

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Reports and Financial Statements
for the financial year ended 31 December 2012**

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2012

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CIMB Investment Bank Berhad

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Directors' Report for the financial year ended 31 December 2012

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2012

Principal activities

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

Financial results

	The Group RM'000	The Bank RM'000
Net profit after taxation	<u>127,374</u>	<u>124,696</u>

Dividends

The dividends on ordinary shares and redeemable preference shares paid or declared by the Bank since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
An interim single tier dividend of 61.86 sen per ordinary share and 3,717.10 sen per redeemable preference shares was paid on 19 March 2012	<u>99,035</u>

The Directors have proposed a final single tier dividend comprising of 56 sen per ordinary share, amounting to RM56,000,000 in respect of financial year ended 31 December 2012. The dividend was approved by the Board of Directors in a resolution dated 4 February 2013.

Reserves, provisions and allowances

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

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Directors' Report for the financial year ended 31 December 2012 (Continued)

Issuance of shares

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

Bad and doubtful debts, and financing

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

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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Directors' Report for the financial year ended 31 December 2012 (Continued)

Contingent and other liabilities (Continued)

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than disclosed in Note 47 to the Financial Statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made

Directors

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

Dato' Hamzah bin Bakar
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Zainal Abidin bin Putih
Nicholas Rupert Heylett Bloy (resigned on 17 February 2012)
Zahardin bin Omardin
Dato' Charon Wardini bin Mokhzani
Habibah binti Abdul (appointed on 30 May 2012)

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Dato' Zainal Abidin bin Putih and Dato' Charon Wardini bin Mokhzani retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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Directors' Report for the financial year ended 31 December 2012 (Continued)

Directors' interests in shares and share options

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

	Number of ordinary shares of RMI each			
	As at 1 January	Acquired/ granted	Disposed	As at 31 December
Ultimate holding company				
CIMB Group Holdings Berhad				
Dato' Sri Mohamed Nazir bin Abdul Razak*	55 395 875	388 406 #	(4 000 000)	51 784 281
Zahardin bin Oмарdin	18 292	-	-	18 292
Dato Charon Wardini bin Mokhzani**	320 478	180 772 #	-	501 250
Dato' Zainal Abidin bin Putih***	110 000	-	-	110 000

Shares granted under Equity Ownership Plan ("EOP")

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

	As at 1 January	Acquired	Disposed	As at 31 December
Dato Azlina binti Abdul Aziz	8 000 000	-	(4 000 000)	4 000 000

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

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

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

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

	No. of debentures held			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Niaga Tbk				
-Subordinated Notes				
Dato' Sri Mohamed Nazir bin Abdul Razak	IDR 4,500,000,000	-	-	IDR 4,500,000,000
Dato' Charon Wardini bin Mokhzani	IDR 1,000,000,000	-	-	IDR 1,000,000,000
CIMB Niaga Tbk				
-Subordinated Notes Series B Bond				
Dato' Charon Wardini bin Mokhzani	IDR 2,000,000,000	-	-	IDR 2,000,000,000

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Directors' Report for the financial year ended 31 December 2012 (Continued)

Directors' interests in shares and share options (Continued)

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 32 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the Management Equity Scheme and Equity Ownership Plan of the ultimate holding company (see Note 41 to the Financial Statements) as disclosed in this Report.

2012 Business Plan and Strategy

For the year 2012, the Bank continued to leverage on CIMB Group's regional platform to offer regional capabilities and a strong distribution network to our clients.

The Bank had a record year for equity market deals, where we led most of the major deals in Malaysia and ranked no. 1 on the Malaysian ECM league table. 2012 saw several large Islamic IPO deals, including the listing of Felda Global Ventures Berhad (5th largest IPO globally in 2012) and IHH Healthcare Berhad (6th largest IPO globally in 2012), both of which were successfully managed by the Bank, resulting in a significant increase in our Islamic income compared to the previous year. M&As however, were slower compared to 2011 until the 4Q2012, when the Bank came in particularly strong. For 2012, the bank continued to be in the top 3 Malaysian M&A league table.

Equities broking however saw industry margins and turnover continue to weaken. Notwithstanding, the Bank still managed to record higher brokerage income year on year and continued to be the no. 1 equities broker in Malaysia for 2012.

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Directors' Report for the financial year ended 31 December 2012 (Continued)

2012 Business Plan and Strategy (Continued)

The Bank continued to win numerous investment banking and equity awards in 2012, including Most Innovative Investment Bank in Asia award by the Banker, Best Investment Bank (Malaysia) awards by Finance Asia, Euromoney and Alpha, Best Equity House (Malaysia) awards by Finance Asia and Asiamoney. The Bank also delivered outstanding results in the AsiaMoney Polls whereby our equity sales and research teams were ranked the best in 16 categories.

Outlook for 2013

The Malaysian equity markets are likely to be volatile in the first half of 2013 amidst the uncertainties amongst investors on the outcome of the impending general elections to be held during this period. For the second half of the year, the outlook for investment banking and equities in Malaysia is expected to be more promising whereby the stock market is expected to rebound post-elections.

For the financial year 2013, the Bank aims to defend its leadership position in the investment banking industry. A key focus will be how to fully leverage the enlarged Group's network across Asia Pacific to deliver to our customers the value proposition of the Group's franchise as a whole.

Ratings by External Rating Agencies

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

Rating Agency	Rating Classification	Definition (Long Term Ratings of the Bank)
RAM Rating Services Berhad Date accorded : August 2012	Long Term Financial Institution Rating/Outlook : AAA/Stable Short Term Financial Institution Rating : P1	Indicates a superior capacity to meet its financial obligations
Moody's Investors Service Inc Date accorded : January 2013	Long Term Local Currency Issuer Rating : A3 Short Term Local Currency Issuer Rating : P-2 Long Term Foreign Currency Issuer Rating : A3 Short Term Foreign Currency Issuer Rating : P-2 Outlook : Stable	Indicates expectation of low credit risk
Standard & Poor's Ratings Service Date accorded : December 2012	Long Term Local Currency Issuer Credit Rating/Outlook : A-/Stable Short Term Local Currency Issuer Credit Rating : A-2 Long Term Foreign Currency Issuer Credit Rating/Outlook : A-/Stable Short Term Foreign Currency Issuer Credit Rating : A-2 Long Term Local Currency ASEAN Rating : axAA Short Term Local Currency ASEAN Rating : axA-1 Long Term Foreign Currency Subordinated (I issue) : BBB+	A : Indicates strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories axAA : Indicates very strong capacity to meet its financial commitments relative to other regional obligors

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Directors' Report for the financial year ended 31 December 2012 (Continued)

Board Shariah Committee

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

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

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Professor Dr. Mohammad Hashim Kamali
2. Sheikh Nedham Muhammad Seleh Yaqooby
3. Sheikh Dr. Haji MohdNai'm bin Haji Mokhtar
4. Sheikh Associate Professor Dr. Shafaai bin Musa
5. Sheikh Dr. Yousef Abdullah Al Shubaily
6. Professor Dr. Noor Inayah Yaakub

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Directors' Report

for the financial year ended 31 December 2012 (Continued)

Board Shariah Committee (Continued)

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

Zakat obligations

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

Subsequent event after the financial year end

There are no significant events subsequent to the financial year ended 31 December 2012.

Statement of Director's Responsibility

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

It is the responsibility of the Directors to ensure that the financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

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

CIMB Investment Bank Berhad
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Directors' Report
for the financial year ended 31 December 2012 (Continued)

Statement of Director's Responsibility (Continued)

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 10 of the Directors' Report.

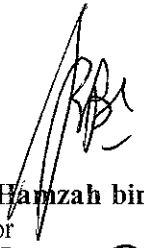
Ultimate holding company

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

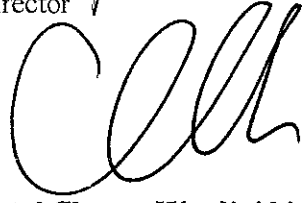
Auditors

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

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



Dato' Hamzah bin Bakar
Director



Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
12 March 2013

CIMB Investment Bank Berhad


(Incorporated in Malaysia)

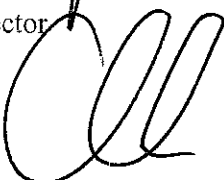
Statement by Directors

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

We, Dato' Hamzah bin Bakar and Dato' Charon Wardini bin Mokhzani, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 17 to 199 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2012 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965,

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


Dato' Hamzah bin Bakar
Director


Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
12 March 2013

Statutory Declaration

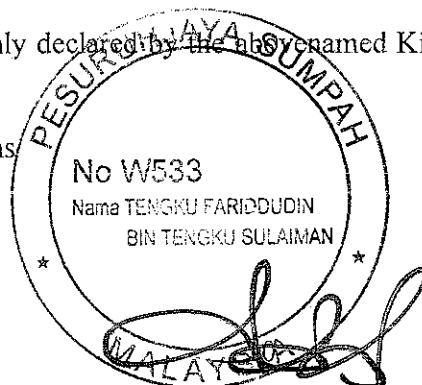
Pursuant to Section 169(16) of the Companies Act, 1965

I, Kim Kenny, being the officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that, the Financial Statements set out on pages 17 to 199 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960


Kim Kenny

Subscribed and solemnly declared by the abovesigned Kim Kenny at Kuala Lumpur before me, on 12 March 2013

Commissioner for Oaths



205, Bangunan Loke Yew
4, Jin Mahkamah Persekutuan
50050 Kuala Lumpur

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report

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

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

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

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

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

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

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

CIMB Investment Bank Berhad

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Board Shariah Committee's Report (Continued)

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

We acknowledge that in 2012 the emplaced system of internal control in the Bank to meet the newly instituted enterprise wide Shariah governance framework by Bank Negara Malaysia is still relatively new with a lot of rooms for further improvement. On balance, we are satisfied that the Management has put in place the appropriate level of control as required by us. We also take comfort that on top of all these system of internal control, the external auditors have full and free access to, and meet periodically with, us and the Audit Committee to discuss their audit and findings as to the integrity of the Bank's Shariah compliance in its Islamic banking and finance activities and the adequacy of the system of internal controls to detect non-compliance to Shariah.

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

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2012 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes

CIMB Investment Bank Berhad

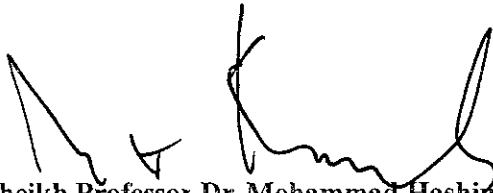
(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

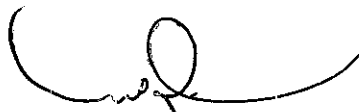
We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2012 were conducted in conformity with Shariah

On behalf of the Board Shariah Committee



Sheikh Professor Dr. Mohammad Hashim Kamali
Member



Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
12 March 2013



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD
(Company No: 18417-M)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 17 to 199, which comprise statements of financial position as at 31 December 2012 of the Group and of the Bank, and statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 50.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Company No: 18417-M)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the Financial Statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Company No: 18417-M)
(Incorporated in Malaysia)

OTHER MATTERS

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

A handwritten signature in black ink, appearing to read 'Riewatchee', with a long horizontal flourish extending to the right.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Soo Hoo Khoon Yeap', with a horizontal flourish.

SOO HOO KHOON YEAP
(No. 2682/10/13 (J))
Chartered Accountant

Knala Lumpur
12 March 2013

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Statements of Financial Position
as at 31 December 2012**

	Note	The Group			The Bank		
		31 December	31 December	1 January	31 December	31 December	1 January
		2012	2011	2011	2012	2011	2011
		RM'000	RM'000	RM'000	RM'000	RM 000	RM 000
Assets							
Cash and short term funds	2	1,423,437	1,603,593	1,827,312	1,401,832	1,587,555	1,816,349
Reverse repurchase agreements		150,622	273,423	300,067	150,622	273,423	300,067
Deposits and placements with banks and other financial institutions	3	700,200	252,100	689,196	692,858	250,833	687,992
Financial assets held for trading	4	33,091	79,110	82,127	33,091	79,110	82,127
Derivative financial instruments	5(i)	39,088	48,441	42,089	39,088	48,441	42,089
Financial investments available-for-sale	6	4,732	2,703	8,979	745	-	6,331
Loans advances and financing	7	73,245	40,956	42,710	73,245	40,956	42,710
Other assets	8	1,104,536	1,211,719	806,243	1,102,208	1,210,580	805,114
Tax recoverable		7,996	26,304	1	7,996	26,304	-
Deferred tax assets	9	42,998	40,460	44,329	42,812	40,274	44,270
Amounts due from related companies	36	4,804	6,621	6,624	4,806	6,624	6,626
Statutory deposits with Bank Negara Malaysia	10	1,062	1,520	280	1,062	1,520	280
Investment in subsidiaries	11	-	-	-	9,050	9,050	9,050
Investment in associates	12	5,736	5,007	5,280	-	-	-
Property plant and equipment	13	112,707	105,620	92,977	113,792	106,810	94,116
Goodwill on consolidation	14	964	964	964	-	-	-
Total assets		3,705,218	3,698,541	3,949,178	3,673,207	3,681,480	3,937,121
Liabilities							
Deposits from customers	15	802,915	829,133	1,207,639	802,915	829,133	1,207,639
Deposits and placements of banks and other financial institutions	16	1,327,358	1,212,833	1,494,000	1,327,358	1,212,833	1,494,000
Derivative financial instruments	5(i)	17,750	81,521	61,710	17,750	81,521	61,710
Other liabilities	17	978,207	1,052,558	680,594	976,014	1,051,189	683,038
Provision for taxation and Zakat	18	850	684	46,408	607	607	46,348
Amounts due to related companies	36	22,606	9,504	12,105	25,791	12,687	15,290
Subordinated loan	19	10,000	-	-	-	-	-
Total liabilities		3,159,686	3,186,233	3,502,456	3,150,435	3,187,970	3,508,025
Capital and reserves attributable to equity holders of the Bank							
Ordinary share capital	20	100,000	100,000	100,000	100,000	100,000	100,000
Redeemable preference shares	21	10	10	10	10	10	10
Reserves	22	445,522	412,298	346,712	422,762	393,500	329,086
Total equity		545,532	512,308	446,722	522,772	493,510	429,096
Total equity and liabilities		3,705,218	3,698,541	3,949,178	3,673,207	3,681,480	3,937,121
Commitments and contingencies	5(ii)	1,270,090	1,483,613	2,286,857	1,270,090	1,483,613	2,286,857

CIMB Investment Bank Berhad

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**Statements of Income
for the financial year ended 31 December 2012**

	Note	The Group		The Bank	
		2012 RM'000	2011 RM 000	2012 RM'000	2011 RM 000
Interest income	23	47,669	49,585	44,969	48,453
Interest expense	24	(51,750)	(48,539)	(51,282)	(48,539)
Net interest (expense)/income		(4,081)	1,046	(6,313)	(86)
Income derived from investment of depositors funds and others	48	1,416	64	1,416	64
Income derived from investment of shareholders funds	48	167,506	86,458	167,506	86,458
Income attributable to the depositors	48	(27,953)	(11,769)	(27,953)	(11,769)
Income from Islamic Banking operations		140,969	74,753	140,969	74,753
Allowance for impairment losses on loans advances and financing	25	(507)	(52)	(507)	(52)
Allowance for impairment losses on other receivables		(1,821)	(2,569)	(1,843)	(2,629)
Allowance for other impairment losses	26	-	(6,331)	-	(6,331)
Recoveries from investment management and securities services		-	45,000	-	45,000
		134,560	111,847	132,306	110,655
Fee and commission income	27	138,786	154,173	138,786	154,173
Dividend income	28	12	85	12	85
Net trading income/(loss)	29	506	(6,230)	506	(6,230)
Income from asset management and securities services		17,338	16,446	17,338	16,446
Brokerage income		162,481	142,728	157,833	139,063
Other non-interest income	30	4,736	5,411	4,741	5,411
Non-interest income		323,859	312,613	319,216	308,948
Net income		458,419	424,460	451,522	419,603
Overheads	31	(274,317)	(284,460)	(270,048)	(280,933)
		184,102	140,000	181,474	138,670
Share of results of associates	12	729	187	-	-
Profit before taxation		184,831	140,187	181,474	138,670
Taxation	33	(57,457)	(39,980)	(56,778)	(39,636)
Profit after taxation		127,374	100,207	124,696	99,034
Earnings per share attributable to ordinary equity holders (sen) -basic	34	127.37	100.21	124.70	99.03

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CIMB Investment Bank Berhad

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Statements of Comprehensive Income for the financial year ended 31 December 2012

Note	The Group		The Bank	
	2012 RM'000	2011 RM 000	2012 RM'000	2011 RM 000
Profit for the financial year	127,374	100,207	124,696	99,034
Other comprehensive income:				
Revaluation reserve-financial investments available-for-sale				
-Net gain/(loss) from change in fair value	1,284	(1)	-	-
Other comprehensive income for the year, net of tax	1,284	(1)	-	-
Total comprehensive income for the financial year	128,658	100,206	124,696	99,034

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CIMB Investment Bank Berhad
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**Statements of Changes in Equity
for the financial year ended 31 December 2012**

	Attributable to owners of Parent							Total RM'000
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserves-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000		
The Group								
At 1 January 2012	100,000	10	155,805	(1)	54,115	202,379	512,308	
Net profit for the financial year	-	-	-	-	-	127,374	127,374	
Other comprehensive income (net of tax) -financial investments available-for-sale	-	-	-	1,284	-	-	1,284	
Total comprehensive income for the financial year	-	-	-	1,284	-	127,374	128,658	
Share-based payment expense	-	-	-	-	31,169	-	31,169	
Shares released under Equity Ownership Plan	-	-	-	-	(27,568)	-	(27,568)	
Expiry of Management Equity Scheme	-	-	-	-	(39,118)	39,118	-	
Final dividend paid in respect of the financial year ended 31 December 2011	-	-	-	-	-	(99,035)	(99,035)	
At 31 December 2012	100,000	10	155,805	1,283	18,598	269,836	545,532	

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CIMB Investment Bank Berhad
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**Statements of Changes in Equity
for the financial year ended 31 December 2012 (Continued)**

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

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CIMB Investment Bank Berhad
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**Statements of Changes in Equity
for the financial year ended 31 December 2012 (Continued)**

	← Redeemable			Non-distributable			→ Distributable		
	Share capital RM'000	Preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000	
The Bank									
At 1 January 2012	100,000	10	155,805	(272,007)	54,115	271,377	184,210	493,510	
Net profit for the financial year	-	-	-	-	-	-	124,696	124,696	
Total comprehensive income for the financial year	-	-	-	-	-	-	124,696	124,696	
Share-based payment expense	-	-	-	-	31,169	-	-	31,169	
Shares released under Equity Ownership Plan	-	-	-	-	(27,568)	-	-	(27,568)	
Expiry of Management Equity Scheme	-	-	-	-	(39,118)	-	39,118	-	
Interim dividend paid in respect of the financial year ended 31 December 2011	-	-	-	-	-	-	(99,035)	(99,035)	
At 31 December 2012	100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772	

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**Statements of Changes in Equity
for the financial year ended 31 December 2012 (Continued)**

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

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CIMB Investment Bank Berhad

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Statements of Cash Flows for the financial year ended 31 December 2012

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities				
Profit before taxation	184,831	140,187	181,474	138,670
Add/(less) adjustments:				
Allowance for impairment losses on loans, advances and financing	507	52	507	52
Depreciation of property, plant and equipment	26,293	25,954	26,240	25,813
Allowance for other impairment losses	-	6,331	-	6,331
Allowance for impairment losses on other receivables	1,821	2,569	1,843	2,629
Accretion of discounts less amortisation of premium	(2,806)	(3,197)	(2,806)	(3,197)
Unrealised loss on financial assets held for trading	10,373	6,755	10,373	6,755
Unrealised loss on derivative financial instruments	11,996	27,020	11,996	27,020
Gain on disposal of property, plant and equipment	(2,778)	(2,221)	(2,778)	(2,221)
Gross dividends from financial assets held for trading	(12)	(85)	(12)	(85)
Unrealised foreign exchange loss/(gain)	577	(1,271)	577	(1,271)
Share of results of associates	(729)	(187)	-	-
Share-based payment expense	31,169	28,109	31,169	28,109
Fixed assets written off	38	350	38	350
Cash flow from operating profit before changes in operating assets and liabilities	261,280	230,366	258,621	228,955
(Increase)/decrease in operating assets				
Reverse repurchase agreements	122,801	26,644	122,801	26,644
Deposits and placements with banks and other financial institutions	(448,100)	437,096	(442,025)	437,159
Financial assets held for trading	38,455	(520)	38,455	(520)
Derivative financial instruments	(66,414)	(13,561)	(66,414)	(13,561)
Loans, advances and financing	(32,796)	1,702	(32,796)	1,702
Other assets	77,217	(415,543)	78,384	(416,053)
Statutory deposits with Bank Negara Malaysia	458	(1,240)	458	(1,240)
Amounts due from related companies	289	1,472	289	1,472
Amounts due from immediate holding company	1,529	(1,529)	1,529	(1,529)
Amounts due from ultimate holding company	(1)	60	(1)	60
Amounts due from subsidiaries	-	-	1	(1)
	(306,562)	34,581	(299,319)	34,133

CIMB Investment Bank Berhad

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**Statements of Cash Flow
for the financial year ended 31 December 2012 (Continued)**

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Decrease in operating liabilities				
Deposits from customers	(26,218)	(378,506)	(26,218)	(378,506)
Deposits and placements of banks and other financial institutions	114,525	(281,167)	114,525	(281,167)
Other liabilities	(76,454)	365,813	(77,278)	362,000
Amounts due to ultimate holding company	(22)	22	(22)	22
Amounts due to related companies	13,124	(2,623)	13,126	(2,625)
Cash generated from/(used in) operating activities	(20,327)	(31,514)	(16,565)	(37,188)
Taxation paid	(41,521)	(108,138)	(41,008)	(107,685)
Net cash used in operating activities	(61,848)	(139,652)	(57,573)	(144,873)
Investing activities				
Dividends received from financial assets held for trading	9	64	9	64
Net purchase of financial investments available-for-sale	(745)	(56)	(745)	-
Purchase of property, plant and equipment	(36,468)	(46,953)	(36,309)	(46,862)
Proceeds from disposal of property, plant and equipment	5,828	10,227	5,827	10,226
Net cash used in investing activities	(31,376)	(36,718)	(31,218)	(36,572)
Financing activities				
Net proceeds from subordinated loan	10,000	-	-	-
Dividends paid	(99,035)	(53,500)	(99,035)	(53,500)
Net cash used in financing activities	(89,035)	(53,500)	(99,035)	(53,500)
Net decrease in cash and cash equivalents during the financial year	(182,259)	(229,870)	(187,826)	(234,945)
Cash and cash equivalents at beginning of the financial year	1,575,910	1,805,780	1,559,872	1,794,817
Cash and cash equivalents at end of the financial year	1,393,651	1,575,910	1,372,046	1,559,872
Cash and cash equivalents comprise the following:				
Cash and short term funds	2 1,423,437	1,603,593	1,401,832	1,587,555
Adjustment for monies held in trust:				
Remisiers' balances	(29,786)	(27,683)	(29,786)	(27,683)
Cash and cash equivalents	1,393,651	1,575,910	1,372,046	1,559,872

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CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012

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

A Basis of preparation

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

The Financial Statements of the Group and the Bank for the financial year ended 31 December 2012 are the first set of Financial Statements prepared in accordance with MFRS, including MFRS 1 "First-time adoption of MFRS". The Group and the Bank have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. The transition to MFRS does not have any significant change on the Group's and the Bank's existing accounting policies. Nonetheless, as required under MFRS 1, the Group and the Bank have presented three statements of financial position, two statements of income, two statements of comprehensive income, two statements of cash flows, two statements of changes in equity and related notes including comparatives.

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 44.

CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

A Basis of preparation (Continued)

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

The Group and the Bank will be required to adopt the new standards, amendments to standards and interpretations in the period set out below:

- (i) Financial year beginning on/after 1 January 2013
 - MFRS 10 “Consolidated financial statements” (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 “Consolidated and separate financial statements” and IC Interpretation 112 “Consolidation – special purpose entities”.
 - MFRS 12 “Disclosures of interests in other entities” (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 “Investments in associates”. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
 - MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

A Basis of preparation (Continued)

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

(i) Financial year beginning on/after 1 January 2013 (Continued)

- The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10
- The revised MFRS 128 “Investments in associates and joint ventures” (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendment to MFRS 101 “Presentation of items of other comprehensive income” (effective from 1 July 2012) requires entities to separate items presented in “other comprehensive income” (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI
- Amendment to MFRS 7 “Financial instruments: Disclosures” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The Group and the Bank will apply these standards from financial years beginning on or after 1 January 2013.

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

A Basis of preparation (Continued)

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

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

- Amendment to MFRS 132 “Financial instruments: Presentation” (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 January 2015

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

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

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

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Bank except for MFRS 9. The financial effects of the adoption of MFRS 9 are still being assessed by the Group and the Bank.

CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

B Economic entities in the Group

(a) Subsidiaries

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

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

When assessing whether the Group controls a SPE, in addition to the criteria in MFRS127, it evaluates a range of factors, including whether:

- (a) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;
- (b) the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated these decision-making power by setting up an 'autopilot' mechanism, or
- (c) the Group has the rights to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- (d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

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

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

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

CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

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

(b) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

B Economic entities in the Group (Continued)

(c) Transaction with non-controlling interests

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

(d) Associates

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

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

B Economic entities in the Group (Continued)

(d) Associates (Continued)

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

(e) Changes in ownership interest

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

(f) Interests in subsidiaries and associates

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

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

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

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

D Recognition of fees and other income

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

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

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

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

Dividends are recognised when the right to receive payment is established

E Sale and repurchase agreements

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

F Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

F Financial assets (Continued)

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statement of income.

(c) Subsequent measurement

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

F Financial assets (Continued)

(d) Reclassification of financial assets

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

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

G Financial liabilities

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

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

G Financial liabilities (Continued)

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, sundry creditors, subordinated loans and amount due to related companies

H Derecognition of financial assets and financial liabilities

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

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

I Impairment of financial assets

(a) Assets carried at amortised cost

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

I Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

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

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

J Derivative financial instruments and hedge accounting

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

J Derivative financial instruments and hedge accounting (Continued)

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

J Derivative financial instruments and hedge accounting (Continued)

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

K Property, plant and equipment

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

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

Leasehold land	50 years or over the balance period of the lease, whichever is shorter
Building on leasehold land	50 years or over the balance period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- office equipment	5 years
- furniture and fixtures	5 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter
Computer equipment:	
- servers and hardware	3 - 5 years
Motor vehicles	5 years

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

K Property, plant and equipment (Continued)

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

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

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

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

L Goodwill

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

M Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

Others

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

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

CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

N Currency translations

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

O Income and deferred taxes

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

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

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

O Income and deferred taxes (Continued)

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

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

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

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

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

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

P Share capital

(a) Classification

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

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(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

P Share capital (Continued)

(b) Share issue costs

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

(c) Dividends

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

Q Employee benefits

(a) Short term employee benefits

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

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

(b) Post employment benefits

The Group and the Bank have a defined contribution plan for its employees

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

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

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

Q Employee benefits (Continued)

(c) Share-based compensation benefits

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

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

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

CIMB Investment Bank Berhad

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Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

Q Employee benefits (Continued)

(c) Share-based compensation benefits (Continued)

Employee Ownership Plan

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

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

R Impairment of non-financial assets

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

S Provisions

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

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

Provisions are not recognised for future operating losses.

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

g

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

T Financial guarantee contracts

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2012 (Continued)

U Cash and cash equivalents

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

V Segment reporting

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

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

W Contingent assets and contingent liabilities

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

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

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

X Trust activities

The Group acts as trustees and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

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CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2012

1 General information

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

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

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

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

2 Cash and short term funds

	The Group			The Bank		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM 000	RM 000	RM'000	RM 000	RM 000
Cash and balances with banks and other financial institutions	373,416	246,692	154,227	371,167	244,768	123,928
Money at call and deposit placements maturing within one month	<u>1,050,021</u>	<u>1,356,901</u>	<u>1,673,085</u>	<u>1,030,665</u>	<u>1,342,787</u>	<u>1,692,421</u>
	<u>1,423,437</u>	<u>1,603,593</u>	<u>1,827,312</u>	<u>1,401,832</u>	<u>1,587,555</u>	<u>1,816,349</u>

Included in cash and short term funds of the Group and the Bank are accounts maintained in trust for remisers amounting to RM29,786,000 (31 December 2011: RM27,683,000, 1 January 2011 : RM21,532,000) for the Group and the Bank respectively.

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CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	699,183	251,098	688,196	692,858	250,833	687,992
Other financial institutions	1,017	1,002	1,000	-	-	-
	<u>700,200</u>	<u>252,100</u>	<u>689,196</u>	<u>692,858</u>	<u>250,833</u>	<u>687,992</u>

4 Financial assets held for trading

	The Group and the Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Quoted securities: In Malaysia			
Shares	195	46	3,691
Unquoted securities: In Malaysia			
Private and Islamic debt securities	32,896	79,064	78,436
	<u>33,091</u>	<u>79,110</u>	<u>82,127</u>

CIMB Investment Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****5 Derivative financial instruments, commitments and contingencies****(i) Derivative financial instruments**

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

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

The Group and the Bank At 31 December 2012	Principal amount RM'000	Fair values	
		Assets RM'000	Liabilities RM'000
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps	787,210	38,920	(17,582)
<u>Equity derivatives</u>			
Equity options	477,798	168	(168)
Total derivative assets/(liabilities)	1,265,008	39,088	(17,750)
At 31 December 2011			
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps	861,110	47,387	(80,467)
<u>Equity derivatives</u>			
Equity options	540,557	1,054	(1,054)
Total derivative assets/(liabilities)	1,401,667	48,441	(81,521)
At 1 January 2011			
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps	817,530	31,758	(51,371)
<u>Equity derivatives</u>			
Equity options	867,353	10,331	(10,331)
Index futures	1,756	-	(8)
Total derivative assets/(liabilities)	1,686,639	42,089	(61,710)

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****5 Derivative financial instruments, commitments and contingencies
(Continued)****(ii) Commitments and contingencies**

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

These commitments and contingencies are not secured over the assets of the Group and the Bank.

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

	The Group			The Bank		
	31 December 2012 Principal RM'000	31 December 2011 Principal RM 000	1 January 2011 Principal RM'000	31 December 2012 Principal RM'000	31 December 2011 Principal RM 000	1 January 2011 Principal RM'000
<u>Credit-related</u>						
Irrevocable commitments to extend credit:						
- Maturity exceeding one year	5,082	59	218	5,082	59	218
Underwriting obligations	-	81,887	-	-	81,887	-
Forward asset purchase	-	-	300,000	-	-	300,000
Miscellaneous commitments and contingencies	-	-	300,000	-	-	300,000
	5,082	81,946	600,218	5,082	81,946	600,218
<u>Treasury-related</u>						
Interest rate related contracts:						
- Less than one year	276,760	-	181,550	276,760	-	181,550
- One year to less than five years	-	314,660	196,780	-	314,660	196,780
- Five years and above	510,450	546,450	439,200	510,450	546,450	439,200
Equity related contracts:						
- Less than one year	214,974	-	224,873	214,974	-	224,873
- One year to less than five years	-	248,061	302,293	-	248,061	302,293
- Five years and above	262,824	292,496	341,943	262,824	292,496	341,943
	1,265,008	1,401,667	1,686,639	1,265,008	1,401,667	1,686,639
	1,270,090	1,483,613	2,286,857	1,270,090	1,483,613	2,286,857

For treasury related commitment and contingencies, these comprises derivative financial instruments of which their fair values have been accounted for in the financial statements as at 31 December 2012.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

6 Financial investments available-for-sale

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted securities:						
In Malaysia						
Shares	2,200	2,200	2,200	-	-	-
Outside Malaysia						
Shares	8,863	6,834	6,779	7,076	6,331	6,331
	<u>11,063</u>	<u>9,034</u>	<u>8,979</u>	<u>7,076</u>	<u>6,331</u>	<u>6,331</u>
Allowance for impairment losses:						
Unquoted shares outside Malaysia	(6,331)	(6,331)	-	(6,331)	(6,331)	-
	<u>4,732</u>	<u>2,703</u>	<u>8,979</u>	<u>745</u>	<u>-</u>	<u>6,331</u>

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

	The Group		The Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January	6,331	-	6,331	-
Allowance made during the financial year	-	6,331	-	6,331
At 31 December	<u>6,331</u>	<u>6,331</u>	<u>6,331</u>	<u>6,331</u>

7 Loans, advances and financing

	The Group and the Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(i) By type			
Staff loans *	74,360	41,579	43,360
Other loans	432	891	822
Gross loans, advances and financing	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
Less: allowance for impairment losses			
- Individual impairment allowance	(432)	(891)	(822)
- Portfolio impairment allowance	(1,115)	(623)	(650)
Total net loans, advances and financing	<u>73,245</u>	<u>40,956</u>	<u>42,710</u>

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

* Included in staff loans of the Group and the Bank are loans to directors amounting to RM235,675 (31 December 2011: RM281,139, 1 January 2011: RM235,667)

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****7 Loans, advances and financing (Continued)**

	The Group and the Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(ii) By type of customers			
Individuals	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
(iii) By interest/profit rate sensitivity			
Fixed rate			
- Other fixed rate loan/financing	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
(iv) By economic purpose:			
Personal use	161	108	220
Purchase of residential property (housing)	60,073	30,665	32,161
Purchase of securities	1	1	1
Purchase of transport vehicles	<u>14,557</u>	<u>11,696</u>	<u>11,800</u>
	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
(v) By geographical distribution			
Malaysia	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
(vi) By residual contractual maturity			
Within one year	389	305	238
One year to less than three years	1,620	2,347	2,163
Three years to less than five years	8,201	4,702	4,966
Five years and above	<u>64,582</u>	<u>35,116</u>	<u>36,815</u>
	<u>74,792</u>	<u>42,470</u>	<u>44,182</u>
(vii) Impaired loans, advances and financing by economic purpose			
Purchase of residential property (housing)	374	591	690
Purchase of transport vehicles	<u>58</u>	<u>300</u>	<u>132</u>
Gross impaired loans, advances and financing	<u>432</u>	<u>891</u>	<u>822</u>
(viii) Impaired loans, advances and financing by geographical distribution			
Malaysia	<u>432</u>	<u>891</u>	<u>822</u>

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	31 December 2012	31 December 2011
	RM'000	RM'000
(ix) Movements in the impaired loans, advances and financing are as follows:		
At 1 January	891	822
Impaired during the financial year	174	214
Amount written back in respect of recoveries	(159)	(135)
Amounts written off/ transfer during the financial year	(474)	(10)
At 31 December	<u>432</u>	<u>891</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>0.6%</u>	<u>2.1%</u>
(x) Movements in the allowance for impaired loans are as follows:		
<u>Individual impairment allowance</u>		
At 1 January	891	822
Allowance made during the financial year	174	214
Amounts written back during the financial year	(159)	(135)
Amounts written off/transfer during the financial year	(474)	(10)
At 31 December	<u>432</u>	<u>891</u>
<u>Portfolio impairment allowance</u>		
At 1 January	623	650
Net allowance made/(written back) during the financial year	492	(27)
At 31 December	<u>1,115</u>	<u>623</u>
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	<u>1.5%</u>	<u>1.5%</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

8 Other assets

	The Group			The Bank			
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Due from brokers and clients net of allowance for impairment loss of RM11 662 000 (31 December 2011: RM11 061 000, 1 January 2011: RM11 085 000) for the Group , RM11 514 000 (31 December 2011: RM10 891 000, 1 January 2011: RM10 855 000) for the Bank	(a)	816,038	932 566	533 925	815,996	932 518	533 880
Collateral pledged for derivative transactions		170,953	182 953	220,403	170,953	182 953	220 403
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM12,258,000 (31 December 2011: RM10,473 000 1 January 2011: RM7,846 000) for the Group and the Bank	(b)	117,545	96,200	51,915	115,259	95,109	50,831
		<u>1,104,536</u>	<u>1,211,719</u>	<u>806,243</u>	<u>1,102,208</u>	<u>1,210,580</u>	<u>805,114</u>

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

	The Group RM'000	The Bank RM'000
At 1 January 2012	11,061	10,891
Net allowance made during the financial year	1,188	1,188
Bad debts recovered	(587)	(565)
At 31 December 2012	<u>11,662</u>	<u>11,514</u>

	The Group RM'000	The Bank RM'000
At 1 January 2011	11,085	10,855
Net allowance made during the financial year	128	128
Bad debts recovered	(152)	(92)
At 31 December 2011	<u>11,061</u>	<u>10,891</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

8 Other assets (Continued)

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

	The Group and the Bank		
	Individual impairment allowance	Portfolio impairment allowance	Total
	RM'000	RM'000	RM'000
At 1 January 2012	7,399	3,074	10,473
Net allowance made during the financial year	1,134	651	1,785
At 31 December 2012	<u>8,533</u>	<u>3,725</u>	<u>12,258</u>

	The Group and the Bank		
	Individual impairment allowance	Portfolio impairment allowance	Total
	RM'000	RM'000	RM'000
At 1 January 2011	4,848	2,998	7,846
Net allowance made during the financial year	2,551	76	2,627
At 31 December 2011	<u>7,399</u>	<u>3,074</u>	<u>10,473</u>

CIMB Investment Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (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, determined after appropriate offsetting, are shown in the statement of financial position

	The Group			The Bank		
	31 December	31 December	1 January	31 December	31 December	1 January
	2012	2011	2011	2012	2011	2011
	RM'000	RM 000	RM'000	RM'000	RM 000	RM 000
Deferred taxation asset (net)	<u>42,998</u>	<u>40,460</u>	<u>44,329</u>	<u>42,812</u>	<u>40,274</u>	<u>44,270</u>

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

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM 000
At 1 January	40,460	44,329	40,274	44,270
Charged/(credited) to income statement				
- Loans advances and financing	123	(7)	123	(7)
- Excess of capital allowance over depreciation	(473)	(256)	(473)	(256)
- Prepaid employee benefit	808	3,749	808	3,749
- Provisions for expenses	2,397	(14,715)	2,397	(14,715)
- Other temporary differences	(37)	106	(37)	(21)
- Under/(over) accrual in prior years	(280)	7,254	(280)	7,254
	<u>2,538</u>	<u>(3,869)</u>	<u>2,538</u>	<u>(3,996)</u>
At 31 December	<u>42,998</u>	<u>40,460</u>	<u>42,812</u>	<u>40,274</u>
Deferred tax assets (before offsetting)				
Loans advances and financing	279	156	279	156
Prepaid employee benefit	4,557	3,749	4,557	3,749
Provision for expenses	41,352	39,259	41,352	39,259
Other temporary differences	1,185	1,224	999	1,038
	<u>47,373</u>	<u>44,388</u>	<u>47,187</u>	<u>44,202</u>
Offsetting	<u>(4,375)</u>	<u>(3,928)</u>	<u>(4,375)</u>	<u>(3,928)</u>
Deferred tax assets (after offsetting)	<u>42,998</u>	<u>40,460</u>	<u>42,812</u>	<u>40,274</u>
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(4,375)	(3,928)	(4,375)	(3,928)
Offsetting	<u>4,375</u>	<u>3,928</u>	<u>4,375</u>	<u>3,928</u>
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

10 Statutory deposits with Bank Negara Malaysia

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

11 Investment in subsidiaries

	The Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM '000	RM '000
Unquoted shares, at cost	9,050	9,050	9,050

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

Name of subsidiaries	Principal activities	Percentage of equity held			
		Directly by the Bank			Through the Bank's subsidiary company
		31 December 2012	31 December 2011	1 January 2011	1 January 2011
		%	%	%	%
CIMB Holdings Sdn Bhd	Investment holding	100	100	100	-
CIMBS Sdn Bhd	Dormant	-	-	-	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	100	-
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100	100	-
CIMB EOP Management Sdn Bhd	Nominee services	100	100	100	-
CIMB Futures Sdn Bhd	Futures broking	100	100	100	-
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	100	-
CIMB Nominees (Asing) Sdn Bhd	Nominee services	100	100	100	-
CIMB Discount House Berhad	Dormant	100	100	100	-

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

12 Investment in associates

	The Group		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM 000	RM 000
Unquoted shares at cost	<u>5,736</u>	<u>5,007</u>	<u>5,280</u>
Share of net assets other than premium of associates	2,933	2,204	2,477
Premium on acquisition	<u>2,803</u>	<u>2,803</u>	<u>2,803</u>
	<u>5,736</u>	<u>5,007</u>	<u>5,280</u>

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

	The Group	
	31 December 2012	31 December 2011
	RM'000	RM 000
Income	2,546	2,040
Expenses	<u>(1,583)</u>	<u>(1,589)</u>
Profit before taxation	963	451
Taxation	<u>(234)</u>	<u>(264)</u>
Profit for the financial year	<u>729</u>	<u>187</u>

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

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM 000	RM 000
Non-current assets	105	270	293
Current assets	3,923	3,048	2,943
Current liabilities	<u>(1,095)</u>	<u>(1,114)</u>	<u>(759)</u>
Net assets	<u>2,933</u>	<u>2,204</u>	<u>2,477</u>

The associates held through CIMB Holdings Sdn Bhd are:

Name of associates	Principal activities	Percentage of equity held			
		Directly by the Bank		Through the Bank's subsidiary company	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
		%	%	%	%
CIMB Islamic Trustee Berhad (formerly known as CIMB Trustee Berhad)	Trustee services	-	-	20	20
CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee Berhad)	Trustee services	-	-	20	20

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****13 Property, plant and equipment**

The Group	Leasehold land - 50 years or more RM'000	Building on leasehold land - 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2012	18,609	7,135	28,241	54,382	75,316	37,506	221,189
Additions	-	-	809	8,034	22,492	5,133	36,468
Disposals/written off	-	-	(10,158)	(9,352)	(13,141)	(45)	(32,696)
At 31 December 2012	18,609	7,135	18,892	53,064	84,667	42,594	224,961
Accumulated depreciation							
At 1 January 2012	3,472	1,334	24,174	41,258	33,583	11,748	115,569
Charge for the financial year	374	143	1,625	7,286	13,683	3,182	26,293
Disposals/written off	-	-	(10,121)	(9,347)	(10,106)	(34)	(29,608)
At 31 December 2012	3,846	1,477	15,678	39,197	37,160	14,896	112,254
Net book value as at 31 December 2012	14,763	5,658	3,214	13,867	47,507	27,698	112,707
Cost							
At 1 January 2011	18,609	7,135	26,272	46,897	70,001	21,490	190,404
Additions	-	-	1,987	7,704	15,419	21,843	46,953
Disposals	-	-	(18)	(219)	(10,104)	(5,827)	(16,168)
At 31 December 2011	18,609	7,135	28,241	54,382	75,316	37,506	221,189
Accumulated depreciation							
At 1 January 2011	3,100	1,191	22,187	34,139	28,739	8,071	97,427
Charge for the financial year	372	143	1,990	7,175	12,542	3,732	25,954
Disposals	-	-	(3)	(56)	(7,698)	(55)	(7,812)
At 31 December 2011	3,472	1,334	24,174	41,258	33,583	11,748	115,569
Net book value as at 31 December 2011	15,137	5,801	4,067	13,124	41,733	25,758	105,620
Net book value as at 1 January 2011	15,509	5,944	4,085	12,758	41,262	13,419	92,977

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****13 Property, plant and equipment (Continued)**

The Bank	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2012	18,609	7,135	27,932	53,894	75,316	37,177	220,063
Additions	-	-	809	8,031	22,338	5,131	36,309
Disposals/written off	-	-	(10,158)	(9,352)	(13,142)	(44)	(32,696)
At 31 December 2012	18,609	7,135	18,583	52,573	84,512	42,264	223,676
Accumulated depreciation							
At 1 January 2012	3,472	1,333	23,871	40,800	32,357	11,420	113,253
Charge for the financial year	374	143	1,623	7,265	13,655	3,180	26,240
Disposals/written off	-	-	(10,121)	(9,348)	(10,106)	(34)	(29,609)
At 31 December 2012	3,846	1,476	15,373	38,717	35,906	14,566	109,884
Net book value as at 31 December 2012	14,763	5,659	3,210	13,856	48,606	27,698	113,792
Cost							
At 1 January 2011	18,609	7,135	25,966	46,497	70,001	21,161	189,369
Additions	-	-	1,984	7,616	15,419	21,843	46,862
Disposals	-	-	(18)	(219)	(10,104)	(5,827)	(16,168)
At 31 December 2011	18,609	7,135	27,932	53,894	75,316	37,177	220,063
Accumulated depreciation							
At 1 January 2011	3,100	1,190	21,902	33,789	27,513	7,759	95,253
Charge for the financial year	372	143	1,972	7,068	12,542	3,716	25,813
Disposals	-	-	(3)	(57)	(7,698)	(55)	(7,813)
At 31 December 2011	3,472	1,333	23,871	40,800	32,357	11,420	113,253
Net book value as at 31 December 2011	15,137	5,802	4,061	13,094	42,959	25,757	106,810
Net book value as at 1 January 2011	15,509	5,945	4,064	12,708	42,488	13,402	94,116

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

14 Goodwill on consolidation

	31 December 2012 RM'000	The Group 31 December 2011 RM'000	1 January 2011 RM'000
At 1 January/31 December	<u>964</u>	<u>964</u>	<u>964</u>

Allocation of goodwill to cash-generating units

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

	31 December 2012 RM'000	The Group 31 December 2011 RM'000	1 January 2011 RM'000
CGU			
Stock-broking	<u>964</u>	<u>964</u>	<u>964</u>

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2013 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% (31 December 2011: 5%, 1 January 2011: 5%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of the CGU is 7.1% (31 December 2011: 8.72%, 1 January 2011: 8.89%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

There is no impairment charge for the financial year ended 31 December 2012 (31 December 2011: RM Nil).

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****15 Deposits from customers**

	The Group and the Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(i) By type of deposits			
Fixed deposits	-	60,232	525,473
Others	<u>802,915</u>	<u>768,901</u>	<u>682,166</u>
	<u>802,915</u>	<u>829,133</u>	<u>1,207,639</u>
(ii) The maturity structure of fixed deposits is as follows:			
Due within six months	-	60,232	525,473
(iii) By type of customers			
- Local government and statutory	54,400	54,650	69,400
- Business enterprises	495,429	582,493	729,876
- Individuals	249,336	188,241	404,363
- Others	3,750	3,749	4,000
	<u>802,915</u>	<u>829,133</u>	<u>1,207,639</u>

16 Deposits and placements of banks and other financial institutions

	The Group and the Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	1,039,722	1,167,558	1,147,692
Other financial institutions	<u>287,636</u>	<u>45,275</u>	<u>346,308</u>
	<u>1,327,358</u>	<u>1,212,833</u>	<u>1,494,000</u>

17 Other liabilities

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Due to brokers	821,244	909,839	506,707	821,244	910,657	510,892
Others	156,963	142,719	173,887	154,770	140,532	172,146
	<u>978,207</u>	<u>1,052,558</u>	<u>680,594</u>	<u>976,014</u>	<u>1,051,189</u>	<u>683,038</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

18 Provision for taxation and Zakat

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM 000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Taxation	243	77	45,801	-	-	45,741
Zakat	607	607	607	607	607	607
	<u>850</u>	<u>684</u>	<u>46,408</u>	<u>607</u>	<u>607</u>	<u>46,348</u>

19 Subordinated loan

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM 000	1 January 2011 RM 000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM 000
Subordinated loan	<u>10,000</u>	-	-	-	-	-

On 26 January 2012, a subsidiary of the Bank had issued RM10,000,000 in aggregate principal amounts of unsecured subordinate loan ("the Loan") to the Bank's immediate holding company, CIMB Group Sdn Bhd. The debt bears interest at the rate of 5% per annum and will mature on 16 May 2015.

20 Share capital

	The Group and the Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
Authorised ordinary shares of RM1 each At 1 January/31 December	<u>500,000</u>	<u>500,000</u>
Issued and fully paid ordinary shares of RM1 each At 1 January/31 December	<u>100,000</u>	<u>100,000</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

21 Redeemable preference shares

	The Group and the Bank	
	31 December 2012 RM'000	31 December 2011 RM 000
Authorised redeemable preference shares of RM0.01 each At 1 January/31 December	<u>10</u>	<u>10</u>
Issued and fully paid redeemable preference shares of RM0.01 each At 1 January/31 December	<u>10</u>	<u>10</u>

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

The main features of the RPS are as follows:

- (i) The RPS do not carry any fixed dividends;
- (ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;
- (iii) The RPS rank pari passu in all aspects among themselves;
- (iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;
- (v) The RPS are not convertible to ordinary shares of the Bank; and
- (vi) The RPS may only be redeemed subject to BNM's approval at the option of the Bank (but not the holder) at anytime from the issue date.

22 Reserves

- (i) Included in the Group's and the Bank's reserves are statutory reserves of RM155,805,000 (31 December 2011: RM155,805,000, 1 January 2011: RM155,805,000), maintained in compliance with Section 36 of the Banking And Financial Institutions Act, 1989. These statutory reserves are not distributable by way of dividends.
- (ii) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). The Bank has moved to single tier system with effect from year of assessment 2011.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

22 Reserves (Continued)

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

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

- (iv) Share-based payment reserve

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

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

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

23 Interest income

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	1,899	1,585	1,899	1,585
Money at call and deposits placements with banks and other financial institutions	29,297	32,081	26,597	30,950
Reverse repurchase agreements	5,124	6,592	5,124	6,592
Financial assets held for trading	4,689	5,129	4,689	5,129
Others	3,854	1,001	3,854	1,000
	<u>44,863</u>	<u>46,388</u>	<u>42,163</u>	<u>45,256</u>
Accretion of discounts less amortisation of premium	2,806	3,197	2,806	3,197
	<u>47,669</u>	<u>49,585</u>	<u>44,969</u>	<u>48,453</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

24 Interest expense

	The Group		The Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	18,545	17,774	18,544	17,774
Deposits from customers	32,738	30,765	32,738	30,765
Subordinated loans	467	-	-	-
	<u>51,750</u>	<u>48,539</u>	<u>51,282</u>	<u>48,539</u>

25 Allowance for impairment losses on loans, advances and financing

	The Group and the Bank	
	2012	2011
	RM'000	RM'000
(a) Individual impairment allowance		
- made during the financial year	174	214
- written back during the financial year	(159)	(135)
(b) Portfolio impairment allowance		
- made/(written back) during the financial year	492	(27)
	<u>507</u>	<u>52</u>

26 Allowance for other impairment losses

	The Group		The Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale				
- made during the financial year	-	6,331	-	6,331
	<u>-</u>	<u>6,331</u>	<u>-</u>	<u>6,331</u>

27 Fee and commission income

	The Group and the Bank	
	2012	2011
	RM'000	RM'000
Portfolio management fees	8,520	9,089
Advisory and arrangement fees	91,931	116,235
Underwriting commissions	2,563	2,325
Placement fees	22,371	19,187
Other fee income	13,401	7,337
	<u>138,786</u>	<u>154,173</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

28 Dividend income

	The Group and the Bank	
	2012	2011
	RM'000	RM'000
Financial assets held for trading	<u>12</u>	<u>85</u>

29 Net trading income/(loss)

	The Group and the Bank	
	2012	2011
	RM'000	RM'000
Gain/(loss) arising from trading in financial assets held for trading		
- realised	10,294	1,552
- unrealised	(10,373)	(6,755)
Gain/(loss) arising from trading in derivative financial instruments		
- realised	(14)	1,355
- unrealised	599	(2,382)
	<u>506</u>	<u>(6,230)</u>

30 Other non-interest income

	The Group		The Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain	492	959	497	959
Gain on disposal of property, plant and equipment	2,778	2,221	2,778	2,221
Other non-operating income	1,466	2,231	1,466	2,231
	<u>4,736</u>	<u>5,411</u>	<u>4,741</u>	<u>5,411</u>

31 Overheads

	The Group		The Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	260,712	253,793	258,897	252,174
- Pension cost (defined contribution plan)	29,081	29,220	28,892	29,059
- Training fees	6,187	7,223	6,181	7,219
- Overtime, meal and transport claims	1,793	1,504	1,793	1,504
- Others	19,537	17,165	19,403	17,069
	<u>317,310</u>	<u>308,905</u>	<u>315,166</u>	<u>307,025</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****31 Overheads (Continued)**

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Establishment costs				
- Depreciation of property, plant and equipment	26,293	25,954	26,240	25,813
- Rental	17,316	14,329	16,192	13,515
- Others	26,251	20,386	26,127	20,323
	<u>69,860</u>	<u>60,669</u>	<u>68,559</u>	<u>59,651</u>
Marketing expenses				
- Advertisement	13,702	38,204	13,675	38,186
- Entertainment expenses	2,722	7,529	2,677	7,507
- Others	6,537	7,785	6,491	7,779
	<u>22,961</u>	<u>53,518</u>	<u>22,843</u>	<u>53,472</u>
Administration and general expenses				
- Legal and professional fees	8,519	9,064	8,484	9,030
- Communication	8,326	8,665	8,245	8,589
- Printing and stationery	2,460	4,229	2,460	4,229
- Licensing fee, exchange fee and levies	11,593	11,461	11,593	11,461
- Administrative vehicle, travelling and insurance expenses	10,836	12,114	10,800	12,072
- Others	12,964	10,044	12,410	9,613
	<u>54,698</u>	<u>55,577</u>	<u>53,992</u>	<u>54,994</u>
Shared services cost				
- Personnel cost	(138,356)	(122,917)	(138,356)	(122,917)
- Establishment cost	(21,961)	(18,831)	(21,961)	(18,831)
- Marketing expenses	(11,753)	(37,082)	(11,753)	(37,082)
- Administration and general expenses	(18,442)	(15,379)	(18,442)	(15,379)
	<u>(190,512)</u>	<u>(194,209)</u>	<u>(190,512)</u>	<u>(194,209)</u>
Total overhead expenses	<u>274,317</u>	<u>284,460</u>	<u>270,048</u>	<u>280,933</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

31 Overheads (Continued)

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
The above expenditure includes the following disclosures:				
Directors' remuneration (Note 32)	13,542	13,512	13,542	13,512
Rental of premises	5,456	3,991	5,329	3,853
Hire of equipment	3,457	2,817	2,459	2,141
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	202	187	170	155
- Statutory audit (other firms)	17	22	17	22
- Half year review	30	30	30	30
- Non-audit services	43	23	40	19

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM191 million (31 December 2011: RM194 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

32 Directors' remuneration

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

Non-Executive Directors

Dato' Sri Mohamed Nazir bin Abdul Razak

Dato' Hamzah bin Bakar

Dato' Zainal Abidin bin Putih

Nicholas Rupert Heylett Bloy (resigned on 17 February 2012)

Zahardin bin Omardin

Habibah Binti Abdul (appointed on 30 May 2012)

Executive Director

Dato' Charon Wardini bin Mokhzani

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

32 Directors' remuneration (Continued)

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

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive Director and Group CEO				
- Salary and other remuneration	3,754	2,999	3,754	2,999
- Bonus	9,178	9,875	9,178	9,875
- Benefits-in-kind	117	130	117	130
Non-executive Directors				
- Fees and other remuneration	493	508	493	508
	<u>13,542</u>	<u>13,512</u>	<u>13,542</u>	<u>13,512</u>

The functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Dato' Sri Mohamed Nazir bin Abdul Razak. The salary, other remuneration, bonus (in respect of 2012 payable in 2013) and benefits-in-kind totalling RM10,000,000 (2011: RM8,700,000) for the CEO was paid by the Bank.

Part of the CEO's remuneration together with other support costs incurred on behalf of CIMB Bank were recovered from CIMB Bank based on certain methods which have been agreed by both parties (refer to Note 31).

The Directors' bonus for the financial year 2012 will be paid in tranches, spread over financial year 2013, while for financial year 2011, it was similarly paid in tranches, spread over financial year 2012. A similar condition is also imposed on the bonus for certain key personnel.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

32 Directors' remuneration (Continued)

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

	2012		2011	
	Non-executive Directors	Executive Directors*	Non-executive Directors	Executive Directors*
The Group				
RM50,001 to RM100,000	4	-	2	-
RM100,001 to RM500,000	1	-	2	-
RM3,000,001 to RM4,500,000	-	1	-	1
RM5,000,001 to RM5,500,000	-	-	-	-
RM8,500,001 to RM9,000,000	-	-	1	-
RM9,000,001 to RM10,000,000	1	-	-	-
The Bank				
RM50,001 to RM100,000	4	-	2	-
RM100,001 to RM500,000	1	-	2	-
RM3,000,001 to RM4,500,000	-	1	-	1
RM5,000,001 to RM5,500,000	-	-	-	-
RM8,500,001 to RM9,000,000	-	-	1	-
RM9,000,001 to RM10,000,000	1	-	-	-

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

33 Taxation

(i) Tax expense for the financial year

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax				
- Malaysian income tax	59,995	38,997	59,316	38,533
- Over provision in prior years	-	(2,886)	-	(2,893)
Deferred tax	(2,538)	3,869	(2,538)	3,996
	<u>57,457</u>	<u>39,980</u>	<u>56,778</u>	<u>39,636</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

33 Taxation (Continued)

(ii) Numerical reconciliation of income tax expense

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

	The Group		The Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	<u>184,831</u>	<u>140,187</u>	<u>181,474</u>	<u>138,670</u>
Tax calculated at a tax rate of 25% (2011: 25%)	46,208	35,047	45,369	34,668
Income not subject to tax	(260)	(395)	(77)	(348)
Expenses not deductible for tax purposes	11,229	15,468	11,206	15,463
Under/ (over-accrual) in prior years	280	(10,140)	280	(10,147)
Tax expense	<u>57,457</u>	<u>39,980</u>	<u>56,778</u>	<u>39,636</u>

34 Earnings per share

(a) Basic earnings per share

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

	The Group		The Bank	
	2012	2011	2012	2011
Net profit for the financial year (RM' 000)	127,374	100,207	124,696	99,034
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (expressed in sen per share)	<u>127.37</u>	<u>100.21</u>	<u>124.70</u>	<u>99.03</u>

(b) Diluted earnings per share

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****35 Dividends**

	2012 RM'000	2011 RM'000
An interim single tier dividend of 61 86 sen per ordinary share and 3,717 10 sen per redeemable preference shares for financial year ended 31 December 2011 was paid on 19 March 2012.	99,035	-
A final tax exempted dividend of 43 62 sen per ordinary share and single tier dividend of 9 88sen per ordinary share, for financial year ended 31 December 2010, paid on 14 April 2011	-	53,500
	<u>99,035</u>	<u>53,500</u>

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

	2012		2011	
	Gross/net per share Sen	Amount of dividend net of tax RM'000	Gross/net per share Sen	Amount of dividend net of tax RM'000
Final dividend paid	-	-	53 50	53 500
Interim dividend	99.04	99,035	-	-
	<u>99.04</u>	<u>99,035</u>	<u>53.50</u>	<u>53,500</u>

The Directors have proposed a final single tier dividend comprising of 56sen per ordinary share, amounting to RM56,000,000 in respect of financial year ended 31 December 2012. The dividend was approved by the Board of Directors in a resolution dated 4 February 2013.

36 Amounts due from/(to) related companies

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

	The Group			The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Amounts due from:						
- subsidiaries	-	-	-	2	3	2
- related companies	4,803	5,092	6,564	4,803	5,092	6,564
- immediate holding company	-	1,529	-	-	1,529	-
- ultimate holding company	1	-	60	1	-	60
	<u>4,804</u>	<u>6,621</u>	<u>6,624</u>	<u>4,806</u>	<u>6,624</u>	<u>6,626</u>
Amounts due to:						
- subsidiaries	-	-	-	(3,185)	(3,185)	(3,185)
- related companies	(22,606)	(9,482)	(12,105)	(22,606)	(9,480)	(12,105)
- ultimate holding company	-	(22)	-	-	(22)	-
	<u>(22,606)</u>	<u>(9,504)</u>	<u>(12,105)</u>	<u>(25,791)</u>	<u>(12,687)</u>	<u>(15,290)</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

37 Significant related party transactions and balances

(a) Related parties and relationship

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****37 Significant related party transactions and balances (Continued)****(b) Related party transactions**

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2012			
Sales:			
Malaysian Government securities	-	1,401,914	-
Malaysian Government treasury bills	-	29,102	-
Private debt securities	-	4,263,189	-
Bank Negara Malaysia Bills	-	147,435	-
Khazanah bonds	-	69,250	-
Commercial papers	-	153,652	-
	<u>-</u>	<u>6,064,542</u>	<u>-</u>
Purchases:			
Malaysian Government securities	-	1,401,914	-
Malaysian Government treasury bills	-	29,102	-
Private debt securities	-	4,244,981	-
Commercial papers	148,742	4,910	-
Bank Negara Malaysia Bills	-	147,435	-
Khazanah bonds	-	69,250	-
	<u>148,742</u>	<u>5,897,592</u>	<u>-</u>
	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2012			
Income:			
Fee income	-	8,425	142
Interest income	-	12,271	-
Income from Islamic Banking operations	-	825	-
	<u>-</u>	<u>21,521</u>	<u>142</u>
Expenditure:			
Interest expense	-	18,309	1,455
Shared service cost	-	190,512	-
	<u>-</u>	<u>208,821</u>	<u>1,455</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****37 Significant related party transactions and balances (Continued)****(b) Related party transactions (Continued)**

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2011			
Sales:			
Malaysian Government securities	-	247,550	-
Private debt securities	-	234,442	-
Commercial papers	-	69,185	-
	<u>-</u>	<u>551,177</u>	<u>-</u>
Purchases:			
Malaysian Government securities	-	378,552	-
Private debt securities	500,000	1,863,140	-
Commercial papers	990,995	-	-
	<u>1,490,995</u>	<u>2,241,692</u>	<u>-</u>
2011			
Income:			
Fee income	-	9,123	38
Interest income	-	23,121	-
Income from Islamic Banking operations	-	(8,215)	-
	<u>-</u>	<u>24,029</u>	<u>38</u>
Expenditure:			
Interest expense	-	17,787	1,464
Shared service cost	-	194,209	-
	<u>-</u>	<u>211,996</u>	<u>1,464</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

37 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	2012 RM'000	2011 RM'000
Salaries and other short term employee benefits	<u>96,888</u>	<u>87,599</u>
	Unit	Unit
Share options of ultimate holding company	<u>-</u>	<u>10,932,540</u>
Shares of ultimate holding company	<u>3,303,114</u>	<u>3,582,625</u>

Included in the above table is Directors' remuneration which are disclosed in Note 32. The share options or shares granted are on the same terms and condition as those offered to other employees of the Group and the Bank as disclosed in Note 41.

(d) Related party balances

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
31 December 2012			
Amount due from:			
Cash and balances with banks and other financial institutions	-	344,071	-
Money at call and deposit placements maturing within one month	-	1,030,731	-
Deposits and placements with banks and other financial institutions	-	692,858	-
Loans, advances and financing	-	-	235,675
Derivative financial instruments	-	1,547	-
	<u>-</u>	<u>2,069,207</u>	<u>235,675</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****37 Significant related party transactions and balances (Continued)****(d) Related party balances (Continued)**

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
31 December 2012			
Amount due to:			
Deposits and placements of banks and other financial institutions	-	939,714	-
Deposits from customers	-	-	200,336
	<u>-</u>	<u>939,714</u>	<u>200,336</u>
Principal			
Interest rate related contracts:			
Interest rate swaps	-	138,380	-
Equity related contracts:			
Equity options	-	238,899	-
	<u>-</u>	<u>377,279</u>	<u>-</u>
31 December 2011			
Amount due from:			
Cash and balances with banks and other financial institutions	-	1,643,862	-
Money at call and deposit placements maturing within one month	-	300,905	-
Deposits and placements with banks and other financial institutions	-	252,264	-
Loans, advances and financing	-	-	281,139
Derivative financial instruments	-	6,094	-
	<u>-</u>	<u>2,203,125</u>	<u>281,139</u>
Amount due to:			
Deposits and placements of banks and other financial institutions	-	250,728	-
Deposits from customers	-	-	178,668
	<u>-</u>	<u>250,728</u>	<u>178,668</u>
Principal			
Interest rate related contracts:			
Interest rate swaps	-	157,330	-
Equity related contracts:			
Equity options	-	270,279	-
	<u>-</u>	<u>427,609</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****37 Significant related party transactions and balances (Continued)****(d) Related party balances (Continued)**

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
1 January 2011			
Amount due from:			
Cash and balances with banks and other financial institutions	-	1,884,339	-
Money at call and deposit placements maturing within one month	-	149,554	-
Deposits and placements with banks and other financial institutions	-	687,991	-
Loans, advances and financing	-	-	235,667
Derivative financial instruments	-	20,267	-
	<u>-</u>	<u>2,742,151</u>	<u>235,667</u>
Amount due to:			
Deposits and placements of banks and other financial institutions	-	1,147,691	-
Deposits from customers	-	-	159,249
	<u>-</u>	<u>1,147,691</u>	<u>159,249</u>
Principal			
Interest rate related contracts:			
Interest rate swaps	-	378,330	-
Equity related contracts:			
Equity options	-	433,577	-
	<u>-</u>	<u>811,907</u>	<u>-</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

37 Significant related party transactions and balances (Continued)

(e) Credit transactions and exposures with connected parties

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

	The Group		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties	50,685	95,310	134,228
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.2%	4.5%	4.6%
Percentage of outstanding credit exposures with connected parties which is impaired/ non-performing or in default	0.0%	0.0%	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29% of the issued capital of the ultimate holding company (2011: 24%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 41 (a) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on commercial terms comparable to the terms of transaction with other entities that are not government-related. These commercial terms are consistently applied in accordance with the Group's and the Bank's internal policies and processes, which do not depend on whether the counterparties are government-related entities or not.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

38 Capital commitments

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

	The Group and the Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Authorised but not contracted for	<u>78,831</u>	<u>139,823</u>	<u>69,740</u>
The capital commitments are attributed to:			
- projects	52,448	97,190	32,814
- property, plant and equipment	<u>26,383</u>	<u>42,633</u>	<u>36,926</u>
	<u>78,831</u>	<u>139,823</u>	<u>69,740</u>

39 Lease commitments

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

	The Group and the Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Not later than one year	19,599	9,073	8,339
Later than one year and not later than five years	144,473	2,012	13,908
Over five years	<u>268,868</u>	-	-
	<u>432,940</u>	<u>11,085</u>	<u>22,247</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****40 Capital adequacy**

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

The capital management process is centrally supervised by the Group Executive Committee ("EXCO"), Group Risk Committee ("GRC") and Branch Risk Committee ("BRC") who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Quarterly updates on capital position of the Group are also provided to the Board of Directors

With effect from November 2011, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Basic Indicator Approach for Operational Risk. Market Risk remained unchanged under Standardised Approach.

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

	The Group			The Bank		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
<u>Before deducting proposed dividend</u>						
Core capital ratio	20.98%	21.02%	19.76%	21.52%	20.96%	19.24%
Risk-weighted capital ratio	21.02%	21.04%	19.80%	21.52%	20.96%	19.24%
<u>After deducting proposed dividend</u>						
Core capital ratio	18.58%	16.51%	17.06%	18.97%	16.29%	16.51%
Risk-weighted capital ratio	18.63%	16.53%	17.11%	18.97%	16.29%	16.51%

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

	The Group			The Bank		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk	1,387,711	1,081,967	1,028,430	1,253,889	1,015,497	1,008,040
Market risk	126,634	307,315	192,321	126,603	307,251	192,289
Operational risk	823,010	807,424	765,308	813,138	799,822	757,404
	<u>2,337,355</u>	<u>2,196,706</u>	<u>1,986,059</u>	<u>2,193,630</u>	<u>2,122,570</u>	<u>1,957,733</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****40 Capital adequacy (Continued)**

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

	The Group			The Bank		
	31 December 2012 RM 000	31 December 2011 RM 000	1 January 2011 RM 000	31 December 2012 RM 000	31 December 2011 RM 000	1 January 2011 RM 000
Tier I Capital						
Paid-up capital	100,000	100,000	100,000	100,000	100,000	100,000
Retained profits	259,546	192,837	146,331	248,989	184,210	138,676
Other reserves	173,773	209,290	190,410	173,773	209,290	190,410
	533,319	502,127	436,741	522,762	493,500	429,086
Less: Deferred tax assets	(42,998)	(40,460)	(44,329)	(42,812)	(40,274)	(44,270)
Deduction in excess of Tier 2 Capital	-	-	-	(7,925)	(8,417)	(8,181) N1
Total Tier I capital	490,321	461,667	392,412	472,025	444,809	376,635
Tier II Capital						
Cumulative Preference Shares	10	10	10	10	10	10
Portfolio impairment allowance	1,115	623	650	1,115	623	650 N2
Surplus of total eligible provision over total expected loss under the IRB approach subject to limit	-	-	209	-	-	209
Total Tier II capital	1,125	633	869	1,125	633	869
Less:						
Investments in subsidiaries	(50)	(50)	(50)	(9,050)	(9,050)	(9,050)
Total eligible Tier II capital	1,075	583	819	-	-	- N1
Total capital base before proposed dividend	491,396	462,250	393,231	472,025	444,809	376,635
Proposed dividend	(56,000)	(99,034)	(53,500)	(56,000)	(99,034)	(53,500)
Total capital base after proposed dividend	435,396	363,216	339,731	416,025	345,775	323,135

N1 The excess of Tier II capital was deducted under Tier I capital

N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM115,000 (31 December 2011: RM623,000; 1 January 2011: RM650,000) respectively.

41 Employee benefits**(a) Management Equity Scheme ("MES" or the "Scheme")**

The MES was launched on 1 March 2004 as a performance linked compensation whereby a substantial shareholder of CIMB Group grants entitlements to selected employees of the Group and the Bank. The eligibility for participation in the MES shall be at the discretion of the Nomination and Remuneration Committee of CIMB Group. Entitlements of eligible members of the MES are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of CIMB Group administers the MES on behalf of the substantial shareholder. The entitlements granted vest in proportions over the various exercise periods. The expiry date of the MES was extended from 28 February 2012 to 31 May 2012. The MES lapsed thereafter.

As the Group and the Bank do not have an obligation to settle the transaction with its employees, the Group and the Bank have accounted for the transaction as equity settled in accordance with MFRS 2.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****41 Employee benefits (Continued)****(a) Management Equity Scheme (“MES” or the “Scheme”) (Continued)**

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

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

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

The total share-based payment expenses recognised in relation to the Scheme for the Group and the Bank during the current financial year amounted RM Nil (2011: RM3,883,000). The shares were exercisable 2 years from the grant date.

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

	The Group and The Bank	
	2012	2011
	Unit	Unit
	'000	'000
Share options		
At 1 January	1,850	4,706
Exercised	(1,850)	(2,854)
Forfeited	-	(2)
At 31 December	-	1,850

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

The weighted average share price at the time of exercise was RM7.46 (2011: RM7.80). The weighted average remaining contractual life is Nil year (2011: 0.16 years).

The scheme was expired during the year on 31 May 2012. The number of entitlements that were exercisable at the financial year was Nil unit (2011: 1,850,446 units).

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

41 Employee benefits (Continued)

(b) Equity Ownership Plan ("EOP")

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

Upon termination of employment other than retirement, disability or death, any unreleased shares will be disposed at market price and proceeds received will be donated to CIMB Foundation on behalf of the employees. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM31,169,000 (2011: RM 24,225,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM7.70 (2011: RM8.27) per ordinary share, based on observable market price.

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

	The Group and The Bank	
	2012	2011
	Unit	Unit
	'000	'000
Shares		
At 1 January	1,371	-
Awarded	1,305	1,840
Released	(1,298)	(469)
At 31 December	<u>1,378</u>	<u>1,371</u>

42 Significant events during the financial year

There were no significant events during the financial year ended 31 December 2012.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

43 Significant event subsequent to the financial year end

There were no significant events subsequent to the financial year ended 31 December 2012.

44 Critical accounting estimates and judgements in applying accounting policies

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

(a) Impairment of available-for-sale equity investments

The Group and the Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant and prolonged required judgement. The Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) Impairment losses on loans, advances and financing

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(c) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note L of the Summary of Significant Accounting Policies.

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Notes to the Financial Statements for the year ended 31 December 2012 (Continued)

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

(c) *Goodwill impairment (continued)*

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's and the Bank's cost of capital, which requires exercise of judgement. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

(d) *Fair value of financial instruments*

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 46.4.

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Notes to the Financial Statements for the year ended 31 December 2012 (Continued)

45 Segment reporting

Business segment reporting

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

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

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

Definition of segments

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

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

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****45 Segment reporting (Continued)**

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

	Financial advisory, underwriting and other fees RM'000	Debt/ financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group 2012						
External net interest expense	-	(4,081)	-	-	-	(4,081)
Non interest income	109,498	7,279	175,493	29,196	2,393	323,859
Income from Islamic Banking operations	83,014	(116)	51,117	4,453	2,501	140,969
	<u>192,512</u>	<u>3,082</u>	<u>226,610</u>	<u>33,649</u>	<u>4,894</u>	<u>460,747</u>
Overheads	(75,990)	(11,549)	(153,673)	(33,105)	-	(274,317)
<i>of which</i>						
<i>Depreciation of property, plant and equipment</i>	(3,929)	(5,643)	(12,895)	(3,826)	-	(26,293)
Profit/(loss) before allowances	116,522	(8,467)	72,937	544	4,894	186,430
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(507)	(507)
Allowance for impairment losses on other receivables	(1,821)	-	-	-	-	(1,821)
Segment results	114,701	(8,467)	72,937	544	4,387	184,102
Share of results of associates						729
Profit before taxation						184,831
Taxation						(57,457)
Net profit for the financial year						<u>127,374</u>
Segment assets	54,306	2,363,588	965,120	34,292	233,668	3,650,974
Unallocated assets						54,244
Total assets						<u>3,705,218</u>
Segment liabilities	2,789	2,151,140	872,452	7,416	102,400	3,136,197
Unallocated liabilities						23,489
Total liabilities						<u>3,159,686</u>
Other segment items						
Incurring capital expenditure:						
- addition of property, plant and equipment	5,449	7,826	17,886	5,307	-	36,468
Accretion of discount less amortisation of premium	-	2,806	-	-	-	2,806

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****45 Segment reporting (Continued)**

	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group						
2011						
External net interest income	-	1,046	-	-	-	1,046
Non interest income	123,749	22,475	142,728	16,970	6,691	312,613
Income from Islamic Banking operations	38,691	4,464	30,883	449	266	74,753
	162,440	27,985	173,611	17,419	6,957	388,412
Overheads	(77,379)	(44,449)	(131,646)	(30,986)	-	(284,460)
<i>of which</i>						
<i>Depreciation of property, plant and equipment</i>	(3,706)	(6,546)	(12,200)	(3,502)	-	(25,954)
Profit/(loss) before allowances	85,061	(16,464)	41,965	(13,567)	6,957	103,952
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(52)	(52)
Allowance for other impairment losses	-	(6,331)	-	-	-	(6,331)
Allowance for impairment losses on other receivables	(2,569)	-	-	-	-	(2,569)
Recoveries from investment management and securities services	-	-	-	45,000	-	45,000
Segment results	82,492	(22,795)	41,965	31,433	6,905	140,000
Share of results of associates						187
Profit before taxation						140,187
Taxation						(39,980)
Net profit for the financial year						100,207
Segment assets	30,864	2,426,956	1,017,008	9,277	147,345	3,631,450
Unallocated assets						67,091
Total assets						3,698,541
Segment liabilities	5,522	2,651,022	417,753	1,572	94,987	3,170,856
Unallocated liabilities						15,377
Total liabilities						3,186,233
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	6,704	11,841	22,070	6,338	-	46,953
Accretion of discount less amortisation of premium	-	3,197	-	-	-	3,197

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

45 Segment reporting (Continued)

	Financial advisory, underwriting and other fees RM'000	Debt/ financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group						
1 January 2011						
Segment assets	43,092	3,001,411	555,778	11,005	293,507	3,904,793
Unallocated assets						44,385
Total assets						<u>3,949,178</u>
Segment liabilities	16,273	2,795,870	560,381	12,856	65,647	3,451,027
Unallocated liabilities						51,429
Total liabilities						<u>3,502,456</u>
Other segment items						
Incurring capital expenditure: - addition of property, plant and equipment	2,555	11,941	7,138	5,610	19,428	46,672

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

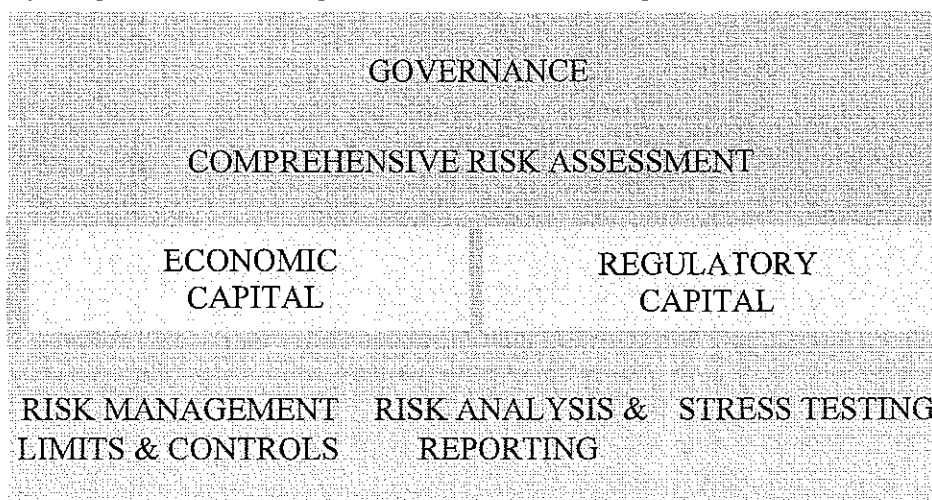
The objectives of CIMB Group's risk management activities are to:

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

(b) Enterprise Wide Risk Management Framework (EWRM)

CIMB Group employs an EWRM framework to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities

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



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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

The Group acknowledges that strong risk governance forms the backbone that holds the EWRM together. The Board of Directors through the Board Risk Committee (BRC) is ultimately responsible for the Group's risk management activities and provides strategic direction through the risk appetite statement and the corresponding capital and risk management frameworks. The implementation of the EWRM is supervised through several risk committees, with the line management being primarily responsible for identifying and managing risks at the onset. The Group Risk Division (GRD) is principally tasked to assist the various committees and undertakes the performance of the independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is subjected to the independent assurance and assessment by Group Internal Audit Division.

The EWRM starts its comprehensive risk assessment process by assessing all risk taking activities of the Group from the perspectives of its financial and brand reputation impact, thus identifying the Group's material risks. These material risks are assessed, measured, controlled, monitored and reported on an on-going basis in accordance with the Group's risk management processes embodied within the EWRM.

At the core of the EWRM is a robust risk and capital management framework that relates the Group's material risks to its capital requirements and planning activities, ensuring its capital adequacy at all time. The Group's Risk-based Performance Measurement Framework provides a common and consistent measurement of risk to facilitate comparison of risks across business units and risk types. This enables the Group to consider both the downside risk, for risk protection and upside potential, for earnings growth. Hence, allowing the Group to measure the performance of each business on an absolute basis (economic profit) and relative percentage return basis (Risk Adjusted Return on Capital "RAROC") against the Group's costs of capital. Each year capital is allocated to the business units based on the respective business plan, budgeted profit and targeted RAROC.

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management (EWRM) Framework (Continued)

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

(c) Risk Governance

In accordance with the Group's risk management structure, the BRC assumes the ultimate responsibility on behalf of the Boards of Directors for the supervision of risk management within CIMB Group. In line with best practices, the BRC determines the risk policy objectives for the Group.

Responsibility for administering risk management and control is delegated to the Group Risk Committee (GRC). The GRC is chaired by the Group Managing Director/Chief Executive Officer and undertakes the oversight function for overall risk limits, aligning them to the risk appetite. The GRC is further supported by several sub-committees, namely the Group Wholesale Bank Risk Committee (GWBRC), Consumer Bank Credit Committee (CBCC), Regional Credit Committee (RCC), Singapore Business Credit Committee (SBCC), Regional Liquidity Risk Committee (RLRC) and Operational Risk Committee (ORC), with each committee set up to manage and control specific risk areas. In relation to Interest rate Risk in the Banking Book (IRRBB)/ Rate of Return Risk in the Banking Book (RORBB), GRC is further assisted by the Balance Sheet Management Committee (BSMC) that is responsible for recommending and executing strategies and hedging proposals for the banking book as well as ensuring the Group's interest rate/rate of return risk profile is within the risk limits/MATs endorsed by GRC. With this set-up, the Board and BRC through the various risk committees and BSMC maintain oversight of various risks across the Group.

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

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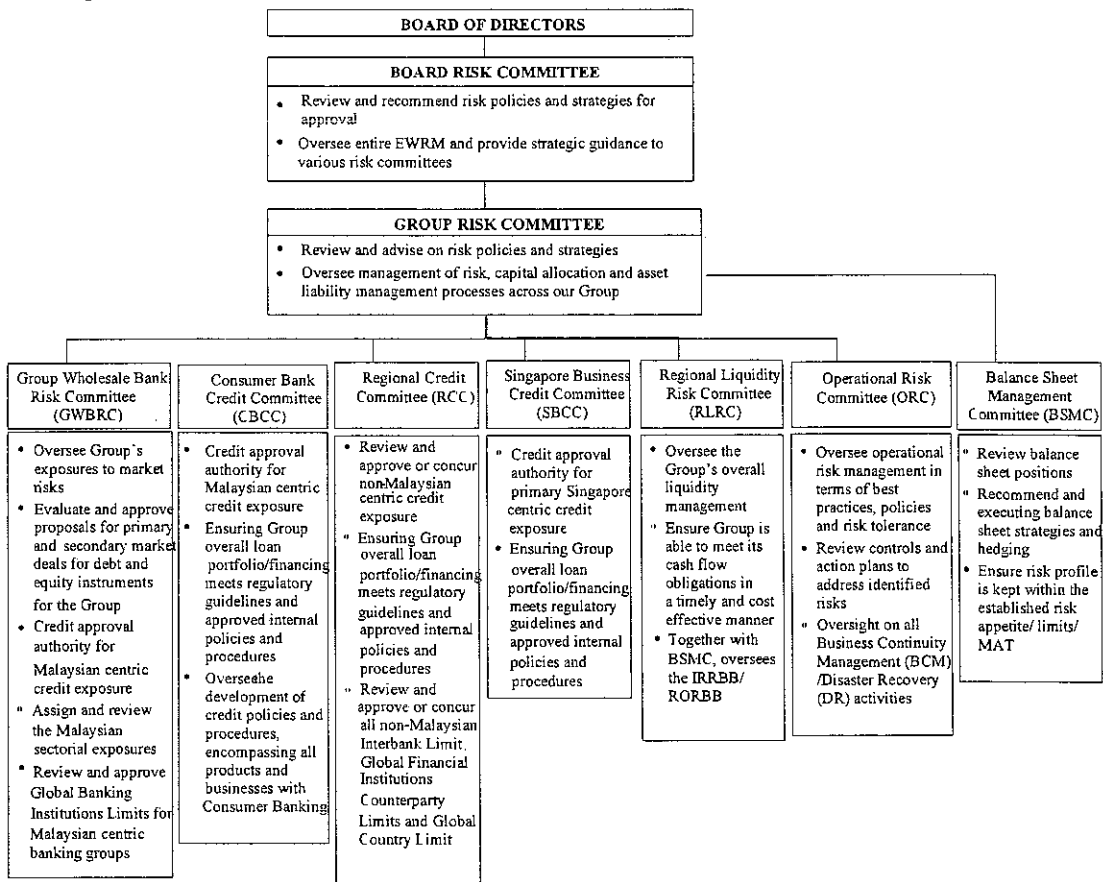
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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risk across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and client facing activities, are primarily responsible for risk management on a day-to-day basis. The second line of defence provides oversight functions and performs independent monitoring of business activities and reporting to management to ensure that the Group is conducting business and operating within the approved appetite and also in compliance to regulations. The third line of defence is Group Internal Audit Division who provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Credit Risk Officer (CRO) and Group Risk Division (GRD)

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures. GRD comprises Group Risk Management (GRM), Group Credit (GC), Regional Credit Management (RCM) and Regional Risk (RR) and its key responsibilities are analyse, assess, measure, control, monitor and report the material risks to which the Group is exposed. GRD is headed by the CRO who is appointed by the Board to spearhead the risk management functions and the implementation of the EWRM. The CRO actively engages the Board and senior management on risk management issues and initiatives. The CRO also maintains an oversight on risk management functions across all entities within the Group.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management outfit, all risk management activities will be centralised at GRM. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to GRD.

(d) Group Risk Management

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

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

GRM is also tasked with the co-ordination of the Group's effort towards implementation of Basel II. In this regard, GRM develops, implements and validates all internal rating and scoring models and closely monitors the usage of the rating and scoring systems to ensure relevancy to current market conditions and integrity of the ratings.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

(d) Group Risk Management (Continued)

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

(e) Group Credit

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

(f) Regional Credit Management

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

Strategies and Processes for Various Risk Management

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit risk

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

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten

Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)

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

Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annex (CSA) with counterparties. The net credit exposure with each counterparty is monitored and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GWBRC and/or RCC

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and the exposure as at 31 December 2012, there will be no requirement for additional collateral to be posted

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

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

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities

31 December 2012	The Group	The Bank
Credit related commitments and contingencies	<u>5,082</u>	<u>5,082</u>
31 December 2011	The Group	The Bank
Credit related commitments and contingencies	<u>81,946</u>	<u>81,946</u>
1 January 2011	The Group	The Bank
Credit related commitments and contingencies	<u>600,218</u>	<u>600,218</u>

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 100% (2011: 100%) respectively. The financial effects of collateral held for the remaining on balance sheet financial assets are insignificant.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.1 Credit Risk (Continued)****46.1.2 Concentration of risks of financial assets with credit risk exposure**

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

	The Group						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
31 December 2012							
Cash and short term funds	1,398,935	-	-	11,965	12,489	-	1,423,389
Reverse repurchase agreements	150,622	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	700,200	-	-	-	-	-	700,200
Financial assets held for trading							
-Unquoted securities	32,896	-	-	-	-	-	32,896
Derivative financial instruments							
-Trading derivatives	39,088	-	-	-	-	-	39,088
Loans, advances and financing	73,245	-	-	-	-	-	73,245
Other assets	881,846	1,789	722	62,021	107,690	-	1,054,068
Amount due from related companies	4,263	540	-	-	-	-	4,803
Amount due from ultimate holding company	1	-	-	-	-	-	1
Credit related commitments and contingencies	5,082	-	-	-	-	-	5,082
Total credit exposures	3,286,178	2,329	722	73,986	120,179	-	3,483,394

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows: (Continued)

	The Group						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
31 December 2011							
Cash and short term funds	1,532,506	-	-	69,938	1,099	-	1,603,543
Reverse repurchase agreements	273,423	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	252,100	-	-	-	-	-	252,100
Financial assets held for trading							
-Unquoted securities	79,064	-	-	-	-	-	79,064
Derivatives financial instruments							
-Trading derivatives	48,441	-	-	-	-	-	48,441
Loans, advances and financing	40,956	-	-	-	-	-	40,956
Other assets	1,008,570	1,571	6,349	43,086	114,423	-	1,173,999
Amount due from related companies	4,487	605	-	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	-	1,529
Credit related commitments and contingencies	81,946	-	-	-	-	-	81,946
Total credit exposures	3,323,022	2,176	6,349	113,024	115,522	-	3,560,093

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows: (Continued)

	The Group						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
1 January 2011							
Cash and short term funds	1,822,739	-	-	3,554	986		1,827,279
Reverse repurchase agreements	300,067	-	-	-	-		300,067
Deposits and placements with banks and other financial institutions	689,196	-	-	-	-		689,196
Financial assets held for trading							
-Unquoted securities	78,436	-	-	-	-		78,436
Derivatives financial instruments							
-Trading derivatives	42,089	-	-	-	-		42,089
Loans, advances and financing	42,710	-	-	-	-		42,710
Other assets	659,829	393	1,630	40,622	96,266		798,740
Amount due from related companies	5,662	902	-	-	-		6,564
Amount due from ultimate holding company	60	-	-	-	-		60
Credit related commitments and contingencies	600,218	-	-	-	-		600,218
Total credit exposures	4,241,006	1,295	1,630	44,176	97,252		4,385,359

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

The Bank

	31 December 2012					Total
	Malaysia	Indonesia	Thailand	Singapore	Other countries	RM'000
Cash and short term funds	1,377,362	-	-	11,965	12,459	1,401,786
Reverse repurchase agreements	150,622	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	692,858	-	-	-	-	692,858
Financial assets held for trading	32,896	-	-	-	-	32,896
-Unquoted securities	-	-	-	-	-	-
Derivatives financial instruments	39,088	-	-	-	-	39,088
-Trading derivatives	73,245	-	-	-	-	73,245
Loans, advances and financing	879,646	1,789	722	62,021	107,690	1,051,868
Other assets	2	-	-	-	-	2
Amount due from subsidiaries	4,263	540	-	-	-	4,803
Amount due from related companies	1	-	-	-	-	1
Amount due from ultimate holding company	5,082	-	-	-	-	5,082
Credit related commitments and contingencies	-	-	-	-	-	-
Total credit exposures	3,255,065	2,329	722	73,986	120,149	3,452,251

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows: (Continued)

The Bank

	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	Total RM'000
31 December 2011						
Cash and short term funds	1,516,470	-	-	69,938	1,099	1,587,507
Reverse repurchase agreements	273,423	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	250,833	-	-	-	-	250,833
Financial assets held for trading						
-Unquoted securities	79,064	-	-	-	-	79,064
Derivatives financial instruments						
-Trading derivatives	48,441	-	-	-	-	48,441
Loans, advances and financing	40,956	-	-	-	-	40,956
Other assets	1,007,559	1,571	6,349	43,086	114,422	1,172,987
Amount due from subsidiaries	3	-	-	-	-	3
Amount due from related companies	4,487	605	-	-	-	5,092
Amount due from holding company	1,529	-	-	-	-	1,529
Credit related commitments and contingencies	81,946	-	-	-	-	81,946
Total credit exposures	3,304,711	2,176	6,349	113,024	115,521	3,541,781

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

- 46 Financial Risk Management (Continued)
- 46.1 Credit Risk (Continued)
- 46.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)
- (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows: (Continued)

	The Bank					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
1 January 2011						
Cash and short term funds	1,811,776	-	-	2,554	986	1,816,316
Reverse repurchase agreements	300,067	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	-	-	687,992
Financial assets held for trading						
-Unquoted securities	78,436	-	-	-	-	78,436
Derivatives financial instruments						
-Trading derivatives	42,089	-	-	-	-	42,089
Loans, advances and financing	42,710	-	-	-	-	42,710
Other assets	658,816	393	1,630	40,622	96,266	797,727
Amount due from subsidiaries	2	-	-	-	-	2
Amount due from related companies	5,662	902	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	60
Credit related commitments and contingencies	600,218	-	-	-	-	600,218
Total credit exposures	4,227,828	1,295	1,630	44,176	97,252	4,372,181

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows:

	Cash and short term funds	Reverse repurchase agreements	The Group Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012									
Mining and quarrying	-	-	-	-	-	-	22	-	22
Manufacturing	-	-	-	-	-	-	1,082	-	1,082
Electricity, gas and water	-	-	-	-	-	-	969	-	969
Construction	-	-	-	-	-	-	3,364	-	3,364
Real estate	-	-	-	-	-	-	3,247	-	3,247
Purchase of landed property - Residential	-	-	-	-	-	-	388	-	388
General commerce	-	-	-	-	-	-	14,830	-	14,830
Transport, storage and communications	-	-	-	-	-	-	11,915	-	11,915
Finance, insurance and business services	1,423,209	-	700,200	32,896	1,547	-	204,738	-	2,362,590
Government and government agencies	179	150,622	-	-	-	-	573	-	151,374
Purchase of securities	-	-	-	-	-	-	816,008	-	816,008
Consumption credit	-	-	-	-	-	-	-	5,082	5,082
Others	-	-	-	-	37,541	73,245	1,736	-	112,523
	1,423,389	150,622	700,200	32,896	39,088	73,245	1,058,872	5,082	3,483,394

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows: (Continued)

31 December 2011	The Group							Total credit exposures RM'000
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	
Agriculture	-	-	-	-	-	-	248	248
Mining and quarrying	-	-	-	-	-	-	24	81,887
Manufacturing	-	-	-	-	-	-	735	735
Electricity, gas and water	-	-	-	-	-	-	3,082	3,082
Construction	-	-	-	-	-	-	1,145	1,145
Real estate	-	-	-	-	-	-	5,726	5,726
General commerce	-	-	-	-	-	-	5,513	5,513
Transport, storage and communications	-	-	-	-	-	-	5,916	5,916
Finance, insurance and business services	1,603,469	-	252,100	79,064	6,544	-	222,850	2,164,027
Government and government agencies	72	273,423	-	-	-	-	330	273,825
Purchase of securities	-	-	-	-	-	-	932,518	932,518
Others	2	-	-	-	41,897	-	2,533	85,447
	1,603,543	273,423	252,100	79,064	48,441	40,956	1,180,620	81,946
								59
								3,560,093

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows: (Continued)

	The Group										
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks	and other financial institutions	Financial assets held for trading	Unquoted securities	Derivative financial instruments Trading	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011											
Mining and quarrying	-	-	-	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	-	-	-	856	-	856
Electricity, gas and water	-	-	-	-	-	-	-	-	1,349	-	1,349
Construction	-	-	-	-	-	-	-	-	628	-	628
Real estate	-	-	-	-	-	-	-	-	18,748	-	18,748
Purchase of landed property -Residential	-	-	-	-	-	-	-	-	-	218	218
General commerce	-	-	-	-	-	-	-	-	2,860	-	2,860
Transport, storage and communications	-	-	-	-	-	-	-	-	114	-	114
Finance, insurance and business services	1,827,170	-	-	689,196	78,436	10,342	-	243,654	600,000	-	3,448,798
Government and government agencies	107	300,067	-	-	-	-	-	236	-	-	300,410
Purchase of securities	-	-	-	-	-	-	-	-	94,355	-	94,355
Others	2	-	-	-	-	-	31,747	-	442,450	-	516,909
	1,827,279	300,067	689,196	78,436	78,436	42,089	42,710	42,710	805,364	600,218	4,385,359

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows: (Continued)

	Cash and short term funds	Reverse repurchase agreements	The Bank Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other commitments and contingencies	Credit related	Total credit exposures
	RM'000	RM'000	RM'000	Unquoted securities	Trading derivatives	RM'000	RM'000	RM'000	RM'000
31 December 2012									
Mining and quarrying	-	-	-	-	-	-	22	-	22
Manufacturing	-	-	-	-	-	-	1,082	-	1,082
Electricity, gas and water	-	-	-	-	-	-	969	-	969
Construction	-	-	-	-	-	-	3,364	-	3,364
Real estate	-	-	-	-	-	-	3,247	-	3,247
Purchase of landed property -Residential	-	-	-	-	-	-	388	-	388
General commerce	-	-	-	-	-	-	14,830	-	14,830
Transport, storage and communications	-	-	-	-	-	-	11,915	-	11,915
Finance, insurance and business services	1,401,672	-	692,858	32,896	1,547	-	203,451	-	2,332,424
Government and government agencies	114	150,622	-	-	-	-	473	-	151,209
Purchase of securities	-	-	-	-	-	-	816,008	-	816,008
Consumption credit	-	-	-	-	-	-	-	5,082	5,082
Others	-	-	-	-	37,541	73,245	925	-	111,711
	1,401,786	150,622	692,858	32,896	39,088	73,245	1,056,674	5,082	3,452,251

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows: (Continued)

	Cash and short term funds	Reverse repurchase agreements	The Bank Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments Trading	Loans, advances and financing	Other financial assets * contingencies	Credit related commitments and exposures	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2011									
Agriculture	-	-	-	-	-	-	248	-	248
Mining and quarrying	-	-	-	-	-	-	24	81,887	81,911
Manufacturing	-	-	-	-	-	-	735	-	735
Electricity, gas and water	-	-	-	-	-	-	3,082	-	3,082
Construction	-	-	-	-	-	-	1,145	-	1,145
Real estate	-	-	-	-	-	-	5,726	-	5,726
General commerce	-	-	-	-	-	-	5,513	-	5,513
Transport, storage and communications	-	-	-	-	-	-	5,916	-	5,916
Finance, insurance and business services	1,587,435	-	250,833	79,064	6,544	-	222,755	-	2,146,631
Government and government agencies	72	273,423	-	-	-	-	230	-	273,725
Purchase of securities	-	-	-	-	-	-	932,516	-	932,516
Others	-	-	-	-	41,897	40,956	1,721	59	84,633
	1,587,507	273,423	250,833	79,064	48,441	40,956	1,79,611	81,946	3,541,781

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

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2012, 31 December 2011 and 1 January 2011, based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank									
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading Unquoted securities	Derivative financial instruments Trading derivatives	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011										
Mining and quarrying	-	-	-	-	-	-	114	-	-	114
Manufacturing	-	-	-	-	-	-	856	-	-	856
Electricity, gas and water	-	-	-	-	-	-	1,349	-	-	1,349
Construction	-	-	-	-	-	-	628	-	-	628
Real estate	-	-	-	-	-	-	18,748	-	-	18,748
Purchase of landed property -Residential	-	-	-	-	-	-	-	218	-	218
General commerce	-	-	-	-	-	-	2,860	-	-	2,860
Transport, storage and communications	-	-	-	-	-	-	114	-	-	114
Finance, insurance and business services	1,816,209	-	687,992	78,436	10,342	-	243,641	600,000	-	3,436,620
Government and government agencies	107	300,067	-	-	-	-	236	-	-	300,410
Purchase of securities	-	-	-	-	-	-	94,354	-	-	94,354
Others	-	-	-	-	31,747	-	441,453	-	-	515,910
	1,816,316	300,067	687,992	78,436	42,089	42,710	804,353	600,218	-	4,372,181

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.1 Credit Risk (Continued)****46.1.3 Credit quality of financial assets**

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

(a) Loans, advances and financing

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

The Group and the Bank 31 December 2012			
	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total RM'000
Term loans	74,360	-	74,360
Other loans	-	432	432
Total	74,360	432	74,792
Less: Impairment allowances			(1,547)
Total net amount			73,245

The Group and the Bank 31 December 2011			
	Neither past due nor impaired (i) RM 000	Impaired (ii) RM'000	Total RM'000
Term loans	41,579	-	41,579
Other loans	-	891	891
Total	41,579	891	42,470
Less: Impairment allowances			(1,514)
Total net amount			40,956

The Group and the Bank 1 January 2011			
	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total RM'000
Term loans	43,360	-	43,360
Other loans	-	822	822
Total	43,360	822	44,182
Less: Impairment allowances			(1,472)
Total net amount			42,710

There were no loans, advances and financing that are “past due but not impaired” as at 31 December 2012, 31 December 2011 and 1 January 2011.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

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

	The Group and the Bank
	31 December 2012
	No rating
	RM'000
Term loans	74,360
Total	74,360
	The Group and the Bank
	31 December 2011
	No rating
	RM'000
Term loans	41,579
Total	41,579
	The Group and the Bank
	1 January 2011
	No rating
	RM'000
Term loans	43,360
Total	43,360

Financial statement descriptions can be summarised as follows:

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

(ii) “Impaired” loans, advances and financing

Refer to Note 7 for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

(b) Financial assets held for trading

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

	31 December 2012		The Group and the Bank 31 December 2011		1 January 2011	
	Neither past due or impaired	Impaired	Neither past due or impaired	Impaired	Neither past due or impaired	Impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading						
- Unquoted securities	32,896	8,000	40,896	8,000	78,436	8,000
Total	32,896	8,000	40,896	8,000	78,436	8,000
Less: Impairment allowance			(8,000) *	(8,000) *		(8,000) *
			32,896	79,064	78,436	78,436

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

There were no financial assets held for trading that are "past due but not impaired" as at 31 December 2012, 31 December 2011 and 1 January 2011.

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Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

(b) Financial assets held for trading (Continued)

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

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

	The Group and the Bank		
	31 December 2012	31 December 2011	1 January 2011
	Investment grade	Investment grade	Investment grade
	(AAA to BBB-)	(AAA to BBB-)	(AAA to BBB-)
	RM'000	RM 000	RM 000
Financial assets held for trading			
- Unquoted securities	32,896	79,064	78,436
Total	32,896	79,064	78,436

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.1 Credit Risk (Continued)****46.1.3 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets**

Other financial assets of the Group's as at 31 December 2012, 31 December 2011 and 1 January 2011 are summarised as follows :

	The Group			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
31 December 2012				
Cash and short term funds	1,423,389	-	-	1,423,389
Reverse repurchase agreements	150,622	-	-	150,622
Deposits and placements with banks and other financial institutions	700,200	-	-	700,200
Derivative financial instruments	39,088	-	-	39,088
Other financial assets	1,035,657	18,141	28,994	1,082,792
Total	3,348,956	18,141	28,994	3,396,091
Less: Impairment allowances				(23,920)
Total net amount				3,372,171

	The Group			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
31 December 2011				
Cash and short term funds	1,603,543	-	-	1,603,543
Reverse repurchase agreements	273,423	-	-	273,423
Deposits and placements with banks and other financial institutions	252,100	-	-	252,100
Derivative financial instruments	48,441	-	-	48,441
Other financial assets	1,155,730	16,173	30,251	1,202,154
Total	3,333,237	16,173	30,251	3,379,661
Less: Impairment allowances				(21,534)
Total net amount				3,358,127

	The Group			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
1 January 2011				
Cash and short term funds	1,827,279	-	-	1,827,279
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	689,196	-	-	689,196
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	786,958	9,276	28,061	824,295
Total	3,645,589	9,276	28,061	3,682,926
Less: Impairment allowances				(18,931)
Total net amount				3,663,995

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.1 Credit Risk (Continued)****46.1.3 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

Other financial assets of the Bank's as at 31 December 2012, 31 December 2011 and 1 January 2011 are summarised as follows :

	The Bank			Total gross amount RM'000
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	
31 December 2012				
Cash and short term funds	1,401,786	-	-	1,401,786
Reverse repurchase agreements	150,622	-	-	150,622
Deposits and placements with banks and other financial institutions	692,858	-	-	692,858
Derivative financial instruments	39,088	-	-	39,088
Other financial assets	1,033,459	18,141	28,846	1,080,446
Total	<u>3,317,813</u>	<u>18,141</u>	<u>28,846</u>	<u>3,364,800</u>
Less: Impairment allowances				(23,772)
Total net amount				<u>3,341,028</u>
31 December 2011				
Cash and short term funds	1,587,507	-	-	1,587,507
Reverse repurchase agreements	273,423	-	-	273,423
Deposits and placements with banks and other financial institutions	250,833	-	-	250,833
Derivative financial instruments	48,441	-	-	48,441
Other financial assets	1,154,721	16,173	30,081	1,200,975
Total	<u>3,314,925</u>	<u>16,173</u>	<u>30,081</u>	<u>3,361,179</u>
Less: Impairment allowances				(21,364)
Total net amount				<u>3,339,815</u>
1 January 2011				
Cash and short term funds	1,816,316	-	-	1,816,316
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	687,992
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	785,947	9,276	27,831	823,054
Total	<u>3,632,411</u>	<u>9,276</u>	<u>27,831</u>	<u>3,669,518</u>
Less: Impairment allowances				(18,701)
Total net amount				<u>3,650,817</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

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

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies for the Group's as at 31 December 2012, 31 December 2011 and 1 January 2011:

	31 December 2012				31 December 2011				1 January 2011			
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
The Group												
Cash and short term funds	179	1,423,210	-	1,423,389	72	1,603,451	20	1,603,543	107	1,827,147	25	1,827,279
Reverse repurchase agreements	150,622	-	-	150,622	273,423	-	-	273,423	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	1,017	699,183	-	700,200	1,002	251,098	-	252,100	1,000	688,196	-	689,196
Derivative financial instruments	-	1,547	37,541	39,088	-	6,543	41,898	48,441	-	20,267	21,822	42,089
Other financial assets	1,862	91,633	942,162	1,035,657	230	76,067	1,079,433	1,155,730	318	1,124	785,516	786,958
Total	153,680	2,215,573	979,703	3,348,956	274,727	1,937,139	1,121,351	3,333,237	301,492	2,536,734	807,363	3,645,589

There were no collateral repossessed by the Group as at 31 December 2012, 31 December 2011 and 1 January 2011.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

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

(ii) The table below presents an analysis of other financial assets that are “neither past due nor impaired”, based on rating by major credit rating agencies for the Bank’s as at 31 December 2012, 31 December 2011 and 1 January 2011:

	31 December 2012				31 December 2011				1 January 2011			
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
The Bank												
Cash and short term funds	114	1,401,672	-	1,401,786	72	1,587,415	20	1,587,507	107	1,816,184	25	1,816,316
Reverse repurchase agreements	150,622	-	-	150,622	273,423	-	-	273,423	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	-	692,858	-	692,858	-	250,833	-	250,833	-	687,992	-	687,992
Derivative financial instruments	-	1,547	37,541	39,088	-	6,543	41,898	48,441	-	20,267	21,822	42,089
Other financial assets	473	91,633	941,353	1,033,459	230	76,067	1,078,424	1,154,721	318	1,112	784,517	785,947
Total	151,209	2,187,710	978,894	3,317,813	273,725	1,920,858	1,120,342	3,314,925	300,492	2,525,555	806,364	3,632,411

There were no collateral repossessed by the Bank as at 31 December 2012, 31 December 2011 and 1 January 2011.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 Credit quality of financial assets (Continued)

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

- (iii) An ageing analysis of other financial assets of the Group's and the Bank's that are "past due but not impaired" as at 31 December 2012, 31 December 2011 and 1 January 2011 are set out as below:

	The Group and the Bank 31 December 2012		
	Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	1,135	17,006	18,141

	The Group and the Bank 31 December 2011		
	Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	6,938	9,235	16,173

	The Group and the Bank 1 January 2011		
	Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	4,552	4,724	9,276

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates/benchmark rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Market Risk Management (MRM)

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC ensures that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, supported by the Market Risk Management (MRM) function in GRM is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

CIMB Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/benchmark rate risk, foreign exchange risk and commodity risk. Each business unit is allocated VaR limits for each type of market risk undertaken for effective risk monitoring and control. These limits are approved by the GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are sent to the relevant traders and Group Treasury's Market Risk Analytics Team. The head of each business unit is accountable for all market risk under his/her purview. Any excess in limit will be escalated to management in accordance to the Group's exception management procedures.

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to GRC and BRC for its perusal.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest. Hence, the resulting market VaR is exposed to the danger that price and rate changes over the stipulated time horizon might not be typical. Example, if the past 500 daily price movements were observed over a period of exceptionally low volatility, then the VaR computed would understate the risk of the portfolio and vice versa.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to the GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

In addition to the above, MRM undertakes the monitoring and oversight process at Group Treasury and Equity Derivatives Group trading floors, which include reviewing treasury trading strategy, analysing positions and activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

MRM also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

Treasury products approval processes will be led by MRM to ensure operational readiness before launching. All new products are assessed by components and in totality to ensure financial risks are accurately identified, monitored and effectively managed.

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions. Back-testing of newly approved or revised models may be conducted to assess the appropriateness of the model and input data used.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.1 VaR**

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

	31 December 2012 RM'000	The Group 31 December 2011 RM'000	1 January 2011 RM'000
VaR			
Foreign exchange risk	541	497	245
Interest rate risk	85	380	542
Equity risk	7	1	87
Total	<u>633</u>	<u>878</u>	<u>874</u>
Total shareholders fund	545,532	512,308	446,722
Percentage of shareholders funds	0.12%	0.17%	0.20%
	31 December 2012 RM'000	The Bank 31 December 2011 RM'000	1 January 2011 RM'000
VaR			
Foreign exchange risk			
Interest rate risk	540	496	245
Equity risk	85	380	542
Total	<u>625</u>	<u>876</u>	<u>874</u>
Total shareholders fund	522,772	493,510	429,096
Percentage of shareholders funds	0.12%	0.18%	0.20%

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk**

Interest rate risk relates to the potential adverse impact on the net interest income arising from the changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

- (a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates.

	The Group								
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book > 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
31 December 2012									
Financial assets									
Cash and short term funds	1,419,784	-	-	-	-	-	3,653	-	1,423,437
Reverse repurchase agreements	99,936	49,980	-	-	-	-	706	-	150,622
Deposits and placements with banks and other financial institutions	-	697,327	-	100	-	-	2,773	-	700,200
Financial assets held for trading	-	-	-	-	-	-	-	195	195
- Quoted securities	-	-	-	-	-	-	-	32,896	32,896
- Unquoted securities	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	39,088	39,088
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
- Unquoted securities	30	-	-	-	-	-	4,732	-	4,732
Loans, advances and financing	-	145	52	169	9,636	63,213	-	-	73,245
Other assets	-	-	-	-	-	-	1,054,068	-	1,054,068
Amounts due from ultimate holding	-	-	-	-	-	-	1	-	1
Amounts due from related companies	-	-	-	-	-	-	4,803	-	4,803
Total financial assets	1,519,750	747,452	52	269	9,636	63,213	1,070,736	72,179	3,483,287

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group										
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book			> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
				> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 1 - 5 years RM'000					
31 December 2012											
Financial liabilities											
Deposits from customers	456,927	36,926	138,380	-	-	-	170,150	532	-	-	802,915
Deposits and placements of banks and other financial institutions	929,056	396,000	-	-	-	-	-	2,302	-	-	1,327,358
Derivative financial instruments	-	-	-	-	-	-	-	-	17,750	-	17,750
- Trading derivatives	110	148	-	-	-	-	-	-	-	-	972,357
Other liabilities	-	-	-	-	-	-	-	22,606	-	-	22,606
Amounts due to related companies	-	-	-	-	-	-	-	-	-	-	-
Subordinated loan	-	-	-	-	-	10,000	-	-	-	-	10,000
Total financial liabilities	1,386,093	433,074	138,380	-	-	10,000	170,150	997,539	17,750	3,152,986	
Net interest rate sensitivity gap	133,657	314,378	(138,328)	269	(364)	(106,937)	54,429				
Credit related commitments and contingencies	-	-	-	-	-	-	-	5,082			

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

- (a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group									
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	Non-trading book > 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	
31 December 2011										
Financial assets										
Cash and short term funds	1,599,092	-	-	-	-	-	4,501	-	1,603,593	
Reverse repurchase agreements	-	273,257	-	-	-	-	166	-	273,423	
Deposits and placements with banks and other financial institutions	-	251,265	-	-	105	-	730	-	252,100	
Financial assets held for trading	-	-	-	-	-	-	-	-	-	
- Quoted securities	-	-	-	-	-	-	-	46	46	
- Unquoted securities	-	-	-	-	-	-	-	79,064	79,064	
Derivative financial instruments	-	-	-	-	-	-	-	-	-	
- Trading derivatives	-	-	-	-	-	-	-	48,441	48,441	
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-	
- Unquoted securities	-	-	-	-	-	-	2,703	-	2,703	
Loans, advances and financing	6	101	40	141	6,761	33,907	-	-	40,956	
Other assets	-	-	-	-	-	-	1,173,999	-	1,173,999	
Amounts due from holding company	-	-	-	-	-	-	1,529	-	1,529	
Amounts due from related companies	-	-	-	-	-	-	5,092	-	5,092	
Total financial assets	1,599,098	524,623	40	141	6,866	33,907	1,188,720	127,551	3,480,946	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group									
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book > 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	
31 December 2011										
Financial liabilities										
Deposits from customers	541,900	27,500	-	-	77,107	182,150	476	-	-	829,133
Deposits and placements of banks and other financial institutions	360,095	507,000	342,000	-	-	-	3,738	-	-	1,212,833
Derivative financial instruments	-	-	-	-	-	-	-	81,521	-	81,521
- Trading derivatives	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	1,045,097	-	-	1,045,097
Amounts due to related companies	-	-	-	-	-	-	9,482	-	-	9,482
Amounts due to ultimate holding company	-	-	-	-	-	-	22	-	-	22
Total financial liabilities	901,995	534,500	342,000	-	77,107	182,150	1,058,815	81,521	-	3,178,088
Net interest rate sensitivity gap	697,103	(9,877)	(341,960)	141	(70,241)	(148,243)	-	46,030	-	-
Credit related commitments and contingencies	-	-	-	-	-	-	81,946	-	-	81,946

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group											
	1 January 2011	Non-trading book					Trading book	Total				
		Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years			Over 5 years	Non-interest sensitive	RM'000	
Financial assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,605,234	-	-	-	-	-	-	222,078	-	-	-	1,827,312
Reverse repurchase agreements	149,816	149,933	-	-	-	-	-	318	-	-	-	300,067
Deposits and placements with banks and other financial institutions	1,000	594,159	92,505	100	-	-	-	1,432	-	-	-	689,196
Financial assets held for trading	-	-	-	-	-	-	-	-	3,691	-	-	3,691
- Quoted securities	-	-	-	-	-	-	-	-	78,436	-	-	78,436
- Unquoted securities	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	-	42,089	-	-	42,089
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-
- Unquoted securities	3	10	33	90	6,981	-	-	8,979	-	-	-	8,979
Loans, advances and financing	-	-	-	-	-	-	-	-	-	35,593	-	42,710
Other assets	-	-	-	-	-	-	-	798,740	-	-	-	798,740
Amounts due from ultimate holding	-	-	-	-	-	-	-	60	-	-	-	60
Amounts due from related companies	-	-	-	-	-	-	-	6,564	-	-	-	6,564
Total financial assets	1,756,053	744,102	92,538	190	6,981	35,593	124,216	1,038,171	124,216	3,797,844		

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(a) The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group										
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	Non-trading book			> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	> 5 – 10 years RM'000					
1 January 2011											
Financial liabilities											
Deposits from customers	713,434	-	181,550	-	-	196,780	115,122	753	-	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	-	3,334	-	-	1,494,000
Derivative financial instruments	-	-	-	-	-	-	-	-	-	61,710	61,710
- Trading derivatives	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	678,597	-	-	678,597
Amounts due to related companies	-	-	-	-	-	-	-	12,105	-	-	12,105
Total financial liabilities	1,366,585	495,010	524,055	-	196,780	115,122	694,789	61,710	3,454,051		
Net interest rate sensitivity gap	389,468	249,092	(431,517)	190	(189,799)	(79,529)	62,506				
Credit related commitments and contingencies	-	-	-	-	-	-	600,218				

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book			Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
				> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000				
31 December 2012										
Financial assets										
Cash and short term funds	1,400,364	-	-	-	-	-	1,468	-	-	1,401,832
Reverse repurchase agreements	99,936	49,980	-	-	-	-	706	-	-	150,622
Deposits and placements with banks and other financial institutions	-	690,000	-	100	-	-	2,758	-	-	692,858
Financial assets held for trading	-	-	-	-	-	-	-	195	195	195
- Quoted securities	-	-	-	-	-	-	-	32,896	32,896	32,896
- Unquoted securities	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	39,088	39,088	39,088
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-
- Unquoted securities	30	145	52	169	9,636	63,213	745	-	-	73,245
Loans, advances and financing	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Amounts due from subsidiaries	-	-	-	-	-	-	-	2	-	2
Amounts due from related companies	-	-	-	-	-	-	-	-	-	-
Amounts due from ultimate holding	-	-	-	-	-	-	4,803	-	-	4,803
Total financial assets	1,500,330	740,125	52	269	9,636	63,213	1,062,351	72,179	3,448,155	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Up to 1 month RM'000	Non-trading book					Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
		> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	> 5 years RM'000				
31 December 2012										
Financial liabilities										
Deposits from customers	456,927	36,926	138,380	-	-	170,150	532	-	802,915	
Deposits and placements of banks and other financial institutions	929,056	396,000	-	-	-	-	2,302	-	1,327,358	
Derivative financial instruments	-	-	-	-	-	-	-	17,750	17,750	
- Trading derivatives	-	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	970,164	-	970,164	
Amounts due to subsidiaries	-	-	-	-	-	-	3,185	-	3,185	
Amounts due to related companies	-	-	-	-	-	-	22,606	-	22,606	
Total financial liabilities	1,385,983	432,926	138,380	-	-	170,150	998,789	17,750	3,143,978	
Net interest rate sensitivity gap	114,347	307,199	(138,328)	269	9,636	(106,937)	-	54,429	-	
Credit related commitments and contingencies	-	-	-	-	-	-	5,082	-	5,082	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

- (b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book				Trading book RM'000	Total RM'000
				> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
31 December 2011									
Financial assets									
Cash and short term funds	1,583,278	-	-	-	-	-	-	-	1,587,555
Reverse repurchase agreements	-	273,257	-	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	-	250,000	-	-	105	-	728	-	250,833
Financial assets held for trading	-	-	-	-	-	-	-	-	-
- Quoted securities	-	-	-	-	-	-	-	46	46
- Unquoted securities	-	-	-	-	-	-	-	79,064	79,064
Derivative financial instruments	-	-	-	-	-	-	-	-	-
- Trading derivatives	6	101	40	141	-	-	-	48,441	48,441
Loans, advances and financing	-	-	-	-	6,761	33,907	-	-	40,956
Other assets	-	-	-	-	-	-	1,172,987	-	1,172,987
Amounts due from subsidiaries	-	-	-	-	-	-	3	-	3
Amounts due from related companies	-	-	-	-	-	-	5,092	-	5,092
Amounts due from immediate holding	-	-	-	-	-	-	1,529	-	1,529
Total financial assets	1,583,284	523,358	40	141	6,866	33,907	1,184,782	127,551	3,459,929

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Bank									
	Up to 1 month RM'000	Non-trading book					Trading book RM'000	Total RM'000		
		> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000			Non-interest sensitive RM'000	
31 December 2011										
Financial liabilities										
Deposits from customers	541,900	27,500	-	-	77,107	182,150	476	-	829,133	
Deposits and placements of banks and other financial institutions	360,095	507,000	342,000	-	-	-	3,738	-	1,212,833	
Derivative financial instruments	-	-	-	-	-	-	-	-	-	
- Trading derivatives	-	-	-	-	-	-	-	81,521	81,521	
Other liabilities	-	-	-	-	-	-	-	-	1,043,728	
Amounts due to subsidiaries	-	-	-	-	-	-	-	-	3,185	
Amounts due to related company	-	-	-	-	-	-	-	-	9,480	
Amounts due to ultimate holding company	-	-	-	-	-	-	22	-	22	
Total financial liabilities	901,995	534,500	342,000	-	77,107	182,150	1,060,629	81,521	3,179,902	
Net interest rate sensitivity gap	681,289	(11,142)	(341,960)	141	(70,241)	(148,243)		46,030		
Credit related commitments and contingencies	-	-	-	-	-	-	-	-	81,946	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.2 Interest rate risk (Continued)**

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book			Trading book RM'000	Total RM'000
				> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000		
1 January 2011								
Financial assets								
Cash and short term funds	1,625,580	-	-	-	-	-	-	1,816,349
Reverse repurchase agreements	149,816	149,933	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	-	593,955	92,505	100	-	-	1,432	687,992
Financial assets held for trading	-	-	-	-	-	-	3,691	3,691
- Quoted securities	-	-	-	-	-	-	78,436	78,436
- Unquoted securities	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	42,089	42,089
Financial investments available-for-sale	-	-	-	-	-	-	-	-
- Unquoted securities	3	10	33	90	-	-	6,331	6,331
Loans, advances and financing	-	-	-	-	6,981	35,593	-	42,710
Other assets	-	-	-	-	-	-	797,727	797,727
Amounts due from subsidiaries	-	-	-	-	-	-	2	2
Amounts due from related companies	-	-	-	-	-	-	6,564	6,564
Amounts due from ultimate holding	-	-	-	-	-	-	60	60
Total financial assets	1,775,399	743,898	92,538	190	6,981	35,593	1,003,203	3,782,018

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2012, 31 December 2011 and 1 January 2011, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Bank									
	Up to 1 month RM'000	Non-trading book					Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
		> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	> 5 years RM'000				
1 January 2011										
Deposits from customers	713,434	-	181,550	-	-	196,780	115,122	753	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	-	3,334	-	1,494,000
Derivative financial instruments	-	-	-	-	-	-	-	-	61,710	61,710
- Trading derivatives	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	681,041	-	681,041
Amounts due to subsidiaries	-	-	-	-	-	-	-	3,185	-	3,185
Amounts due to related company	-	-	-	-	-	-	-	12,105	-	12,105
Total financial liabilities	1,366,585	495,010	524,055	-	-	196,780	115,122	700,418	61,710	3,459,680
Net interest rate sensitivity gap	408,814	248,888	(431,517)	190	(189,799)	(79,529)			62,506	
Credit related commitments and contingencies	-	-	-	-	-	-	-	-	-	600,218

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(c) Sensitivity to profit

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

		The Group			
		31 December 2012		31 December 2011	
		+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to profit (after tax)		2,086	(2,086)	5,598	(5,598)

		The Bank			
		31 December 2012		31 December 2011	
		+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to profit (after tax)		1,918	(1,918)	5,510	(5,510)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

46.2.3 Foreign exchange risk

The Group and Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

31 December 2012	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1,388,171	-	617	11,965	17,603	1,572	3,509	35,266	1,423,437
Reverse repurchase agreements	150,622	-	-	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	700,200	-	-	-	-	-	-	-	700,200
Financial assets held for trading									
- Quoted securities	105	6	6	4	-	74	-	90	195
- Unquoted securities	4,881	-	-	-	28,015	-	-	28,015	32,896
Derivative financial instruments									
- Trading derivatives	38,920	-	-	-	168	-	-	168	39,088
Financial investments available-for-sale									
- Unquoted securities	3,987	-	-	-	745	-	-	745	4,732
Loans, advances and financing	73,245	-	-	-	-	-	-	-	73,245
Other assets	984,150	19,454	29,309	4,156	4,382	609	12,008	69,918	1,054,068
Amounts due from ultimate holding company	1	-	-	-	-	-	-	-	1
Amounts due from related companies	4,263	540	-	-	-	-	-	540	4,803
	3,348,545	20,000	29,932	16,125	50,913	2,255	15,517	134,742	3,483,287
Financial liabilities									
Deposits from customers	802,915	-	-	-	-	-	-	-	802,915
Deposits and placements of banks and other financial institutions	1,327,197	-	-	-	-	-	161	161	1,327,358
Derivatives financial instruments									
- Trading derivatives	17,582	-	-	-	168	-	-	168	17,750
Subordinated loan	10,000	-	-	-	-	-	-	-	10,000
Other liabilities	901,839	19,409	29,255	3,933	4,561	638	12,722	70,518	972,357
Amounts due to related companies	22,606	-	-	-	-	-	-	-	22,606
	3,082,139	19,409	29,255	3,933	4,729	638	12,883	70,847	3,152,986
Credit related commitments and contingencies	5,082	-	-	-	-	-	-	-	5,082
	5,082	-	-	-	-	-	-	-	5,082

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

31 December 2011	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1 515 365	-	1 512	69 939	12 414	1 565	2 798	88 228	1 603 593
Reverse repurchase agreements	273,423	-	-	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	252,100	-	-	-	-	-	-	-	252,100
Financial assets held for trading									
- Quoted securities	33	6	4	3	-	-	-	13	46
- Unquoted securities	8 090	-	-	-	70 974	-	-	70 974	79 064
Derivative financial instruments									
- Trading derivatives	47 387	-	-	-	1 054	-	-	1 054	48 441
Financial investments available-for-sale									
- Unquoted securities	2,703	-	-	-	-	-	-	-	2,703
Loans advances and financing	40,956	-	-	-	-	-	-	-	40,956
Other assets	1 158 299	3 042	6 318	3 906	496	282	1 656	15 700	1 173 999
Amounts due from holding company	1 529	-	-	-	-	-	-	-	1 529
Amounts due from related companies	4,487	605	-	-	-	-	-	605	5,092
	3,304,372	3,653	7,834	73,848	84,938	1,847	4,454	176,574	3,480,946
Financial liabilities									
Deposits from customers	768 901	-	-	60 232	-	-	-	60 232	829 133
Deposits and placements of banks and other financial institutions	1 170 526	-	-	-	42 255	-	52	42 307	1 212 833
Derivatives financial instruments									
- Trading derivatives	80 467	-	-	-	1 054	-	-	1 054	81 521
Other liabilities	979 357	3 011	6 423	17 092	22 406	1 046	15 762	65 740	1 045,097
Amounts due to related companies	9 481	-	-	1	-	-	-	1	9 482
Amounts owing to ultimate holding company	22	-	-	-	-	-	-	-	22
	3,008,754	3,011	6,423	77,325	65,715	1,046	15,814	169,334	3,178,088
Credit related commitments and contingencies	81,946	-	-	-	-	-	-	-	81,946
	81,946	-	-	-	-	-	-	-	81,946

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

1 January 2011	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1 182,987	-	32	4 444	635 198	740	3 911	644 325	1 827 312
Reverse repurchase agreements	300 067	-	-	-	-	-	-	-	300 067
Deposits and placements with banks and other financial institutions	411 681	-	-	-	277 515	-	-	277 515	689 196
Financial assets held for trading									
- Quoted securities	3 678	5	4	4	-	-	-	13	3 691
- Unquoted securities	14 140	-	-	-	64 296	-	-	64 296	78 436
Derivative financial instruments									
- Trading derivatives	31 758	-	-	-	10 331	-	-	10 331	42,089
Financial investments available-for-sale									
- Unquoted securities	2 199	449	-	-	-	-	6 331	6 780	8 979
Loans, advances and financing	42 710	-	-	-	-	-	-	-	42 710
Other assets	775 669	6 758	3 232	7 374	3 350	129	2 228	23 071	798,740
Amounts due from ultimate holding company	60	-	-	-	-	-	-	-	60
Amounts due from related companies	5,662	902	-	-	-	-	-	902	6,564
	2,770,611	8,114	3,268	11,822	990,690	869	12,470	1,027,233	3,797,844
Financial liabilities									
Deposits from customers	682 166	-	-	-	525 473	-	-	525 473	1 207 639
Deposits and placements of banks and other financial institutions	1 093 141	-	-	-	400 855	-	4	400 859	1 494 000
Derivatives financial instruments									
- Trading derivatives	51 379	-	-	-	10 331	-	-	10 331	61 710
Other liabilities	658 530	6,625	3 100	6,221	1 343	95	2 683	20 067	678 597
Amounts due to related companies	369	-	-	11,736	-	-	-	11,736	12,105
	2,485,585	6,625	3,100	17,957	938,002	95	2,687	968,466	3,454,051
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

31 December 2012	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1,366,597	-	617	11,965	17,572	1,572	3,509	35,235	1,401,832
Reverse repurchase agreements	150,622	-	-	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	692,858	-	-	-	-	-	-	-	692,858
Financial assets held for trading									
- Quoted securities	105	6	6	4	-	74	-	90	195
- Unquoted securities	4,881	-	-	-	28,015	-	-	28,015	32,896
Derivative financial instruments									
- Trading derivatives	38,920	-	-	-	168	-	-	168	39,088
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	745	-	-	745	745
Loans, advances and financing	73,245	-	-	-	-	-	-	-	73,245
Other assets	981,950	19,454	29,309	4,156	4,382	609	12,008	69,918	1,051,868
Amounts due from ultimate holding company	1	-	-	-	-	-	-	-	1
Amounts due from subsidiaries	2	-	-	-	-	-	-	-	2
Amounts due from related companies	4,263	540	-	-	-	-	-	540	4,803
	3,313,444	20,000	29,932	16,125	50,882	2,255	15,517	134,711	3,448,155
Financial liabilities									
Deposits from customers	802,915	-	-	-	-	-	-	-	802,915
Deposits and placements of banks and other financial institutions	1,327,197	-	-	-	-	-	161	161	1,327,358
Derivatives financial instruments									
- Trading derivatives	17,582	-	-	-	168	-	-	168	17,750
Other liabilities	899,646	19,409	29,255	3,933	4,561	638	12,722	70,518	970,164
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	-	3,185
Amounts due to related companies	22,606	-	-	-	-	-	-	-	22,606
	3,073,131	19,409	29,255	3,933	4,729	638	12,883	70,847	3,143,978
Credit related commitments and contingencies	5,082	-	-	-	-	-	-	-	5,082
	5,082	-	-	-	-	-	-	-	5,082

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

31 December 2011	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1 499 393	-	1 512	69 939	12 349	1 565	2 797	88 162	1 587 555
Reverse repurchase agreements	273 423	-	-	-	-	-	-	-	273 423
Deposits and placements with banks and other financial institutions	250 833	-	-	-	-	-	-	-	250 833
Financial assets held for trading									
- Quoted securities	33	6	4	3	-	-	-	13	46
- Unquoted securities	8 090	-	-	-	70 974	-	-	70 974	79 064
Derivative financial instruments									
- Trading derivatives	47 387	-	-	-	1 054	-	-	1 054	48 441
Loans advances and financing									
- Term loans	40 936	-	-	-	-	-	-	-	40 936
Other assets	1 157 296	3 042	6 318	3 906	487	282	1 656	15 691	1 172 987
Amounts due from subsidiaries	3	-	-	-	-	-	-	-	3
Amounts due from related companies	4 487	605	-	-	-	-	-	605	5 092
Amounts due from holding company	1,529	-	-	-	-	-	-	-	1,529
	3,283,430	3,653	7,834	73,848	84,864	1,847	4,453	176,499	3,459,929
Financial liabilities									
Deposits from customers	768 901	-	-	60 232	-	-	-	60 232	829 133
Deposits and placements of banks and other financial institutions	1 170 526	-	-	-	42 255	-	52	42 307	1 212 833
Derivatives financial instruments									
- Trading derivatives	80 467	-	-	-	1 054	-	-	1 054	81 521
Other liabilities	977 997	3 011	6 423	17 092	22 397	1 046	15 762	65 731	1 043 728
Amounts due to subsidiaries	3 185	-	-	-	-	-	-	-	3 185
Amounts due to related companies	9 479	-	-	1	-	-	-	1	9 480
Amounts owing to ultimate holding company	22	-	-	-	-	-	-	-	22
	3,010,577	3,011	6,423	77,325	65,706	1,046	15,814	169,325	3,179,902
Credit related commitments and contingencies	81,946	-	-	-	-	-	-	-	81,946
	81,946	-	-	-	-	-	-	-	81,946

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.2 Market Risk (Continued)****46.2.3 Foreign exchange risk (Continued)**

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

1 January 2011	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
Financial assets									
Cash and short term funds	1 172 059	-	32	4 444	635 163	740	3 911	644 290	1 816 349
Reverse repurchase agreements	300 067	-	-	-	-	-	-	-	300 067
Deposits and placements with banks and other financial institutions	410 477	-	-	-	277 515	-	-	277 515	687 992
Financial assets held for trading									
- Quoted securities	3 678	5	4	4	-	-	-	13	3 691
- Unquoted securities	14 140	-	-	-	64 296	-	-	64 296	78 436
Derivative financial instruments									
- Trading derivatives	31 758	-	-	-	10 331	-	-	10 331	42 089
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	6 331	6 331	6 331
Loans advances and financing	42 710	-	-	-	-	-	-	-	42 710
Other assets	774 656	6 758	3 232	7 374	3 350	129	2 228	23 071	797 727
Amounts due from subsidiaries	2	-	-	-	-	-	-	-	2
Amounts due from related companies	5 662	902	-	-	-	-	-	902	6 564
Amounts due from ultimate holding company	60	-	-	-	-	-	-	-	60
	2,755,269	7,665	3,268	11,822	990,635	869	12,470	1,026,749	3,782,018
Financial liabilities									
Deposits from customers	682 166	-	-	-	525 473	-	-	525 473	1 207 639
Deposits and placements of banks and other financial institutions	1 093 141	-	-	-	400 855	-	4	400 859	1 494 000
Derivatives financial instruments									
- Trading derivatives	51 379	-	-	-	10 331	-	-	10 331	61 710
Other liabilities	660 974	6 625	3 100	6 221	1 343	95	2 683	20 067	681 041
Amounts due to subsidiaries	3 185	-	-	-	-	-	-	-	3 185
Amounts due to related companies	369	-	-	11 736	-	-	-	11 736	12 105
	2,491,214	6,625	3,100	17,957	938,002	95	2,687	968,466	3,459,680
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

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

	The Group and the Bank			
	31 December 2012		31 December 2011	
	+1% appreciation RM'000	-1% appreciation RM'000	+1% appreciation RM'000	-1% appreciation RM'000
Impact to profit (after tax)	379	(379)	406	(406)

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

46.3 Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk primarily arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a stable large funding base.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.3 Liquidity Risk (Continued)

Liquidity risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the RLRC. RLRC meets at least once a month to discuss the liquidity risk and funding profile of the Group and each individual entity under the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group Treasury in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Overseas branches and subsidiaries should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established risk tolerance levels. Management action triggers have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is subject to annual review while the assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions.

Liquidity positions are monitored on a daily basis for compliance with internal risk thresholds. The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group performs liquidity risk stress testing on a monthly basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. The stress tests are modelled based on three scenarios namely Group specific crisis, market wide crisis and combined crisis. The assumptions used includes run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities are documented and the test results are submitted to the RLRC, the GRC and BRC of the Group. The test results to date have indicated that the Group does possess sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions. In addition, the Group computes Basel III liquidity ratios namely liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) at least on quarterly basis, in line with BNM observation period for Basel III liquidity ratios which started in June 2012.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities

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

31 December 2012 Assets	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Cash and short term funds	1,423,437	-	-	-	-	-	-	1,423,437
Reverse repurchase agreements	100,642	49,980	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	-	700,098	-	102	-	-	-	700,200
Financial assets held for trading	-	-	-	-	28,015	4,881	195	33,091
Derivative financial instruments	-	-	3,389	-	-	35,699	-	39,088
Financial investments available-for-sale	-	-	-	-	-	-	4,732	4,732
Loans, advances and financing	30	145	52	169	9,636	63,213	-	73,245
Other assets	1,104,536	-	-	-	-	-	-	1,104,536
Deferred tax assets	-	-	-	-	-	-	42,998	42,998
Tax recoverable	7,996	-	-	-	-	-	-	7,996
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,062	1,062
Investment in associates	-	-	-	-	-	-	5,736	5,736
Property, plant and equipment	-	-	-	-	-	-	112,707	112,707
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	4,803	-	-	-	-	-	-	4,803
Amounts due from ultimate holding company	-	-	-	-	-	-	-	-
Total assets	2,641,445	750,223	3,441	271	37,651	103,793	168,394	3,705,218

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

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

31 December 2012 Liabilities	The Group							Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Deposits from customers	457,459	36,926	138,380	-	-	170,150	-	802,915
Deposits and placements of banks and other financial institutions	931,358	396,000	-	-	-	-	-	1,327,358
Derivative financial instruments	-	-	-	-	-	17,750	-	17,750
Other liabilities	978,059	148	-	-	-	-	-	978,207
Provision for taxation and Zakat	850	-	-	-	-	-	-	850
Subordinated loan	-	-	-	-	10,000	-	-	10,000
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Total liabilities	2,390,332	433,074	138,380	-	10,000	187,900	-	3,159,686
Net liquidity gap	251,113	317,149	(134,939)	271	27,651	(84,107)	168,394	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2011								
Assets								
Cash and short term funds	1,603,593	-	-	-	-	-	-	1,603,593
Reverse repurchase agreements	166	273,257	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	730	251,265	-	-	105	-	-	252,100
Financial assets held for trading	-	-	-	-	79,064	-	46	79,110
Derivative financial instruments	-	-	-	-	5,040	43,401	-	48,441
Financial investments available-for-sale	-	-	-	-	-	-	2,703	2,703
Loans, advances and financing	6	101	40	141	6,761	33,907	-	40,936
Other assets	1,211,719	-	-	-	-	-	-	1,211,719
Deferred tax assets	-	-	-	-	-	-	40,460	40,460
Tax recoverable	26,304	-	-	-	-	-	-	26,304
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,520	1,520
Investment in associates	-	-	-	-	-	-	5,007	5,007
Property, plant and equipment	-	-	-	-	-	-	105,620	105,620
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	5,092	-	-	-	-	-	-	5,092
Amounts due from holding company	1,529	-	-	-	-	-	-	1,529
Total assets	2,849,139	524,623	40	141	90,970	77,308	156,320	3,698,541

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

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

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2011								
Liabilities								
Deposits from customers	542,376	27,500	-	-	77,107	182,150	-	829,133
Deposits and placements of banks and other financial institutions	363,833	507,000	342,000	-	-	-	-	1,212,833
Derivative financial instruments	-	-	-	-	19,612	61,909	-	81,521
Other liabilities	1,052,433	102	-	-	23	-	-	1,052,558
Provision for taxation and Zakat	684	-	-	-	-	-	-	684
Amounts due to related companies	9,482	-	-	-	-	-	-	9,482
Amounts due to ultimate holding company	22	-	-	-	-	-	-	22
Total liabilities	1,968,830	534,602	342,000	-	96,742	244,059	-	3,186,233
Net liquidity gap	880,309	(9,979)	(341,960)	141	(5,772)	(166,751)	156,320	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

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

	1 January 2011						Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	The Group > 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	
Assets							
Cash and short term funds	1,827,312	-	-	-	-	-	1,827,312
Reverse repurchase agreements	150,134	149,933	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	2,432	594,159	92,505	100	-	-	689,196
Financial assets held for trading	723	-	-	-	73,457	4,256	82,127
Derivative financial instruments	-	-	1,638	-	8,300	32,151	42,089
Financial investments available-for-sale	-	-	-	-	-	-	8,979
Loans, advances and financing	3	10	33	90	6,981	35,593	42,710
Other assets	806,243	-	-	-	-	-	806,243
Deferred tax assets	-	-	-	-	-	-	44,329
Tax recoverable	-	-	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280
Investment in associates	-	-	-	-	-	-	5,280
Property, plant and equipment	-	-	-	-	-	-	92,977
Goodwill on consolidation	-	-	-	-	-	-	964
Amounts due from ultimate holding company	60	-	-	-	-	-	60
Amounts due from related companies	6,564	-	-	-	-	-	6,564
Total assets	2,793,472	744,102	94,176	190	88,738	72,000	3,949,178

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
i January 2011								
Liabilities								
Deposits from customers	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Deposits and placements of banks and other financial institutions	656,485	495,010	342,505	-	-	-	-	1,494,000
Derivative financial instruments	8	-	-	-	-	61,702	-	61,710
Other liabilities	680,539	-	-	55	-	-	-	680,594
Provision for taxation and Zakat	46,408	-	-	-	-	-	-	46,408
Amounts due to related companies	12,105	-	-	-	-	-	-	12,105
Total liabilities	2,109,732	495,010	524,055	55	196,780	176,824	-	3,502,456
Net liquidity gap	683,740	249,092	(429,879)	135	(108,042)	(104,824)	156,500	

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

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

	31 December 2012	The Bank							Total
		Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short term funds	1,401,832	-	-	-	-	-	-	-	1,401,832
Reverse repurchase agreements	100,642	49,980	-	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	-	692,756	-	102	-	-	-	-	692,858
Financial assets held for trading	-	-	-	-	28,015	4,981	-	195	33,091
Financial investments available-for-sale	-	-	-	-	-	-	-	745	745
Derivative financial instruments	-	-	3,389	-	-	35,699	-	-	39,088
Loans, advances and financing	30	145	52	169	9,636	63,213	-	-	73,245
Other assets	1,102,208	-	-	-	-	-	-	-	1,102,208
Deferred tax asset	-	-	-	-	-	-	42,812	-	42,812
Tax recoverable	7,996	-	-	-	-	-	-	-	7,996
Statutory deposits with Bank Negara Malaysia investment in subsidiaries	-	-	-	-	-	-	-	1,062	1,062
Amounts due from ultimate holding company	1	-	-	-	-	-	-	9,050	9,050
Amounts due from subsidiaries	2	-	-	-	-	-	-	-	1
Amounts due from related companies	4,803	-	-	-	-	-	-	-	2
Property, plant and equipment	-	-	-	-	-	-	-	113,792	4,803
Total assets	2,617,514	742,881	3,441	271	37,651	103,793	167,656	3,673,207	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

31 December 2012 Liabilities	The Bank								Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000		
Deposits from customers	457,459	36,926	138,380	-	-	170,150	-	-	802,915
Deposits and placements of banks and other financial institutions	931,358	396,000	-	-	-	-	-	-	1,327,358
Derivative financial instruments	-	-	-	-	-	17,750	-	-	17,750
Other liabilities	976,014	-	-	-	-	-	-	-	976,014
Provision for taxation and Zakat	607	-	-	-	-	-	-	-	607
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	-	3,185
Amounts due to related companies	22,606	-	-	-	-	-	-	-	22,606
Total liabilities	2,391,229	432,926	138,380	-	-	187,900	-	-	3,150,435
Net liquidity gap	226,285	309,955	(134,939)	271	37,651	(84,107)	167,656	-	167,656

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

31 December 2011 Assets	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Cash and short term funds	1,587,555	-	-	-	-	-	-	1,587,555
Reverse repurchase agreements	166	273,257	-	-	-	-	-	273,423
Deposits and placements with banks and other financial institutions	728	250,000	-	-	105	-	-	250,833
Financial assets held for trading	-	-	-	-	79,064	-	46	79,110
Derivative financial instruments	-	-	-	-	5,040	43,401	-	48,441
Loans, advances and financing	6	101	40	141	6,761	33,907	-	40,956
Other assets	1,210,580	-	-	-	-	-	-	1,210,580
Deferred tax asset	-	-	-	-	-	-	40,274	40,274
Tax recoverable	26,304	-	-	-	-	-	-	26,304
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,520	1,520
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amounts due from subsidiaries	3	-	-	-	-	-	-	3
Amounts due from related companies	5,092	-	-	-	-	-	-	5,092
Amounts due from holding company	1,529	-	-	-	-	-	-	1,529
Property, plant and equipment	-	-	-	-	-	-	106,810	106,810
Total assets	2,831,963	523,358	40	141	90,970	77,308	157,700	3,681,480

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank							Total RM'000
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2011								
Liabilities								
Deposits from customers	542,376	27,500	-	-	77,107	182,150	-	829,133
Deposits and placements of banks and other financial institutions	363,833	507,000	342,000	-	-	-	-	1,212,833
Derivative financial instruments	-	-	-	-	19,612	61,909	-	81,521
Other liabilities	1,051,166	-	-	-	23	-	-	1,051,189
Provision for taxation and Zakat	607	-	-	-	-	-	-	607
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amounts due to related companies	9,480	-	-	-	-	-	-	9,480
Amounts due to ultimate holding company	22	-	-	-	-	-	-	22
Total liabilities	1,970,669	534,500	342,000	-	96,742	244,059	-	3,187,970
Net liquidity gap	861,294	(11,142)	(341,960)	141	(5,772)	(166,751)	157,700	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

1 January 2011	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	The Bank			Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
				> 6-12 months RM'000	> 1-5 years RM'000	> 1-5 years RM'000			
Assets									
Cash and short term funds	1,816,349	-	-	-	-	-	-	-	1,816,349
Reverse repurchase agreements	150,134	149,933	-	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	1,432	593,955	92,505	100	-	-	-	-	687,992
Financial assets held for trading	723	-	-	-	73,457	4,256	3,691	-	82,127
Derivative financial instruments	-	-	1,638	-	8,300	32,151	-	-	42,089
Financial investments available-for-sale	-	-	-	-	-	-	6,331	-	6,331
Loans, advances and financing	3	10	33	90	6,981	35,593	-	-	42,710
Other assets	805,114	-	-	-	-	-	-	-	805,114
Deferred tax asset	-	-	-	-	-	-	44,270	-	44,270
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280	-	280
Investment in subsidiaries	-	-	-	-	-	-	9,050	-	9,050
Property, plant and equipment	-	-	-	-	-	-	94,116	-	94,116
Amounts due from subsidiaries	2	-	-	-	-	-	-	-	2
Amounts due from related companies	6,564	-	-	-	-	-	-	-	6,564
Amounts due from ultimate holding company	60	-	-	-	-	-	-	-	60
Total assets	2,780,381	743,898	94,176	190	88,738	72,000	157,738	-	3,937,121

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.3 Liquidity risk (Continued)****46.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
1 January 2011	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Liabilities								
Deposits from customers	656,485	495,010	342,505	-	-	-	-	1,494,000
Deposits and placements of banks and other financial institutions	8	-	-	-	-	61,702	-	61,710
Derivative financial instruments	682,983	-	-	55	-	-	-	683,038
Other liabilities	46,348	-	-	-	-	-	-	46,348
Provision for taxation and Zakat	3,185	-	-	-	-	-	-	3,185
Amounts due to subsidiaries	12,105	-	-	-	-	-	-	12,105
Amounts due to related companies								
Total liabilities	2,115,301	495,010	524,055	55	196,780	176,824	-	3,508,025
Net liquidity gap	665,080	248,888	(429,879)	135	(108,042)	(104,824)	157,738	157,738

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2012								
Non-derivative financial liabilities								
Deposits from customers	457,952	37,171	140,152	-	-	170,170	-	805,445
Deposits and placements of banks and other financial institutions	932,492	397,820	-	-	-	-	-	1,330,312
Other liabilities	983,909	148	-	-	-	-	-	984,057
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Subordinated loans	-	-	-	-	10,000	-	-	10,000
	2,396,959	435,139	140,152	-	10,000	170,170	-	3,152,420
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	-	5,082	-	5,082
	-	-	-	-	-	5,082	-	5,082

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2011								
Non-derivative financial liabilities								
Deposits from customers	543,211	27,629	-	-	83,595	182,173	-	836,608
Deposits and placements of banks and other financial institutions	364,199	509,810	345,314	-	-	-	-	1,219,323
Other liabilities	1,044,972	102	-	-	23	-	-	1,045,097
Amounts due to related companies	9,482	-	-	-	-	-	-	9,482
Amounts due to ultimate holding company	22	-	-	-	-	-	-	22
	1,961,886	537,541	345,314	-	83,618	182,173	-	3,110,532
Commitments and contingencies								
Credit related commitments and contingencies	81,887	-	-	-	-	59	-	81,946
	81,887	-	-	-	-	59	-	81,946

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
1 January 2011								
Non-derivative financial liabilities								
Deposits from customers	714,357	-	183,663	-	209,277	115,152	-	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	-	1,498,332
Other liabilities	678,542	-	-	-	55	-	-	678,597
Amounts due to related companies	12,105	-	-	-	-	-	-	12,105
	2,063,272	497,290	526,437	-	209,332	115,152	-	3,411,483
Commitments and contingencies								
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	600,218

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank			Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	
31 December 2012							
Non-derivative financial liabilities							
Deposits from customers	457,952	37,171	140,152	-	-	170,170	805,445
Deposits and placements of banks and other financial institutions	932,492	397,820	-	-	-	-	1,330,312
Other liabilities	981,867	-	-	-	-	-	981,867
Amounts due to related companies	22,606	-	-	-	-	-	22,606
Amounts due to subsidiaries	3,185	-	-	-	-	-	3,185
	2,398,102	434,991	140,152	-	-	170,170	3,143,415
Commitments and contingencies							
Credit related commitments and contingencies	-	-	-	-	-	5,082	5,082
	-	-	-	-	-	5,082	5,082

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	The Bank			Total RM'000
					> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	543,211	27,629	-	-	83,595	182,173	-	836,608
Deposits and placements of banks and other financial institutions	364,199	509,810	345,314	-	-	-	-	1,219,323
Other liabilities	1,043,705	-	-	-	23	-	-	1,043,728
Amounts due to related companies	9,480	-	-	-	-	-	-	9,480
Amounts due to ultimate holding company	22	-	-	-	-	-	-	22
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	3,185
	1,963,802	537,439	345,314	-	83,618	182,173	-	3,112,346
Commitments and contingencies								
Credit related commitments and contingencies	81,887	-	-	-	-	59	-	81,946
	81,887	-	-	-	-	59	-	81,946

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

i January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank			Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities							
Deposits from customers	714,357	-	183,663	-	209,277	115,152	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	1,498,332
Other liabilities	680,986	-	-	-	55	-	681,041
Amounts due to subsidiaries	3,185	-	-	-	-	-	3,185
Amounts due to related companies	12,105	-	-	-	-	-	12,105
	2,068,901	497,290	526,437	-	209,332	115,152	3,417,112
Commitments and contingencies							
Credit related commitments and contingencies	600,218	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	600,218

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Derivative financial liabilities

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

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group and the Bank				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
31 December 2012								
Derivative financial liabilities								
Derivative held for trading	17,582	-	-	-	-	-	-	17,582
- Interest rate derivatives	168	-	-	-	-	-	-	168
- Equity related derivatives								
	17,750	-	-	-	-	-	-	17,750

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. (Continued)

	Up to 1 month RM'000	> 1 – 3 months RM'000	The Group and the Bank				Total RM'000
			> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	
31 December 2011							
Derivative financial liabilities							
Derivative held for trading	80,467	-	-	-	-	-	80,467
- Interest rate derivatives	1,054	-	-	-	-	-	1,054
- Equity related derivatives							
	81,521	-	-	-	-	-	81,521

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. (Continued)

	Up to 1 month RM'000	> 1 - 3 months RM'000	The Group and the Bank				Total RM'000
			> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	
1 January 2011							
Derivative financial liabilities							
Derivative held for trading	51,371	-	-	-	-	-	51,371
- Interest rate derivatives	10,339	-	-	-	-	-	10,339
- Equity related derivatives	61,710	-	-	-	-	-	61,710

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments

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

46.4.1 Determination of fair value and fair value hierarchy

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

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

Comparative figures for the Group and the Bank are not presented for 1 January 2011 as allowed by the transitional provision arising from the adoption of Amendment to MFRS 7 – “Improving Disclosures about Financial Instruments”.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

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

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	The Group				The Bank				
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2012									
Financial assets									
Financial assets held for trading	33,091	195	32,896	-	33,091	195	32,896	-	33,091
Financial investments available-for-sale	4,732	-	-	4,732	4,732	-	-	745	745
Derivative financial instruments	39,088	-	39,088	-	39,088	-	39,088	-	39,088
Total	76,911	195	71,984	4,732	76,911	195	71,984	745	72,924
Financial liabilities									
Derivative financial instruments	17,750	-	17,750	-	17,750	-	17,750	-	17,750
Total	17,750	-	17,750	-	17,750	-	17,750	-	17,750

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)**

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

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

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy (Continued):

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Quoted prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2011										
Financial assets										
Financial assets held for trading	79,110	46	79,064	-	79,110	79,110	46	79,064	-	79,110
Financial investments available-for-sale	2,703	-	-	2,703	2,703	-	-	-	-	-
Derivative financial instruments	48,441	-	48,441	-	48,441	48,441	-	48,441	-	48,441
Total	130,254	46	127,505	2,703	130,254	127,551	46	127,505	-	127,551
Financial liabilities										
Derivative financial instruments	81,521	-	81,521	-	81,521	81,521	-	81,521	-	81,521
Total	81,521	-	81,521	-	81,521	81,521	-	81,521	-	81,521

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.4 Fair value of financial instruments (Continued)****46.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy (Continued):

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
1 January 2011										
Financial assets										
Financial assets held for trading	82,127	3,691	78,436	-	82,127	82,127	3,691	78,436	-	82,127
Financial investments available-for-sale	8,979	-	-	8,979	8,979	6,331	-	-	6,331	6,331
Derivative financial instruments	42,089	-	42,089	-	42,089	42,089	-	42,089	-	42,089
Total	133,195	3,691	120,525	8,979	133,195	130,547	3,691	120,525	6,331	130,547
Financial liabilities										
Derivative financial instruments	61,710	-	61,710	-	61,710	61,710	-	61,710	-	61,710
Total	61,710	-	61,710	-	61,710	61,710	-	61,710	-	61,710

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

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

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.4 Fair value of financial instruments (Continued)****46.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2012 and 31 December 2011 for the Group and the Bank.

	The Group	
	Financial Assets Financial investments available-for-sale	
	RM'000	Total RM'000
31 December 2012		
At 1 January	2,703	2,703
Total gain recognised in other comprehensive income	1,284	1,284
Purchases	745	745
At 31 December	<u>4,732</u>	<u>4,732</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2012		
	<u>1,284</u>	<u>1,284</u>
31 December 2011		
At 1 January	8,979	8,979
New issuances	55	55
Impairment made during the financial year	(6,331)	(6,331)
At 31 December	<u>2,703</u>	<u>2,703</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2011		
	<u>(6,331)</u>	<u>(6,331)</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

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

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2012 and 31 December 2011 for the Group and the Bank. (Continued)

	The Bank Financial Assets Financial investments available-for-sale	Total
	RM'000	RM'000
31 December 2012		
At 1 January	-	-
Purchases	745	745
At 31 December	<u>745</u>	<u>745</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2012	<u>-</u>	<u>-</u>
31 December 2011		
At 1 January	6,331	6,331
Impairment made during the financial year	(6,331)	(6,331)
At 31 December	<u>-</u>	<u>-</u>
Total loss recognised in other comprehensive income relating to assets held on 31 December 2011	<u>(6,331)</u>	<u>(6,331)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****46 Financial Risk Management (Continued)****46.4 Fair value of financial instruments (Continued)****46.4.2 Financial instruments not measured at fair value**

The total fair value of each financial assets and liabilities presented on the statements of financial position as at 31 December 2012, 31 December 2011 and 1 January 2011 of the Group and the Bank approximates the total carrying value as at the reporting date, except for the following:

	The Group		The Bank	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Financial assets				
Loans, advances and financing	73,245	57,344	73,245	57,344
Financial liabilities				
Deposits from customers	802,915	802,179	802,915	802,179
31 December 2011				
Financial assets				
Loans, advances and financing	40,956	34,428	40,956	34,428
Financial liabilities				
Deposits from customers	829,133	766,311	829,133	766,311
1 January 2011				
Financial assets				
Loans, advances and financing	42,710	35,325	42,710	35,325
Financial liabilities				
Deposits from customers	1,207,639	1,156,408	1,207,639	1,156,408

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

46.4.2 Financial instruments not measured at fair value (continued)

The fair values are based on the following methodologies and assumptions:

Short term funds and placements with financial institutions

For short term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity

Loans, advances and financing

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

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

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

Amounts due (to)/from subsidiaries and related companies

The estimated fair values of the amounts 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.

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

The estimated fair value of the amounts 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.

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

46 Financial Risk Management (Continued)

46.4 Fair value of financial instruments (Continued)

46.4.2 Financial instruments not measured at fair value (continued)

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Due from brokers and clients and corporate finance debtors

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

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

47 Changes in accounting policies and comparatives

(i) Prior year adjustment

During the financial year, the Malaysian Institute of Accountants (“MIA”) issued Financial Reporting Standards Implementation Committee (“FRSIC”) Consensus 18-“Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad”, which stated that the recognition of monies held in the trust account of participating organisations of Bursa Malaysia Securities Berhad, as part of the participating organisation’s assets with corresponding liabilities, is inappropriate from the context of MFRS. This is because a participating organisation is prohibited to utilise the monies either for its own economic benefits or settlement of its own liability. As such, a participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The Group and the Bank has applied FRSIC 18 retrospectively.

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****47 Changes in accounting policies and comparatives (Continued)**

The impact of the above on the financial statements of the Group and the Bank are set out as follows :

	The Group			
	Balances as at 31 December 2011			
	As previously reported	Effects of adopting FRSIC 18	Reclassification	As restated
Asset	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	2,068,460	(464,867)	-	1,603,593
Liabilities				
Deposits from customers				
-Fixed deposits	242,383	-	(182,151)	60,232
-Negotiable instruments of deposits	77,340	-	(77,340)	-
-Others	509,410	-	259,491	768,901
Other liabilities	1,517,425	(464,867)	-	1,052,558
Segment reporting				
[Segment assets - equity related]	4,163,408	(464,867)	-	3,698,541
[Segment liabilities - equity related]	3,651,100	(464,867)	-	3,186,233
Balances as at 1 January 2011				
	As previously reported	Effects of adopting FRSIC 18	Reclassification	As restated
Asset	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	2,173,609	(346,297)	-	1,827,312
Liabilities				
Deposits from customers				
-Fixed deposits	242,383	-	(182,151)	60,232
-Negotiable instruments of deposits	77,340	-	(77,340)	-
-Others	509,410	-	259,491	768,901
Other liabilities	1,026,891	(346,297)	-	680,594
Segment reporting				
[Segment assets - equity related]	4,295,475	(346,297)	-	3,949,178
[Segment liabilities - equity related]	3,848,753	(346,297)	-	3,502,456

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****47 Changes in accounting policies and comparatives (Continued)**

The impact of the above on the financial statements of the Group and the Bank are set out as follows (Continued) :

	The Bank			
	Balances as at 31 December 2011			
	As previously reported RM'000	Effects of adopting FRSIC 18 RM'000	Reclassification RM'000	As restated RM'000
Asset				
Cash and short term funds	1,943,954	(356,399)	-	1,587,555
Liabilities				
Deposits from customers				
-Fixed deposits	640,634	-	(115,161)	525,473
-Negotiable instruments of deposits	378,840	-	(378,840)	-
-Others	188,165	-	494,001	682,166
Other liabilities	1,407,588	(356,399)	-	1,051,189
	Balances as at 1 January 2011			
	As previously reported RM'000	Effects of adopting FRSIC 18 RM'000	Reclassification RM'000	As restated RM'000
Asset				
Cash and short term funds	2,074,296	(257,947)	-	1,816,349
Liabilities				
Deposits from customers				
-Fixed deposits	640,634	-	(115,161)	525,473
-Negotiable instruments of deposits	378,840	-	(378,840)	-
-Others	188,165	-	494,001	682,166
Other liabilities	940,985	(257,947)	-	683,038

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****47 Changes in accounting policies and comparatives (Continued)**

(ii) Reclassification

During the financial year 2012, an internal re-allocation of resources has resulted in a change in business segment reporting and the impact of the changes are set out as follows :-

The Group			
Balances as at 31 December 2011			
	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
Business segment : Debt/financing related			
Income from Islamic Banking operations	35,347	(30,883)	4,464
Segment assets	2,315,328	111,628	2,426,956
Segment liabilities	2,157,370	493,652	2,651,022
	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
Business segment : Equity related			
Income from Islamic Banking operations	-	30,883	30,883
Segment assets	1,073,334	(56,326)	1,017,008
Segment liabilities	1,008,089	(590,336)	417,753
Incurring capital expenditure:			
- addition of property, plant and equipment	8,977	13,093	22,070
	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
Business segment : Financial advisory, underwriting and other fees			
Segment liabilities	250,913	(245,391)	5,522
Incurring capital expenditure:			
- addition of property, plant and equipment	2,163	4,541	6,704

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****47 Changes in accounting policies and comparatives (Continued)****(ii) Reclassification (Continued)**

During the financial year 2012, an internal re-allocation of resources has resulted in a change in business segment reporting and the impact of the changes are set out as follows :- (Continued)

	The Group		
	Balances as at 31 December 2011		
	As previously reported	Reclassification	As restated
Business segment : Investments and securities services	RM'000	RM'000	RM'000
Segment assets			
Segment liabilities	24,315	(22,743)	1,572
Incurring capital expenditure:			
- addition of property, plant and equipment	3,740	2,598	6,338
	As previously reported	Reclassification	As restated
Business segment : Support and others	RM'000	RM'000	RM'000
Segment assets	666,972	(519,627)	147,345
Segment liabilities	198,045	(103,058)	94,987
Incurring capital expenditure:			
- addition of property, plant and equipment	20,231	(20,231)	-

	The Group		
	Balances as at 1 January 2011		
	As previously reported	Reclassification	As restated
Business segment : Debt/financing related	RM'000	RM'000	RM'000
Segment assets	3,089,761	(88,350)	3,001,411
	As previously reported	Reclassification	As restated
Business segment : Equity related	RM'000	RM'000	RM'000
Segment liabilities	902,881	(342,500)	560,381
	As previously reported	Reclassification	As restated
Business segment : Support and others	RM'000	RM'000	RM'000
Segment assets	551,454	(257,947)	293,507
Segment liabilities	69,444	(3,797)	65,647

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2012**

		31 December 2012	31 December 2011	1 January 2011
	Note	RM'000	RM'000	RM'000
Assets				
Cash and short term funds	(a)	256,745	602,392	201,256
Deposits and placements with banks and other financial institutions	(b)	692,756	250,728	370,000
Islamic derivative financial instruments	(c)	40,879	50,830	42,089
Other assets	(d)	173,455	185,887	337,528
Property, plant and equipment	(e)	22	5	93
Amounts due from related companies	(f)	-	171	68
Total assets		1,163,857	1,090,013	951,034
Liabilities and Islamic Banking capital funds				
Deposits from customers	(g)	308,736	259,490	493,452
Deposits and placements of banks and other financial institutions	(h)	263,831	312,475	33,500
Islamic derivative financial instruments	(e)	17,750	81,521	61,702
Provision for taxation and Zakat	(i)	134,557	99,728	80,440
Other liabilities	(j)	804	2,160	1,431
Amounts due to related companies	(f)	222	961	308
Total liabilities		725,900	756,335	670,833
Islamic Banking capital funds		55,250	55,000	55,000
Reserves		382,707	278,678	225,201
Total Islamic Banking capital funds		437,957	333,678	280,201
Total liabilities and Islamic Banking capital funds		1,163,857	1,090,013	951,034

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

48 The operations of Islamic Banking (Continued)

Statements of Income for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	(k)	1,416	64
Income derived from investment of shareholders' funds	(l)	167,506	86,458
Writeback of/(allowance for) impairment losses on other receivables		9	(68)
Total attributable income		168,931	86,454
Income attributable to the depositors	(m)	(27,953)	(11,769)
Total net income		140,978	74,685
Personnel expenses	(n)	(589)	(718)
Other overheads and expenditures	(o)	(1,530)	(1,203)
Profit before taxation		138,859	72,764
Taxation	(p)	(34,830)	(19,287)
Profit after taxation/total comprehensive income for the financial year		104,029	53,477
Total net income		140,978	74,685
Add : (writeback of)/allowance for impairment losses on other receivables		(9)	68
		140,969	74,753

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

48 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2012

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012	55,000	1,336	277,342	333,678
Net profit for the financial year	-	-	104,029	104,029
Total comprehensive income for the financial year	-	-	104,029	104,029
Issue of capital funds	250	-	-	250
At 31 December 2012	55,250	1,336	381,371	437,957
At 1 January 2011	55,000	1,336	223,865	280,201
Net profit for the financial year	-	-	53,477	53,477
Total comprehensive income for the financial year	-	-	53,477	53,477
At 31 December 2011	55,000	1,336	277,342	333,678

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)****Statements of Cash Flows for the financial year ended 31 December 2012**

	2012	2011
Note	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	138,859	72,764
Add/(less) adjustments:		
Unrealised foreign exchange gain	(26)	(194)
(Writeback of)/allowance for impairment losses on other receivables	(9)	68
Net unrealised loss on revaluation of Islamic derivative financial instruments	12,595	24,638
Depreciation of property, plant and equipment	8	90
Cash flow from operating profit before changes in operating assets and liabilities	<u>151,427</u>	<u>97,366</u>
Operating assets		
Deposits and placements with banks and other financial Islamic derivative financial instruments	(442,028)	119,272
Other assets	(66,415)	(13,560)
Amounts due from related companies	12,468	151,767
	171	(103)
Operating liabilities		
Deposits from customers	49,246	(233,962)
Deposits and placements of banks and other financial institutions	(48,644)	278,975
Other liabilities	(1,356)	578
Amounts due to related companies	(739)	653
Net cash (used in)/generated from operating activities	<u>(345,870)</u>	<u>400,986</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(27)	(2)
Issue of capital funds	250	-
Net cash generated from/(used in) financing activities	<u>223</u>	<u>(2)</u>
Net (decrease)/increase in cash and cash equivalents during the financial year	(345,647)	400,984
Cash and cash equivalents at beginning of the financial year	602,392	201,408
Cash and cash equivalents at end of the financial year	(a) <u>256,745</u>	<u>602,392</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)**

	The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(a) Cash and short term funds			
Cash and balances with banks and other financial institutions	66	37	56
Money at call and deposit placements maturing within one month	<u>256,679</u>	<u>602,355</u>	<u>201,200</u>
	<u>256,745</u>	<u>602,392</u>	<u>201,256</u>
(b) Deposits and placements with banks and other financial institutions:			
General investment funds:			
Licensed banks	<u>692,756</u>	<u>250,728</u>	<u>370,000</u>

(c) Islamic derivative financial instruments

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

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

	The Bank		
	Principal amount RM'000	Fair values	
		Assets RM'000	Liabilities RM'000
At 31 December 2012			
Held for trading purposes			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	787,210	40,711	(17,582)
<u>Equity derivatives</u>			
Equity options	<u>477,798</u>	<u>168</u>	<u>(168)</u>
Total derivative assets / (liabilities)	<u>1,265,008</u>	<u>40,879</u>	<u>(17,750)</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)****(c) Islamic derivative financial instruments (Continued)**

	Principal amount RM'000	The Bank Fair values	
		Assets RM'000	Liabilities RM'000
At 31 December 2011			
Held for trading purposes			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	861,110	49,776	(80,467)
<u>Equity derivatives</u>			
Equity options	540,557	1,054	(1,054)
Total derivative assets/ (liabilities)	<u>1,401,667</u>	<u>50,830</u>	<u>(81,521)</u>

At 1 January 2011			
Held for trading purposes			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	817,530	31,758	(51,371)
<u>Equity derivatives</u>			
Equity options	867,353	10,331	(10,331)
Total derivative assets/(liabilities)	<u>1,684,883</u>	<u>42,089</u>	<u>(61,702)</u>

	The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(d) Other assets			
Due from brokers and clients net of allowance for impairment loss of RM Nil (31 December 2011: RM Nil, 1 January 2011: Nil)	60	2,503	432
Other debtors, deposits and prepayments	<u>173,395</u>	<u>183,384</u>	<u>337,096</u>
	<u>173,455</u>	<u>185,887</u>	<u>337,528</u>

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Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)

48 The operations of Islamic Banking (Continued)

(e) Property, plant and equipment

	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank					
31 December 2012					
Cost					
At 1 January	316	109	119	693	1,237
Additions	9	18	-	-	27
At 31 December	<u>325</u>	<u>127</u>	<u>119</u>	<u>693</u>	<u>1,264</u>
Accumulated depreciation					
At 1 January	315	109	119	691	1,234
Charge for the financial year	2	4	-	2	8
At 31 December	<u>317</u>	<u>113</u>	<u>119</u>	<u>693</u>	<u>1,242</u>
Net book value as at 31 December 2012	<u>8</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>22</u>
At 31 December 2011					
Cost					
At 1 January	316	109	119	693	1,237
Additions	1	1	-	-	2
At 31 December	<u>317</u>	<u>110</u>	<u>119</u>	<u>693</u>	<u>1,239</u>
Accumulated depreciation					
At 1 January	310	109	111	614	1,144
Charge for the financial year	5	-	8	77	90
At 31 December	<u>315</u>	<u>109</u>	<u>119</u>	<u>691</u>	<u>1,234</u>
Net book value as at 31 December 2011	<u>2</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>5</u>
Net book value as at 1 January 2011	<u>6</u>	<u>-</u>	<u>8</u>	<u>79</u>	<u>93</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)**

	The Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(f) Amounts due from/(to) related companies			
(i) Amounts due from:			
- Related companies	-	171	68
(ii) Amounts due to:			
- Related companies	(222)	(961)	(308)
(g) Deposits from customers			
Non-Mudharabah fund:			
Variable rate deposits	-	77,340	378,330
Equity Linked Sukuk	308,736	182,150	115,122
	308,736	259,490	493,452
(i) The deposits are sourced from the following customers:			
- Government and statutory bodies	54,400	54,650	69,400
- Business enterprises	1,250	170,180	16,200
- Individuals	249,336	30,910	403,852
- Others	3,750	3,750	4,000
	308,736	259,490	493,452
(h) Deposits and placements of banks and other financial institutions			
Mudharabah fund:			
Licensed banks	263,831	312,475	33,500
(i) Provision for taxation and Zakat			
Taxation	133,950	99,121	79,833
Zakat	607	607	607
	134,557	99,728	80,440
(j) Other liabilities			
Due to brokers	237	1,900	128
Other liabilities	567	260	1,303
	804	2,160	1,431

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)**

	The Bank	
	2012	2011
	RM'000	RM'000
(k) Income derived from investment of depositors' funds		
Income derived from investment of:		
(i) General investment deposits	<u>1,416</u>	<u>64</u>
Income derived from investment of general investment deposits :		
Finance income and hibah:		
Money at call and deposit and placements with financial institutions	<u>1,416</u>	<u>64</u>
(l) Income derived from investment of shareholders' funds		
Finance income and hibah:		
Money at call and deposit and placements with financial institutions	<u>26,990</u>	<u>21,848</u>
Other dealing income:		
Unrealised loss on revaluation of derivatives	<u>(12,595)</u>	<u>(24,638)</u>
Net realised gain on derivatives	<u>13,607</u>	<u>15,372</u>
	<u>1,012</u>	<u>(9,266)</u>
Fee and commission income:		
Advisory fees	62	15,239
Placement fees	110,859	37,028
Brokerage fees	5,492	12,476
Underwriting commission	12,577	4,299
Others	<u>4,080</u>	<u>3,579</u>
	<u>133,070</u>	<u>72,621</u>
Other income:		
Foreign exchange gain	26	194
Others	<u>6,408</u>	<u>1,061</u>
	<u>6,434</u>	<u>1,255</u>
	<u>167,506</u>	<u>86,458</u>
(m) Income attributable to depositors		
Deposits from customers		
- Non-Mudharabah Fund	<u>17,965</u>	<u>6,956</u>
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	<u>9,988</u>	<u>4,813</u>
	<u>27,953</u>	<u>11,769</u>

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

48 The operations of Islamic Banking (Continued)

		The Bank	
		2012	2011
		RM'000	RM'000
(n)	Personnel expenses		
	- Salaries, allowances and bonuses	497	433
	- EPF	47	63
	- Others	45	222
		<u>589</u>	<u>718</u>
(o)	Other overheads and expenditure		
	Establishment expenses		
	- Depreciation of property, plant and equipment	8	90
	- Rental	303	207
	- Others	84	42
		<u>395</u>	<u>339</u>
	Marketing expenses		
	- Advertisement	827	10
	- Others	97	288
		<u>924</u>	<u>298</u>
	Administration and general expenses		
	- Legal and professional fees	6	101
	- Others	205	465
		<u>211</u>	<u>566</u>
		<u>1,530</u>	<u>1,203</u>

Included in overheads are fees paid to the Shariah Committee members amounting to RM397,670 (2011: RM390,066).

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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

48 The operations of Islamic Banking (Continued)

		The Bank	
		2012	2011
		RM'000	RM'000
(p)	Taxation		
	(i) Tax expense for the financial year		
	Current year tax		
	- Malaysian income tax	<u>34,830</u>	<u>19,287</u>

(ii) Numerical reconciliation of income tax expense

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

		The Bank	
		2012	2011
		RM'000	RM'000
	Profit before taxation	<u>138,859</u>	<u>72,764</u>
	Tax calculated at tax rate of 25% (2011: 25%)	34,715	18,191
	Expenses not deductible for tax purposes	115	138
	Under accrual in prior years	-	958
	Tax expense	<u>34,830</u>	<u>19,287</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)****(q) Related party transactions and balances****(i) Related parties and relationships**

The related parties of, and their relationship with the Bank, is disclosed in Note 37 (a)

(ii) Significant related party transactions and balances

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

	31 December 2012	31 December 2011	1 January 2011
	Other related companies RM'000	Other related companies RM'000	related companies RM'000
Sales:			
Khazanah bonds	69,250	-	-
Islamic private debt securities	<u>1,851,489</u>	<u>185,972</u>	<u>91,670</u>
	<u>1,920,739</u>	<u>185,972</u>	<u>91,670</u>
Purchases:			
Khazanah bonds	69,250	-	64,649
Islamic private debt securities	<u>1,840,673</u>	<u>246,414</u>	<u>-</u>
	<u>1,909,923</u>	<u>246,414</u>	<u>64,649</u>
Income:			
Net realised loss on derivatives	<u>825</u>	<u>(8,215)</u>	

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**Notes to the Financial Statements
for the financial year ended 31 December 2012 (Continued)****48 The operations of Islamic Banking (Continued)****(q) Related party transactions and balances (Continued)****(ii) Significant related party transactions and balances (continued)**

	31 December 2012	31 December 2011	1 January 2011
	Other related companies RM'000	Other related companies RM'000	Other related RM'000
Amounts due from:			
Cash and short term funds	-	602,355	201,690
Deposits and placements with banks and other financial institutions	256,745	250,728	370,915
Islamic derivative financial instruments	1,547	6,094	20,267
	<u>258,292</u>	<u>859,177</u>	<u>592,872</u>
Amounts due to:			
Deposits and placements of banks and other financial institutions	<u>692,756</u>	<u>312,475</u>	<u>33,825</u>
Principal			
Profit rate related contracts:			
Islamic profit rate swaps	138,380	157,330	378,330
Equity related contracts:			
Equity options	238,899	270,279	433,677
	<u>377,279</u>	<u>427,609</u>	<u>812,007</u>

49 Client trust accounts

As at 31 December 2012, cash held in trust for clients by the Group and the Bank amounted to RM486,594,000 and RM386,737,000 respectively (31 December 2011: RM464,867,000, 1 January 2011: RM346,297,000 and 31 December 2011: RM356,399,000, 1 January 2011: RM257,947,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

50 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 12 March 2013.