509,264
Less: Specific allowance	(2,695,272)	(3,184,511)	(1,644,003)	(3,140,552)
	115,045,182	97,293,644	85,714,757	86,368,712
Less: General allowance	(1,564,540)	(1,606,498)	(1,258,390)	(1,446,535)
Total net loans, advances and financing	113,480,642	95,687,146	84,456,367	84,922,177

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing (Continued)**

(i) By type (continued)

- (a) Included in the Bank's loans, advances and financing balances are RM2,080,513,000 (2008: RM2,061,944,000) of net loans relating to that of a jointly controlled entity, PCSB. The revenue and risks of these accounts are shared equally between the Bank and the joint venture partner, Proton Edar Sdn Bhd, pursuant to the terms of a Joint Venture Agreement.
- (b) Included in other term loans is RM7,578,237,000 (2008: RM3,021,205,000) provided on normal commercial terms which is exempted from general allowance by Bank Negara Malaysia.
- (c) Included in the Group's and the Bank's loans, advances and financing balances are RM80,235,000 (2008: RM85,506,000) 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 were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- d) The Group and the Bank have undertaken fair value hedge on the interest rate risk of RM5,468,179,000 (2008: RM2,000,000,000) and RM4,118,179,000 (2008: RM2,000,000,000) respectively, using interest rate swaps.

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Gross loans hedged	5,468,179	2,000,000	4,118,179	2,000,000
Fair value changes arising from fair value hedges	45,028	177,618	18,509	177,618
	5,513,207	2,177,618	4,136,688	2,177,618

The fair values of interest rate swaps of the Group and the Bank as at 31 December 2009 were RM104,052,171 (2008: RM202,404,724) and RM62,493,674 (2008: RM202,404,724) respectively.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing (Continued)**

(i) By type (continued)

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

As at 31 December 2009, the gross exposure and general allowance relating to RPSIA financing are RM4,247 million (2008: RM1,893 million) and RM63.7 million (2008: RM32.2 million) respectively.

There was no specific allowance provided for the RPSIA financing.

(f) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	18,602,963	21,501,907	11,339,896	16,123,350
One year to less than three years	33,085,173	24,235,265	26,652,129	22,628,789
Three years to less than five years	13,615,544	11,080,136	11,088,569	10,167,614
Five years and more	52,391,746	43,778,175	38,259,657	40,411,893
	117,695,426	100,595,483	87,340,251	89,331,646
Less: Islamic financing sold to Cagamas	-	(294,946)	-	-
Gross loans, advances and financing	117,695,426	100,300,537	87,340,251	89,331,646

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing (Continued)**

(ii) By type of customer:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	123,764	149,356	-	-
Domestic non-bank financial institutions				
- others	3,697,005	2,994,551	3,599,009	2,991,427
Domestic business enterprises				
- small medium enterprises	11,111,752	12,576,067	9,990,157	11,947,385
- others	26,908,896	25,108,259	16,102,866	22,371,585
Government and statutory bodies	7,680,833	3,098,571	6,148,279	3,086,979
Individuals	57,535,132	47,590,813	45,789,079	44,660,572
Other domestic entities	4,006,369	3,375,151	359,916	74,614
Foreign entities	6,631,675	5,702,715	5,350,945	4,199,084
	117,695,426	100,595,483	87,340,251	89,331,646
Less: Islamic financing sold to Cagamas	-	(294,946)	-	-
Gross loans, advances and financing	117,695,426	100,300,537	87,340,251	89,331,646

(iii) By interest rate sensitivity:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	6,074,280	5,048,818	4,443,826	4,704,226
- Hire-purchase receivables	11,872,957	11,421,719	7,736,546	9,605,869
- Other fixed rate loans	19,307,648	12,272,399	15,405,969	10,743,192
Variable rate				
- BLR plus	43,334,371	41,327,282	41,041,340	40,913,189
- Cost-plus	21,888,489	22,154,552	14,281,194	19,500,583
- Other variable rates	15,217,681	8,370,713	4,431,376	3,864,587
	117,695,426	100,595,483	87,340,251	89,331,646
Less: Islamic financing sold to Cagamas	-	(294,946)	-	-
Gross loans, advances and financing	117,695,426	100,300,537	87,340,251	89,331,646

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing (Continued)**

(iv) By economic purpose:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personal use	4,503,629	2,953,083	2,064,033	2,433,123
Credit card	3,030,000	2,663,733	2,980,589	2,660,753
Purchase of consumer durables	3,688	19,111	3,667	17,486
Construction	3,550,772	2,759,028	2,193,835	2,417,509
Residential property (Housing)	29,839,340	24,657,226	25,241,179	23,876,489
Non-residential property	9,616,125	8,593,380	8,591,312	7,904,813
Purchase of fixed assets other than land and building	1,340,343	797,611	440,699	347,299
Merger and acquisition	1,737,598	1,563,682	1,737,598	1,500,984
Purchase of securities	9,104,676	11,828,362	5,995,810	8,734,648
Purchase of transport vehicles	11,620,841	11,415,972	7,859,651	9,735,385
Working capital	29,508,661	27,194,826	21,413,296	24,375,948
Other purpose	13,839,753	6,149,469	8,818,582	5,327,209
	117,695,426	100,595,483	87,340,251	89,331,646
Less: Islamic financing sold to Cagamas	-	(294,946)	-	-
	117,695,426	100,300,537	87,340,251	89,331,646

(v) Non-performing loans, advances and financing by economic purpose:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personal use	139,234	246,826	69,528	224,972
Credit card	64,665	70,400	63,016	70,400
Purchase of consumer durables	223	950	223	950
Construction	298,068	329,641	125,800	309,509
Residential property (Housing)	675,363	1,585,234	555,191	1,529,613
Non-residential property	194,018	438,087	185,673	422,317
Purchased of fixed assets other than land and building	52,666	66,745	7,459	14,830
Purchase of securities	35,455	69,980	8,676	45,119
Purchase of transport vehicles	339,556	354,539	262,055	314,476
Working capital	1,486,427	2,193,798	895,384	2,095,621
Other purpose	816,813	117,578	123,926	116,001
	4,102,488	5,473,778	2,296,931	5,143,808

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****7 Loans, advances and financing (Continued)**

(vi) Movements in non-performing loans, advances and financing are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	5,473,778	6,753,711	5,143,808	6,370,443
Classified as non-performing during the financial year	3,700,995	3,349,374	2,889,444	3,124,107
Reclassified as performing during the financial year	(1,954,582)	(2,532,285)	(1,706,141)	(2,395,585)
Amount written back in respect of recoveries	(889,715)	(1,051,314)	(738,631)	(1,016,722)
Amount written off	(1,025,067)	(660,640)	(683,862)	(604,045)
Non-performing loans arising from acquisition of a subsidiary	1,398,003	-	-	-
Non-performing loans purchased from third party	3,852	-	-	-
Sale of non-performing loans	(2,607,193)	(385,389)	(2,607,193)	(380,698)
Amount transferred from subsidiaries	-	-	-	46,704
Exchange fluctuation	2,417	321	(494)	(396)
At 31 December	4,102,488	5,473,778	2,296,931	5,143,808
Net non-performing loans, advances and financing [^]	1,759,228	2,488,054	996,697	2,201,984
Ratio of net non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas) less specific allowance [^]	1.53%	2.55%	1.16%	2.55%

[^] Excludes specific allowances on performing loans amounting to RM352,012,000 (2008: RM198,787,000) for the Group and RM343,769,000 (2008: RM198,728,000) for the Bank.

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****8 Other assets**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest receivable		178,592	176,628	207,290	178,047
Deferred assets	(a)	198,610	216,292	198,610	216,292
Foreclosed properties	(b)	230,534	27,495	24,911	27,495
Due from brokers and clients		42,482	-	-	-
Due from insurers, brokers and reinsurers		4,796	-	-	-
Option financing		238,224	301,995	238,224	301,995
Credit Support Annex for derivative transactions		210,761	464,823	210,761	464,823
Amounts receivable from non-performing loans sale		118,562	165,871	118,562	165,871
Other debtors, deposits and prepayments		896,589	742,467	609,442	578,713
		2,119,150	2,095,571	1,607,800	1,933,236

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

	The Group and The Bank	
	2009 RM'000	2008 RM'000
At 1 January	216,292	226,311
Amortisation for the financial year	(14,802)	(10,897)
Specific allowance (written back)/made	(2,880)	878
At 31 December	198,610	216,292

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	27,495	29,351	27,495	29,351
Arising from acquisition of a subsidiary	210,512	-	-	-
Acquired during the financial year	33,140	-	-	-
Disposed during the financial year	(40,613)	(496)	(2,584)	(496)
Reclassified to non-current assets held for sale (Note 56(iii))	-	(1,360)	-	(1,360)
At 31 December	230,534	27,495	24,911	27,495

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

9 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts have been offset and shown in the balance sheet:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	440,784	459,250	281,880	263,993
Deferred tax liabilities	(139,337)	(154,713)	-	-
	301,447	304,537	281,880	263,993

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****9 Deferred taxation (Continued)**

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

The Group	Note	General	Accelerated	Revaluation	Other	Intangible	Total	
		allowance for doubtful debts and financing RM'000	tax depreciation RM'000	reserve- available-for- sale securities RM'000	temporary differences RM'000	assets RM'000	RM'000	
Deferred tax assets/(liabilities)								
At 1 January 2009		388,926	(48,102)	(27,009)	70,324	(79,602)	304,537	
(Charged)/credited to income statement	43	(28,671)	(12,705)	-	50,511	11,427	20,562	
Under accrual in prior year		-	1,847	-	3,107	-	4,954	
Arising from acquisition of a subsidiary	55 (a)(i)	-	-	-	(43,413)	(2,620)	(46,033)	
Transferred to equity	33 (f)	-	-	17,427	-	-	17,427	
At 31 December 2009		360,255	(58,960)	(9,582)	80,529	(70,795)	301,447	

The Group	Note	General	Accelerated	Revaluation	Unrealised	Other	Unutilised	Intangible	Total
		allowance for doubtful debts and financing RM'000	tax depreciation RM'000	reserve- available-for- sale securities RM'000	gain on derivatives RM'000	temporary differences RM'000	tax losses and capital allowances RM'000	assets RM'000	RM'000
At 1 January 2008		461,115	(49,610)	(19,008)	726	72,997	37,422	(94,671)	408,971
Credited/(charged) to income statement	43	48,459	(10,672)	145	-	(1,742)	238	14,686	51,114
(Over)/under accrual in prior year		(119,060)	12,180	(77)	(726)	(931)	(37,660)	383	(145,891)
Disposal of subsidiary	55 (c)(iii)	(1,588)	-	-	-	-	-	-	(1,588)
Transferred from equity	33 (f)	-	-	(8,069)	-	-	-	-	(8,069)
At 31 December 2008		388,926	(48,102)	(27,009)	-	70,324	-	(79,602)	304,537

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****9 Deferred taxation (Continued)**

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

The Bank	Note	General	Revaluation	Other	Intangible	Total	
		allowance for doubtful debts and financing	Accelerated tax depreciation	reserve-available-for-sale securities	temporary differences		assets
		RM'000	RM'000	RM'000	RM'000	RM'000	
Deferred tax assets/(liabilities)							
At 1 January 2009		355,144	(47,388)	(27,579)	63,419	(79,603)	263,993
(Charged)/credited to income statement	43	(48,978)	(13,287)	-	47,510	11,427	(3,328)
Under accrual in prior year		-	1,847	-	1,307	-	3,154
Transferred to equity	33 (f)	-	-	18,061	-	-	18,061
At 31 December 2009		306,166	(58,828)	(9,518)	112,236	(68,176)	281,880

The Bank	Note	General	Revaluation	Other	Intangible	Total	
		allowance for doubtful debts and financing	Accelerated tax depreciation	reserve-available-for-sale securities	temporary differences		assets
		RM'000	RM'000	RM'000	RM'000	RM'000	
Deferred tax assets/(liabilities)							
At 1 January 2008		449,931	(36,633)	(19,486)	71,382	(94,671)	370,523
Credited/(charged) to income statement	43	41,274	(10,451)	-	1,893	15,068	47,784
Over accrual in prior year		(136,061)	(304)	-	(9,856)	-	(146,221)
Transferred from equity	33 (f)	-	-	(8,093)	-	-	(8,093)
At 31 December 2008		355,144	(47,388)	(27,579)	63,419	(79,603)	263,993

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****10 Statutory deposits with central banks**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Statutory deposits with				
- Bank Negara Malaysia	603,379	2,612,580	430,573	2,342,974
- Other central banks	238,478	110,960	231,410	110,960
	841,857	2,723,540	661,983	2,453,934

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), 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 are maintained with respective central banks in compliance with the applicable legislation.

11 Investment in subsidiaries

		The Bank	
		2009	2008
		RM'000	RM'000
Unquoted shares, at cost			
- ordinary and preference shares	(a)	4,117,770	2,547,517
- discontinuation of fair value hedge	(b)	(41,100)	(41,100)
		4,076,670	2,506,417
Less: Allowance for impairment loss		(260,170)	(260,498)
		3,816,500	2,245,919

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****11 Investment in subsidiaries (Continued)**

(a) Ordinary shares

On 13 January 2009, the Bank acquired additional 3.33 billion ordinary shares of CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited).

- (b) The Bank had undertaken a fair value hedge on the foreign exchange risk of CIMB (L) Limited with a USD100 million subordinated debt. The foreign exchange changes are reflected in the Bank's cost of investment in CIMB (L) Limited. On 31 August 2008, the fair value hedge was discontinued pursuant to the transfer of assets and liabilities of CIMB (L) Limited to CIMB Bank (L) Limited. As such, the Bank had undertaken a net investment hedge on the foreign exchange risk of CIMB Bank (L) Limited using the following hedging instruments:

	Fair value at 31.12.09	Fair value at 31.12.08
USD200 million subordinated loans	RM685,000,000	RM692,900,000
USD200 million subordinated notes	-	RM786,501,000
USD200 million loans	RM685,000,000	RM692,900,000
USD165 million fixed deposits	RM566,238,654	-
USD62 million interbank borrowing	<u>RM211,294,953</u>	<u>-</u>

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****11 Investment in subsidiaries (Continued)**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2009 %	2008 %	2009 %	2008 %
BOC Nominees Sdn Bhd ^	Dormant	-	100	-	-
BOC Nominees (Tempatan) Sdn Bhd ^	Dormant	-	100	-	-
BOC Nominees (Asing) Sdn Bhd ^	Dormant	-	100	-	-
CIMB Group Nominees Sdn Bhd	Nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Ltd (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
Bumiputra-Commerce Finance Berhad	Dormant	100	100	-	-
I-Prestige Sdn Bhd	Special purpose vehicle	100	100	-	-
CIMB Trustee Berhad	Trustee services	20	20	40	40
CIMB Trust Limited (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
BBMB Unit Trust Management Berhad *	Dormant	100	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-
CIMB (L) Limited (Incorporated in the Federal Territory of Labuan)	Dormant	100	100	-	-
Semerak Services Sdn Bhd	Service company	100	100	-	-
BBMB Securities (Holdings) Sdn Bhd *	Investment holding company	100	100	-	-
iCIMB (M) Sdn Bhd	Provision of management services and outsourcing	100	100	-	-

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

11 Investment in subsidiaries (Continued)

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2009 %	2008 %	2009 %	2008 %
Bumiputra-Commerce Factoring Berhad *	Dormant	100	100	-	-
Bumiputra-Commerce Properties Sdn Bhd *	Dormant	100	100	-	-
BBMB Futures Sdn Bhd *	Dormant	-	-	100	100
BBMB Finance (Hong Kong) Limited (Incorporated in Hong Kong)	Dormant	100	100	-	-
CIMB Islamic Bank Berhad	Islamic banking	100	100	-	-
Halyconia Asia Fund Limited (Incorporated in 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 Funds DCC Limited (Incorporated in the Federal Territory of Labuan)	Fund company	-	-	100	100
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	100	100	-	-
Southern Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
Southern Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
SBB Capital Markets Sdn Bhd *	Investment holding	100	100	-	-
Mohaiyani Sdn Bhd *	Investment holding	-	-	100	100
Mohaiyani Nominees Sdn Bhd ^	Dormant	-	-	-	100
Mohaiyani Nominees (Tempatan) Sdn Bhd ^	Dormant	-	-	-	100
BHLB Trustee Berhad	Trustee services	-	-	73	73
S.B. Properties Sdn Bhd	Property ownership and management	100	100	-	-
Elite Constant Development Sdn Bhd	Construction of building	-	-	100	100
BHLB Properties Sdn Bhd	Property ownership and management	100	100	-	-
SIBB Berhad (formerly known as Southern Investment Bank Berhad)	Dormant	80	80	-	-
Perdana Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	80	80
Perdana Nominees (Asing) Sdn Bhd *	Nominee services	-	-	80	80
Perdana Mutual Fund Berhad *	Dormant	-	-	80	80

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

11 Investment in subsidiaries (Continued)

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2009	2008	2009	2008
		%	%	%	%
BHL Venture Berhad *	Investment holding	100	100	-	-
BHLB Asset Management Sdn Bhd *	Investment holding	-	-	100	100
SBB Unit Trust Management Berhad *	Dormant	-	-	100	100
SFB Auto Berhad	Dormant	100	100	-	-
SFB Nominees (Tempatan) Sdn Bhd ^	Nominee services	-	100	-	-
SFB Development Sdn Bhd	Property investment	100	100	-	-
Seal Line Trading Sdn Bhd	Property investment	-	-	100	100
CIMB Bank Nominees (S) Pte Ltd (formerly known as CIMB Bank Nominees (S) Sdn Bhd (Incorporated in Republic of Singapore) α	Nominee services	100	100	-	-
SBB Capital Corporation	Special purpose vehicle	100	100	-	-
Perdana Visi Hartanah Sdn Bhd	Property investment	100	100	-	-
Southeast Asia Special Asset Management Berhad (formerly known as Common Forge Berhad)	Special purpose vehicle	-	100	-	-
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
SBB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
SBB Futures Sdn Bhd *	Investment holding	100	100	-	-
Premier Fidelity Berhad	Dormant	100	100	-	-
CIMB Thai Bank Public Company Limited (Incorporated in the Kingdom of Thailand) #	Banking	93.15	42.13	-	-
Commerce Returns Berhad ∞	Special purpose vehicle	-	-	-	-

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

11 Investment in subsidiaries (Continued)

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2009	2008	2009	2008
		%	%	%	%
BT Securities Company Limited (Incorporated in the Kingdom of Thailand) [#]	Stock and share broking	-	-	99.9	99.9
BT Insurance Company Limited (Incorporated in the Kingdom of Thailand) [#]	Non-life insurance activities	-	-	99.9	99.9
BT Business Consulting Company Limited (Incorporated in the Kingdom of Thailand) [#]	Consultancy services	-	-	99.9	99.9
BT Asset Management Company Limited (Incorporated in the Kingdom of Thailand) [#]	Fund Manager	-	-	99.9	99.9
BT Leasing Company Limited (Incorporated in the Kingdom of Thailand) [#]	Leasing/hire purchase	-	-	100	100
BT Worldlease Company Limited (Incorporated in the Kingdom of Thailand) [#]	Hire purchase	-	-	75	75
Sathom Asset Management Company Limited (Incorporated in the Kingdom of Thailand) [#]	Asset management	-	-	99.9	99.9

* Company will be liquidated in 2010

^ Company has been voluntarily liquidated during the financial year

α 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 the Group and the special purpose entity indicates that the entity is controlled by the Group

Not audited by any member firm of PricewaterhouseCoopers International
All the subsidiaries, unless otherwise stated, are incorporated in Malaysia

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****12 Investment in jointly controlled entity**

	The Group	
	2009	2008
	RM'000	RM'000
Share of net assets of joint venture	134,559	127,701
	The Bank	
	2009	2008
	RM'000	RM'000
Unquoted shares, at cost	125,000	125,000
Less: Allowance for impairment loss	(552)	(552)
	124,448	124,448

The joint venture, which is incorporated in Malaysia, is as follows:

Name	Principal activities	Percentage of equity held	
		2009	2008
		%	%
Proton Commerce Sdn Bhd	Financing of vehicles	50	50

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 the Bank and the subsequent capital reduction exercise undertaken by BCF in 2006, the BCF PPS were cancelled, and the Bank issued RM200 million PPS to PCSB.

Under the joint venture, the assets and liabilities of PCSB are recorded and accounted for by the Bank in a Special Project Account (“SPA”) for and on behalf of PCSB. The respective balances in this SPA as at the balance sheet date are consolidated and reported as the assets and liabilities of the Bank.

All income and expenses arising from PCSB’s activities are recorded in the books of PCSB. At the Group, the 50% share of profit and loss from the operations of PCSB is shown as a line item in the income statement. For the financial year ended 2009, PCSB recorded a profit after taxation of RM13,716,145 (2008: RM6,506,098) and the Group’s share of this profit is RM6,858,072 (2008: RM3,253,049).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****12 Investment in jointly controlled entity (Continued)**

The assets and liabilities in the SPA as at 31 December are as follows:

	2009	2008
	RM'000	RM'000
Assets		
Cash and short-term funds	1	237
Loans and advances	2,080,513	2,061,944
Other assets	4,384	4,423
Held-to-maturity securities	90,000	90,000
Total assets	<u>2,174,898</u>	<u>2,156,604</u>
Liabilities and equity		
Deposits and placements of banks and other financial institutions	1,188,571	1,030,504
Amount due to Cagamas Berhad	56,657	68,158
Other liabilities	415,310	452,539
Amount due to related company (Note 16)	314,360	405,403
Total liabilities	<u>1,974,898</u>	<u>1,956,604</u>
Perpetual preference shares	200,000	200,000
	200,000	200,000
Total liabilities and equity	<u>2,174,898</u>	<u>2,156,604</u>
Commitments and contingencies	<u>46,380</u>	<u>30,840</u>

The Group's share of income and expenses of the joint venture is as follows:

	2009	2008
	RM'000	RM'000
Income	55,047	57,224
Expenses	(46,229)	(53,175)
Profit before taxation	8,818	4,049
Taxation	(1,960)	(796)
Net profit for the financial year	<u>6,858</u>	<u>3,253</u>

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****12 Investment in jointly controlled entity (Continued)**

The Group's share of the assets and liabilities of the joint venture other than those that are held in trust by the Bank is as follows:

	2009	2008
	RM'000	RM'000
Non-current assets	256,479	301,371
Current assets	86,887	59,368
Current liabilities	(58,121)	(35,283)
Long term liabilities	(150,686)	(197,755)
Net assets	134,559	127,701

13 Investment in associate

	The Group	
	2009	2008
	RM'000	RM'000
At 1 January	587,280	791
Acquisition of associate	245,034	595,814
Disposal of associate (Note 55 (c)(iv))	-	(595)
Classified as subsidiary during the financial year	(587,280)	-
Dividend from associate	-	(500)
Share of profit/(loss)	23,602	(40,565)
Revaluation reserve – available-for-sale securities	-	32,167
Exchange fluctuation	-	168
	268,636	587,280

	The Bank	
	2009	2008
	RM'000	RM'000
Quoted shares outside Malaysia, at cost	-	595,814
Unquoted shares outside Malaysia, at cost	245,034	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****13 Investment in associate (Continued)**

Details of the associate held by the Bank are as follows:

Name of company	Principal activities	Percentage of equity held	
		2009	2008
		%	%
Bank of Yingkou Co Ltd (Incorporated in the People Republic of China)	Banking	19.99	-
CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited ("CIMB Thai Bank") (Incorporated in the Kingdom of Thailand)	Banking	-	42.13

In 2009, the Bank acquired additional 49.91% stake in CIMB Thai Bank and following the completion of CIMB Thai Bank's subsequent rights issue, CIMB Bank holds 93.15% in CIMB Thai Bank and this has been accounted for as a subsidiary as at 31 December 2009, as set out in Note 49(a).

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

	2009	2008
	RM'000	RM'000
Interest income	80,569	73,922
Interest expense	(23,684)	(38,628)
Net interest income	56,885	35,294
Non-interest income	2,184	13,497
Net income	59,069	48,791
Overheads	(24,424)	(45,572)
Allowances for losses on loans and advances	(3,202)	(24,911)
Allowance for impairment losses	(41)	(19,044)
Profit/(loss) before taxation	31,402	(40,736)
Taxation	(7,800)	140
Profit/(loss) after taxation	23,602	(40,596)
Minority interest	-	31
	23,602	(40,565)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****13 Investment in associate (Continued)**

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

	2009	2008
	RM'000	RM'000
Total assets	2,745,155	8,763,864
Total liabilities	(2,539,276)	(8,587,754)
Net assets	205,879	176,110
Revaluation reserve – available-for-sale securities	-	32,167
	205,879	208,277
Commitments and contingencies	46,380	9,149,942

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
- holding company	18,087	18,033	14,664	14,568
- ultimate holding company	29,035	260,317	182	232,304
	47,122	278,350	14,846	246,872
Amount due to:				
- ultimate holding company	(55,439)	-	-	-

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

15 Amount due from/(to) subsidiaries

	The Bank	
	2009	2008
	RM'000	RM'000
Amount due from subsidiaries	128,064	197,618
Amount due to subsidiaries	(118,668)	(178,140)

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

**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)**

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16 Amount due from/(to) related companies

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amount due from related companies	998,818	90,926	994,989	90,819
Amount due to related companies	(9,710)	(15,432)	(285)	(9,398)

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

17 Goodwill

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	3,695,075	3,695,075	3,559,075	3,559,075
Acquisition of interest in subsidiaries (Note 55(a)(i))	1,199,277	-	-	-
Exchange fluctuation	33,349	-	-	-
At 31 December	4,927,701	3,695,075	3,559,075	3,559,075
Impairment				
At 1 January	-	-	-	-
Impairment charge	(4,000)	-	(4,000)	-
At 31 December	(4,000)	-	(4,000)	-
Net book value at 31 December	4,923,701	3,695,075	3,555,075	3,559,075

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****17 Goodwill (Continued)****Allocation of goodwill to cash-generating units**

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

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Retail Banking	1,101,075	1,101,075	1,101,075	1,101,075
Business Banking	911,000	911,000	911,000	911,000
Corporate Banking	419,000	419,000	419,000	419,000
Islamic Banking	136,000	136,000	-	-
Direct Banking Group	587,000	587,000	587,000	587,000
Treasury	537,000	537,000	537,000	537,000
Foreign Banking operations	1,199,277	-	-	-
Others	-	4,000	-	4,000
Goodwill	4,890,352	3,695,075	3,555,075	3,559,075
Goodwill classified as non-current assets held for sale (Note 56(ii))	-	35,000	-	35,000
Exchange fluctuation	33,349	-	-	-
	4,923,701	3,730,075	3,555,075	3,594,075

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

17 Goodwill (Continued)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2010 financial budgets approved by the Board of Directors, projected for five years based on the average to year historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2008: 5.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rate used in determining the recoverable amount of the CGUs is 7.10% (2008: 9.80%). The discount rate is pre-tax and reflects the specific risks relating to the CGUs.

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

Fair value less costs to sell

For foreign banking operation, the recoverable amount determined using fair value less cost to sell, is based on observable quoted market prices.

For the CGU which is associated with the proposed disposals as disclosed in Note 56, the recoverable amount is determined based on the estimated disposal price less any costs to sell. The disposal price is determined based on the net tangible assets of the affected business as at 30 January 2009, plus a premium of RM65 million which has been agreed by both the Bank and the acquirer of the business.

Impairment charge

The impairment charge in the Bank during the financial year arises from the impairment of trustee services of RM4 million (2008: the disposal of certain assets and liabilities of Southern Investment Bank Berhad of RM35 million).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****18 Intangible assets**

The Group	Note	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Licence fee RM'000	Total RM'000
2009						
Cost or valuation						
At 1 January		153,091	263,612	335,819	-	752,522
Acquisition of a subsidiary		10,291	1,050	125,320	256	136,917
Additions		-	-	228,045	-	228,045
Disposals/write-off		-	-	(3,099)	-	(3,099)
Reclassified from property, plant and equipment	20	-	-	1,081	-	1,081
Exchange fluctuation		-	-	(317)	-	(317)
At 31 December		163,382	264,662	686,849	256	1,115,149
Amortisation						
At 1 January		31,892	82,379	225,963	-	340,234
Acquisition of a subsidiary		346	-	83,267	-	83,613
Amortisation during the financial year		13,051	32,952	71,865	103	117,971
Impairment		-	-	1,955	-	1,955
Disposals/write-off		-	-	(2,039)	-	(2,039)
Exchange fluctuation		-	-	(1)	-	(1)
At 31 December		45,289	115,331	381,010	103	541,733
Net book value at 31 December 2009		118,093	149,331	305,839	153	573,416

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****18 Intangible assets (Continued)**

The Group	Note	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
2008					
Cost or valuation					
At 1 January		153,091	263,612	275,708	692,411
Additions		-	-	51,531	51,531
Disposals/write-off		-	-	(14)	(14)
Reclassified from property, plant and equipment	20	-	-	8,289	8,289
Reclassified from non-current assets held for sale	56(ii)	-	-	301	301
Exchange fluctuation		-	-	4	4
At 31 December		<u>153,091</u>	<u>263,612</u>	<u>335,819</u>	<u>752,522</u>
Amortisation					
At 1 January		19,134	49,428	158,224	226,786
Amortisation during the financial year		12,758	32,951	65,662	111,371
Disposals/write-off		-	-	(14)	(14)
Reclassified from property, plant and equipment	20	-	-	1,886	1,886
Reclassified from non-current assets held for sale	56(ii)	-	-	202	202
Exchange fluctuation		-	-	3	3
At 31 December		<u>31,892</u>	<u>82,379</u>	<u>225,963</u>	<u>340,234</u>
Net book value at 31 December 2008		<u>121,199</u>	<u>181,233</u>	<u>109,856</u>	<u>412,288</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****18 Intangible assets (Continued)**

	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
The Bank				
2009				
Cost or valuation				
At 1 January	153,091	263,612	313,120	729,823
Additions	-	-	215,743	215,743
Disposals/write-off	-	-	(980)	(980)
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>527,883</u>	<u>944,586</u>
Amortisation				
At 1 January	31,892	82,379	214,695	328,966
Amortisation during the financial year	12,758	32,951	57,345	103,054
Disposals/write-off	-	-	(108)	(108)
At 31 December	<u>44,650</u>	<u>115,330</u>	<u>271,932</u>	<u>431,912</u>
Net book value at 31 December 2009	<u>108,441</u>	<u>148,282</u>	<u>255,951</u>	<u>512,674</u>
	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
The Bank				
2008				
Cost or valuation				
At 1 January	153,091	263,612	263,979	680,682
Additions	-	-	49,122	49,122
Transferred from CIMB Islamic	-	-	19	19
At 31 December	<u>153,091</u>	<u>263,612</u>	<u>313,120</u>	<u>729,823</u>
Amortisation				
At 1 January	19,134	49,428	156,058	224,620
Amortisation during the financial year	12,758	32,951	58,637	104,346
At 31 December	<u>31,892</u>	<u>82,379</u>	<u>214,695</u>	<u>328,966</u>
Net book value at 31 December 2008	<u>121,199</u>	<u>181,233</u>	<u>98,425</u>	<u>400,857</u>

The above intangible assets include the software under construction at cost RM199,638,968 (2008: RM37,775,106)

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

18 Intangible assets (Continued)

The valuation of customer relationships was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing customer base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 10.0%-11.7%, 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 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%-9.6%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

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

Customer relationships:	
- credit card	8.5 years
- revolving credit	3 years
- overdraft	5 years
- trade finance	4 years
Core deposits	4.5 - 7 years
Computer software	
- core and front-end systems	1 - 4 years
- others	1 - 2 years

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****19 Prepaid lease payments**

The Group 2009	Note	Long term	Short term	Total
		leasehold land RM'000	leasehold land RM'000	
Cost				
At 1 January		36,318	5,822	42,140
Acquisition of a subsidiary		-	5,247	5,247
Reclassified to property, plant and equipment	20	(784)	-	(784)
Reclassified to non-current assets/ disposal groups held for sale	56(iii)	(16,619)	-	(16,619)
Disposals/write-off		(829)	(1,736)	(2,565)
Exchange fluctuation		(4)	(185)	(189)
At 31 December		<u>18,082</u>	<u>9,148</u>	<u>27,230</u>
Amortisation and impairment				
At 1 January		8,963	3,559	12,522
Acquisition of a subsidiary		-	2,580	2,580
Amortisation during the financial year		929	403	1,332
Impairment		-	427	427
Disposals/write-off		(252)	(1,633)	(1,885)
Reclassified to non-current assets/ disposal groups held for sale	56(iii)	(4,012)	-	(4,012)
Exchange fluctuation		(2)	(72)	(74)
At 31 December		<u>5,626</u>	<u>5,264</u>	<u>10,890</u>
Net book value at 31 December 2009		<u>12,456</u>	<u>3,884</u>	<u>16,340</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****19 Prepaid lease payments (Continued)**

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
The Group			
2008			
Cost			
At 1 January	39,728	5,609	45,337
Disposals/write-off	(3,427)	-	(3,427)
Exchange fluctuation	17	213	230
At 31 December	<u>36,318</u>	<u>5,822</u>	<u>42,140</u>
Amortisation			
At 1 January	9,591	3,309	12,900
Amortisation during the financial year	922	135	1,057
Disposals/write-off	(1,556)	-	(1,556)
Exchange fluctuation	6	115	121
At 31 December	<u>8,963</u>	<u>3,559</u>	<u>12,522</u>
Net book value at 31 December 2008	<u>27,355</u>	<u>2,263</u>	<u>29,618</u>

Future amortisation of prepaid land lease is as follows:

	2009		2008	
	Long term leasehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000
The Group				
- Not later than one year	929	403	922	135
- Later than one year and not later than five years	3,716	1,612	3,688	540
- More than five years	7,811	1,869	22,745	1,588
	<u>12,456</u>	<u>3,884</u>	<u>27,355</u>	<u>2,263</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****19 Prepaid lease payments (Continued)**

		Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
The Bank 2009	Note			
Cost				
At 1 January		31,858	4,897	36,755
Disposals/write-off		(614)	(1,726)	(2,340)
Reclassified to non-current assets/ disposal groups held for sale	56(iii)	(14,489)	-	(14,489)
Exchange fluctuation		-	(56)	(56)
At 31 December		<u>16,755</u>	<u>3,115</u>	<u>19,870</u>
Amortisation				
At 1 January		8,389	3,169	11,558
Amortisation during the financial year		802	72	874
Disposals/write-off		(254)	(1,291)	(1,545)
Reclassified to non-current assets/ disposal groups held for sale	56(iii)	(3,484)	-	(3,484)
Exchange fluctuation		-	(44)	(44)
At 31 December		<u>5,453</u>	<u>1,906</u>	<u>7,359</u>
Net book value at 31 December 2009		<u>11,302</u>	<u>1,209</u>	<u>12,511</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****19 Prepaid lease payments (Continued)**

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
The Bank			
2008			
Cost			
At 1 January	35,285	4,684	39,969
Disposals/write-off	(3,427)	-	(3,427)
Exchange fluctuation	-	213	213
At 31 December	31,858	4,897	36,755
Amortisation			
At 1 January	9,064	2,938	12,002
Amortisation during the financial year	881	117	998
Disposals/write-off	(1,556)	-	(1,556)
Exchange fluctuation	-	114	114
At 31 December	8,389	3,169	11,558
Net book value at 31 December 2008	23,469	1,728	25,197

Future amortisation of prepaid land lease is as follows:

	2009		2008	
	Long term leasehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000
The Bank				
- Not later than one year	802	72	881	117
- Later than one year and not later than five years	3,208	288	3,524	468
- More than five years	7,292	849	19,064	1,143
	11,302	1,209	23,469	1,728

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment**

The Group 2009	Note	Freehold	Buildings	Buildings	Buildings	Renovations,	Computer	Motor	Computer	Total
		land	on freehold	on long	on short	office	equipment	vehicles	equipment	
Cost		RM'000	land	term	term	equipment,	and	under lease	and	RM'000
			RM'000	leasehold	leasehold	furniture and	hardware	software	software	RM'000
				land	land	fittings		under lease	under lease	RM'000
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		104,999	184,641	98,029	15,849	640,037	492,519	35,493	58,412	1,629,979
Additions		-	2,093	14,449	6,149	220,115	9,755	2,950	5,413	260,924
Disposals/write-offs		(7,167)	(44,203)	(343)	(3,214)	(85,810)	(86,538)	(4,295)	(3,630)	(235,200)
Acquisition of a subsidiary		82,595	440,675	-	43,473	83,199	154,313	3,775	-	808,030
Reclassification		-	(90)	-	-	51	1	-	38	-
Reclassified to investment properties	21	(14,383)	(7,150)	(4,310)	-	-	-	-	-	(25,843)
Reclassified from prepaid lease payments	19	-	-	-	784	-	-	-	-	784
Reclassified to intangible assets	18	-	-	-	-	(1,081)	-	-	-	(1,081)
Reclassified to non-current assets held for sale	56(iii)	(68,510)	(208,093)	(46,649)	-	(2,817)	-	-	-	(326,069)
Exchange fluctuation		-	-	238	338	479	130	37	291	1,513
At 31 December		97,534	367,873	61,414	63,379	854,173	570,180	37,960	60,524	2,113,037

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2009	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Renovations, office equipment, furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Accumulated depreciation										
At 1 January		-	77,219	43,340	8,107	413,775	302,995	17,950	37,880	901,266
Charge for the financial year		-	2,797	2,174	3,301	79,910	87,017	6,765	7,960	189,924
Disposals/write-off		-	(8,015)	-	(1,179)	(80,024)	(86,224)	(2,805)	(2,704)	(180,951)
Acquisition of a subsidiary		-	114,929	-	20,092	57,635	99,869	1,354	-	293,879
Impairment:										
- arising from acquisition of a subsidiary		9,008	26,905	-	-	337	587	-	-	36,837
- disposal		-	(8,759)	-	-	(9)	(10)	-	-	(8,778)
Reclassification		-	-	-	-	(62)	26	-	36	-
Reclassified to investment properties	21	-	(1,297)	(676)	-	-	-	-	-	(1,973)
Reclassified to non-current assets held for sale	56(iii)	-	(91,853)	(21,400)	-	(1,138)	-	-	-	(114,391)
Exchange fluctuation		-	-	131	98	276	109	27	62	703
At 31 December		9,008	111,926	23,569	30,419	470,700	404,369	23,291	43,234	1,116,516
Net book value at 31 December 2009		88,526	255,947	37,845	32,960	383,473	165,811	14,669	17,290	996,521

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM22,768,275.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2008	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Renovations, office equipment, furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Cost										
At 1 January		106,014	191,242	95,115	19,504	550,903	399,936	35,862	52,640	1,451,216
Additions		-	-	-	-	108,174	106,036	5,574	3,417	223,201
Disposals/write-off		(1,015)	(6,195)	-	-	(14,446)	(5,866)	(5,959)	(349)	(33,830)
Reclassification		-	-	3,611	(3,611)	(3,810)	209	-	3,601	-
Reclassified to intangible assets	18	-	-	-	-	-	(8,289)	-	-	(8,289)
Reclassified from/(to) non-current assets held for sale	56(iii)	-	-	-	-	(45)	313	-	-	268
Exchange fluctuation		-	(406)	(697)	(44)	(739)	180	16	(897)	(2,587)
At 31 December		104,999	184,641	98,029	15,849	640,037	492,519	35,493	58,412	1,629,979

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment (Continued)**

The Group 2008	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Renovations, office equipment, furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Accumulated depreciation										
At 1 January		-	75,516	39,995	9,721	360,905	256,655	20,764	28,710	792,266
Charge for the financial year		-	3,977	2,206	380	62,718	53,373	2,607	9,239	134,500
Disposals/write-off		-	(1,866)	(67)	(470)	(8,824)	(5,578)	(5,413)	(321)	(22,539)
Reclassification		-	-	1,519	(1,519)	(453)	41	-	412	-
Reclassified to intangible assets	18	-	-	-	-	-	(1,886)	-	-	(1,886)
Reclassified from/(to) non-current assets held for sale	56(iii)	-	-	-	-	(44)	263	-	-	219
Exchange fluctuation		-	(408)	(313)	(5)	(527)	127	(8)	(160)	(1,294)
At 31 December		-	77,219	43,340	8,107	413,775	302,995	17,950	37,880	901,266
Net book value at 31 December 2008		104,999	107,422	54,689	7,742	226,262	189,524	17,543	20,532	728,713

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM30,285,632.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment (Continued)**

The Bank		Freehold	Buildings	Buildings	Renovations,	Computer	Motor	Computer	Total
2009	Note	land	on freehold	on long	on short	office	vehicles	equipment	
Cost		RM'000	land	term	term	equipment,	and	and	RM'000
				leasehold	leasehold	furniture and	hardware	software	RM'000
				land	land	fixtures		under lease	RM'000
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		49,707	110,968	80,028	12,840	610,118	474,207	4,746	1,375,001
Additions		-	-	14,361	5,939	148,052	48,305	52	217,852
Disposals/write-off		(7,139)	(1,657)	(343)	(67)	(76,742)	(78,877)	(1,171)	(167,978)
Reclassified to non-current assets held for sale	56(iii)	(26,366)	(55,942)	(43,294)	-	-	-	-	(125,602)
Exchange fluctuation		-	-	283	(3)	491	134	291	1,235
At 31 December 2009		16,202	53,369	51,035	18,709	681,919	443,769	3,918	1,300,508
Accumulated depreciation									
At 1 January		-	59,855	38,739	6,533	399,579	287,920	2,467	810,954
Charge for the financial year		-	1,821	1,847	370	71,523	61,249	115	142,704
Disposals/write off		-	(410)	(21)	(55)	(71,926)	(78,367)	(1,170)	(153,615)
Reclassified to non-current assets held for sale	56(iii)	-	(44,225)	(20,419)	-	-	-	-	(64,644)
Exchange fluctuation		-	-	132	(2)	288	113	62	623
At 31 December 2009		-	17,041	20,278	6,846	399,464	270,915	1,474	736,022
Net book value at 31 December 2009		16,202	36,328	30,757	11,863	282,455	172,854	2,444	564,486

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM22,595,275.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****20 Property, plant and equipment (Continued)**

The Bank 2008	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Renovations, office equipment, furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Cost									
At 1 January	50,722	114,269	77,291	16,495	520,892	374,569	33,071	1,946	1,189,255
Additions	-	-	-	-	106,694	105,108	5,152	123	217,077
Disposals/write-off	(1,015)	(2,895)	-	-	(13,084)	(5,634)	(5,842)	(27)	(28,497)
Reclassifications	-	-	3,611	(3,611)	(3,601)	-	-	3,601	-
Exchange fluctuation	-	(406)	(874)	(44)	(783)	164	6	(897)	(2,834)
At 31 December 2008	49,707	110,968	80,028	12,840	610,118	474,207	32,387	4,746	1,375,001
Accumulated depreciation									
At 1 January	-	60,192	35,574	7,735	348,189	243,168	18,808	1,946	715,612
Charge for the financial year	-	1,913	2,022	322	59,927	50,012	2,366	298	116,860
Disposals/write off	-	(1,844)	-	-	(7,559)	(5,372)	(5,296)	(27)	(20,098)
Reclassification	-	-	1,519	(1,519)	(412)	-	-	412	-
Exchange fluctuation	-	(406)	(376)	(5)	(566)	112	(17)	(162)	(1,420)
At 31 December 2008	-	59,855	38,739	6,533	399,579	287,920	15,861	2,467	810,954
Net book value at 31 December 2008	49,707	51,113	41,289	6,307	210,539	186,287	16,526	2,279	564,047

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM27,730,988.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****21 Investment properties**

The Group 2009	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on	Buildings on	Total RM'000
				short term leasehold land RM'000	long term leasehold land RM'000	
At 1 January		-	-	44,699	55,476	100,175
Reclassified from property, plant and equipment	20	14,383	5,853	3,634	-	23,870
Fair value adjustments		1,592	(1,236)	5,177	(9,211)	(3,678)
Exchange fluctuation		-	-	(710)	692	(18)
At 31 December		15,975	4,617	52,800	46,957	120,349

The Bank 2009	RM'000	RM'000	Buildings on	Buildings on	Total RM'000
			short term leasehold land RM'000	long term leasehold land RM'000	
At 1 January			44,699	55,476	100,175
Fair value adjustments			5,911	(9,211)	(3,300)
Exchange fluctuation			(710)	692	(18)
At 31 December			49,900	46,957	96,857

The Group and The Bank 2008	RM'000	RM'000	RM'000	Buildings on	Buildings on	Total RM'000
				short term leasehold land RM'000	long term leasehold land RM'000	
At 1 January				44,519	52,902	97,421
Fair value adjustments				(2,141)	-	(2,141)
Exchange fluctuation				2,321	2,574	4,895
At 31 December				44,699	55,476	100,175

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 income statement:

	2009 RM'000	2008 RM'000
Rental income	3,440	3,287
Operating expenses arising from investment properties that generated the rental income	(163)	(426)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****22 Deposits from customers****(a) By type of deposit**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Demand deposits	30,197,077	26,043,404	26,789,999	23,743,569
Saving deposits	12,616,669	9,264,470	9,597,651	8,869,939
Fixed deposits	67,011,173	57,958,370	50,696,236	47,726,542
Negotiable instruments of deposit	1,544,632	2,344,348	988,417	1,230,050
Others	35,502,794	25,480,383	26,377,608	19,000,159
	146,872,345	121,090,975	114,449,911	100,570,259

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Due within six months	56,237,627	49,551,568	41,273,279	39,514,952
Six months to less than one year	9,212,618	7,497,358	8,045,128	7,295,223
One year to less than three years	1,714,533	2,212,588	1,121,268	1,759,573
Three years to less than five years	1,386,256	1,041,204	1,240,207	386,844
Five years and more	4,771	-	4,771	-
	68,555,805	60,302,718	51,684,653	48,956,592

(b) By type of customer

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	20,219,428	10,209,884	10,084,788	6,930,030
Business enterprises	61,805,399	62,985,795	50,062,704	48,239,319
Individuals	44,755,386	32,389,188	35,238,687	30,243,479
Others	20,092,132	15,506,108	19,063,732	15,157,431
	146,872,345	121,090,975	114,449,911	100,570,259

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****23 Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Licensed banks	5,621,151	8,687,785	10,360,758	11,157,961
Licensed finance companies	101,307	14,140	59,979	14,140
Licensed investment banks	5,352,466	2,506,885	4,242,116	2,306,585
Bank Negara Malaysia	365,000	365,000	365,000	365,000
Other financial institutions	2,741,022	3,575,486	2,605,544	3,260,594
	14,180,946	15,149,296	17,633,397	17,104,280

The Bank has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM1,083,400,000 (2008: RM1,104,900,000) using interest rate swaps.

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
Negotiable instruments of deposit	1,083,400	1,104,900
Fair value changes arising from fair value hedges	(11,765)	13,420
	1,071,635	1,118,320

The fair values of interest rate swaps as at 31 December 2009 were RM35,953,565 (2008: RM44,861,369).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****24 Derivative financial instruments, commitments and contingencies****(i) Derivative financial instruments**

The following tables summarise the contractual the underlying principal amounts of derivative financial instruments held at fair value through the income statement. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet 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 Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
Derivatives at fair value through income statement						
At 31 December 2009						
<u>Foreign exchange derivatives</u>						
Currency forward	10,594,076	63,687	(116,660)	7,522,561	55,589	(108,723)
Currency swaps	33,048,786	167,904	(238,702)	31,878,930	161,837	(228,260)
Currency option	1,383,714	5,018	(4,537)	1,383,714	5,018	(4,537)
Cross currency interest rate swaps	17,139,468	500,600	(345,448)	15,821,588	468,853	(333,916)
	62,166,044	737,209	(705,347)	56,606,793	691,297	(675,436)
<u>Interest rate derivatives</u>						
Interest rate swaps	148,823,859	1,975,599	(1,626,041)	134,200,816	1,783,373	(1,558,902)
Interest rate futures	16,702,600	30,334	(25,774)	16,702,600	30,334	(25,774)
Interest rate options	3,130,000	11,854	(4,920)	3,130,000	11,854	(4,920)
	168,656,459	2,017,787	(1,656,735)	154,033,416	1,825,561	(1,589,596)
<u>Equity related derivatives</u>						
Equity options	11,975,449	528,843	(856,920)	8,991,160	424,075	(752,152)
Commodity options	690,261	70,562	(66,429)	690,261	70,562	(66,429)
Commodity futures	31,672	842	(13)	31,672	842	(13)
	12,697,382	600,247	(923,362)	9,713,093	495,479	(818,594)
<u>Credit related contract</u>						
Credit default swaps	397,879	2,062	(651)	397,879	2,062	(651)
<u>Held for hedging purpose</u>						
Interest rate swaps	8,628,728	147,657	(176,843)	9,978,728	189,215	(176,844)
Total derivatives assets/(liabilities)	252,546,492	3,504,962	(3,462,938)	230,729,909	3,203,614	(3,261,121)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****24 Derivative financial instruments, commitments and contingencies
(Continued)****(i) Derivative financial instruments (continued)**

	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
Derivatives at fair value through income statement						
At 31 December 2008						
<u>Foreign exchange derivatives</u>						
Currency forward	8,292,585	113,488	(79,987)	7,640,459	113,382	(79,987)
Currency swaps	16,222,368	229,311	(245,874)	16,202,368	229,311	(242,394)
Currency option	1,881,221	56,429	(50,018)	1,881,221	56,429	(50,018)
Cross currency interest rate swaps	12,786,403	388,497	(396,895)	12,859,158	388,497	(406,933)
	39,182,577	787,725	(772,774)	38,583,206	787,619	(779,332)
<u>Interest rate derivatives</u>						
Interest rate swaps	156,927,418	3,045,560	(2,622,839)	154,185,276	2,878,665	(2,630,138)
Interest rate futures	28,174,595	82,820	(45,444)	28,174,595	82,820	(45,444)
Interest rate options	3,630,000	14,954	(13,512)	3,630,000	14,954	(13,512)
	188,732,013	3,143,334	(2,681,795)	185,989,871	2,976,439	(2,689,094)
<u>Equity related derivatives</u>						
Equity options	15,383,947	194,711	(201,303)	11,637,270	152,183	(158,768)
Commodity options	971,404	986,367	(982,056)	971,404	986,367	(982,056)
Equity futures	13,009	1	(420)	13,009	1	(420)
	16,368,360	1,181,079	(1,183,779)	12,621,683	1,138,551	(1,141,244)
<u>Credit related contract</u>						
Credit default swaps	580,817	4,207	(6,117)	580,817	4,207	(6,117)
<u>Held for hedging purpose</u>						
Interest rate swaps	4,736,722	219,190	(204,570)	4,736,722	219,190	(204,570)
Total derivatives assets/(liabilities)	249,600,489	5,335,535	(4,849,035)	242,512,299	5,126,006	(4,820,357)

(ii) Commitments and contingencies

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****24 Derivative financial instruments, commitments and contingencies
(Continued)****(ii) Commitments and contingencies (continued)**

The commitments and contingencies constitute the following:

The Group	2009			2008		
	Principal RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<u>Credit-related</u>						
Direct credit substitutes	1,695,289	1,300,835	1,134,888	1,840,720	1,809,540	1,231,300
Transaction-related contingent items	4,634,554	2,317,277	1,814,403	4,379,188	2,189,594	1,710,147
Short-term self-liquidating trade-related contingencies	3,761,011	744,063	590,935	3,700,924	737,396	511,436
Islamic Financing sold directly and indirectly to Cagamas	-	-	-	294,946	294,946	294,946
Obligations under underwriting agreement	250,000	125,000	125,000	65,000	32,500	32,500
Irrevocable commitments to extend credit :						
- maturity not exceeding one year	34,545,466	-	-	35,316,004	-	-
- maturity exceeding one year	5,948,048	116,698	114,688	8,751,965	4,375,983	3,721,781
Forward asset purchase	52,478	1	-	104,052	14	10
Miscellaneous commitments and contingencies	6,210,077	228,012	68,928	4,722,384	320,398	65,012
Total credit-related commitments and contingencies	57,096,923	4,831,886	3,848,842	59,175,183	9,760,371	7,567,132
<u>Treasury-related</u>						
Foreign exchange related contracts :						
- less than one year	53,042,013	392,185	103,669	35,372,264	308,096	111,756
- one year to less than 5 years	4,368,956	1,589,408	500,432	1,769,837	867,286	211,566
- five years and above	1,333,036	387,218	114,425	2,040,476	733,002	283,815
	58,744,005	2,368,811	718,526	39,182,577	1,908,384	607,137
Interest rate related contracts :						
- less than one year	91,152,067	17,918	4,801	114,353,287	13,008	2,623
- one year to less than 5 years	63,956,743	1,917,155	440,286	71,481,378	2,162,265	499,791
- five years and above	9,592,814	2,056,288	434,888	7,634,070	2,059,072	442,869
	164,701,624	3,991,361	879,975	193,468,735	4,234,345	945,283
Equity related contracts:						
- less than one year	4,941,677	102,076	30,209	5,602,078	116,973	25,687
- one year to less than 5 years	6,163,741	317,527	88,596	9,737,250	596,904	177,659
- five years and above	870,031	59,200	11,840	57,628	4,365	873
	11,975,449	478,803	130,645	15,396,956	718,242	204,219
Other treasury related contracts	16,039,852	195,390	84,592	-	-	-
Total treasury-related commitments and contingencies	251,460,930	7,034,365	1,813,738	248,048,268	6,860,971	1,756,639
	308,557,853	11,866,251	5,662,580	307,223,451	16,621,342	9,323,771

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****24 Derivative financial instruments, commitments and contingencies
(Continued)****(ii) Commitments and contingencies (continued)**

Included in the Group's commitments and contingencies above is RM46,380,000 (2008: RM30,840,000) of irrevocable commitments to extend credit with maturity less than one year relating to a jointly controlled entity, PCSB.

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

The Bank	2009			2008		
	Principal RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Credit-related						
Direct credit substitutes	1,386,270	1,022,641	859,116	1,538,499	1,538,499	960,259
Transaction-related contingent items	3,657,150	1,828,575	1,344,973	3,827,518	1,913,759	1,511,102
Short-term self-liquidating trade-related contingencies	3,356,089	671,218	520,791	3,388,686	677,737	478,249
Obligations under underwriting agreement	250,000	125,000	125,000	15,000	7,500	7,500
Irrevocable commitments to extend credit :						
- maturity not exceeding one year	32,336,000	-	-	32,082,352	-	-
- maturity exceeding one year	4,495,174	83,731	81,721	7,491,232	3,745,616	3,307,623
Forward assets purchase	52,478	1	-	99,052	14	10
Miscellaneous commitments and contingencies	4,343,817 #	214,394	65,480	6,228,040 #	567,869	312,482
Total credit-related commitments and contingencies	49,876,978	3,945,560	2,997,081	54,670,379	8,450,994	6,577,225
Treasury-related						
Foreign exchange related contracts :						
- less than one year	51,223,368	397,253	104,656	34,720,138	295,712	108,225
- one year to less than 5 years	4,050,389	1,561,119	493,024	1,842,592	873,708	212,851
- five years and above	1,333,036	387,218	114,425	2,020,476	729,052	282,290
	56,606,793	2,345,590	712,105	38,583,206	1,898,472	603,366
Interest rate related contracts :						
- less than one year	91,396,954	18,041	4,825	114,398,325	13,016	2,625
- one year to less than 5 years	61,667,342	1,873,563	430,555	68,562,547	2,040,193	475,377
- five years and above	10,982,098	2,178,418	459,314	7,765,721	2,062,033	443,461
	164,046,394	4,070,022	894,694	190,726,593	4,115,242	921,463
Equity related contracts:						
- less than one year	3,307,970	87,024	27,199	3,425,246	78,016	17,896
- one year to less than 5 years	5,031,764	227,069	70,504	8,196,303	390,608	136,400
- five years and above	651,426	48,170	9,634	28,730	2,881	576
	8,991,160	362,263	107,337	11,650,279	471,505	154,872
Total treasury-related commitments and contingencies	229,644,347	6,777,875	1,714,136	240,960,078	6,485,219	1,679,701
	279,521,325	10,723,435	4,711,217	295,630,457	14,936,213	8,256,926

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****24 Derivative financial instruments, commitments and contingencies
(Continued)****(ii) Commitments and contingencies (continued)**

* Other than the credit equivalent of RM625,419,000 (2008: RMNil) arising from a subsidiary, CIMB Thai Bank Public Company Limited, which is computed based on Bank of Thailand requirements, the other credit equivalent amounts are arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. The following approaches have been adopted for the computation of the credit equivalent and risk weighted assets:

- adoption of bilateral netting as provided under the Standardised Approach Framework which involves the weighting of net claims rather than gross claims with the same counterparties arising out of the full range of forwards, swaps, options and similar derivative contracts.
- irrevocable commitments to extend credit (undrawn loans) have been revised to include only those undrawn loan whereby all conditions precedent have been met.

Included in miscellaneous commitment and contingencies is a commitment by the Bank to place an additional RM2,250 million (2008: RM1,507 million) with CIMB Islamic in relation to the RPSIA arrangement (See Note 3).

The Bank has confirmed that it will provide continuing financial support to certain of its wholly-owned subsidiaries to meet their liabilities and financial obligations as and when they fall due and to carry on their businesses without significant restriction on their operations.

25 Other liabilities

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest payable		503,733	544,351	475,975	557,552
Due to brokers and clients		42,860	-	-	-
Accrued employee benefits	(a)	10,980	9,822	10,980	9,822
Post employment benefit obligations	(b)	161,150	55,324	62,746	55,189
Sundry creditors		309,822	474,492	273,322	172,172
Expenditure payable		437,740	369,379	431,734	358,761
Amount due to special purpose vehicle of jointly controlled entity (Note 12)		314,360	405,403	314,360	405,403
Insurance fund - general insurance business		14,574	-	-	-
Allowance for commitments and contingencies	(c)	36,952	-	21,000	-
Provision for legal claims		212,121	186,750	186,692	186,750
Others		1,105,054	705,731	687,009	655,313
		3,149,346	2,751,252	2,463,818	2,400,962

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****25 Other liabilities (Continued)****(a) Accrued employee benefits**

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

(b) Post employment benefit obligations

		The Group		The Bank	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Defined contribution plan – EPF	(i)	11,332	9,393	11,326	9,258
Defined benefit plans	(ii)	149,818	45,931	51,420	45,931
		161,150	55,324	62,746	55,189

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

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

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

CIMB Bank and CIMB Thai Bank operate final salary defined benefit plans for employees, the assets of which are held in separate trustee - administered funds. The latest actuarial valuation of the plans was carried out as at 31 December 2009.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****25 Other liabilities (Continued)****(b) Post employment benefit obligations (continued)****(ii) Defined benefit plans of the Bank and the Group (continued)**

The amounts recognised in the balance sheet in respect of defined benefit plans are determined as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Present value of funded obligations	186,191	170,709	186,191	170,709
Present value of unfunded obligations	98,398	-	-	-
Fair value of plan assets	(104,644)	(83,622)	(104,644)	(83,622)
Unrecognised actuarial loss	(30,127)	(41,156)	(30,127)	(41,156)
Liability	149,818	45,931	51,420	45,931

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current service cost	18,061	9,780	11,927	9,780
Interest cost	13,861	8,417	11,134	8,417
Expected return on plan assets	(4,775)	(5,924)	(4,775)	(5,924)
Amortisation of unrecognised loss	1,548	-	1,548	-
Curtailment/settlement costs	-	(11,330)	-	(11,330)
Total included in personnel costs (Note 38)	28,695	943	19,834	943

The actual return on plan assets of the Group and the Bank were RM14,256,741 (2008: RM15,082,892) respectively.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****25 Other liabilities (Continued)****(b) Post employment benefit obligation (continued)****(ii) Defined benefit plans of the Bank and the Group (continued)**

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	170,709	142,191	170,709	142,191
Arising from acquisition of subsidiary	89,420	-	-	-
Current services costs	18,061	9,780	11,927	9,780
Interest costs	13,861	8,417	11,134	8,417
Actuarial losses	-	31,827	-	31,827
Benefits paid	(10,477)	(6,638)	(7,579)	(6,638)
Settlement	-	(14,868)	-	(14,868)
Exchange fluctuation	3,015	-	-	-
At 31 December	284,589	170,709	186,191	170,709

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	83,622	89,696	83,622	89,696
Expected return on plan assets	4,775	5,924	4,775	5,924
Actuarial gain/(losses)	9,482	(21,007)	9,482	(21,007)
Employer contributions	11,402	12,498	11,402	12,498
Benefits paid	(4,637)	(3,489)	(4,637)	(3,489)
At 31 December	104,644	83,622	104,644	83,622

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****25 Other liabilities (Continued)****(b) Post employment benefit obligation (continued)****(ii) Defined benefit plans of the Bank and the Group (continued)**

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

	The Group		The Bank	
	2009	2008	2009	2008
	%	%	%	%
Discount rates	3.00 - 6.60	6.60	6.60	6.60
Expected return on plan assets	5.45	5.45	5.45	5.45
Future salary increases	4.00 - 6.00 ^	6.00	6.00 ^	6.00

^ The Bank included a special 8.00% revision for employees in Grade 34, 35 and 36 who are entitled to salary revisions under the Association of Bank Officers in Malaysia and CIMB Executive Staff Union collective agreements for the year 2009 only.

The expected contribution to post employment benefits plan for the financial year ended 31 December 2010 is RM20,000,000 (2009: RM20,000,000) to both the Group and the Bank.

	2009	2008	2007	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
As at 31 December					
Present value of defined benefit obligation	284,589	170,709	142,191	136,444	162,734
Fair value of plan assets	(104,644)	(83,622)	(89,696)	(70,198)	(105,352)
Deficit	179,945	87,087	52,495	66,246	57,382
Experience adjustments on plan liabilities					
	-	31,827	2,650	8,232	1,686
Experience adjustments on plan assets	9,482	(21,007)	(8,458)	(774)	-
The Bank					
As at 31 December					
Present value of defined benefit obligation	186,191	170,709	142,191	134,584	143,554
Fair value of plan assets	(104,644)	(83,622)	(89,696)	(68,717)	(91,557)
Deficit	81,547	87,087	52,495	65,867	51,997
Experience adjustments on plan liabilities					
	-	31,827	2,650	8,036	1,623
Experience adjustments on plan assets	9,482	(21,007)	(8,458)	(771)	352

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****25 Other liabilities (Continued)****(c) Allowance for commitments and contingencies**

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Allowance made during the financial year	21,199	-	21,000	-
Allowance arising from acquisition of subsidiary	15,738	-	-	-
Exchange fluctuation	15	-	-	-
At 31 December	36,952	-	21,000	-

26 Bonds

During the financial year, CIMB Bank (L) Limited, a wholly-owned subsidiary of CIMB Bank, has issued a 2 year senior unsecured USD 140 million bonds guaranteed by CIMB Group. The USD 140 million bonds were issued at par on 17 April 2009 and mature on 15 April 2011. The USD140 million bonds bear an interest rate of 3.00% per annum payable annually in arrears on 16 April 2010 and 15 April 2011. The USD 140 million bonds are not listed on any exchange and shall be redeemed at the nominal value on the maturity date. The USD 140 million bonds were fully subscribed by TPG Malaysia Finance, L.P.

27 Irredeemable Convertible Unsecured Loan Stocks**Irredeemable Convertible Unsecured Loan Stocks ("ICULS") with detachable coupons
2001/2011**

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
At 31 December	-	667,000

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**Notes to the Financial Statements
for the financial year ended 31 December 2009(Continued)****27 Irredeemable Convertible Unsecured Loan Stocks (Continued)**

The main features of the 7.5% irredeemable convertible unsecured loan stocks (“ICULS”) 2001/2011 issued in 2001 are as follows:

- (i) Nominal value of the ICULS is RM667,000,000 in denominations or multiples of RM1,000 with detachable coupons.
- (ii) The ICULS bear fixed interest at the rate of 7.5% per annum payable annually in arrears from the date of issue of the ICULS. The detachable coupons represent the interest of the ICULS and as such, bear no further interest.
- (iii) The ICULS are not redeemable for cash except upon the occurrence and declaration of an event of default as provided in the trust deed. All outstanding ICULS will be mandatorily converted by the Bank into new ordinary shares of the Bank on the last day of the tenure of the ICULS.
- (iv) The ICULS shall constitute unsecured and subordinated obligations of the Bank.
- (v) All new ordinary shares issued upon conversion of ICULS will rank pari passu in all respects with the existing ordinary shares of the Bank save and except that they will not be entitled to any dividend, right, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares of the Bank.

On 10 July 2009, the Bank has fully redeemed the RM667 million ICULS via issuance of 667 million new ordinary shares to CIMB Group Sdn Bhd.

28 Other borrowings

	The Group	
	2009	2008
	RM'000	RM'000
Term loan- USD300 million	1,027,500	1,039,350
At 1 January	1,092,750	1,092,750
Exchange difference	(65,250)	(53,400)
	1,027,500	1,039,350

In 2006, CIMB Bank (L) Limited secured a term loan facility amounting to USD300 million which will mature on 22 June 2011. It bears a floating interest rate of LIBOR+0.19% per annum and is guaranteed by CIMB Group. The term loan is secured by a corporate guarantee issued by the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****29 Subordinated obligations**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Subordinated notes - USD200 million	(a)	-	674,250	-	674,250
Subordinated loans - USD100 million	(b)	-	363,486	-	363,486
Subordinated loans - USD200 million	(c)	-	-	751,437	813,336
Subordinated bonds - RM1.5 billion	(d)	1,516,786	1,535,476	1,516,786	1,535,476
Subordinated bonds - RM1.0 billion	(e)	1,000,000	1,000,000	1,000,000	1,000,000
Subordinated bonds - RM1.0 billion	(f)	931,582	1,000,000	931,582	1,000,000
Subordinated notes - USD50 million	(g)	171,424	-	-	-
Subordinated notes - USD40 million	(h)	137,138	-	-	-
Subordinated notes - THB544 million	(i)	55,945	-	-	-
Subordinated notes - THB120 million	(j)	9,660	-	-	-
Subordinated Sukuk - RM300 million	(k)	284,181	-	-	-
		4,106,716	4,573,212	4,199,805	5,386,548

- (a) The USD200 million 10-year subordinated notes (“the USD200 million Notes”) were issued on 30 June 2004. The USD200 million Notes were issued at a price of 99.028% of the principal amount and are callable with step-up in 2009. The USD200 million Notes bear an interest rate of 6.125% per annum payable semi-annually in arrears for the first 5 years, after which interest rate will be reset at a rate per annum equal to the 5-year US Treasury Rate plus 3.925%.

The Bank may at its option, subject to the prior approval of BNM, redeem the USD200 million Notes in whole but not in part, on 30 June 2009 at their principal amount plus accrued interest.

The USD200 million Notes were listed on the Luxembourg Stock Exchange on 30 June 2004 and qualify as Tier-2 Capital for the purpose of the risk weighted capital ratio (‘RWCR’) computation.

The Bank has fully redeemed the USD200 million Notes on 30 June 2009 upon obtaining approval from BNM.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****29 Subordinated obligations (Continued)**

- (b) On 12 June 2006, the Bank obtained a USD100 million subordinated loan due on 2014 callable with step-up in 2009 from CIMB Investment Bank Berhad. The loan bears interest at the rate of 5% per annum from, and including 12 June 2006 to, but excluding 15 October 2008 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.7%. The interest rate is payable semi-annually in arrears on 15 April and 15 October in each year, commencing on 12 June 2006. The USD100 million subordinated loan qualifies as Tier-2 Capital for the purpose of the RWCR computation.

The Bank has undertaken fair value hedge on the foreign exchange risk and interest rate risk of the USD100 million subordinated loan using interest rate swaps and net investment hedge of CIMB Bank (L) Limited.

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Subordinated loans, at cost	-	367,850	-	367,850
Fair value changes arising from fair value hedges	-	17,806	-	17,806
Foreign exchange translations	-	(22,170)	-	(22,170)
	<u>-</u>	<u>363,486</u>	<u>-</u>	<u>363,486</u>

The fair value loss of interest rate swaps at 31 December 2009 were RMNil (2008: RM2,165,621).

The Bank has fully redeemed the USD100 million subordinated loans on 15 April 2009 upon obtaining approval from BNM.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****29 Subordinated obligations (Continued)**

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

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

	The Bank	
	2009	2008
	RM'000	RM'000
Subordinated loans, at cost	728,250	728,250
Fair value changes arising from fair value hedges	73,449	129,846
Foreign exchange translations	(50,262)	(44,760)
	751,437	813,336

The fair values of interest rate swaps as at 31 December 2009 were RM78,314,282 (2008: RM127,438,641).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****29 Subordinated obligations (Continued)**

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

The 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.

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

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
Subordinated bonds, at cost	600,000	600,000
Fair value changes arising from fair value hedges	16,786	35,476
	616,786	635,476

The fair value of interest rate swaps as at 31 December 2009 was RM31,680,114 (2008: RM46,890,284)

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****29 Subordinated obligations (Continued)**

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

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

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

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

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

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

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
Subordinated bonds, at cost	800,000	-
Fair value changes arising from fair value hedges	(68,418)	-
	731,582	-

The fair value loss of interest rate swaps as at 31 December 2009 was RM71,803,319 (2008: RMNil)

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

29 Subordinated obligations (Continued)

- (g) 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.

The USD50 million Notes will mature on 17 July 2016 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

- (h) 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

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

29 Subordinated obligations (Continued)

(i) 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”) has been recalled as FIDF is of the opinion that CIMB Thai Bank has no obligations in respect to the related liabilities. However, CIMB Thai Bank has yet to return the promissory notes to FIDF in order to retain its right to claim compensation from FIDF should CIMB Thai Bank need to undertake any responsibility for any obligations in the future.

(j) On 31 August 2009, BT Securities Company Limited, a subsidiary of CIMB Thai Bank, issued 120,000 unit 5-year Unsecured Zero-Coupon Subordinated Debentures (“the THB120 million Notes”) at a price of THB783.5262 per unit. The THB120 million Notes bear no interest.

The THB120 million Notes will mature on 31 August 2014.

(k) The RM300 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 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.

The RM300 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

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for the financial year ended 31 December 2009 (Continued)

30 Redeemable preference shares (Continued)

The Bank paid a dividend of RM29.74 million on the RM1.3 billion RPS via bonus shares capitalised from retained profits. Arising from this, on 30 January 2008, the Bank issued 2,974,009,486 RPS of nominal value RM0.01 each to the Bank's minority shareholders and to CIMB Group at an issue price of RM1.00 each, which was approved by the shareholders via an Extraordinary General Meeting on the same date.

In accordance with FRS 132 - Financial Instruments: Disclosure and Presentation, the RPS is recognised as an equity instrument in the Financial Statements. The main features of the RPS are as follows:

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****31 Ordinary share capital**

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	<u>7,000,000</u>	<u>7,000,000</u>
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	2,974,009	2,974,009
Issued during the year (Note 49(f))	123,457	-
Conversion of ICULS (Note 49(g))	667,000	-
At 31 December	<u>3,764,466</u>	<u>2,974,009</u>

32 Perpetual preference shares

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
Authorised		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	<u>500,000</u>	<u>500,000</u>
Issued and fully paid		
Perpetual preference shares of RM1.00 each:		
At 1 January/31 December	<u>200,000</u>	<u>200,000</u>

The main features of the PPS are as follows:

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

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

33 Reserves

- (a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.
- (b) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). During the year, the Bank has 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 2009, the Bank has sufficient credit in the Section 108 balance to pay franked dividends and sufficient tax exempt account balances to pay tax exempt dividends out of its entire retained earnings.
- (c) Currency translation differences have arisen from translation of net assets of CIMB Thai Bank, Labuan offshore banking subsidiaries and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (d) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the 'pooling-of-interests'/merger accounting method in financial year 2006.
- (e) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****33 Reserves (Continued)**

(f) Movement of the revaluation reserve of available-for-sale securities is as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	131,117	98,644	81,632	55,458
Net gain/(loss) from change in fair value	60,607	116,701	(17,328)	137,550
Net loss transferred to income statement on disposal and impairment	(117,092)	(108,326)	(47,830)	(103,283)
Deferred taxation	17,427	(8,069)	18,061	(8,093)
Acquisition of associate	-	32,167	-	-
Net change in available-for-sale securities	(39,058)	32,473	(47,097)	26,174
	92,059	131,117	34,535	81,632

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

34 Share premium

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Relating to				
- Ordinary shares	5,033,622	4,157,074	5,033,622	4,157,074
At 1 January	4,157,074	4,157,074	4,157,074	4,157,074
Issued during the year	876,548	-	876,548	-
At 31 December	5,033,622	4,157,074	5,033,622	4,157,074

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****35 Interest income**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income other than recoveries	5,275,275	5,142,021	4,451,354	4,810,704
- recoveries from non-performing loans and advances	240,700	376,522	231,055	375,561
- recoveries from NPL sale	-	5,541	-	5,541
Money at call and deposit with financial institutions	295,361	833,859	396,531	878,937
Securities purchased under resale agreement	111,861	124,891	69,898	124,891
Securities held for trading	143,404	505,221	130,836	401,708
Available-for-sale securities	313,038	221,779	287,388	219,603
Held-to-maturity securities	606,598	189,912	442,517	165,422
Others	255	3,043	44	313
	6,986,492	7,402,789	6,009,623	6,982,680
Net accretion of discount less amortisation of premium	131,747	133,081	110,130	141,766
Net interest suspended	(159,691)	(194,648)	(141,970)	(189,006)
	6,958,548	7,341,222	5,977,783	6,935,440

36 Interest expense

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	124,744	357,062	105,627	346,694
Deposits from other customers	2,098,004	2,663,475	1,817,620	2,506,151
Obligation on securities sold under repurchase agreements	947	9,269	45	1,379
Loans sold to Cagamas	26,575	60,376	26,575	60,376
Negotiable certificates of deposits	133,456	225,602	133,084	225,602
ICULS	71,855	50,025	71,855	50,025
Redeemable preference shares	44,140	87,015	-	42,875
Subordinated obligations	227,270	171,425	239,706	215,565
Others	2,648	843	-	-
	2,729,639	3,625,092	2,394,512	3,448,667

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****37 Non-interest income**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fee and commission income				
Commissions	144,367	164,224	135,592	150,461
Fee on loans and advances	351,861	301,840	299,379	284,477
Service charges and fees	199,045	157,816	156,914	146,206
Guarantee fees	56,775	47,904	48,492	47,686
Other fee income	261,413	218,027	231,406	227,181
	1,013,461	889,811	871,783	856,011
Gross dividend income from:				
<u>In Malaysia</u>				
Subsidiaries	-	-	178,341	74,985
Securities held for trading	15,035	29,500	14,961	29,458
Available-for-sale securities	11,431	21,676	11,431	19,970
Held-to-maturity securities	-	58	-	-
	26,466	51,234	204,733	124,413
<u>Outside Malaysia</u>				
Securities held for trading	22	-	-	-
Available-for-sale securities	16,177	-	-	-
	16,199	-	-	-
Net gain/(loss) arising from securities held for trading				
- realised	124,048	(36,587)	115,824	6,120
- unrealised	122,892	(166,791)	95,364	(80,659)
	246,940	(203,378)	211,188	(74,539)
Net loss arising from hedging derivatives	(5,132)	(5,891)	(8,162)	(5,891)
Net gain/(loss) arising from derivative financial instruments				
- realised	502,997	59,980	536,481	49,757
- unrealised	(339,495)	112,452	(337,782)	129,712
	163,502	172,432	198,699	179,469

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****37 Non-interest income (Continued)**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net gain from sale of available-for-sale securities	117,092	108,326	47,830	103,283
Net gain from sale of held to maturity securities	24,505	4,089	2,790	4,089
Brokerage income	15,839	-	-	-
Other non-interest income				
Foreign exchange gain	237,807	274,875	194,487	292,827
Rental income	17,481	15,662	10,708	10,996
Gain on disposal of property, plant and equipment	20,080	6,393	24,484	5,076
(Loss)/gain on disposal of foreclosed properties	(8,120)	2,520	-	2,520
Gain on disposal of leased assets	250	244	-	-
(Loss)/gain on disposal of subsidiaries	-	(2,669)	-	23,693
Gain on disposal of certain assets and liabilities of subsidiary	30,000	-	-	-
Gain on disposal of associate	-	2,904	-	-
Gain from insurance business	12,403	-	-	-
Loss on revaluation of investment properties	(3,678)	(2,141)	(3,300)	(2,141)
Capital gain from capital repayment of subsidiary	-	-	-	248,700
Others	72,873	61,362	49,172	58,531
	379,096	359,150	275,551	640,202
	1,997,968	1,375,773	1,804,412	1,827,037

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****38 Overheads**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel costs				
- Salaries, allowances and bonuses	1,349,982	872,925	1,074,749	783,348
- Pension cost (defined contribution plan)	125,023	102,658	115,338	100,573
- Pension cost (defined benefit plan) (Note 25(b)(ii))	28,695	943	19,834	943
- Termination benefits	(748)	405	(405)	405
- Overtime	20,355	32,240	13,816	26,298
- Staff incentives and other staff payments	115,687	160,995	102,863	130,545
- Medical expenses	46,088	36,446	41,524	34,266
- Others	137,663	69,967	51,640	52,578
	1,822,745	1,276,579	1,419,359	1,128,956
Establishment costs				
- Depreciation of property, plant and equipment	189,924	134,500	142,704	116,860
- Amortisation of prepaid lease payments	1,332	1,057	874	998
- Impairment of prepaid lease payments	427	-	-	-
- Rental	165,960	102,712	125,041	104,292
- Insurance	75,275	16,862	11,883	15,257
- Repairs and maintenance	140,435	129,088	121,150	125,374
- Outsourced services	145,176	111,455	246,524	225,612
- Security expenses	77,257	55,729	85,833	69,656
- Utility expenses	45,775	31,247	36,094	27,707
- Others	82,717	73,378	41,610	48,985
	924,278	656,028	811,713	734,741
Marketing expenses				
- Sales commission	44,362	26,619	3,226	17,814
- Advertisement	155,928	136,103	139,896	119,761
- Legal fees reversed/made	(8,449)	32,693	(8,449)	32,693
- Others	22,467	11,742	9,631	6,380
	214,308	207,157	144,304	176,648
Administration and general expenses				
- Communication	41,113	39,268	33,759	36,766
- Consultancy and professional fees	55,054	40,613	47,786	37,837
- Legal expenses	63,588	52,923	56,662	51,766
- Stationery	51,169	55,585	40,029	50,812
- Merchant expenses	93,924	85,993	93,924	85,993
- Amortisation of intangible assets	117,971	111,371	103,054	104,346
- Impairment of intangible assets	1,955	-	-	-
- Postages	36,593	22,465	32,732	21,616
- Administrative travelling and vehicle expenses	25,234	20,913	16,713	19,947
- Incidental expenses on banking operations	110,701	84,133	80,412	77,344
- Others	155,599	44,411	94,284	25,884
	752,901	557,675	599,355	512,311
	3,714,232	2,697,439	2,974,731	2,552,656

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****38 Overheads (Continued)**

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (excluding benefits-in-kind) (Note 42)	3,505	3,700	3,177	3,282
Hire of equipment	4,712	4,166	4,160	3,626
Lease rental	1,618	4,476	1,618	4,390
Auditors' remuneration				
- statutory audit (PwC Malaysia)	1,795	1,794	1,423	1,380
- statutory audit (other member firms of PwC International Limited)	423	362	416	362
- others (PwC Malaysia)	2,079	2,558	1,291	2,413
- others (other member firms of PwC International Limited)	421	1,481	121	1,481
Property, plant and equipment written-off	4,273	364	4,226	258

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****39 Allowances for losses on loans, advances and financing**

During the financial year, the Group and the Bank have evaluated their portfolio of non-performing loans, advances and financing that have been in default and that remained uncollected for more than 7 years and also those non-performing loans, advances and financing in default for more than 5 but less than 7 years. For loans, advances and financing in default for more than 7 years, 20% of the realisable value of assets held has been assigned as the value of collateral with effect from 1 January 2009, as allowed by BNM. In prior years, no value was assigned as the realisable value of collateral. For loans, advances and financing which are in default for more than 5 but less than 7 years, 50% of the realisable value of assets held has been assigned as the value of collateral. The effect of this exercise resulted in specific allowances of RM104,310,083 made for the Group (2008: RM186,537,987) and RM98,341,650 (2008: RM172,843,102) made for the Bank during the financial year.

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing				
(a) Specific allowance				
- made during the financial year	1,688,817	1,508,387	1,311,706	1,364,169
- written back	(537,217)	(718,893)	(445,862)	(608,735)
- written back from NPL sale	-	(61,099)	-	(60,416)
	(537,217)	(779,992)	(445,862)	(669,151)
(b) General allowance				
- (written back)/made during the financial year	(120,118)	229,830	(189,482)	217,803
Bad debts on loans and financing				
- recovered	(366,849)	(330,420)	(287,989)	(318,407)
- recovered from NPL sale	-	(26,276)	-	(25,594)
- written off	15,601	1,185	12,113	913
	680,234	602,714	400,486	569,733

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****40 Allowance for/(write-back of) impairment losses**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Securities held for trading				
- made during the financial year	-	10,000	-	10,000
Available-for-sale securities				
- made during the financial year	1,592	19,258	-	17,883
- written back during the financial year	(17,767)	(106,703)	(17,767)	(106,703)
	(16,175)	(87,445)	(17,767)	(88,820)
Held-to-maturity securities				
- made during the financial year	53,954	32,282	46,825	28,965
- written back during the financial year	(29,248)	(1,318)	(6,867)	-
	24,706	30,964	39,958	28,965
Goodwill				
- made during the financial year	4,000	-	39,000	37,000
Subsidiaries				
- made during the financial year	-	-	-	21,178
	12,531	(46,481)	61,191	8,323

During the financial year, the Bank impaired the goodwill allocated to BHLB Trustee amounting to RM4 million and goodwill allocated to SIBB amounting to RM35 million (see Note 55(b)(i)). The goodwill impaired in 2008 arose from SBB Securities which was disposed during the financial year.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

41 Significant related party transactions and balances

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

Related parties	Relationship
CIMB Group Holdings Berhad (formerly known as Bumiputra-Commerce Holdings Berhad)	Ultimate holding company
CIMB Group Sdn Bhd	Holding company
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
CIMB Investment Bank Berhad	Subsidiary of holding company
SBB Berhad	Subsidiary of ultimate holding company
PT Bank CIMB Niaga Tbk and Group	Subsidiary of holding company
Proton Commerce Sdn Bhd	Jointly controlled entity
Commerce International Group Berhad and Group	Subsidiary of holding company
Commerce Asset Ventures Sdn Bhd and Group	Subsidiary of holding company
Commerce Asset Realty Sdn Bhd	Subsidiary of ultimate holding company
Commerce Asset Nominees Sdn Bhd	Subsidiary of ultimate holding company
Commerce Volantia Sdn Bhd	Subsidiary of ultimate holding company
Commerce MGI Sdn Bhd	Subsidiary of ultimate holding company
Commerce Capital (Labuan) Ltd	Subsidiary of ultimate holding company
Key management personnel	See below

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****41 Significant related party transactions and balances (Continued)**

(b) Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on commercial terms and at market rates.

	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
2009				
Income				
Interest on deposits and placements with financial institutions	81,170	107,683	25,755	-
Interest on loans, advances and financing	-	18,282	-	130
Others	75	64,499	-	-
Expenditure				
Interest on deposits from customers and securities sold under repurchase agreement	11,177	-	192	99
Interest on deposits and placements of banks and other financial institutions	-	17,140	33,614	-
Interest on ICULS	25,902	-	-	-
Rental of premises	1,485	-	-	-
Others	75	176,552	17	-
	<hr/>	<hr/>	<hr/>	<hr/>
2008				
Income				
Interest on deposits and placements with financial institutions	82,716	85,498	37,955	-
Interest on loans, advances and financing	-	9,312	-	20
Others	-	39,795	-	-
Expenditure				
Interest on deposits from customers and securities sold under repurchase agreement	12,156	-	-	611
Interest on deposits and placements of banks and other financial institutions	-	76,987	51,811	-
Interest on ICULS	48,760	-	-	-
Others	-	192,605	4	-
	<hr/>	<hr/>	<hr/>	<hr/>

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****41 Significant related party transactions and balances (Continued)**

(c) Related party balances

	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
2009				
Amounts due from				
Current accounts, deposits and placements with banks and other financial institutions	-	7,749,495	2,668,648	-
Loans, advances and financing	1,875,131	655,456	45,113	4,265
Derivatives	-	74,306	-	-
Others	83	168,384	16,861	-
Amounts due to				
Deposits from customers and securities sold under repurchase agreement	35,597	112,375	3,910,140	18,083
Deposits and placements of banks and other financial institutions	622,424	4,540,545	1,044,799	-
Derivatives	85,243	33,587	-	-
Subordinated obligations	-	-	60,347	-
Others	103,744	209,913	413,941	12
Commitment and contingencies				
Foreign exchange related contracts	-	241,387	-	-
Interest rate related contracts	-	1,071,858	1,973	-
2008				
Amounts due from				
Current accounts, deposits and placements with banks and other financial institutions	-	3,586,578	1,423,385	-
Loans, advances and financing	1,900,000	186,659	45,157	545
Others	239,061	111,849	1,158	-
Amounts due to				
Deposits from customers and securities sold under repurchase agreement	301,477	141,743	77,057	31,923
Deposits and placements of banks and other financial institutions	99,700	2,932,102	2,079,400	-
Subordinated obligations	-	-	345,680	-
ICULS	667,000	-	-	-
Others	16	25,732	5,250	66
Commitment and contingencies				
Interest rate swap	-	802,032	-	-

Other related party balances are unsecured, non-interest bearing and has no fixed repayment terms.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****41 Significant related party transactions and balances (Continued)**

(c) Related party balances (continued)

Other than the disclosure above, during the financial year, CIMB Investment Bank had transferred their investment in CIMB Principal Institutional Bond Fund amounting to RM583,505,000 to the Bank.

(d) Key management personnel

Key management compensation

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	28,879	24,938	20,426	23,513
	Unit	Unit	Unit	Unit
Share options balance of ultimate holding company	14,636,200	21,802,126	10,890,000	21,552,398

Included in the above is the Executive Directors' compensation which is disclosed in Note 43. The share options are granted on the same terms and condition as those offered to other employees of the Group and the Bank.

There were no loans, advances and financing granted to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in 2009 and 2008 for loans, advances and financing made to the key management personnel.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****41 Significant related party transactions and balances (Continued)****(e) Management Equity Scheme (“MES”)**

The MES were granted to eligible senior management of the Bank as part of the performance linked compensation scheme by a substantial shareholder of CIMB Group. The scheme was initially launched in 1 March 2004 at CIMB Group level and in November 2007, both the Nomination and Remuneration Committee of CIMB Group approved amendments to the terms which provides for the inclusion of the senior management of CIMB Group in the MES.

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

In December 2008, the substantial shareholder of CIMB Group approved the extension of the MES Scheme from 28 February 2009 to 28 February 2012. The MES will continue to be in force until 28 February 2012, after which the voting rights of unexercised balances will remain with the substantial shareholder of CIMB Group.

All options have the same reference price which is at RM3.48 each. The weighted average remaining contractual life is 2.2 years.

	The Group		The Bank	
	2009	2008	2009	2008
	'000	'000	'000	'000
Number of options:				
- Granted during the financial year (units)	824	800	770	650
- As at 31 December (units)	1,201	1,201	386	1,021

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****41 Significant related party transactions and balances (Continued)**

(f) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines in Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties	6,921,854	5,862,475	6,508,435	5,241,829
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4.7%	4.5%	5.2%	4.7%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.0%	0.0%	0.0%	0.0%

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****42 Directors' remuneration**

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

Non-Executive Directors

Tan Sri Dato' Seri Haidar bin Mohamed Nor
 Dato' Sri Mohamed Nazir bin Abdul Razak
 Tan Sri G.K. Rama Iyer
 Dato' Zainal Abidin bin Putih
 Dato' Seri Yeap Leong Huat
 Dato' Dr. Mohamad Zawawi bin Ismail
 Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
 Dato' Mohd Shukri bin Hussin

Executive Directors

Tunku Dato' Ahmad Burhanuddin (resigned on 30 September 2009)
 Dato' Dr. Gan Wee Beng
 Sulaiman bin Mohd Tahir (appointed on 1 October 2009)

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- Salary and other remuneration	1,353	1,332	1,353	1,332
- Bonus	668	864	668	864
- Benefits-in-kind	168	75	168	75
Non-Executive Directors				
- Fees	294	309	204	192
- Other remuneration	1,190	1,195	952	894
- Benefits-in-kind	51	73	42	44
	3,724	3,848	3,387	3,401

Consistent with the practice for certain key personnel, the Directors' bonus for financial year 2009 will be paid in tranches, spread over financial years 2010 and 2011 with the final tranche to be paid out in the first quarter of financial year 2011, after certain key financial performance indicators for the Group in respect of the financial year 2010 has been met. A similar condition is also imposed on the bonus for financial year 2009 of certain key personnel.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****42 Directors' remuneration (Continued)**

The functions and responsibilities of the CEO are carried out on a Group basis.

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

	The Group		The Bank	
	2009	2008	2009	2008
	Number of directors	Number of directors	Number of directors	Number of directors
Executive Directors				
RM50,001 – RM200,000	1	-	1	-
RM450,001 – RM700,000	1	-	1	-
RM700,001 – RM750,000	-	1	-	1
RM750,001 – RM1,500,000	1	-	1	-
RM1,500,001 – RM2,500,000	-	1	-	1

	The Group		The Bank	
	2009	2008	2009	2008
	Number of directors	Number of directors	Number of directors	Number of directors
Non-Executive Directors				
RM50,000 and below	2	2	2	2
RM100,001 – RM150,000	1	1	2	2
RM150,001 – RM200,000	2	1	2	2
RM200,001 – RM250,000	1	2	1	1
RM300,001 – RM350,000	1	1	1	1
RM400,001 – RM550,000	1	1	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****43 Taxation and zakat**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	550,008	618,931	476,238	549,934
- Foreign tax	12,617	7,412	6,972	7,412
Deferred taxation (Note 9)	(20,562)	(51,114)	3,328	(47,784)
Over accrual in prior years	(20,331)	(8,383)	(18,542)	(2,902)
	521,732	566,846	467,996	506,660
Zakat	6,421	234	-	-
	528,153	567,080	467,996	506,660

Reconciliation between tax expense and the Malaysian tax rate

Profit before taxation and zakat	2,545,069	2,141,778	1,937,069	2,184,696
Tax calculated at a rate of 25% (2008: 26%)	636,267	556,862	484,267	568,021
Tax effects:				
- different tax rates in Labuan and other countries	(55,011)	(13,261)	16,355	-
- change in tax rates	-	12,457	-	11,664
- expenses not deductible for tax purposes	65,844	64,748	56,516	54,982
- income not subject to tax	(102,635)	(45,577)	(70,600)	(125,105)
- utilisation of previously unrecognised tax losses	(2,402)	-	-	-
- over accrual in prior years	(20,331)	(8,383)	(18,542)	(2,902)
Tax expense	521,732	566,846	467,996	506,660

44 Earnings per share

The basic and fully diluted earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM1,993,868,000 (2008: RM1,572,746,000). For the Bank, the basic and fully diluted earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM1,469,073,000 (2008: RM1,678,036,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 3,703,246,000 (2008: 3,641,009,000) is used for the computation.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****45 Dividends**

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

	2009			2008		
	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000
Dividends recognised as distributions to equity holders:						
<u>Final dividend</u>						
Per redeemable preference shares	-	-	-	13.63	10.09	300,000
<u>Interim special dividend</u>						
Per ordinary shares	-	-	-	2.00	1.48	44,000
Per ordinary shares - tax exempt	-	-	-	2.22	2.22	66,000
Per redeemable preference shares	6.72	5.04	150,000	9.09	6.72	200,000
	6.72	5.04	150,000	26.94	20.51	610,000

The Directors do not recommend the payment of any final dividend for the financial year 31 December 2009.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****46 Lease commitments**

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Within one year	102,814	83,215	101,318	81,438
One year to less than five years	158,406	41,512	152,125	38,995
Five years and more	173,577	1,152	164,693	1,152

47 Capital commitments

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
- authorised and contracted for	65,768	24,269	65,768	24,269
- authorised but not contracted for	647,298	613,028	633,982	613,028
At 31 December	713,066	637,297	699,750	637,297

These capital commitments are for acquisition of property, plant and equipment of RM245,746,000 (2008: RM505,631,000) and for computer software of RM467,320,000 (2008: RM131,666,000).

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

48 Capital adequacy

(a) The capital adequacy ratios of CIMB Bank, CIMB Islamic Bank and CIMB Thai Bank are as follows:

	The Bank*		CIMB Islamic Bank		CIMB Thai Bank**
	2009	2008	2009	2008	2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Tier I capital	14,874,153	11,512,347	690,239	590,060	640,167
Eligible Tier II capital	2,868,642	4,752,839	458,004	75,613	640,167
	17,742,795	16,265,186	1,148,243	665,673	1,280,334
Less:					
Investment in subsidiaries and holding of other banking institution's capital	(2,618,131)	(1,376,978)	-	-	-
Capital base	15,124,664	14,888,208	1,148,243	665,673	1,280,334
Core capital ratio	14.81%	10.75%	6.82%	10.36%	6.00%
Risk-weighted capital ratio	15.06%	13.90%	11.34%	11.69%	11.99%

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****48 Capital adequacy (Continued)**

(b) Components of Tier I and Tier II capitals are as follows:

	The Bank*		CIMB Islamic Bank		CIMB Thai Bank**
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000
Tier I capital					
Paid-up share capital	3,764,466	2,974,009	550,000	550,000	685,791
Perpetual preference shares	200,000	200,000	70,000	70,000	-
Non-innovative Tier I capital	1,000,000	1,000,000	-	-	-
Innovative Tier I capital	1,685,000	1,692,900	-	-	-
Other reserves	12,061,642	9,468,506	250,864	127,122	(45,624)
	18,711,108	15,335,415	870,864	747,122	640,167
Less:					
Deferred tax assets	(281,880)	(263,993)	(44,625)	(21,062)	-
Goodwill	(3,555,075)	(3,559,075)	(136,000)	(136,000)	-
Total Tier I capital	14,874,153	11,512,347	690,239	590,060	640,167
Tier II capital					
ICULS issued	-	667,000	-	-	-
Subordinated notes	1,500,000	2,539,350	300,000	-	568,134
Redeemable preference shares	29,740	29,740	-	-	1,693
Revaluation reserve	-	-	-	-	47,118
General allowance for bad and doubtful debts and financing	1,338,902	1,516,749	158,004	75,613	23,222
Total Eligible Tier II capital	2,868,642	4,752,839	458,004	75,613	640,167
Add/(less):					
(i) Investment in subsidiaries	(2,287,602)	(717,021)	-	-	-
(ii) Investment in joint venture^	(72,608)	(51,564)	-	-	-
(iii) Investment in associate	(245,034)	(595,814)	-	-	-
(iv) Holding of other banking institutions' capital instruments	(12,887)	(12,579)	-	-	-
	15,124,664	14,888,208	1,148,243	665,673	1,280,334

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****48 Capital adequacy (Continued)**

(c) Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Bank *		The Bank *		CIMB Islamic Bank		CIMB Islamic Bank		CIMB Thai Bank**	
	2009	Risk-weighted	2008	Risk-weighted	2009	Risk-weighted	2008	Risk-weighted	2009	Risk-weighted
	Principal RM'000	RM'000	Principal RM'000	RM'000	Principal RM'000	RM'000	Principal RM'000	RM'000	Principal RM'000	RM'000
0%	30,359,481	-	23,692,884	-	6,554,422	-	5,402,401	-	5,174,033	-
10%	24,173	2,417	147,282	14,728	-	-	-	-	-	-
20%	21,909,123	4,381,825	22,637,137	4,527,427	2,070,774	414,155	2,814,340	562,868	822,660	164,532
35%	-	-	-	-	-	-	-	-	1,064,206	372,472
50%	22,437,082	11,218,541	24,013,412	12,006,706	3,068,223	1,534,112	733,413	366,707	358,716	179,358
75%	-	-	-	-	-	-	-	-	1,690,677	1,268,008
100%#	79,804,879	79,804,879	85,765,298	85,765,298	7,628,648	7,628,648	4,458,449	4,458,449	7,181,200	7,181,200
150%	-	-	-	-	-	-	-	-	360,587	540,881
Total risk-weighted assets for credit risks	154,534,738	95,407,662	156,256,013	102,314,159	19,322,067	9,576,915	13,408,603	5,388,024	16,652,079	9,706,451
Risk-weighted assets for market risk	4,834,636	4,834,636	4,629,925	4,629,925	548,828	548,828	308,695	308,695	123,231	123,231
Risk-weighted assets for large exposure risk requirements	193,983	193,983	196,983	196,983	-	-	-	-	848,117	848,117
Total risk-weighted assets	159,563,357	100,436,281	161,082,921	107,141,067	19,870,895	10,125,743	13,717,298	5,696,719	17,623,427	10,677,799

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

** Computation is based on Bank of Thailand requirements

^ In accordance with a circular by Bank Negara Malaysia ("BNM") dated 25 April 2006, the Bank is 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 BNM guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent ('PSIA Guidelines'), the credit and market risks on the assets funded by the PSIA are included in the risk weighted capital ('RWCR') calculation, where a 100% risk weight is assigned.

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

49 Significant events during the financial year

(a) Acquisition of additional equity stake in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited) ("CIMB Thai Bank")

On 13 January 2009, the Bank acquired additional 3.33 billion CIMB Thai Bank Public Company Limited shares representing approximately 49.91% of the total issued and paid-up capital of CIMB Thai Bank, thus making it a subsidiary of the Bank with a total equity holdings of 92.04%. Upon completion of CIMB Thai Bank's subsequent rights issue, the Bank's shareholding in CIMB Thai Bank was raised to 93.15%.

See Note 55(a)(i) for the effects of the acquisition on the financial statements of the Group.

(b) Disposal of certain assets, liabilities and the asset/fund management business of Southern Investment Bank Berhad ("SIBB") to HLG Credit Sdn Bhd ("HLGC"), a 75% indirect subsidiary of Hong Leong Financial Group Berhad ("SIBB Disposal")

The proposed SIBB Disposal has been approved by the Minister of Finance II on 20 May 2008 and the vesting of the certain assets and liabilities to HLGC was completed on 31 January 2009.

See Note 55(b)(i) for the effects of the disposal on the financial statements of the Group.

(c) Acquisition of Bank of Yingkou Co Ltd

On 17 April 2008, CIMB Group entered into a share subscription agreement with Bank of Yingkou Co., Ltd ("BOYK") to acquire 141.2 million new ordinary shares in BOYK for RMB348.8 million cash (RM156.2 million). These shares represent 19.99% equity interest in share capital of BOYK. On 14 May 2008 and 22 December 2008, the Group received approval from Bank Negara Malaysia and China Banking Regulatory Commission respectively for the proposed acquisition.

The proposed acquisition was completed on 17 April 2009.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

49 Significant events during the financial year (Continued)

(d) Issuance of USD140 million senior unsecured guaranteed bonds (“Bonds”) together with the issuance of 5-year warrants (“Warrants”)

On 3 November 2008, CIMB Bank (L) Limited (“CIMB Bank (L)”) and CIMB Group Holdings Berhad (“CIMB Group”) entered into an agreement with TPG Malaysia Finance, L. P. for the proposed issuance by CIMB Bank (L) of up to USD150 million senior unsecured guaranteed bonds (“Bonds”) together with the issuance of 5-year warrants (“Warrants”) by CIMB Group. The Bonds will be guaranteed by CIMB Group in the manner set out in the conditions applicable to the Bonds.

The proposed issuance was completed on 17 April 2009 with the issuance of USD140 million senior unsecured guaranteed bonds and 50,622,413 CIMB Group warrants.

(e) Proposed Tier 2 Subordinated Bonds and Tier 2 Junior Sukuk Programmes

The Bank had on 2 June 2009 obtained the approval from the Securities Commission with regards to the proposed Tier 2 Subordinated Bonds Programme and proposed Tier 2 Junior Sukuk Programme (“Bonds and Sukuk”) with a combined limit of RM5.0 billion (or its foreign currency equivalent) in nominal value. The bonds and Sukuk have not been issued as at 31 December 2009.

(f) Rights issue of up to 297,400,949 new Bank shares

Pursuant to the Board of Directors resolution dated 25 June 2009, approval was granted for the Bank to increase the authorised share capital by way of a non-renounceable rights issue of up to 297,400,949 new Bank shares (“Right Shares”) at an issue price of RM8.10 for each Right Shares to the shareholders of the Bank, whose name appear in the Register of Members of the Bank as at the close of business on 26 June 2009 on a basis of 1 Rights Share for every 10 existing Bank shares held on 26 June 2009.

On 30 June 2009, the Bank issued 123,456,800 new ordinary shares at an issue price of RM8.10 each.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

49 Significant events during the financial year (continued)

(g) Conversion of ICULS

On 10 July 2009, the Bank has fully redeemed the RM667 million ICULS via issuance of 667 million new ordinary shares to CIMBG.

(h) Issuance of up to RM2 billion nominal value Junior Sukuk (“Sukuk”)

CIMB Islamic Bank Berhad (“CIMB Islamic”) had on 15 April 2009 and 22 May 2009, obtained the approval from Bank Negara Malaysia and the Securities Commission for the proposed issuance of up to RM2 billion Tier 2 Junior Sukuk Programme in nominal value.

On 25 September 2009, CIMB Islamic issued RM300 million Sukuk under Syariah principle of Musyarakah. The Junior Sukuk carries a profit rate of 5.85% per annum payable semi annually and are due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter.

(i) Sale of Sathorn Building

On 20 October 2009, CIMB Thai Bank, a 93.15% subsidiary of CIMB Bank had entered into a Sale and Purchase Agreement (“SPA”) for the Sale of Sathorn Building. Pursuant to the SPA, CIMB Thai Bank shall dispose of Sathorn Building for a total cash consideration of approximately THB 1 billion (or approximately RM100 million). The sale was completed on 4 January 2010. As at 31 December 2009, the Sathorn Building has been reclassified to non-current assets held for sale (see Note 56).

(j) Sale of non-performing loans

On 11 November 2009, CIMB Group received approval from the Minister of Finance (“MoF”) for the proposed disposal of part of the Bank’s non-performing loans (“NPLs”) to a special purpose company, Southeast Asia Special Asset Management Berhad (formerly known as Common Forge Berhad) (“SEASAM”).

The Bank disposed a portfolio of mostly legacy NPLs comprising approximately 25,000 accounts with gross loan amount of RM2.6 billion to SEASAM at net book value of RM925 million. SEASAM is a wholly-owned subsidiary of CIMB Group Sdn Bhd.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

49 Significant events during the financial year (continued)

(k) Disposal of Southeast Asia Special Asset Management Berhad (“SEASAM”) to CIMBG

On 1 December 2009, the Bank disposed its 100% equity interest in SEASAM to CIMBG for a cash consideration of RM100.

See Note 55(b)(ii) for the effects of the disposal on the Financial Statements of the Group.

50 Subsequent events after the financial year

There are no significant events subsequent to the financial year ended 31 December 2009.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

51 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) *Impairment of available-for-sale and held-to-maturity securities*

The Group and the Bank follow the guidance of the revised BNM/GP8 in determining when an investment is other than temporarily impaired. This determination requires significant judgement. The Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) *Allowance on loans, advances and financing*

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery 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 J(a) of the Summary of Significant Accounting Policies.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

51 Critical accounting estimates and judgements in applying accounting policies (Continued)

(c) *Goodwill impairment(continued)*

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's and the Bank's cost of capital, which requires exercise of judgement.

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 and the Bank'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 judgment by the Bank's management. At each balance sheet 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 the assets' selling price and its value in use. Net selling price is calculated based by reference to the amount at which the asset could be disposed in a binding agreement in an arms 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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

52 Segment reporting

(i) Primary reporting – business segments

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.

Treasury

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

Corporate and Investment Banking

Corporate and Investment Banking comprise Investment Banking, Corporate Banking, International Banking and Transactional Services, Equity Derivatives and Equity Investment and Trading.

Investment Banking advises on issuance of equity and equity-linked products management services. 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. International Banking and Transactional Services 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 Derivatives 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 Banking

Retail Banking focuses on innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, share financing, credit card and hire purchase), remittance services, deposit collection, private banking and retail equity services.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

52 Segment reporting (Continued)

- (i) Primary reporting – business segments (continued)

Business Banking

Business Banking is responsible for offering products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises (“SMEs”) and mid-sized corporations. Its products include credit facilities (loans, banker’s acceptances, revolving credit, leasing, factoring, hire purchase), remittance services and deposit collection.

Foreign Banking Operations

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

Support and others

Support services comprises all middle and back-office processes and cost centres and other subsidiaries whose results are not material to the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****52 Segment reporting (Continued)****(i) Primary reporting – business segments (continued)**

2009 Group	Corporate and Investment		Retail Banking	Business Banking	Foreign Banking Operations	Support and others	Total
	Treasury	Banking					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income							
- external	(194,088)	1,301,383	2,225,497	424,578	472,069	(530)	4,228,909
- inter-segment	1,088,538	(761,597)	(473,745)	176,082	-	(29,278)	-
	894,450	539,786	1,751,752	600,660	472,069	(29,808)	4,228,909
Islamic banking income	(7,879)	208,769	481,520	33,707	-	-	716,117
Non-interest income	714,740	309,424	591,129	111,023	231,880	39,772	1,997,968
	1,601,311	1,057,979	2,824,401	745,390	703,949	9,964	6,942,994
Overheads	(262,195)	(330,607)	(1,940,740)	(559,546)	(519,510)	(101,634)	(3,714,232)
Profit/(loss) before allowances	1,339,116	727,372	883,661	185,844	184,439	(91,670)	3,228,762
Allowances for losses on loans, advances and financing	-	(289,833)	(309,340)	(1,148)	(74,202)	(5,711)	(680,234)
Allowance for losses on other receivables	-	-	-	-	-	(189)	(189)
Write-back of/(allowances for) impairment losses	4,862	17,767	-	-	(1,592)	(33,568)	(12,531)
Allowance for commitment and contingencies	-	(21,000)	-	-	(199)	-	(21,199)
Segment results	1,343,978	434,306	574,321	184,696	108,446	(131,138)	2,514,609
Share of results of jointly controlled entity	-	-	6,858	-	-	-	6,858
Share of results of associate	-	-	-	-	23,602	-	23,602
Taxation and zakat							(528,153)
Net profit after taxation and zakat							2,016,916

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****52 Segment reporting (Continued)****(i) Primary reporting – business segments (continued)**

2009 Group	Treasury	Corporate and Investment Banking	Retail Banking	Business Banking	Foreign Banking Operations	Support and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	67,953,229	40,601,049	56,552,328	12,152,220	14,597,927	60,910	191,917,663
Unallocated assets							4,099,320
Total assets							196,016,983
Segment liabilities	85,730,642	17,756,591	39,520,360	20,558,739	12,284,084	751,448	176,601,864
Unallocated liabilities							2,524,253
Total liabilities							179,126,117
Other segment items							
Capital expenditure	9,390	6,331	41,038	8,240	40,007	383,963	488,969
Depreciation of property, plant and equipment	2,080	1,015	13,347	9,523	25,536	138,423	189,924
Amortisation of prepaid lease payments	-	-	-	-	332	1,000	1,332
Amortisation of intangible assets	3,004	2,511	10,128	422	8,484	93,422	117,971
Accretion of discount less amortisation of premium	130,180	1,569	-	-	-	(2)	131,747
Investment in jointly controlled entity	-	-	134,559	-	-	-	134,559
Investment in associate	-	-	-	-	268,636	-	268,636

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****52 Segment reporting (Continued)****(i) Primary reporting – business segments (continued)**

2008 Group	Corporate and Investment		Retail	Business	Foreign	Support	Total
	Treasury	Banking	Banking	Banking	Banking	and others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income							
- external	(385,690)	1,285,829	2,310,050	497,495	-	8,446	3,716,130
- inter-segment	951,161	(612,957)	(542,303)	242,187	-	(38,088)	-
	565,471	672,872	1,767,747	739,682	-	(29,642)	3,716,130
Islamic banking income	70,899	67,795	188,569	13,127	-	-	340,390
Non-interest income	260,462	403,048	518,896	131,116	-	62,251	1,375,773
	896,832	1,143,715	2,475,212	883,925	-	32,609	5,432,293
Overheads	(199,174)	(247,919)	(1,653,920)	(510,816)	-	(85,610)	(2,697,439)
Profit/(loss) before allowances	697,658	895,796	821,292	373,109	-	(53,001)	2,734,854
(Allowances for)/write-back of losses on loans, advances and financing	-	(210,889)	(355,671)	(38,749)	-	2,595	(602,714)
Write back of losses on other receivables	3	-	-	-	-	466	469
(Allowances for)/write-back of impairment losses	(46,291)	92,830	-	-	-	(58)	46,481
Segment results	651,370	777,737	465,621	334,360	-	(49,998)	2,179,090
Share of results of jointly controlled entity	-	-	3,253	-	-	-	3,253
Share of results of associate	-	-	-	-	(40,565)	-	(40,565)
Taxation and zakat							(567,080)
Net profit after taxation and zakat							1,574,698
Segment assets	64,453,411	38,086,188	48,067,980	13,337,556	587,280	1,822	164,534,237
Unallocated assets							3,616,757
Total assets							168,150,994
Segment liabilities	84,713,596	15,040,942	32,896,776	18,480,949	-	1,480,340	152,612,603
Unallocated liabilities							2,456,473
Total liabilities							155,069,076
Other segment items							
Capital expenditure	3,515	2,522	16,023	5,616	-	247,056	274,732
Depreciation of property, plant and equipment	1,458	1,031	7,584	10,572	-	113,855	134,500
Amortisation of prepaid lease payments	-	-	-	-	-	1,057	1,057
Amortisation of intangible assets	1,716	1,611	49,817	314	-	57,913	111,371
Accretion of discount less amortisation of premium	132,708	81	-	-	-	292	133,081
Investment in jointly controlled entity	-	-	127,701	-	-	-	127,701
Investment in associate	-	-	-	-	587,280	-	587,280

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****52 Segment reporting (Continued)****(i) Primary reporting – business segments (continued)***Basis of pricing for inter-segment transfers:*

Intersegmental charges are computed on the interest-bearing assets and liabilities of each business segment with rates applied based on the interest yield curve according to the term structure of maturity.

(ii) Secondary reporting – geographic segments

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Singapore, United Kingdom and Hong Kong. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia, no other individual country contributed more than 10% of the net interest income and of total assets.

	2009			
	Net interest income RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
<u>The Group</u>				
Malaysia	3,676,298	172,745,791	157,079,218	416,463
Overseas operations	552,611	23,271,192	22,046,899	72,506
	4,228,909	196,016,983	179,126,117	488,969

	2008			
	Net interest income RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
<u>The Group</u>				
Malaysia	3,628,156	161,895,206	148,665,889	267,668
Overseas operations	87,974	6,255,788	6,403,187	7,064
	3,716,130	168,150,994	155,069,076	274,732

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments

(a) Financial risk management objectives and policies

An effective risk management system is critical for the Group to achieve continued profitability and sustainable growth in shareholder's value, more so in today's globalised, yet inter-linked financial and economic environment.

Risk management is an integral part of the Group's activities and is an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which CIMB Group is able to identify, assess, monitor, manage and report each of the various types of risk is critical to its safety, soundness and profitability. CIMB's risk management function is independent of its operating units and reports to the Board on a regular basis. The Group does not embark on new businesses, introduce new products, engage in new activities or enter into new markets, unless approved by the Group Risk Committee.

Generally, 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;
- Help create shareholder value through proper allocation of risk capital and facilitate development of new business and products;

(b) Enterprise Risk Management and Control Framework

CIMB Group employs the Enterprise Wide Risk Management (EWRM) framework to manage its risk and opportunity effectively. The EWRM framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group, implemented through a number of committees established by the Board of Directors. The framework provides the Board and its management with a tool to anticipate and manage both the existing and potential risk, taking into consideration the changing risk profiles, as dictated by changes in business strategies and regulatory environment and functional activities throughout the year.

The Group employs a Capital-at-Risk (CaR) framework as the common measure of risk across CIMB Group. The CaR framework provides the basis of allocating economic capital within CIMB, to cushion against unexpected losses. CaR can be aggregated, thus allowing measurement of the Group's total risk. It also provides a yardstick for evaluating risk-return relationship in different lines of business. The CaR framework also enables measurement of return of risk-adjusted-capital, to compare profitability across different businesses and for performance measurement in the Group.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(b) Enterprise Risk Management and Control Framework (continued)

A group wide stress test is performed on a semi-annual basis to evaluate the financial impact on the Group in the event of projected adverse economic and financial situations. This process enables the Group to assess the sufficiency of its liquidity surplus and reserves, and whether it could continue to meet its minimum capital requirement under such scenario. Such group wide stress test allows management to gain a better understanding of how portfolios and investments are likely to react to changing economic conditions and how the Group can best prepare for and react to them. In addition, the Group performs ad-hoc stress tests on selected portfolio to evaluate its performance under a given stress scenario.

(c) Risk Management Organisation

At the apex of the Group's risk management structure is the Board Risk Committee (the "BRC"), which comprises exclusively of non-executive Directors of the Bank. In line with best practices, the BRC determines the risk policy objectives for the Group, and assumes responsibility on behalf of the Board for the supervision of risk management. The BRC also decides the yearly allocation of risk capital to support all risks taken by the Group.

The day-to-day responsibility for risk management and control is delegated to the Group Risk Committee (the "GRC"). The GRC, comprises of senior management of the Group, undertakes the oversight function for capital allocation and overall risk limits, in line with the risk appetite determined by the Board of Directors. The GRC is supported by five (5) specialised sub-committees, namely the Group Market Risk Committee, the Credit Risk Committee, the Regional Credit Committee, the Regional Liquidity Risk Committee and the Operational Risk Committee, each addressing one of the following:

- *Market risk*, arising from changes in value of market risk factors such as interest rates, currency exchange rate, credit spreads, equity prices, commodities prices and their associated volatility;
- *Credit risk*, arising from losses due to obligor, market counterparty or issuer failing to perform its contractual obligations to the Group;

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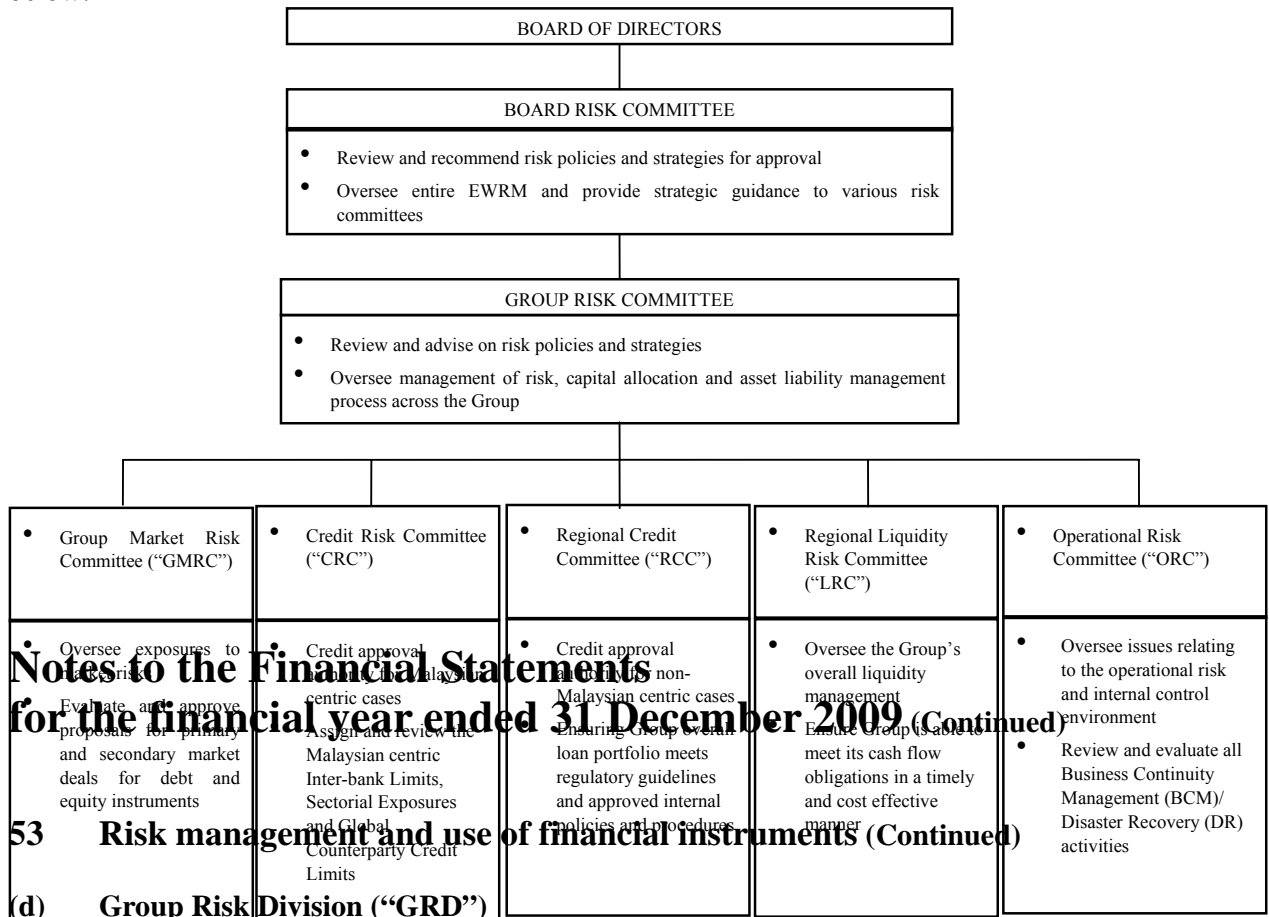
Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(c) Risk Management Organisation (continued)

- *Liquidity risk*, arising from a Group's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses; and
- *Operational risk*, arising from internal processes which may result from inadequacies or failures in processes, controls or projects due to fraud, unauthorised activities, error, omission, inefficiency, systems failures or from external events.

The roles and responsibilities of the committees and sub-committees are set out in the chart below:



The primary oversight body is the Group Risk Division, comprising of Group Risk Management

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(“GRM”), Group Credit (“GC”) and Regional Credit Management (“RCM”), which are independent of business units and assist the Management and the various risk committees in monitoring and controlling the Group’s risk exposures.

The key responsibilities of GRD are to identify, analyse, monitor, review and report the principal risks to which the Group is exposed. Further, it provides the management with timely information and analysis of the risk positions in order for the Management to exercise control over all exposures. It also helps to create shareholder value through proper allocation of risk capital, development of risk-based pricing framework and facilitate development of new business and products.

(e) Group Risk Management (“GRM”)

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

In propagating and ensuring compliance to the Market Risk framework, GRM reviews and analyses treasury trading strategy, positions and activities vis-à-vis changes in the financial market and performs mark-to-market as part of financial valuation. Further, GRM also conducts validation on the risk pricing parameters and models used.

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 relevance to current market conditions and integrity of the ratings.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(f) Group Credit (“GC”)

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

(g) Regional Credit Management (“RCM”)

A new regional credit platform was established towards the second half of 2009 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 CIMB Group level. The platform includes two (2) credit committees, one for smaller-sized exposures of up to SGD10 million and the other for larger regional exposures. All credit proposals submitted to the two (2) credit committees for approval/concurrence are routed through RCM for independent assessment and due recommendation to the credit committees.

(h) Key Areas of Risk Management

1. Credit Risk

Credit and counterparty risk is defined as the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held failing to perform its contractual obligations to the Group.

Credit risk arises primarily from lending activities through loans 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 counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivatives activities, credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. 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 remains the most significant risk to which the Group is exposed. 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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(h) Key Areas of Risk Management (Continued)

1. Credit Risk (Continued)

All credit exposures are subjected to an internal rating, based on a combination of quantitative and qualitative criteria. Adherence to set 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 the industry sector and rating classification.

Credit exposures are evaluated by GC/RCM and are monitored against approved limits on a regular basis. Adherence to and compliance with single customer limit as well as assessing the quality of collateral are approaches adopted to address concentration risk to any large sector/ industry, or to a particular counterparty group or individual.

Following the pro-active measures undertaken by GC to scale down the Group's exposure in several industries/sectors, countries and counterparties that were affected by the 2008 global and the recent Dubai financial meltdown, the Group weathered the market challenges in 2009 well with asset quality remained intact.

2. Market Risk

Market risk is defined as any fluctuation in the value of the portfolio arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk results from trading activities that can arise from customer-related businesses or from proprietary positions. The Group hedges the exposures to market risk by employing varied strategies, including the use of derivative instruments.

CIMB adopts various measures in its risk management process to manage market risk. An accurate and timely valuation of position is critical to providing the Group with its current market exposure. GRM values the exposure using market price or a pricing model where appropriate.

The Group also adopts a value-at-risk ("VAR") approach in the measurement of market risk. Backtesting is performed to validate and reassess the accuracy of the existing VAR model. VAR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Backtesting involves the comparison of the daily model-generated

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VAR

Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(h) Key Areas of Risk Management (Continued)

2. Market Risk (Continued)

forecast against the actual or hypothetical profit or loss data over the corresponding period.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenario, consideration is given to various aspects of the market; for example identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

Policies and procedures governing risk-taking activities translate limits and management triggers to complement the global CaR limit. Limits constitute the key mechanism to control allowable risk taking, and are regularly reviewed in the face of changing business needs, market conditions, and regulatory changes.

Risk Middle Office (“RMO”) within GRM undertakes monitoring and oversight process at Group Treasury and Equity Market & Derivatives trading floor, which includes reviewing and analysing treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

3. Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders' funds 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.

CIMB 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. 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's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis and under adverse market conditions.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(h) Key Areas of Risk Management (Continued)

3. Liquidity Risk (Continued)

The Regional Liquidity Risk Committee meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Head of Group Risk Division. The Asset Liability Management function, which is responsible for the independent monitoring of CIMB's liquidity risk profile, works closely with Group Treasury in its surveillance on market conditions and performs frequent stress testing on liquidity positions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk. The Group maintains large buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective

4. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The existing Operational Risk Management Framework, which is revised periodically to cater for changing business conditions, is designed objectively to monitor and control operational risk effectively leading to a sound and stable operational environment within the CIMB Group. All operational risks, both inherent and anticipated, are properly identified, captured, monitored, mitigated, and reported in a systematic and consistent manner. The Operational Risk Committee (ORC) has oversight responsibility for all Group operational activities conducted on a day-to-day basis. In anticipation of the occurrence of potential operational risks which may impact the Group, ORC is entrusted with the added role to discuss and provide recommendations on forward looking operations matters affecting the financial services industry.

The adoption of the Control Risk Self Assessment (CRSA) and the Self Assessment Review Project (ShARP) are part of CIMB's initiatives to ensure that operational risks within the processes in each business unit are properly identified, analyzed and mitigated on a periodic basis. Relevant Key Risk Indicators (KRI) are continuously being developed and used to track changes that may highlight new risk concerns and potential areas of weaknesses in operational control.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(h) Key Areas of Risk Management (Continued)

4. Operational Risk (Continued)

Each new or varied product and changes to the process flow are subjected to a rigorous risk review through sign-offs from the relevant support units where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners. The Group New Product Development Policy Manual also safeguards and protects the interest of customers through proper regulatory disclosure requirements, the availability of options or choices when the products and services are offered to the public.

CIMB continues to stress the importance of adhering to internal controls and established procedures to deter fraud and to minimize losses due to staff negligence. In order to demonstrate the seriousness of such offences, strict disciplinary actions are instituted against staff concerned. The promotion of a culture within the Group whereby the demand for integrity and honesty is non-negotiable remains the core theme in its operational risk awareness program.

5. Basel II Implementation

BNM has announced a two-phased approach for implementing the standards recommended by the Bank of International Settlements set out in “International Convergence of Capital Measurement and Capital Standards: A Revised Framework” (Basel II) in Malaysia. In the first phase, banking institutions are required to adopt the Standardised Approach for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Rating-Based approach (IRB Approach) beginning from 2010.

BNM has approved the Group’s application for direct migration to IRB. The approach for credit risk will be Advance IRB for retail exposure and Foundation IRB for corporate exposure. Operational risk will be based on Basic Indicator Approach and working towards Standardised Approach in 2010

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(h) Key Areas of Risk Management (Continued)

5. Basel II Implementation (Continued)

A Basel II Steering Committee chaired by the Group CEO has been set up to oversee the implementation initiatives across the Group with the assistance of various sub-committees. Over the last few years, the Group has implemented various initiatives to enhance its risk management standards to meet Basel II requirements. Regular meetings were held with the regulator and on-going validations were carried out by both external consultants and the regulator to ensure the Group is moving towards IRB compliance within the stipulated timeframe.

The Group employs an economic capital allocation framework, whereby capital is allocated to all business units for risk-taking purposes. All major categories of risk are measured. This is in line with the Pillar 2 of the Basel II framework – Supervisory Review Process and also BNM's Internal Capital Adequacy Assessment Process, which requires banks adopting IRB approach to develop a robust risk management framework (methodologies and process) to assess the adequacy of its internal economic capital in relation to the risk profile. The initiatives that were implemented under Basel II further enhanced the use of risk management parameters in the internal economic capital framework.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

53 Risk management and use of financial instruments (Continued)

(i) Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	The Group 2009							Trading book	Total
	Non-trading book						Non-interest sensitive		
	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	22,965,482	-	-	-	-	-	2,057,616	-	25,023,098
Securities purchased under resale agreements	3,181,479	1,074,357	551	4,564	-	-	-	-	4,260,951
Deposits and placements with banks and other financial institutions	-	2,542,206	686,718	137,871	-	-	35,801	-	3,402,596
Securities held for trading	-	-	-	-	-	-	-	13,818,079	13,818,079
Available-for-sale securities	139,386	370,867	79,874	355,194	2,867,686	3,123,327	1,143,985	-	8,080,319
Held-to-maturity securities	2,796	278,869	15,483	181,825	5,473,069	6,923,209	-	-	12,875,251
Derivative financial instruments	-	-	-	2,750	60,302	10,1498	53,643	3,286,769	3,504,962
Loans, advances and financing									
- Performing	58,333,959	10,007,363	1,504,969	1,601,453	17,021,854	25,018,134	150,234	-	113,637,966
- Non-performing	-	-	-	-	-	-	(157,324)	^	(157,324)
Other assets			143,565	85,000	-	-	1,890,585	-	2,119,150
Deferred taxation	-	-	-	-	-	-	301,447	-	301,447
Tax recoverable	-	-	-	-	-	-	2,945	-	2,945
Statutory deposits with central banks	-	-	-	-	-	-	841,857	-	841,857
Investment in jointly controlled entity	-	-	-	-	-	-	134,559	-	134,559
Investment in associate	-	-	-	-	-	-	268,636	-	268,636
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	47,122	-	47,122
Amount due from related companies	-	-	-	-	-	-	998,818	-	998,818
Goodwill	-	-	-	-	-	-	4,923,701	-	4,923,701
Intangible assets	-	-	-	-	-	-	573,416	-	573,416
Prepaid lease payments	-	-	-	-	-	-	16,340	-	16,340
Property, plant and equipment	-	-	-	-	-	-	996,521	-	996,521
Investment properties	-	-	-	-	-	-	120,349	-	120,349
Non current-assets/disposal groups held for sale	-	-	-	-	-	-	226,224	-	226,224
Total assets	84,623,102	14,273,662	2,431,160	2,368,657	25,422,911	35,166,168	14,626,475	17,104,848	196,016,983

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Group 2009							Trading book RM'000	Total RM'000
	Non-trading book						No n-interest sensitive RM'000		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Liabilities									
Deposits from customers	74,696,660	21,395,747	10,178,775	9,232,694	5,060,102	165,037	26,143,330	-	146,872,345
Deposits and placements of banks and other financial institutions	1,670,353	8,929,384	867,977	763,810	1,766,162	72,504	110,756	-	14,180,946
Obligations on securities sold under repurchase agreements	565,097	-	-	-	-	-	-	-	565,097
Derivative financial instruments	-	-	-	-	(963)	158,204	245,482	3,060,215	3,462,938
Bills and acceptances payable	1,337,938	1,820,252	387,880	583	-	-	510,158	-	4,056,811
Amount due to Cagamas Berhad	-	66,666	-	120,463	148,483	-	-	-	335,612
Amount due to related companies	-	-	-	-	-	-	9,710	-	9,710
Other liabilities	-	-	-	-	-	-	3,149,346	-	3,149,346
Provision for taxation and zakat	-	-	-	-	-	-	109,169	-	109,169
Amount due to ultimate holding company	-	-	-	-	-	-	55,439	-	55,439
Other borrowings	1,027,500	-	-	-	-	-	-	-	1,027,500
Subordinated obligations	308,562	-	-	-	1,516,786	2,225,423	55,945	-	4,106,716
Bonds	-	-	-	-	443,051	-	-	-	443,051
Redeemable preference shares	-	-	-	-	-	751,437	-	-	751,437
Total liabilities	79,606,110	32,212,049	11,434,632	10,117,550	8,933,621	3,372,605	30,389,335	3,060,215	179,126,117
Total interest rate sensitivity gap	5,016,992	(17,938,387)	(9,003,472)	(7,748,893)	16,489,290	31,793,563		14,044,633	

^ Includes specific allowances and general allowances of RM4,259,812,000

Notes to the Financial Statements

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for the financial year ended 31 December 2009 (Continued)**54 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Group 2008							Trading book	Total
	Non-trading book				> 1 – 5 years	Over 5 years	Non-interest sensitive		
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	20,114,833	-	-	-	-	-	1,851,529	-	21,966,362
Securities purchased under resale agreements	1,439,221	1,528,549	-	-	-	-	-	-	2,967,770
Deposits and placements with banks and other financial institutions	-	1,793,676	293,813	51,970	-	-	-	-	2,139,459
Securities held for trading	-	-	-	-	-	-	-	9,564,281	9,564,281
Available-for-sale securities	62,599	171,108	165,119	473,516	2,404,158	2,747,504	1,336,186	-	7,360,190
Held-to-maturity securities	79,090	263,527	115,517	290,606	4,520,286	6,324,004	32,940	-	11,625,970
Derivative financial instruments	-	-	-	-	91,752	127,439	21,088	5,095,256	5,335,535
Loans, advances and financing									
- Performing	58,415,137	5,810,968	1,881,841	884,600	9,849,578	17,967,159	195,094	-	95,004,377
- Non-performing	-	-	-	-	-	-	682,769	-	682,769
Other assets	-	-	281,746	20,249	-	-	1,793,576	-	2,095,571
Deferred taxation	-	-	-	-	-	-	304,537	-	304,537
Tax recoverable	-	-	-	-	-	-	248,055	-	248,055
Statutory deposits with central banks	-	-	-	-	-	-	2,723,540	-	2,723,540
Investment in jointly controlled entity	-	-	-	-	-	-	127,701	-	127,701
Investment in associate	-	-	-	-	-	-	587,280	-	587,280
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	278,350	-	278,350
Amount due from related companies	-	-	-	-	-	-	90,926	-	90,926
Goodwill	-	-	-	-	-	-	3,695,075	-	3,695,075
Intangible assets	-	-	-	-	-	-	412,288	-	412,288
Prepaid lease payments	-	-	-	-	-	-	29,618	-	29,618
Property, plant and equipment	-	-	-	-	-	-	728,713	-	728,713
Investment properties	-	-	-	-	-	-	100,175	-	100,175
Non-current-assets/disposal groups held for sale	-	-	-	-	-	-	82,452	-	82,452
Total assets	80,110,880	9,567,828	2,738,036	1,720,941	16,865,774	27,166,106	15,321,892	14,659,537	168,150,994

Notes to the Financial Statements

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for the financial year ended 31 December 2009 (Continued)**53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Group 2008							Trading book RM'000	Total RM'000
	Non-trading book				> 1 – 5 years	Over 5 years	Non-interest sensitive RM'000		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000					
Liabilities									
Deposits from customers	63,172,538	15,047,986	9,228,697	7,059,410	2,655,515	15,866	23,910,963	-	121,090,975
Deposits and placements of banks and other financial institutions	5,294,565	6,149,264	510,163	573,590	2,255,746	365,232	736	-	15,149,296
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	2,166	-	-	202,404	3,279	4,641,186	4,849,035
Bills and acceptances payable	1,243,331	1,276,781	75,689	5,591	-	-	489,781	-	3,091,173
Amount due to Cagamas Berhad	11,524	73,487	298,801	136,845	473,161	-	-	-	993,818
Redeemable asset-backed bonds	-	-	-	-	-	-	-	-	-
Amount due to related companies	-	-	-	-	-	-	15,432	-	15,432
Other liabilities	-	-	-	-	-	-	2,751,252	-	2,751,252
Provision for taxation and zakat	-	-	-	-	-	-	5,698	-	5,698
Irredeemable Convertible Unsecured Loan Stocks	-	-	-	-	667,000	-	-	-	667,000
Other borrowings	1,039,350	-	-	-	-	-	-	-	1,039,350
Subordinated obligations	-	-	1,037,736	-	1,535,476	2,000,000	-	-	4,573,212
Redeemable preference shares	-	-	-	-	-	813,336	-	-	813,336
Liabilities directly associated with non-current assets/disposal groups classified as held for sale	-	-	-	-	-	-	29,499	-	29,499
Total liabilities	70,761,308	22,547,518	11,153,252	7,775,436	7,586,898	3,396,838	27,206,640	4,641,186	155,069,076
Total interest rate sensitivity gap	9,349,572	(12,979,690)	(8,415,216)	(6,054,495)	9,278,876	23,769,268		10,018,351	

^ Includes specific allowances and general allowances of RM4,791,009,000.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Bank 2009								Trading book	Total
	Non-trading book							Non-interest sensitive		
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	RM'000			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets										
Cash and short-term funds	16,074,700	-	-	-	-	-	1,624,991	-	-	17,699,691
Securities purchased under resale agreements	1,777,984	1,074,357	551	4,564	-	-	-	-	-	2,857,456
Deposits and placements with banks and other financial institutions	-	11,254,736	561,438	118,104	-	-	-	-	-	11,934,278
Securities held for trading	-	-	-	-	-	-	-	10,152,185	-	10,152,185
Available-for-sale securities	71,113	110,055	49,723	315,277	2,709,241	2,904,564	364,735	-	-	6,524,708
Held-to-maturity securities	-	6,524	-	150,859	3,647,409	6,897,478	-	-	-	10,702,270
Derivative financial instruments	-	-	-	2,750	60,302	10,1498	24,665	3,014,399	-	3,203,614
Loans, advances and financing										
- Performing	53,871,917	3,467,511	1,133,050	523,272	13,642,468	12,405,102	18,509	-	-	85,061,829
- Non-performing	-	-	-	-	-	-	(605,462)	-	-	(605,462)
Other assets	-	-	143,565	85,000	-	-	1,379,235	-	-	1,607,800
Deferred taxation	-	-	-	-	-	-	281,880	-	-	281,880
Statutory deposits with central banks	-	-	-	-	-	-	661,983	-	-	661,983
Investment in subsidiaries	-	-	-	-	-	-	3,816,500	-	-	3,816,500
Investment in jointly controlled entity	-	-	-	-	-	-	124,448	-	-	124,448
Investment in associate	-	-	-	-	-	-	245,034	-	-	245,034
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	14,846	-	-	14,846
Amount due from subsidiaries	-	-	-	-	-	-	128,064	-	-	128,064
Amount due from related companies	-	-	-	-	-	-	994,989	-	-	994,989
Goodwill	-	-	-	-	-	-	3,555,075	-	-	3,555,075
Intangible assets	-	-	-	-	-	-	512,674	-	-	512,674
Prepaid lease payments	-	-	-	-	-	-	12,511	-	-	12,511
Property, plant and equipment	-	-	-	-	-	-	564,486	-	-	564,486
Investment properties	-	-	-	-	-	-	96,857	-	-	96,857
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	73,902	-	-	73,902
Total assets	71,795,714	15,913,183	1,888,327	1,199,826	20,059,420	22,308,642	13,889,922	13,166,584	-	160,221,618

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for the financial year ended 31 December 2009 (Continued)**53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Bank							Trading book	Total
	2009								
	Non-trading book								
Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	57,598,785	13,216,234	7,067,455	8,019,060	2,782,872	44,187	25,721,318	-	114,449,911
Deposits and placements of banks and other financial institutions	11,082,151	3,802,144	306,342	499,358	1,837,751	583	105,068	-	17,633,397
Derivative financial instruments	-	-	-	-	(963)	129,949	47,858	3,084,277	3,261,121
Bills and acceptances payable	716,643	1,269,956	358,212	583	-	-	480,771	-	2,826,165
Amount due to Cagamas Berhad	-	66,666	-	120,463	148,483	-	-	-	335,612
Amount due to subsidiaries	-	-	-	-	-	-	118,668	-	118,668
Amount due to related company	-	-	-	-	-	-	285	-	285
Other liabilities	-	-	-	-	-	-	2,463,818	-	2,463,818
Provision for taxation	-	-	-	-	-	-	104,395	-	104,395
Subordinated obligations	-	-	-	-	1,516,786	2,683,019	-	-	4,199,805
Total liabilities	69,397,579	18,355,000	7,732,009	8,639,464	6,284,929	2,857,738	29,042,181	3,084,277	145,393,177
Total interest rate sensitivity gap	1,970,009	(2,013,691)	(5,843,682)	(7,439,638)	13,774,491	19,450,904		10,082,307	

^ Includes specific allowances and general allowances of RM2,902,393,000.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Bank 2008							Trading book	Total
	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As sets									
Cash and short-term funds	12,770,875	-	-	-	-	-	1,537,471	-	14,308,346
Securities purchased under resale agreements	1,439,221	1,528,549	-	-	-	-	-	-	2,967,770
Deposits and placements with banks and other financial institutions	2,036,331	2,781,610	44,016	105,953	-	-	-	-	4,967,910
Securities held for trading	-	-	-	-	-	-	-	6,517,399	6,517,399
Available-for-sale securities	57,024	161,090	140,064	416,432	2,102,215	2,518,998	1,107,567	-	6,503,390
Held-to-maturity securities	-	28,717	-	262,773	2,705,032	5,688,687	192	-	8,685,401
Derivative financial instruments	-	-	-	-	91,752	127,439	3,314	4,903,501	5,126,006
Loans, advances and financing									
- Performing	55,596,858	2,773,840	1,562,093	303,425	8,611,820	15,322,327	195,093	-	84,365,456
- Non-performing	-	-	-	-	-	-	556,721	-	556,721
Other assets	-	-	281,745	20,250	-	-	1,631,241	-	1,933,236
Tax recoverable	-	-	-	-	-	-	226,786	-	226,786
Deferred taxation	-	-	-	-	-	-	263,993	-	263,993
Statutory deposits with central banks	-	-	-	-	-	-	2,453,934	-	2,453,934
Investment in subsidiaries	-	-	-	-	-	-	2,245,919	-	2,245,919
Investment in jointly controlled entity	-	-	-	-	-	-	124,448	-	124,448
Investment in associate	-	-	-	-	-	-	595,814	-	595,814
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	246,872	-	246,872
Amount due from subsidiaries	-	-	-	-	-	-	197,618	-	197,618
Amount due from related companies	-	-	-	-	-	-	90,819	-	90,819
Goodwill	-	-	-	-	-	-	3,559,075	-	3,559,075
Intangible assets	-	-	-	-	-	-	400,857	-	400,857
Prepaid lease payments	-	-	-	-	-	-	25,197	-	25,197
Property, plant and equipment	-	-	-	-	-	-	564,047	-	564,047
Investment properties	-	-	-	-	-	-	100,175	-	100,175
No-current assets/disposal groups held for sale	-	-	-	-	-	-	42,712	-	42,712
Total assets	71,900,309	7,273,806	2,027,918	1,108,833	13,510,819	23,657,451	16,169,865	11,420,900	147,069,901

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

	The Bank 2008							Trading book	Total
	← Non-trading book →						Non-interest sensitive		
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years			
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	49,244,727	11,666,198	8,515,750	6,826,036	688,756	-	23,628,793	-	100,570,260
Deposits and placements of banks and other financial institutions	8,090,948	4,315,012	466,150	467,369	3,399,031	365,033	736	-	17,104,279
Derivative financial instruments	-	-	2,166	-	-	202,404	2,842	4,612,945	4,820,357
Bills and acceptances payable	1,243,331	1,276,781	75,689	5,591	-	-	484,523	-	3,085,915
Amount due to Cagamas Berhad	11,524	73,487	298,801	136,845	473,161	-	-	-	993,818
Amount due to subsidiaries	-	-	-	-	-	-	178,140	-	178,140
Amount due to related company	-	-	-	-	-	-	9,398	-	9,398
Other liabilities	-	-	-	-	-	-	2,400,962	-	2,400,962
Irredeemable Convertible Unsecured Loan Stocks	-	-	-	-	667,000	-	-	-	667,000
Subordinated obligations	-	-	1,037,736	-	1,535,476	2,813,336	-	-	5,386,548
Total liabilities	58,590,530	17,331,478	10,396,292	7,435,841	6,763,424	3,380,773	26,705,394	4,612,945	135,216,677
Total interest rate sensitivity gap	13,309,779	(10,057,672)	(8,368,374)	(6,327,008)	6,747,395	20,276,678	-	6,807,955	-

^ Includes specific allowances and general allowances of RM4,587,087,000

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(i) Interest rate risk (continued)**

The tables below summarises the effective average interest rates by major currencies for each class of financial asset and financial liability:

	The Group					The Bank			
	2009			2008		2009		2008	
	RM %	USD %	THB %	RM %	USD %	RM %	USD %	RM %	USD %
Financial assets									
Cash and short-term funds	2.02	0.34	1.12	3.20	1.08	2.05	0.26	3.28	1.10
Securities purchased under resale agreements	2.06	-	1.21	2.83	-	2.06	-	2.83	-
Deposits and placements with banks and other financial institutions	2.07	0.70	0.55	3.38	1.93	2.09	0.96	3.54	2.07
Securities held for trading	2.57	4.10	-	3.63	5.46	2.68	2.11	3.70	2.59
Available-for-sale securities	4.99	2.00	2.21	5.12	-	5.03	-	5.22	-
Held-to-maturity securities	5.42	5.58	4.15	5.64	7.26	5.46	-	5.67	-
Loans, advances and financing	4.93	3.09	7.46	5.72	3.92	4.82	-	5.71	-
Other assets	4.73	3.50	-	5.93	-	4.73	-	5.93	-
Financial liabilities									
Deposits from customers	2.15	0.34	5.09	3.22	0.56	2.27	0.35	3.36	0.62
Deposits and placements of banks and other financial institutions	2.19	0.38	3.30	3.20	1.43	2.05	0.33	2.89	1.54
Obligations on securities sold under repurchase agreements	-	-	1.22	-	-	-	-	-	-
Bills and acceptances payable	2.25	-	1.27	3.72	-	2.25	-	3.73	-
Amount due to Cagamas Berhad	4.68	-	-	4.74	-	4.68	-	4.74	-
ICULS	-	-	-	7.50	-	-	-	7.50	-
Other borrowings	-	0.86	-	-	2.19	-	-	-	-
Subordinated obligations	5.58	-	-	6.07	5.61	6.04	6.62	6.07	6.10
Bonds	-	3.00	-	-	-	-	-	-	-
Redeemable preference shares	-	6.62	-	-	6.62	-	-	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(j) Credit risk**

The following tables set out the credit risk concentrations of financial instruments:

	The Group 2009									
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Securities held for trading	Available-for- sale securities	Held-to- maturity securities	Derivative financial instruments	Loans, advances and financing	Total on- balance sheet	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	102,318	108,613	259,439	997	2,401,615	2,872,982	2,132	54,867
Mining and quarrying	-	-	31	-	-	83,577	325,066	408,674	27,830	180,125
Manufacturing	-	-	21,664	306,651	70,420	952	8,363,785	8,763,472	205,633	699,225
Electricity, gas and water	-	-	279,870	1,186,533	1,389,802	275	1,745,547	4,602,027	57,662	204,306
Construction	-	-	146,399	863,872	394,791	5,011	4,369,371	5,779,444	32,815	1,251,552
Real estate	-	-	127,029	155,598	626,911	19,371	11,110,649	12,039,558	50	95,911
Purchase of landed property										
- Residential	-	-	-	459	-	-	28,568,459	28,568,918	-	20,902
- Non-residential	-	-	-	-	-	-	7,011,306	7,011,306	-	-
General commerce	-	-	-	20,285	-	1,771	2,691,274	2,713,330	5,895	1,026,051
Transport, storage and communications	-	-	2,833,111	1,470,634	3,383,855	109,594	6,841,642	14,638,836	361,699	209,122
Finance, insurance and business services	14,046,630	3,975,716	2,475,651	1,617,729	3,291,777	3,274,017	4,712,070	33,393,590	6,323,523	531,539
Government and government agencies	14,379,064	285,235	7,263,255	1,804,949	3,312,548	775	-	27,045,826	7,606	-
Purchase of securities	-	-	-	124	-	-	3,359,987	3,360,111	3,600	134,795
Purchase of transport vehicles	-	-	-	-	-	-	11,475,887	11,475,887	-	-
Consumption credit	-	-	33,930	55,632	-	-	7,483,862	7,573,424	-	461
Others	-	-	64,593	112,365	145,438	8,622	14,584,662	14,915,680	5,920	423,030
	28,425,694	4,260,951	13,347,851	# 7,703,444	* 12,874,981	∞ 3,504,962	115,045,182	^ 185,163,065	7,034,365	4,831,886

Exclude equity instruments amounting to RM470,228,000

* Exclude equity instruments amounting to RM376,875,000

∞ Exclude equity instruments amounting to RM270,000

^ Gross loans, advances and financing after specific allowance but before general allowance of RM1,564,540,000

Equity instruments are not subject to credit risk due to their nature which are short-term, lower credit risk, easily disposable and has no maturity period.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(j) Credit risk (continued)**

The following tables set out the credit risk concentrations of financial instruments:

	The Group 2008									
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Securities held for trading	Available-for- sale securities	Held-to- maturity securities	Derivative financial instruments	Loans, advances and financing	Total on- balance sheet	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	133,259	128,408	284,836	340	2,206,557	2,753,400	8,701	320,868
Mining and quarrying	-	-	-	-	-	-	420,764	420,764	3,125	209,963
Manufacturing	-	-	5,471	123,656	110,126	61,617	7,733,217	8,034,087	244,518	689,813
Electricity, gas and water	-	-	229,560	1,443,606	1,567,379	70,669	945,268	3,956,482	96,108	101,168
Construction	-	-	55,016	552,039	206,003	38	5,180,529	5,993,625	148,217	1,417,506
Real estate	-	-	33,352	232,087	930,668	-	10,133,304	11,509,411	10,982	417,885
Purchase of landed property										
- Residential	-	-	-	-	-	-	18,546,181	18,546,181	-	10,150
- Non-residential	-	-	-	-	-	429	5,685,054	5,685,483	2,640	6,295
General commerce	-	-	-	28,626	46,809	4,019	1,401,051	1,480,505	105,024	1,363,631
Transport, storage and communications	-	-	607,419	1,553,278	4,072,739	445,460	7,716,965	14,395,861	222,635	783,366
Finance, insurance and business services	18,453,115	14,256	5,121,901	1,624,581	1,543,536	4,649,101	2,557,703	33,964,193	5,936,909	1,468,798
Government and government agencies	5,652,706	2,953,514	3,182,136	1,281,068	2,841,809	5,336	-	15,916,569	14,207	43,203
Purchase of securities	-	-	-	15,580	-	-	7,160,336	7,175,916	4,500	155,903
Purchase of transport vehicles	-	-	-	-	-	-	11,026,546	11,026,546	946	-
Consumption credit	-	-	-	-	-	-	10,171,035	10,171,035	-	14,678
Others	-	-	53,308	296,209	21,603	98,526	6,229,134	6,698,780	34,369	2,757,144
	24,105,821	2,967,770	9,421,427 [#]	6,979,138 [*]	11,625,508 ^α	5,335,535	97,293,644 ^Λ	157,728,837	6,860,971	9,760,371

[#] Exclude equity instruments amounting to RM142,859,000^{*} Exclude equity instruments amounting to RM381,051,000^α Exclude equity instruments amounting to RM462,000^Λ Gross loans, advances and financing after specific allowance but before general allowance RM1,606,498,000.

Equity instruments are not subject to credit risk due to their nature which are short-term, lower credit risk, easily disposable and has no maturity period.

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Notes to the Financial Statements for the financial year ended 31 December 2008 (Continued)

53 Risk management and use of financial instruments (Continued)

(j) Credit risk (continued)

The following tables set out the credit risk concentrations of financial instruments:

	The Bank 2009									
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Securities held for trading	Available-for- sale securities	Held-to- maturity securities	Derivative financial instruments	Loans, advances and financing	Total on- balance sheet	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	102,318	103,540	4,936	997	1,487,368	1,699,159	2,132	45,010
Mining and quarrying	-	-	-	-	-	83,577	250,721	334,298	27,830	172,290
Manufacturing	-	-	5,079	296,891	68,520	952	5,677,270	6,048,712	205,633	547,161
Electricity, gas and water	-	-	274,832	1,145,156	1,380,259	275	953,621	3,754,143	57,662	114,600
Construction	-	-	50,837	826,560	386,401	5,011	3,336,889	4,605,698	32,815	1,051,765
Real estate	-	-	127,029	135,005	-	19,371	10,456,073	10,737,478	50	34,882
Purchase of landed property										
- Residential	-	-	-	-	-	-	24,063,233	24,063,233	-	20,902
- Non-residential	-	-	-	-	-	-	5,994,865	5,994,865	-	-
General commerce	-	-	-	20,132	-	1,771	1,226,839	1,248,742	5,895	898,930
Transport, storage and communications	-	-	2,808,093	1,405,833	3,291,927	109,594	3,124,825	10,740,272	361,699	205,481
Finance, insurance and business services	19,406,929	2,742,777	404,411	995,282	2,878,988	2,972,669	374,686	29,775,742	6,067,033	477,477
Government and government agencies	10,227,040	114,679	5,879,108	1,069,203	2,545,931	775	-	19,836,736	7,606	-
Purchase of securities	-	-	-	-	-	-	3,112,466	3,112,466	3,600	-
Purchase of transport vehicles	-	-	-	-	-	-	7,569,607	7,569,607	-	-
Consumption credit	-	-	33,930	55,620	-	-	4,921,652	5,011,202	-	-
Others	-	-	5,077	99,126	145,308	8,622	13,164,642	13,422,775	5,920	377,062
	29,633,969	2,857,456	9,690,714 #	6,152,348 *	10,702,270	3,203,614	85,714,757 ^	147,955,128	6,777,875	3,945,560

Exclude equity instruments amounting to RM461,471,000

* Exclude equity instruments amounting to RM372,360,000

^ Gross loans, advances and financing after specific allowance but before general allowance RM1,258,390,000

Equity instruments are not subject to credit risk due to their nature which are short-term, lower credit risk, easily disposable and has no maturity period.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****53 Risk management and use of financial instruments (Continued)****(j) Credit risk (continued)**

The following tables set out the credit risk concentrations of financial instruments:

	The Bank 2008									
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Securities held for trading	Available-for- sale securities	Held-to- maturity securities	Derivative financial instruments	Loans, advances and financing	Total on- balance sheet	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	101,351	108,499	14,900	340	1,545,901	1,770,991	2,932	150,516
Mining and quarrying	-	-	-	-	-	-	182,681	182,681	31,215	140,990
Manufacturing	-	-	5,096	123,656	108,226	61,617	7,130,502	7,429,097	228,748	678,726
Electricity, gas and water	-	-	229,561	1,084,165	1,468,370	70,669	901,625	3,754,390	78,828	93,745
Construction	-	-	18,133	390,520	192,731	38	4,223,249	4,824,671	4,061	1,295,237
Real estate	-	-	32,454	211,372	-	-	10,034,664	10,278,490	4,364	417,358
Purchase of landed property	-	-	-	-	-	-	-	-	-	-
- Residential	-	-	-	-	-	-	17,793,588	17,793,588	-	10,150
- Non-residential	-	-	-	-	-	429	5,053,741	5,054,170	2,640	6,295
General commerce	-	-	-	19,211	4,563	4,019	907,643	935,436	21,774	1,251,353
Transport, storage and communications	-	-	591,962	1,508,103	3,252,841	445,460	6,827,666	12,626,032	391,385	679,724
Finance, insurance and business services	15,184,429	14,256	2,202,261	1,283,231	834,391	4,409,272	702,854	24,630,694	5,674,481	1,047,091
Government and government agencies	4,091,827	2,953,514	3,140,017	1,111,246	2,786,117	5,336	-	14,088,057	14,207	43,203
Purchase of securities	-	-	-	-	-	-	5,738,207	5,738,207	4,500	-
Purchase of transport vehicles	-	-	-	-	-	-	9,698,436	9,698,436	-	-
Consumption credit	-	-	-	-	-	-	9,633,659	9,633,659	-	14,678
Others	-	-	56,805	290,424	23,070	128,826	5,994,296	6,493,421	26,084	2,621,928
	19,276,256	2,967,770	6,377,640	# 6,130,427 *	8,685,209	5,126,006	86,368,712	134,932,020	6,485,219	8,450,994

Exclude equity instruments amounting to RM139,759,000

* Exclude equity instruments amounting to RM372,963,000

∞ Exclude equity instruments amounting to RM192,000

^ Gross loans, advances and financing after specific allowance but before general allowance of RM1,446,535,000.

Equity instruments are not subject to credit risk due to their nature which are short-term, lower credit risk, easily disposable and has no maturity period.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****54 Fair value of financial instruments**

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. 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. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 – Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

A range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value as at the balance sheet, except for the following:

	The Group 2009		The Bank 2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Held-to-maturity securities	12,875,251	12,987,468	10,702,270	10,807,087
Loans, advances and financing	113,480,642	110,523,863	84,456,367	81,596,389
Financial liabilities				
Deposits from customers	146,872,345	145,547,872	114,449,911	114,524,865
Amount due to Cagamas Berhad	335,612	338,340	335,612	338,340
Subordinated obligations	4,106,716	4,233,611	4,199,805	4,120,425

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****54 Fair value of financial instruments (Continued)**

	The Group 2008		The Bank 2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Held-to-maturity securities	11,625,970	11,651,170	8,685,401	8,640,259
Loans, advances and financing	95,687,146	93,872,845	84,922,177	82,306,562
Financial liabilities				
Deposits from customers	121,090,975	121,190,838	100,570,259	100,674,838
Amount due to Cagamas Berhad	993,818	994,910	993,818	994,910
Subordinated obligations	4,573,212	4,527,478	5,386,548	5,220,378

The carrying amount of the financial assets at the balance sheet date were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be recoverable in full on the maturity date.

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.

Securities held for trading, available-for-sale securities and held-to-maturity securities

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 Bank establish 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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

54 Fair value of financial instruments (Continued)

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific allowance, being the expected recoverable amount.

Amount due (to)/from subsidiaries and related companies

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

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

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

Deposits from customers

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

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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

54 Fair value of financial instruments (Continued)

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of more than six months, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptances 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.

Amount due to Cagamas Berhad

The estimated fair values of the amount due to Cagamas Berhad with maturities of less than six months approximate the carrying values. For amount due to Cagamas Berhad with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas Berhad with similar remaining period to maturity.

ICULS

The estimated fair value of ICULS approximates the carrying value as based on the Directors' estimate, the effective interest rate of the ICULS is a fair reflection of the current rates for such similar long term borrowings.

Bonds, subordinated obligations and other borrowings

The fair values for the quoted bonds and subordinated obligations are obtained from quoted market prices while the fair values for unquoted bonds and subordinated obligations are estimated based on discounted cash flow models.

The estimated fair values of other borrowings with maturities of less than six months or with floating interest rates approximates the carrying values. For other borrowings 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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

54 Fair value of financial instruments (Continued)

Redeemable preference shares

The estimated fair value of redeemable cumulative preference shares (“RCPS”) approximates the carrying value based on Directors’ estimate as the effective interest rate of the RCPS is a fair 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.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

55 Business combinations

(a) Acquisitions during the financial year

(i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited (“CIMB Thai Bank”))

On 5 November 2008, CIMB Bank Berhad had acquired approximately 42.127% of the total issued share capital of CIMB Thai Bank for a cash consideration of RM595,814,000. The goodwill and intangibles arising from this acquisition amounted to RM401,219,000 and RM4,790,000 respectively.

On 13 January 2009, CIMB Bank acquired additional 3.33 billion CIMB Thai Bank shares representing approximately 49.91% of the total issued and paid-up capital of CIMB Thai Bank for a purchase consideration of RM718,762,000. Upon completion of CIMB Thai Bank’s subsequent rights issue, CIMB Bank’s shareholding in CIMB Thai Bank was increased by a further 1.11%.

The assets and liabilities arising from the additional investment and subsequent rights issue representing an equity interest of 51.02% are shown on the next page.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****55 Business combinations****(a) Acquisitions during the financial year****(i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited (“CIMB Thai Bank”))**

	Acquirees's carrying amount at date of acquisition RM'000	Generally Accepted Accounting Principles adjustments RM'000	Fair value adjustments RM'000	Acquirees' adjusted carrying amount at date of acquisition RM'000
Cash and short term funds	460,392	-	-	460,392
Deposits and placements with bank and other financial institutions	4,310,694	-	-	4,310,694
Investments	4,524,707	(4,473)	-	4,520,234
Loans, advances and financing	8,315,495	(7,157)	(43,542)	8,264,796
Properties foreclosed	246,773	-	(40,615)	206,158
Customers' liability under acceptance	16,162	-	-	16,162
Property, plant and equipment	453,765	(74,035)	134,421	514,151
Intangible assets	59,818	-	(6,514)	53,304
Prepaid lease payments	2,667	-	-	2,667
Other assets	2,797,259	(9,304)	(41,999)	2,745,956
Deposits from customers	(15,877,032)	-	-	(15,877,032)
Deposits and placements of bank and other financial institutions	(1,018,825)	-	-	(1,018,825)
Bills and acceptances payable	(16,162)	-	-	(16,162)
Borrowings	(702,672)	-	-	(702,672)
Deferred tax liabilities	-	-	(1,418)	(1,418)
Other liabilities	(3,062,599)	(4,882)	(62,044)	(3,129,525)
Net assets	510,442	(99,851)	(61,711)	348,880
Share of net assets acquired				174,575
Purchase consideration satisfied via cash				972,628
Less: Cash and cash equivalents acquired				(460,392)
Cash outflow on acquisition				512,236

CIMB Bank Berhad

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

55 Business combinations (Continued)

(a) Acquisitions during the financial year are as follows: (Continued)

(i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited (“CIMB Thai Bank”)) (continued)

The additional investment in CIMB Thai Bank and subsequent rights issue has increased the Group’s equity interest in CIMB Thai Bank to 93.15% and accordingly, the results of CIMB Thai Bank has been consolidated as a subsidiary in the financial statements of the Group.

Total goodwill and intangibles arising from the entire 93.15% acquisition of CIMB Thai Bank amounted to RM1,199,277,000 and RM10,460,000 respectively. The goodwill on acquisition represents the value of synergies arising from the acquisition. The GAAP, fair value adjustments and intangible assets identified on acquisition are based on finalised purchase price allocation and fair value exercise engaged by an external professional body.

For the financial year ended 31 December 2009, the acquisition contributed to revenue (comprising net income and non-interest income) and net profit of RM657,863,788 and RM40,727,470 respectively, to the Group for the period from 1 January 2009 to 31 December 2009. Due to the close proximity of the additional investment acquisition date to 1 January 2009, the contribution to revenue and net profit to the Group has been deemed to be the same as if the acquisition took place on 1 January 2009.

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****55 Business combinations (Continued)****(b) Disposals during the financial year****(i) Disposal of certain assets, liabilities and the asset/fund management business of Southern Investment Bank Berhad ("SIBB")**

On 31 January 2009, SIBB disposed its certain assets, liabilities and the asset/fund management to HLG Capital Berhad. The disposal was done at premium of RM65 million.

The effects of the disposal on the financial position of the Group as at 31 December 2009 are as follows:

	2009
	RM'000
Loans and advances	(38,040)
Property, plant and equipment	(21)
Intangible assets	(83)
Deposits from customer	603
Deposits and placements of banks and others financial institutions	47,796
Other liabilities	82
Identifiable net assets disposed	<u>10,337</u>
Less: Goodwill	<u>(35,000)</u>
	(24,663)
Net disposal proceeds	<u>54,663</u>
Gain on disposal before and after tax	<u>30,000</u>

The net cash inflow arising from the disposal amounted to RM54,663,000.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

55 Business combinations (Continued)

(b) Disposals during the financial year

(ii) Disposal of Southeast Asia Special Asset Management Berhad (formerly known as Common Forge Berhad) (“SEASAM”) to CIMBG

On 1 December 2009, the Bank disposed its 100% equity interest in SEASAM to CIMBG for a cash consideration of RM100.

The effects of the disposal on the financial position of the Group as at 31 December 2009 are as follows:

	RM'000
Loans, advances and financing	(917,150)
Other assets	(9,152)
Other liabilities	2,132
Amount due to holding company	928,181
Identifiable net assets disposed	<u>4,011</u>
Net disposal proceeds	-
Gain on disposal before and after tax	<u>4,011</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****55 Business combinations (Continued)****(c) Disposals during the prior financial year****(i) Disposal of CIMB Trustee Berhad**

On 1 January 2008, CIMB Bank Berhad disposed 20% of its direct and 20% of its indirect equity interest in CIMB Trustee Berhad to CIMB Berhad and CIMB Holdings Sdn Bhd. The disposal was satisfied via intercompany balances.

The effects of the disposal on the financial position of the Group as at 31 December 2008 are as follows:

	2008
	RM'000
Fixed assets	(112)
Intangible assets	(58)
Statutory deposit	(40)
Deferred tax assets	(69)
Trade debtors	(165)
Sundry debtors	(6)
Amount due from a related company	-
Deposits and placements with a licensed trustee	(571)
Deposits and placements with a licensed institution	(1,427)
Cash and bank balances	(435)
Sundry creditors	506
Provision for taxation	75
Amount due to holding company	409
Amount due to related company	437
Identifiable net assets disposed	<u>(1,456)</u>
Net disposal proceeds	<u>794</u>
Loss on disposal before and after tax	<u>(662)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****55 Business combinations (Continued)****(c) Disposals during the prior financial year (Continued)****(ii) Disposal of South East Asian Bank Limited (“SEA Bank”)**

On 1 April 2008, CIMB Bank Berhad disposed its entire 60% equity interest in SEA Bank to British American Investment Co (Mauritius) Ltd, for a total cash consideration of 339.0 million Mauritius Rupees (or approximately RM40.0 million).

The effects of the disposal on the financial position of the Group as at 31 December 2008 are as follows:

	2008
	RM'000
Cash and short-term funds	(13,262)
Deposits and placements with banks and other financial institutions	(125,144)
Securities and other investments	(36,500)
Derivative financial instruments	(11)
Loans, advances and financing	(108,797)
Other assets	(4,232)
Intangible assets	(1,205)
Property, plant and equipment	(8,413)
Deposits from customers	268,825
Deposits and placements of banks and other financial institutions	153
Deferred tax liabilities	434
Provision for taxation	214
Other liabilities	7,268
Identifiable net assets disposed	<u>(20,670)</u>
Less : Goodwill	<u>(1,574)</u>
	<u>(22,244)</u>
Net disposal proceeds	<u>40,002</u>
Gain on disposal before and after tax	<u>17,758</u>

The net cash flow on disposal was determined as follows:

Total proceeds from disposal – cash consideration	40,002
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	<u>40,002</u>
Cash and cash equivalents of subsidiaries disposed	<u>(13,262)</u>
Net cash inflow on disposal	<u>26,740</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****55 Business combinations (Continued)****(c) Disposals during the prior financial year (Continued)****(iii) Disposal of SBB Securities Sdn Bhd (“SSSB”)**

On 22 October 2008, SBB Capital Markets Sdn Bhd (“SCMSB”), a wholly owned subsidiary of the Bank, had disposed its 100% equity interest in SSSB to HLG Credit Sdn Bhd (“HLGC”) for a cash consideration of RM75.2 million.

The effects of the disposal on the financial position of the Group as at 31 December 2008 are as follows:

	2008
	RM'000
Property, plant and equipment	(2,288)
Deferred tax assets	(1,588)
Clients and brokers balances (assets)	(29,746)
Other receivables, deposits and prepayments	(1,085)
Tax recoverable	(4,936)
Cash and bank balances	(43,610)
Clients and brokers balances (liabilities)	17,132
Other payables and accruals	8,179
Identifiable net assets disposed	<u>(57,942)</u>
Less : Goodwill	<u>(37,000)</u>
	(94,942)
Net disposal proceeds	<u>75,177</u>
Loss on disposal before and after tax	<u>(19,765)</u>

The net cash flow on disposal was determined as follows:

Total proceeds from disposal – cash consideration	75,177
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	<u>75,177</u>
Cash and cash equivalents of subsidiaries disposed	<u>(43,610)</u>
Net cash inflow on disposal	<u>31,567</u>

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

55 Business combinations (Continued)

(c) Disposals during the prior financial year (Continued)

(iv) Disposal of Navis-CIMB General Partner Ltd (“Navis-CIMB”)

On 18 September 2008, CIMB(L) Limited, a wholly owned subsidiary of the Bank, had disposed its entire 25% equity interest in Navis-CIMB to Navis Capital Partners Ltd.

The effects of the disposal on the financial position of the Group as at 31 December 2008 are as follows:

	2008
	RM'000
Non-current assets	(229)
Current assets	(741)
Current liabilities	375
Net assets	<u>(595)</u>
Net disposal proceeds	<u>3,499</u>
Gain on disposal before and after tax	<u><u>2,904</u></u>

CIMB Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****56 Non-current assets/disposal groups held for sale**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current assets held for sale:					
- disposal of certain assets of Southern Investment Bank Berhad	(i)	-	39,740	-	-
- goodwill	(ii)	-	35,000	-	35,000
- foreclosed properties	(iii)	1,939	7,592	1,939	7,592
- prepaid lease payments	(iii)	12,607	-	11,005	-
- property plant and equipment	(iii)	211,678	120	60,958	120
Total non-current assets held for sale		226,224	82,452	73,902	42,712
Liabilities directly associated with non-current assets classified as held for sale:					
- disposal of certain liabilities of Southern Investment Bank Berhad	(i)	-	29,499	-	-
Total liabilities directly associated with non-current assets classified as held for sale		-	29,499	-	-
(i) Disposal of certain assets, liabilities and asset/fund management business of Southern Investment Bank Berhad ("SIBB")					

Certain assets and liabilities of SIBB have been presented as held for sale following the proposed sale to HLG Capital Berhad ("HLGC"). The disposal was completed on 31 January 2009.

	The Group	
	2009 RM'000	2008 RM'000
Assets		
Loans, advances and financing	-	39,636
Intangible assets	-	83
Property, plant and equipment	-	21
Non-current assets held for sale	-	39,740
Liabilities		
Deposits from customers	-	3,507
Deposits and placements of banks and other financial institutions	-	25,296
Other liabilities	-	696
Liabilities directly associated with non-current assets classified as held for sale	-	29,499

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****56 Non-current assets/disposal groups held for sale (Continued)**

(ii) Goodwill

Arising from item (i) above, the goodwill arising from the acquisition of SIBB is classified as non-current assets held for sale as at 31 December 2008.

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
SIBB	-	35,000	-	35,000

(iii) Foreclosed properties, property, plant and equipment and prepaid lease payments

Foreclosed properties, property, plant and equipment and prepaid lease payments of the Bank where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2010.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****57 Comparatives**

(a) Restatement of comparatives

Certain comparatives were restated to conform with the current financial year's presentation. There was no impact to the financial performance and ratios in relation to the financial year ended 31 December 2008. The restatements are as follows:

Group	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
<u>Balance sheet</u>				
Deposits from customers	(i)	127,625,741	(6,534,766)	121,090,975
Deposits and placements of banks and other financial institutions	(i)	8,614,530	6,534,766	15,149,296
<u>Bank</u>				
<u>Balance sheet</u>				
Deposits from customers	(i)	107,105,025	(6,534,766)	100,570,259
Deposits and placements of banks and other financial institutions	(i)	10,569,514	6,534,766	17,104,280

- (i) The reclassification is in relation to the Negotiable Instrument of Deposit placed by financial institutions previously classified under deposits from customers, now reclassified under deposits and placements of banks and other financial institutions.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking****Balance Sheet as at 31 December 2009**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Cash and short-term funds	(a)	5,342,372	6,249,125	484,261	-
Deposits and placements with banks and other financial institutions	(b)	1,485,276	711,989	493,001	377,574
Securities held for trading	(c)	3,491,709	2,882,056	207,415	-
Available-for-sale securities	(d)	542,277	612,378	-	-
Held-to-maturity securities	(e)	1,011,378	1,198,056	-	-
Islamic derivative financial instruments	(f)	263,732	267,369	6,044	2,349
Financing, advances and other loans	(g)	16,454,805	6,259,726	213,664	68,268
Other assets	(h)	111,877	99,244	3,841	2,002
Deferred taxation	(i)	44,625	21,369	-	307
Amount due from holding company		-	100,622	-	-
Statutory deposits with Bank Negara Malaysia	(j)	172,806	269,224	-	-
Goodwill	(k)	136,000	136,000	-	-
Intangible assets	(l)	3,676	5,962	-	-
Property, plant and equipment	(m)	2,625	3,855	-	-
Total assets		29,063,158	18,816,975	1,408,226	450,500
Liabilities					
Deposits from customers	(n)	18,184,606	13,984,562	525,463	291,375
Deposits and placements of banks and other financial institutions	(o)	9,086,271	3,656,836	805,577	156,000
Islamic derivative financial instruments	(f)	159,357	46,452	1,321	-
Bills and acceptances payable		-	5,258	-	-
Other liabilities	(q)	292,691	304,493	69,649	3,600
Amount due to holding company		24,183	-	-	-
Amount due to related company		6,425	4,010	147	-
Provision for taxation and zakat	(r)	17,034	3,076	-	-
Subordinated Sukuk	(p)	300,000	-	-	-
Total liabilities		28,070,567	18,004,687	1,402,157	450,975
Equity					
Ordinary share capital	(s)	550,000	550,000	-	-
Perpetual preference shares	(t)	70,000	70,000	-	-
Reserves	(u)	372,591	192,288	6,069	(475)
Total equity		992,591	812,288	6,069	(475)
Total equity and liabilities		29,063,158	18,816,975	1,408,226	450,500
Commitment and contingencies					
Commitment and contingencies	(f)	13,661,181	11,402,365	301,761	293,695
Credit equivalent	(f)	542,081	1,263,729	11,210	6,792

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****Income Statements for the financial year ended 31 December 2009**

	Note	The Group		The Bank	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	(v)	884,431	630,902	17,954	18,922
Income derived from investment of shareholders' funds	(w)	131,481	121,592	-	-
Allowances for losses on financing, advances and other loans	(x)	(277,383)	(83,481)	-	(1,451)
Write back of/(allowance for) impairment of securities		164	(164)	-	-
Transfer from profit equalisation reserve		-	2,200	-	-
Other expenses directly attributable to investment of the depositors' and shareholders' funds		-	(11,012)	-	(11,012)
Total distributable income		738,693	660,037	17,954	6,459
Income attributable to depositors	(y)	(299,794)	(401,092)	(11,160)	(6,335)
Total net income		438,898	258,945	6,794	124
Personnel expenses	(z)	(97,863)	(47,568)	(263)	(337)
Other overheads and expenditures	(aa)	(117,624)	(74,661)	(73)	(143)
Profit/(loss) before taxation and zakat		223,411	136,716	6,458	(356)
Taxation	(ac)	(40,668)	(23,756)	(307)	307
Zakat		(6,421)	(234)	-	-
Profit/(loss) after taxation and zakat		176,322	112,726	6,151	(49)
Total net income		438,898	258,945	6,794	124
Add: Allowances for losses on financing, advances and other loans		277,383	83,481	-	1,451
Less: Transfer from profit equalisation reserve		-	(2,200)	-	-
Less: Write back of/(allowance for) impairment of securities		(164)	164	-	-
		716,117	340,390	6,794	1,575

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

58 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2009

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve available for-sale securities RM'000	Retained profit RM'000	Total RM'000
The Group							
At 1 January 2009	550,000	70,000	75,846	(3,310)	(1,719)	121,471	812,288
Net gain from change in fair value of available- for-sale securities net of deferred tax	-	-	-	-	1,913	-	1,913
Currency translation difference	-	-	-	2,068	-	-	2,068
Income and expenses recognised directly in equity	-	-	-	2,068	1,913	-	3,981
Net profit for the financial year	-	-	-	-	-	176,322	176,322
Total recognised income and expenses for the financial year	-	-	-	2,068	1,913	176,322	180,303
Transfer to statutory reserve	-	-	61,871	-	-	(61,871)	-
At 31 December 2009	550,000	70,000	137,717	(1,242)	194	235,922	992,591

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2009 (Continued)**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve available for-sale securities RM'000	Retained profit RM'000	Total RM'000
The Group							
At 1 January 2008							
Issue of shares during the financial year	550,000	70,000	39,186	(999)	303	45,405	703,895
Net gain from change in fair value of available- for-sale securities net of deferred tax	-	-	-	-	(2,022)	-	(2,022)
Currency translation difference	-	-	-	(2,311)	-	-	(2,311)
Income and expenses recognised directly in equity	-	-	-	(2,311)	(2,022)	-	(4,333)
Net profit for the financial year	-	-	-	-	-	112,726	112,726
Total recognised income and expenses for the financial year	-	-	-	(2,311)	(2,022)	112,726	108,393
Transfer to statutory reserve	-	-	36,660	-	-	(36,660)	-
At 31 December 2008	550,000	70,000	75,846	(3,310)	(1,719)	121,471	812,288

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

58 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2009 (continued)

	<u>Non- distributable</u>	<u>Distributable</u>	
	Exchange fluctuation reserves RM'000	Retained profit RM'000	Total RM'000
Bank			
At 1 January 2009	(426)	(49)	(475)
Currency translation difference	393	-	393
Net profit for the financial year	-	6,151	6,151
At 31 December 2009	<u>(33)</u>	<u>6,102</u>	<u>6,069</u>
	<u>Non- distributable</u>	<u>Distributable</u>	
	Exchange fluctuation reserves RM'000	Accumulated loss RM'000	Total RM'000
Bank			
At 1 January 2008	-	-	-
Currency translation difference	(426)	-	(426)
Net loss for the financial year	-	(49)	(49)
At 31 December 2008	<u>(426)</u>	<u>(49)</u>	<u>(475)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****Cash flow statements for the financial year ended 31 December 2009**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash flows from / (used in) operating activities				
Profit / (loss) before taxation and zakat	223,411	136,716	6,458	(356)
Adjustments for:				
Depreciation of property, plant and equipment	1,479	965	-	-
Amortisation of intangible assets	3,581	3,829	-	-
Net gain from disposal of available-for-sale securities	(1,934)	(105)	-	-
Net loss from sale of securities held for trading	416	100	-	-
Unrealised loss/(gain) on Islamic derivative financial instruments	80,889	(127,914)	-	(2,349)
Allowance for bad and doubtful debts and financing	262,788	90,803	-	1,451
Unrealised loss from revaluation of securities held for trading	-	(95)	-	-
Accretion of discount less amortisation of premium	(44,058)	(31,964)	-	-
Profit income from available-for-sale securities	(24,828)	(24,433)	-	-
Profit income from held-to-maturity securities	(53,974)	(17,847)	-	-
Transfer from profit equalisation reserve	-	(2,200)	-	-
(Writeback of)/allowance for impairment loss for securities	(164)	164	-	-
Bad debt written off	36	47	-	-
	447,642	28,066	6,458	(1,254)
(Increase) / decrease in operating assets				
Deposits and placements with banks and other financial institutions	(773,287)	437,912	(115,427)	(377,574)
Securities held for trading	(610,069)	(2,263,189)	(207,415)	-
Financing, advances and other loans	(10,457,903)	(4,096,352)	(145,396)	(69,719)
Other assets	(14,436)	(27,527)	(1,839)	(2,002)
Amount due from holding company	-	(100,603)	-	-
Amount due from related company	-	5,996	147	-
Statutory deposits with Bank Negara Malaysia	96,418	(168,080)	-	-
Increase / (decrease) in operating liabilities				
Deposits from customers	4,200,044	6,464,157	234,088	291,375
Deposits and placements of banks and other financial institutions	5,429,435	3,056,493	649,577	156,000
Islamic derivative financial instruments	35,653	3,379	(2,374)	-
Bills and acceptances payable	(5,258)	4,290	-	-
Amount due to holding company	124,805	(338,166)	-	-
Amount due to related companies	2,415	4,010	-	-
Other liabilities	(9,734)	245,836	66,442	3,174
Cash flows (used in)/generated from operations	(1,534,275)	3,256,222	484,261	-
Taxation and zakat paid	(57,025)	(31,366)	-	-
Cash flows (used in)/generated from operating activities	(1,591,300)	3,224,856	484,261	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****Cash flow statements for the financial year ended 31 December 2009 (continued)**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from / (used in) investing activities					
Net proceeds from held-to-maturity securities		186,842	(1,071,108)	-	-
Net purchase of available-for-sale securities		118,644	40,555	-	-
Profit income from held-to-maturity securities		55,279	17,847	-	-
Profit income from available-for-sale securities		25,326	24,433	-	-
Purchase of property, plant and equipment		(1,330)	(1,105)	-	-
Purchase of intangible assets		(214)	(278)	-	-
Net cash generated from/(used in) investing activities		384,547	(989,656)	-	-
Cash flows from financing activities					
Issuance of sukuk		300,000	-	-	-
Net cash generated from/(used in) financing activities		300,000	-	-	-
Net (decrease)/increase in cash and cash equivalents					
		(906,753)	2,235,200	484,261	-
Cash and cash equivalents at beginning of financial year					
		6,249,125	4,013,925	-	-
Cash and cash equivalents at end of financial year					
		5,342,372	6,249,125	484,261	-
Cash and cash equivalents comprise:					
Cash and short-term funds	(a)	5,342,372	6,249,125	484,261	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(a) Cash and short-term funds**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	55,817	222,123	-	-
Money at call and deposit placements maturing within one month	5,286,555	6,027,002	484,261	-
	5,342,372	6,249,125	484,261	-

(b) Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Licensed banks	918,376	511,989	493,001	377,574
Licensed investment banks	29,900	-	-	-
Other financial institutions	537,000	200,000	-	-
	1,485,276	711,989	493,001	377,574

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(c) Securities held for trading**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	498,587	14,649	-	-
Khazanah bonds	-	9,791	-	-
Bank Negara negotiable notes	1,186,923	-	-	-
Islamic negotiable instruments of deposits	1,328,917	2,243,818	-	-
Bankers' acceptance and Islamic accepted bills	54,634	578,421	-	-
Islamic commercial papers	-	19,666	-	-
	3,069,061	2,866,345	-	-
Unquoted securities				
<u>In Malaysia</u>				
Private debt securities	215,233	15,711	-	-
<u>Outside Malaysia</u>				
Islamic debt securities	207,415	-	207,415	-
	3,491,709	2,882,056	207,415	-

In 2008, the Bank reclassified certain held for trading securities to the held-to-maturity category. The reclassification has been accounted for in accordance with the BNM circular on 'Reclassification of Securities under Specific Circumstances' issued during the year, and is effective from 1 July 2008 until 31 December 2009.

The fair values of the securities reclassified from held for trading category to held-to-maturity category, as of the respective dates of reclassification were RM38 million.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(c) Securities held for trading (continued)**

Included in the other operating income (Note v & w) is the net gains arising from the change in fair value recognised in the income statement in respect of the reclassified securities:

	2009 RM'000	2008 RM'000
Net fair value gain	<u>-</u>	<u>894</u>

As of the date of reclassification, the effective profit rates on the reclassified held for trading securities, based on the new cost is an average of 5.36% per annum with expected recoverable cash flows of approximately RM40 million in face value inclusive of coupon receivable on the securities.

There were no such reclassification of securities for the financial year ended 31 December 2009.

(d) Available-for-sale securities

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	129,778	121,237	-	-
Islamic Cagamas bonds	34,392	48,914	-	-
Islamic commercial papers	19,538	-	-	-
Khazanah bonds	34,975	48,585	-	-
	218,683	218,736	-	-
Unquoted securities				
<u>In Malaysia</u>				
Private debt securities	323,019	393,067	-	-
Placement with Islamic Banking and Finance Institute Malaysia	575	575	-	-
	542,277	612,378	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(e) Held-to-maturity securities**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unquoted securities				
<u>In Malaysia</u>				
Islamic commercial papers	6,775	34,832	-	-
Private debt securities	1,010,812	1,168,385	-	-
	1,017,587	1,203,217	-	-
Amortisation of premium				
less accretion of discounts	(6,209)	(4,997)	-	-
Less: Allowance for impairment losses	-	(164)	-	-
	1,011,378	1,198,056	-	-

Private debt securities amounting to RM864 million (2008: RM954 million) are funded by a Restricted Profit Sharing Investment Account ('RPSIA') depositor, as part of an arrangement between CIMB Islamic and the Bank.

Included in the held-to-maturity securities are securities transferred from securities held for trading category in 2008, with the following carrying value and fair value as at 31 December:

	2009	2008
	RM'000	RM'000
Carrying value	38,037	37,430
Fair value	39,027	37,609

The carrying value and fair value of the securities as of the transfer date is RM37.4 million and RM37.6 million respectively.

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

58 The operations of Islamic Banking (Continued)

(f) Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through income statement and hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts at risk.

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

The Group	2009			2008		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forward	542,757	1,982	(479)	652,126	106	-
Currency swaps	1,471,617	12,111	(11,763)	313,695	2,349	(3,480)
Cross currency profit rate swaps	89,703	201	(201)	-	-	-
	2,104,077	14,294	(12,443)	965,821	2,455	(3,480)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	3,405,868	144,670	(587)	3,471,419	222,386	(437)
<u>Equity related derivatives</u>						
Equity options	2,984,288	104,768	(104,768)	3,746,677	42,528	(42,535)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	1,350,000	-	(41,559)	-	-	-
Total derivative assets/(liabilities)	9,844,233	263,732	(159,357)	8,183,917	267,369	(46,452)

The Bank	2009			2008		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency swaps	301,761	6,044	(1,321)	293,695	2,349	-
Total derivative assets/(liabilities)	301,761	6,044	(1,321)	293,695	2,349	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(f) Islamic derivative financial instruments, commitments and contingencies (continued)****(ii) Commitments and contingencies**

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

	2009			2008		
	Principal RM'000	Credit equivalent* RM'000	Risk Weighted amount RM'000	Principal RM'000	Credit equivalent* RM'000	Risk Weighted amount RM'000
The Group						
<u>Credit related</u>						
Direct credit substitutes	26,949	26,949	26,949	35,057	35,057	35,057
Certain transaction-related contingent items	334,694	167,347	162,021	381,536	190,768	113,978
Short-term self-liquidating trade-related contingencies	33,982	6,796	6,796	147,568	29,514	3,042
Obligation under underwriting agreements	-	-	-	50,000	25,000	25,000
Islamic financing sold directly and indirectly to Cagamas with	-	-	-	294,946	294,946	294,946
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	2,010,593	-	-	1,716,834	-	-
- maturity exceeding one year	1,386,942	1	1	586,343	293,172	76,963
Forward asset purchase	-	-	-	5,000	-	-
Miscellaneous commitments and contingencies	23,788	13,618	3,448	1,164	1,164	1,164
Total credit-related commitments and contingencies	3,816,948	214,711	199,215	3,218,448	869,621	550,150
<u>Treasury related</u>						
Foreign exchange related contracts:						
- less than one year	2,014,374	30,865	6,200	652,126	12,384	3,531
- one year to less than five years	89,703	11,817	4,113	313,695	10,742	2,883
Profit rate related contracts:						
- one year to less than five years	3,405,868	46,648	10,342	3,471,419	124,245	24,849
- five years and above	1,350,000	121,500	24,300	-	-	-
Equity related contracts:						
- less than one year	1,633,706	15,052	3,010	2,176,832	38,957	7,791
- one year to less than five years	1,131,977	90,458	18,092	1,540,947	206,296	41,259
- five years and above	218,605	11,030	2,206	28,898	1,484	297
Total treasury-related commitments and contingencies	9,844,233	327,370	68,263	8,183,917	394,108	80,610
	13,661,181	542,081	267,478	11,402,365	1,263,729	630,760

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(f) Derivative financial instruments, commitments and contingencies (continued)****(ii) Commitments and contingencies (continued)**

	2009			2008		
	Principal RM'000	Credit equivalent* RM'000	Risk Weighted amount RM'000	Principal RM'000	Credit equivalent* RM'000	Risk Weighted amount RM'000
The Bank						
<u>Treasury related</u>						
Foreign exchange related contracts:						
- less than one year	301,761	11,210	2,242	-	-	-
- five years and above	-	-	-	293,695	6,792	1,358
	301,761	11,210	2,242	293,695	6,792	1,358

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

The following approaches have been adopted for the computation of the credit equivalent and risk weighted assets:

- adoption of bilateral netting as provided under the Standardised Approach Framework which involves the weighting of net claims rather than gross claims with the same counterparties arising out of the full range of forwards, swaps, options and similar derivative contracts.
- Irrevocable commitments to extend credit (undisbursed financing) have been revised to include only those undisbursed financing whereby all conditions precedent have been met.

As at 31 December 2009, the commitment and contingencies exposure to RPSIA financing is RM2,250 million (2008: RM1,663 million)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(g) Financing, advances and other loans****(i) By type:**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash line	241,179	235,945	-	-
Term financing				
- Housing financing	9,950,056	2,031,304	24,652	-
- Syndicated term financing	797,833	559,285	189,884	69,449
- Hire purchase receivables	4,436,748	2,030,346	-	-
- Other term financing	12,369,381	4,096,445	-	-
Credit card receivables	48,973	2,980	-	-
Bills receivable	1,625	-	-	-
Islamic trust receipts	29,827	23,887	-	-
Claim on customers under acceptance credit	173,893	156,709	-	-
Staff financing	-	17	-	-
Revolving credits	845,716	422,299	-	-
Other financing	72	74	-	-
	28,895,303	9,559,291	214,536	69,449
Less: Unearned income	(12,093,880)	(2,824,630)	(872)	-
	16,801,423	6,734,661	213,664	69,449
Less: Financing sold to Cagamas	-	(294,946)	-	-
Gross financing, advances and other loans	16,801,423	6,439,715	213,664	69,449
Fair value changes arising from fair value hedges	26,519	-	-	-
	16,827,942	6,439,715	213,664	69,449
Less: Specific allowance	(212,890)	(99,374)	-	-
	16,615,052	6,340,341	213,664	69,449
Less: General allowance	(160,247)	(80,615)	-	(1,181)
Total net financing, advances and other loans	16,454,805	6,259,726	213,664	68,268

a) Included in other term financing is RM1,519 million (2008: RM Nil) financing provided in normal commercial terms which is exempted from general allowance by Bank Negara Malaysia.

b) During the financial year, the Bank has undertaken fair value hedges on the profit rate risk of RM1,350 million financing using Islamic profit rate swaps.

	The Group	
	2009 RM'000	2008 RM'000
Gross financing hedged	1,350,000	-
Fair value changes arising from fair value hedges	26,519	-
	1,376,519	-

The fair values loss on profit rate swaps as at 31 December 2009 were RM41.6 million (2008: RM Nil)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(g) Financing, advances and other loans (continued)**

Included in financing, advances and other loans of the Group are exposures to Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of an arrangement between CIMB Islamic and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the general and specific allowances for bad and doubtful debts arising thereon.

As at 31 December 2009, the gross exposures to RPSIA financing is RM4,247 million (2008: RM1,893 million) and the general allowance relating to this RPSIA is RM63.7 million (2008: RM32.2 million).

(ii) By contract:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Bai-Bithaman Ajil (<i>deferred payment sale</i>)	7,195,630	3,530,591	-	-
Murabahah (<i>cost-plus</i>)	2,919,713	488,572	213,664	69,449
Ijarah Muntahiyah Bittamlik/AITAB (<i>lease ended with ownership</i>)	4,210,366	2,080,452	-	-
Others	2,475,714	635,046	-	-
	16,801,423	6,734,661	213,664	69,449
Less: Financing sold to Cagamas	-	(294,946)	-	-
	16,801,423	6,439,715	213,664	69,449

(iii) By type of customer:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	51,355	1,454	-	-
Domestic business enterprises				
- small medium enterprises	617,749	579,945	-	-
- others	5,366,716	2,896,762	-	-
Government and statutory bodies	1,527,492	8,231	-	-
Individuals	8,764,262	2,929,412	-	-
Other domestic entities	17,802	19,993	-	-
Foreign entities	456,047	298,864	213,664	69,449
	16,801,423	6,734,661	213,664	69,449
Less: Financing sold to Cagamas	-	(294,946)	-	-
	16,801,423	6,439,715	213,664	69,449

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(g) Financing, advances and other loans (continued)****(iv) By profit rate sensitivity:**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- House financing	308,792	343,427	-	-
- Hire-purchase receivables	3,577,319	1,639,046	-	-
- Other financing	4,538,602	1,437,004	-	-
Variable rate				
- House financing	3,047,836	390,663	-	-
- Others	5,328,874	2,924,521	213,664	69,449
	16,801,423	6,734,661	213,664	69,449
Less: Financing sold to Cagamas	-	(294,946)	-	-
	16,801,423	6,439,715	213,664	69,449

(v) By economic purposes:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Personal use	1,417,727	519,960	-	-
Credit card	48,973	2,980	-	-
Purchase of consumer durables	21	1,626	-	-
Residential property	3,394,765	779,572	-	-
Non residential property	1,005,163	661,912	-	-
Purchase of fixed assets other than land and building	317,848	167,293	-	-
Construction	258,358	33,700	-	-
Purchase of securities	2,515,992	1,417,806	-	-
Purchase of transport vehicles	3,577,816	1,643,861	-	-
Working capital	3,990,858	1,257,678	213,664	-
Other purpose	273,902	248,273	-	69,449
	16,801,423	6,734,661	213,664	69,449
Less: Financing sold to Cagamas	-	(294,946)	-	-
	16,801,423	6,439,715	213,664	69,449

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(g) Financing, advances and other loans (continued)**

(vi) Non-performing financing by economic purposes:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Personal use	15,846	21,854	-	-
Credit card	1,211	-	-	-
Residential property	56,379	55,621	-	-
Non residential property	8,345	15,770	-	-
Purchase of fixed assets other than land and building	1,620	1,620	-	-
Purchase of securities	18,670	18,672	-	-
Purchase of transport vehicles	42,779	40,063	-	-
Working capital	164,231	46,291	-	-
Other purpose	48,034	1,577	-	-
	357,115	201,468	-	-

(vii) Movements in non-performing financing, advances and other loans are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	201,468	251,507	-	-
Non-performing during the financial year	376,283	167,038	-	-
Reclassified to performing during the financial year	(90,353)	(132,282)	-	-
Recoveries	(34,424)	(30,441)	-	-
Amount written off	(95,859)	(54,354)	-	-
At 31 December	357,115	201,468	-	-
Less: Specific allowance	(212,890)	(99,374)	-	-
Net non-performing financing, advances and other loans	144,225	102,094	-	-
Ratio of net non-performing financing, advances and other loans to total financing, advances and other loans (including financing sold to Cagamas) less specific allowance	0.87%	1.54%	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(g) Financing, advances and other loans (continued)**

(viii) Movements in allowance for bad and doubtful financing:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Specific allowance				
At 1 January	99,374	94,904	-	-
Allowance made during the financial year	236,951	99,584	-	-
Amount written back in respect of recoveries	(25,785)	(40,608)	-	-
Amount written off	(95,616)	(54,506)	-	-
Exchange fluctuation	(2,034)	-	-	-
At 31 December	212,890	99,374	-	-
General allowance				
At 1 January	80,615	48,882	1,181	-
Net allowance made during the financial year	80,813	31,827	-	1,451
Allowance transferred to conventional operations	(1,181)	-	(1,181)	-
Exchange fluctuation	-	(94)	-	(270)
At 31 December	160,247	80,615	-	1,181
As % of gross financing advances and other loans (including financing sold to Cagamas, but excluding RPSIA financing and financing exempted from general allowance by BNM) less specific allowance	1.48%	1.70%	-	1.70%

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(h) Other assets**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Income receivable	18,472	23,438	1,856	170
Deposits and prepayments	315	309	-	-
Sundry debtors	93,090	75,497	1,985	1,832
	111,877	99,244	3,841	2,002

(i) Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are offset and shown in the balance sheet:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	44,625	22,912	-	307
Deferred tax liabilities	-	(1,543)	-	-
	44,625	21,369	-	307

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(i) Deferred taxation (continued)**

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

The Group	Note	General allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserves – available-for-sale securities RM'000	Other temporary differences RM'000	Total RM'000
<u>Deferred tax assets</u>						
<u>2009</u>						
At 1 January		17,637	(1,543)	573	4,702	21,369
Credited to income statement	(ac)	20,291	631	-	2,665	23,587
Underprovision in prior year	(ac)	-	-	-	307	307
Transferred to equity		-	-	(638)	-	(638)
At 31 December		<u>37,928</u>	<u>(912)</u>	<u>(65)</u>	<u>7,674</u>	<u>44,625</u>
<u>Deferred tax assets</u>						
<u>2008</u>						
At 1 January		10,061	(1,384)	549	7,625	16,851
Credited/(charged) to income statement	(ac)	7,576	(159)	-	(2,923)	4,494
Transferred from equity		-	-	24	-	24
At 31 December		<u>17,637</u>	<u>(1,543)</u>	<u>573</u>	<u>4,702</u>	<u>21,369</u>

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

58 The operations of Islamic Banking (Continued)

(i) Deferred taxation (continued)

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

The Bank	General allowance for bad and doubtful financing RM'000	Other temporary differences RM'000	Total RM'000
<u>Deferred tax assets</u>			
<u>2009</u>			
At 1 January	307	-	307
Charged to income statement	(307)	-	(307)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>
<u>2008</u>			
At 1 January / 31 December	<u>307</u>	<u>-</u>	<u>307</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(j) Statutory deposits with Bank Negara Malaysia**

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

(k) Goodwill

	The Group	
	2009	2008
	RM'000	RM'000
Cost		
At 1 January/31 December	136,000	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit('CGU').

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2010 financial budgets approved by management, projected for five years based on the average to year historical Gross Domestic Product ('GDP') growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2008: 5.00%). The discount rate is 7.10% (2008: 9.80%) which reflects the specific risks relating to the CGU.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(l) Intangible assets**

	The Group	
	2009	2008
	RM'000	RM'000
Computer software		
Cost		
At 1 January	11,043	11,626
Additions	214	278
Reclassified from/(to) property, plant and equipment (Note m)	1,081	(842)
Transfer of assets to holding company	-	(19)
At 31 December	12,338	11,043
Amortisation		
At 1 January	5,081	2,070
Charge for the financial year	3,581	3,829
Reclassified from/(to) property, plant and equipment (Note m)	-	(818)
At 31 December	8,662	5,081
Net book value at 31 December	3,676	5,962

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

Computer software	
- core and front-end systems	1-4 years
- others	1-2 years

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(m) Property, plant and equipment**

The Group 2009	Renovations, office equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January	6,751	21	302	7,074
Additions	1,330	-	-	1,330
Reclassified to intangible assets (Note 1)	(1,081)	-	-	(1,081)
At 31 December	<u>7,000</u>	<u>21</u>	<u>302</u>	<u>7,323</u>
Depreciation				
At 1 January	3,092	9	118	3,219
Charge for the financial year	1,415	4	60	1,479
At 31 December	<u>4,507</u>	<u>13</u>	<u>178</u>	<u>4,698</u>
Net book value at 31 December	<u>2,493</u>	<u>8</u>	<u>124</u>	<u>2,625</u>

The Group 2008	Renovations, office equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January	4,804	21	302	5,127
Additions	1,105	-	-	1,105
Reclassified from intangible assets (Note 1)	842	-	-	842
At 31 December	<u>6,751</u>	<u>21</u>	<u>302</u>	<u>7,074</u>
Depreciation				
At 1 January	1,328	5	103	1,436
Charge for the financial year	946	4	15	965
Reclassified from intangible assets (Note 1)	818	-	-	818
At 31 December	<u>3,092</u>	<u>9</u>	<u>118</u>	<u>3,219</u>
Net book value at 31 December	<u>3,659</u>	<u>12</u>	<u>184</u>	<u>3,855</u>

The above property, plant and equipment include renovations and computer equipment and software under construction at cost of RM173,000 (2008: RM659,000).

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(n) Deposits from customers****(i) By type of deposits**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<u>Non-Mudharabah</u>				
Demand deposits	985,490	1,897,477	819	17
Savings deposits	510,379	301,675	-	-
Fixed return investment account	2,964,472	1,840,535	524,644	291,358
Islamic negotiable instruments of deposit	523,089	242,975	-	-
Commodity Murabahah	17,125	379,480	-	-
Others	7,366	303,680	-	-
	5,007,921	4,965,822	525,463	291,375
<u>Mudharabah</u>				
Demand deposits	2,155,363	398,731	-	-
Savings deposits	204,066	92,856	-	-
General investment deposits (inclusive of Special General investment deposits of RM7,425,800,000 (2008: RM5,254,880,000))	9,158,674	6,780,540	-	-
Specific investment deposit	1,658,582	1,746,613	-	-
	13,176,685	9,018,740	-	-
	18,184,606	13,984,562	525,463	291,375

(ii) By type of customer

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	4,071,897	3,279,854	-	-
Business enterprises	10,529,314	7,940,207	1,065	-
Individuals	2,518,194	2,125,845	771	784
Others	1,065,201	638,656	523,627	290,591
	18,184,606	13,984,562	525,463	291,375

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(o) Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Licensed Islamic banks	50,000	64,809	-	-
Licensed banks	7,891,835	3,074,907	785,571	154,072
Licensed investment banks	1,110,350	200,300	-	-
Other financial institutions	34,086	316,820	20,006	1,928
	9,086,271	3,656,836	805,577	156,000

(p) Subordinated Sukuk

The RM300 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, the Bank 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 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 RM300 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

(q) Other liabilities

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Income payable	51,028	38,412	1,154	3,600
Amount due to Head office	-	17,073	-	-
Accruals and other payables	241,657	249,002	68,495	-
Defined contribution plan (i)	6	6	-	-
	292,691	304,493	69,649	3,600

(i) Defined contribution plan

The Bank contributes to the Employees Provident Fund ('EPF'), the national defined contribution plan. Once the contribution has been paid, the Bank has no further payment obligations.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(r) Provision for taxation and zakat**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Taxation	10,613	3,076	-	-
Zakat	6,421	-	-	-
	17,034	3,076	-	-

(s) Ordinary share capital

	The Group	
	2009	2008
	RM'000	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 / 31 December	550,000	550,000

(t) Perpetual preference shares

	The Group	
	2009	2008
	RM'000	RM'000
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

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank and the costs of winding up or such capital reduction exercise.

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for the financial year ended 31 December 2009 (Continued)**58 The operations of Islamic Banking (Continued)****(t) Perpetual preference shares (continued)**

A preference share shall not entitle its holder to participate in the surplus assets and profits of the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of the Bank.

(u) 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) Movement of the revaluation reserve of available-for-sale securities is as follows:

	The Group and The Bank	
	2009	2008
	RM'000	RM'000
At 1 January	(1,719)	(1,562)
Net gain/(loss) from change in fair value	4,485	(76)
Net loss transferred to income statement on disposal and impairment	(1,934)	(105)
Deferred taxation	(638)	24
Net change in available-for-sale securities	1,913	(157)
At 31 December	194	(1,719)

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(v) Income derived from investment of depositors' funds and others**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of				
(i) General investment deposits	456,540	412,327	3,617	18,922
(ii) Specific investment deposits	183,138	83,948	-	-
(iii) Other deposits	244,753	134,627	14,337	-
	884,431	630,902	17,954	18,922

(i) Income derived from investment of general investment deposits

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financing advances and other loans	337,462	175,551	-	4,014
Securities held for trading	5,911	7,242	-	-
Available-for-sale securities	15,494	18,219	-	-
Held-to-maturity securities	6,838	4,640	-	-
Money at call and deposits with financial institutions	56,486	166,462	3,617	6,237
Others	-	9,168	-	6,322
	422,191	381,282	3,617	16,573
Accretion of discount less amortisation of premium	27,772	23,381	-	-
Total finance income and hibah	449,963	404,663	3,617	16,573
Other operating income				
- Net gain/(loss) from securities held for trading				
-realised gain/(loss)	1,787	(37)	-	-
-unrealised loss	(201)	(164)	-	-
- Net gain from sale of available-for-sale securities	1,195	78	-	-
- Net gain from derivative instruments	-	2,349	-	2,349
- Net (loss)/gain from foreign exchange transactions	(3,295)	1,761	-	-
	(514)	3,987	-	2,349
Fee and commission income	7,091	3,677	-	-
	456,540	412,327	3,617	18,922

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(v) Income derived from investment of depositors' funds and others (continued)****(ii) Income derived from specific investment deposits**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other loans	105,619	21,309	-	-
Money at call and deposit with financial institutions	34,686	51,004	-	-
Held-to-maturity securities	43,033	11,635	-	-
	183,338	83,948	-	-
Other operating income				
-Net loss from maturity/redemption of held-to-maturity securities	(200)	-	-	-
	183,138	83,948	-	-

(iii) Income derived from investment of other deposits

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other loans	189,674	79,611	14,337	-
Securities held for trading	3,265	1,883	-	-
Available-for-sale securities	7,939	4,543	-	-
Held-to-maturity securities	3,486	1,146	-	-
Money at call and deposits with financial institutions	25,840	39,251	-	-
	230,204	126,434	14,337	-
Accretion of discount less amortisation of premium	13,773	6,476	-	-
Total finance income and hibah	243,977	132,910	14,337	-
Other operating income				
- Net gain from securities held for trading				
-realised gain/(loss)	976	(8)	-	-
-unrealised (loss)/gain	(196)	227	-	-
- Net gain from sale of available-for-sale securities	635	20	-	-
- Net (loss)/gain from foreign exchange transactions	(1,885)	488	-	-
	(470)	727	-	-
Fee and commission income	1,246	990	-	-
	244,753	134,627	14,337	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(w) Income derived from investment of shareholders' funds**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financing advances and other loans	47,799	17,083	-	-
Securities held for trading	514	658	-	-
Available-for-sale securities	1,395	1,671	-	-
Held-to-maturity securities	617	426	-	-
Money at call and deposits with financial institutions	4,732	14,633	-	-
Others	-	150	-	-
	55,057	34,621	-	-
Accretion of discount less amortisation of premium	2,513	2,107	-	-
Total finance income and hibah	57,570	36,728	-	-
Other operating income				
- Net gain/(loss) from securities held for trading				
- Realised gain/(loss)	157	(55)	-	-
- Unrealised (loss)/gain	(19)	32	-	-
- Net gain from sale of available-for-sale securities	104	7	-	-
- Net gain/(loss) from derivative financial instruments				
- Realised	79,633	(69,389)	-	-
- Unrealised	(80,889)	125,565	-	-
- Net (loss)/gain from foreign exchange transactions	(291)	154	-	-
- Net loss from hedging derivatives	(1,625)	-	-	-
	(2,930)	56,314	-	-
Fee and commission income	66,631	28,428	-	-
Sundry income	10,210	122	-	-
	131,481	121,592	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(x) Allowances for losses on financing, advances and other loans**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
(i) Specific allowance				
- made during the financial year	236,951	99,584	-	-
- written back the financial year	(25,785)	(40,608)	-	-
(ii) General allowance				
- made during the financial year	80,813	31,827	-	1,451
Bad debts on financing:				
- recovered	(14,631)	(7,369)	-	-
- written off	35	47	-	-
	277,383	83,481	-	1,451

(y) Income attributable to depositors

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	185,574	242,733	-	-
- Non-Mudharabah	65,857	94,386	3,469	-
Deposits and placements of banks and other financial institutions				
- Mudharabah	16,516	46,040	-	-
- Non-Mudharabah	27,095	17,933	7,691	6,335
Others	4,752	-	-	-
	299,794	401,092	11,160	6,335

(z) Personnel expenses

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	8,518	7,366	-	-
Allowances and bonuses	10,113	6,263	263	288
Personnel expenses charged by				
CIMB Bank Berhad	57,219	28,822	-	-
Staff incentive	5,195	-	-	-
Other staff related costs	16,818	5,117	-	49
	97,863	47,568	263	337

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM619,000 (2008:RM361,000).

**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)**

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58 The operations of Islamic Banking (Continued)**(aa) Other overheads and expenditures**

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	1,282	1,768	-	-
Depreciation of property, plant and equipment	1,479	965	-	-
Repairs and maintenance	1,870	271	-	-
Overheads charged by				
CIMB Bank Berhad	27,041	17,675	-	-
EDP expenses	2,211	3,230	-	-
Takaful/insurance	668	268	-	-
Others	1,269	2,771	-	-
Promotion				
Advertisement and publicity	13,514	13,573	-	-
Handling fees	22,535	8,333	-	-
Promotion costs charged by				
CIMB Bank Berhad	6,498	2,751	-	-
Others	3,561	4,509	73	-
General expenses				
Auditor's remuneration - statutory audit	94	104	-	-
Amortisation of intangible assets	3,581	3,829	-	-
General expenses charged by				
CIMB Bank Berhad	15,106	848	-	-
Legal and professional fees	1,585	788	-	-
Communication	1,499	1,005	-	-
Incidental expenses on banking operations	3,431	5,565	-	-
Brokerage fees and commissions	52	3,648	-	-
Others	10,348	2,760	-	143
	117,624	74,661	73	143

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ab) Significant related party transactions and balances**

The related parties of, and their relationship with the Group and Bank, are disclosed in Note 41.

	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
2009			
Income			
Profit income on deposits and placements with banks and other financial institution	1,823	2,119	-
Expenditure			-
Profit expense on deposits and placements of banks and other financial institution	104,664	15,528	-
Profit expense on deposits from customers	-	38	2
Profit expense on others	4,735	16	-
Outsourced back-office processing	105,863	15,882	-
Security services	-	66	-
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	102,750	88,712	-
Profit income on deposits and placements with banks and other financial institution	16	44	-
Amounts due to			
Deposits from customers	-	256,665	1,089
Deposits and placements of banks and other financial institutions	6,870,808	1,301,623	-
Profit expense on deposits from customers	-	32	-
Profit expense on deposits and placements of banks and other financial institution	16,894	2,620	-
Subordinated Sukuk	299,000	1,000	-
Profit expense on subordinated Sukuk	4,735	16	-
Outsourced back-office processing	9,892	1,395	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ab) Significant related party transactions and balances (continued)**

2008	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Profit income on deposits and placements with banks and other financial institution	2,498	3,304	-
Expenditure			
Profit expense on deposits and placements of banks and other financial institution	45,952	9,127	-
Profit expense on deposits and placements of customers	43,363	11,863	36
Security services	-	177	-
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	207,870	2,500	-
Others	552	-	-
Amounts due to			
Deposits from customers	-	27,533	1,826
Deposits and placements of banks and other financial institutions	3,381,584	265,192	-
Profit expense on deposits from customers	-	10	7
Profit expense on deposits and placements of banks and other financial institutions	4,040	929	-
Outsourced back-office processing	8,091	-	-

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Key management compensation and credit transaction and exposures with connected parties are disclosed in Note 41.

(ac) Taxation

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	63,948	28,250	-	-
Deferred taxation (Note i)	(23,587)	(4,494)	-	-
Under/(over) provision in prior year (Note i)	307	-	307	(307)
	40,668	23,756	307	(307)

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**Notes to the Financial Statements
for the financial year ended 31 December 2008 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk**

The tables below summarise the Group's and the Bank's exposure to rate of return risk. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As market rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of market rates on the structure of the balance sheets. Sensitivity to market rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	The Group						Non-profit sensitive	Trading book	Total
	No n-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Assets									
Cash and short-term funds	5,286,556	-	-	-	-	-	55,816	-	5,342,372
Deposits and placements with banks and other financial institutions	-	1,070,960	414,316	-	-	-	-	-	1,485,276
Securities held for trading	-	-	-	-	-	-	-	3,491,709	3,491,709
Available-for-sale securities	59,525	55,157	30,151	20,191	158,387	218,668	198	-	542,277
Held-to-maturity securities	-	15,483	15,483	30,966	847,975	101,471	-	-	1,011,378
Islamic derivative financial instruments	-	-	-	-	-	-	-	263,732	263,732
Financing, advances and other loans									
- Performing	1,015,617	3,739,213	373,097	44,599	1,530,108	9,767,957	-	-	16,470,591
- Non-performing	-	-	-	-	-	-	(15,786) ^	-	(15,786)
Other assets	-	-	-	-	-	-	111,877	-	111,877
Deferred taxation	-	-	-	-	-	-	44,625	-	44,625
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	172,806	-	172,806
Intangible assets	-	-	-	-	-	-	3,676	-	3,676
Goodwill	-	-	-	-	-	-	136,000	-	136,000
Property, plant and equipment	-	-	-	-	-	-	2,625	-	2,625
Total assets	6,361,698	4,880,813	833,047	95,756	2,536,470	10,088,096	511,837	3,755,441	29,063,158

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

	The Group						Non-profit sensitive	Trading book	Total
	Non-trading book								
	← Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Liabilities									
Deposits from customers	10,121,695	4,446,638	1,382,462	527,708	1,576,753	120,850	8,500	-	18,184,606
Deposits and placements of banks and other financial institutions	3,003,810	5,164,512	799,843	118,106	-	-	-	-	9,086,271
Islamic derivative financial instruments	-	-	-	-	-	28,255	13,304	117,798	159,357
Other liabilities	-	-	-	-	-	-	292,691	-	292,691
Amount due to holding company	-	-	-	-	-	-	24,183	-	24,183
Amount due to related company	-	-	-	-	-	-	6,425	-	6,425
Provision for taxation and zakat	-	-	-	-	-	-	17,034	-	17,034
Subordinated sukuk	-	-	-	-	-	300,000	-	-	300,000
Total liabilities	13,125,505	9,611,150	2,182,305	645,814	1,576,753	449,105	362,137	117,798	28,070,567
Total profit rate sensitivity gap	(6,763,807)	(4,730,337)	(1,349,258)	(550,058)	959,717	9,638,991		3,637,643	

^ Includes specific allowances and general allowance of RM373 million.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

	The Group						Non-profit sensitive	Trading book	Total
	Non-trading book				> 1 – 5 years	Over 5 years			
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
2008									
Assets									
Cash and short-term funds	6,027,002	-	-	-	-	-	222,123	-	6,249,125
Deposits and placements with banks and other financial institutions	116,700	300,289	245,000	50,000	-	-	-	-	711,989
Securities held for trading	-	-	-	-	-	-	-	2,882,056	2,882,056
Available-for-sale securities	5,000	-	25,055	54,380	306,832	220,536	575	-	612,378
Held-to-maturity securities	892,884	69,664	8,708	17,416	106,390	102,994	-	-	1,198,056
Islamic derivative financial instruments	-	-	-	-	-	-	-	267,369	267,369
Financing advances and other loans									
- Performing	1,854,418	910,753	98,192	63,342	789,915	2,518,579	3,048 [^]	-	6,238,247
- Non-performing	-	-	-	-	-	-	21,479 [^]	-	21,479
Other assets	-	-	-	-	-	-	99,244	-	99,244
Deferred taxation	-	-	-	-	-	-	21,369	-	21,369
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	269,224	-	269,224
Amount due to related companies	-	-	-	-	-	-	100,622	-	100,622
Intangible assets	-	-	-	-	-	-	5,962	-	5,962
Goodwill	-	-	-	-	-	-	136,000	-	136,000
Property, plant and equipment	-	-	-	-	-	-	3,855	-	3,855
Total assets	8,896,004	1,280,706	376,955	185,138	1,203,137	2,842,109	883,501	3,149,425	18,816,975

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

	The Group Non-trading book						Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
2008									
Liabilities									
Deposits from customers	7,615,406	3,444,257	704,423	218,932	1,966,670	15,866	19,008	-	13,984,562
Deposits and placements of banks and other financial institutions	2,639,886	1,016,950	-	-	-	-	-	-	3,656,836
Islamic derivative financial instruments	-	-	-	-	-	-	-	46,452	46,452
Bills and acceptable payable	1,808	1,913	1,537	-	-	-	-	-	5,258
Amount due to holding company	-	-	-	-	-	-	304,493	-	304,493
Other liabilities	-	-	-	-	-	-	4,010	-	4,010
Provision for taxation and zakat	-	-	-	-	-	-	3,076	-	3,076
Total liabilities	10,257,100	4,463,120	705,960	218,932	1,966,670	15,866	330,587	46,452	18,004,687
Total profit rate sensitivity gap	(1,361,096)	(3,182,414)	(329,005)	(33,794)	(763,533)	2,826,243		3,102,973	

^ Includes specific allowances and general allowance of RM180 million.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

	The Bank						Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Non-trading book								
	←	←	←	←	→	→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
2009									
Assets									
Cash and short-term funds	484,261	-	-	-	-	-	-	-	484,261
Deposits and placements with banks and other financial institutions	-	198,560	294,441	-	-	-	-	-	493,001
Securities held for trading	-	-	-	-	-	-	-	207,415	207,415
Islamic derivative financial instruments	-	-	-	-	-	-	-	6,044	6,044
Financing, advances and other loans									
- Performing	-	-	213,664	-	-	-	-	-	213,664
Other assets	-	-	-	-	-	-	3,841	-	3,841
Total assets	484,261	198,560	508,105	-	-	-	3,841	213,459	1,408,226
Liabilities									
Deposits from customers	-	-	524,644	-	-	-	819	-	525,463
Deposits and placements of banks and other financial institutions	484,261	198,560	122,756	-	-	-	-	-	805,577
Islamic derivative financial instruments	-	-	-	-	-	-	-	1,321	1,321
Other liabilities	-	-	-	-	-	-	69,649	-	69,649
Amount due to related company	-	-	-	-	-	-	147	-	147
Total liabilities	484,261	198,560	647,400	-	-	-	70,615	1,321	1,402,157
Total profit rate sensitivity gap	-	-	(139,295)	-	-	-	-	212,138	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

	The Bank						Non-profit sensitive	Trading book	Total
	Non-trading book								
	← Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008									
Assets									
Deposits and placements with banks and other financial institutions	99,377	275,911	-	-	2,286	-	-	-	377,574
Islamic derivative financial instruments	-	-	-	-	-	-	-	2,349	2,349
Financing, advances and other loans									
- Performing	-	68,268	-	-	-	-	-	-	68,268
Other assets	-	-	-	-	-	-	2,002	-	2,002
Deferred tax assets	-	-	-	-	-	-	307	-	307
Total assets	99,377	344,179	-	-	2,286	-	2,309	2,349	450,500
Liabilities									
Deposits from customers	49,161	242,214	-	-	-	-	-	-	291,375
Deposits and placements of banks and other financial institutions	17,118	138,882	-	-	-	-	-	-	156,000
Other liabilities	-	-	-	-	-	-	3,600	-	3,600
Total liabilities	66,279	381,096	-	-	-	-	3,600	-	450,975
Total profit rate sensitivity gap	33,098	(36,917)	-	-	2,286	-	-	2,349	-

^ Includes general allowance of RM1.2 million.

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ad) Profit rate risk (continued)**

The tables below summarises the effective average profit rates for each class of financial asset and financial liability:

	The Group 2009 %			The Group 2008 %			The Bank 2009 %			The Bank 2008 %	
	MYR	USD	SGD	MYR	USD	SGD	MYR	USD	SGD	USD	SGD
Financial assets											
Cash and short-term funds	2.02	0.37	-	3.03	2.55	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	1.02	0.76	0.63	2.63	2.80	1.81	-	-	0.63	2.78	1.81
Securities held for trading	2.28	-	2.64	3.50	-	-	-	-	2.64	-	-
Available-for-sale securities	4.53	-	-	4.48	-	-	-	-	-	-	-
Securities held-to-maturity	4.99	-	-	5.23	-	-	-	-	-	-	-
Financing advances and other loans	5.45	1.51	3.42	5.86	4.34	-	-	3.12	3.42	4.07	-
Financial liabilities											
Deposits from customers	1.59	0.84	0.87	2.52	1.29	0.93	-	-	0.87	-	0.93
Deposits and placements of banks and other financial institutions	2.27	0.52	-	2.34	2.17	-	-	-	-	2.67	-
Subordinated Sukuk	5.85	-	-	-	-	-	-	-	-	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ae) Credit risk**

The following tables set out the credit risk concentrations of financial instruments:

	The Group 2009									
	Short term funds and placements with financial institutions	Securities held for trading	Available- for-sale securities	Held-to- maturity securities	Islamic derivative financial instruments	Financing, advances and other loans	Other assets	Total on- balance sheet	Credit related commitments and contingencies	Treasury related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	5,051	254,503	-	283,950	-	543,504	161	-
Manufacturing	-	-	-	-	-	456,408	-	456,408	65,518	74
Mining and quarrying	-	-	-	-	-	-	-	-	-	-
Electricity, gas and water	-	5,037	41,359	9,543	-	141,338	-	197,277	9,618	-
Construction	-	95,314	37,288	8,390	-	86,851	-	227,843	83,907	-
Real estate	-	-	20,593	626,911	-	-	-	647,504	-	-
Purchase of landed property	-	-	-	-	-	-	-	-	-	-
- Residential	-	-	-	-	-	3,318,216	-	3,318,216	-	-
- Non residential	-	-	-	-	-	1,013,120	-	1,013,120	-	-
General commerce	-	-	-	-	-	381,914	-	381,914	10,170	14
Purchase of securities	-	-	-	-	-	-	-	-	-	-
Transport, storage and communications	-	25,013	59,333	91,927	-	3,013,433	-	3,189,706	3,641	-
Finance, takaful/insurance and business services	2,731,859	2,025,941	106,989	20,104	263,732	2,623,933	111,877	7,884,435	11,695	327,282
Government and government agencies	4,095,789	1,340,404	265,958	-	-	-	-	5,702,151	-	-
Purchase of transport vehicles	-	-	-	-	-	3,553,880	-	3,553,880	-	-
Consumption credit	-	-	-	-	-	1,438,420	-	1,438,420	-	-
Others	-	-	5,706	-	-	303,589	-	309,295	30,001	-
	6,827,648	3,491,709	542,277	1,011,378	263,732	16,615,052	111,877	28,863,673	214,711	327,370

^ Gross financing and advances after specific allowance but before general allowance of RM160,247,000

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ae) Credit risk (continued)**

	The Group 2008									
	Short term funds and placements with financial institutions RM'000	Securities held for trading RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Islamic derivative financial instruments RM'000	Financing, advances and other loans RM'000	Other assets RM'000	Total on-balance sheet RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
	Agriculture	-	-	19,909	174,160	-	192,833	100	387,002	88,319
Manufacturing	-	-	-	-	-	193,053	-	193,053	32,320	-
Electricity, gas and water	-	-	60,424	4,816	-	-	1,070	66,310	8,659	-
Construction	-	-	49,378	-	-	107,766	614	157,758	88,060	-
Real Estate	-	-	20,715	892,884	-	259,449	697	1,173,745	32,712	-
Purchase of landed property										
- Residential	-	-	-	-	-	751,769	-	751,769	56	-
- Non residential	-	-	-	-	-	626,952	-	626,952	13,500	-
General commerce	-	-	9,415	-	-	278,105	58	287,578	83,513	-
Purchase of securities	-	-	-	-	-	1,417,806	-	1,417,806	-	-
Transport, storage and communications	-	15,710	130,535	106,070	-	8,252	3,768	264,335	99,328	-
Finance, takaful/insurance and business services	2,057,785	2,822,240	115,364	20,126	267,369	519,601	89,154	5,891,639	296,152	394,108
Government and government agencies	4,815,807	44,106	200,974	-	-	-	1,721	5,062,608	-	-
Purchase of transport vehicles	-	-	-	-	-	1,328,110	-	1,328,110	-	-
Consumption credit	-	-	-	-	-	517,361	-	517,361	-	-
Others	87,522	-	5,089	-	-	139,284	2,062	233,957	127,002	-
	6,961,114	2,882,056	611,803 *	1,198,056	267,369	6,340,341 ^	99,244	18,359,983	869,621	394,108

* Exclude equity instruments amounting to RM575,000.

^ Gross financing and advances after specific allowance but before general allowance of RM80,615,000.

Equity instruments are not subject to credit risk due to their nature which are short-term, lower credit risk, easily disposable and has no maturity period

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**Notes to the Financial Statements
for the financial year ended 31 December 2009 (Continued)****58 The operations of Islamic Banking (Continued)****(ae) Credit risk (continued)**

	The Bank 2009							
	Short term funds and placements with financial institutions	Securities held for trading	Islamic derivative financial instruments	Financing, advances and other loans	Other assets	Total on-balance sheet	Credit related commitments and contingencies	Treasury related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General commerce	-	-	-	85,991	-	85,991	-	-
Transport, storage and communications	-	-	-	103,206	-	103,206	-	-
Finance, takaful/insurance and business services	977,262	207,415	6,044	24,467	3,841	1,219,029	-	11,210
	977,262	207,415	6,044	213,664[^]	3,841	1,408,226	-	11,210

	The Bank 2008							
	Short term funds and placements with financial institutions	Securities held for trading	Islamic derivative financial instruments	Financing, advances and other loans	Other assets	Total on-balance sheet	Credit related commitments and contingencies	Treasury related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Finance, takaful/insurance and business services	290,053	-	2,349	-	-	292,402	-	-
Others	87,521	-	-	69,449	2,002	158,972	-	6,792
	377,574	-	2,349	69,449[^]	2,002	451,374	-	6,792

[^] Gross financing and advances after specific allowance but before general allowance of RMNil (2008: RM1.2 million.)

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Notes to the Financial Statements for the financial year ended 31 December 2009 (Continued)

59 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 9 March 2010.