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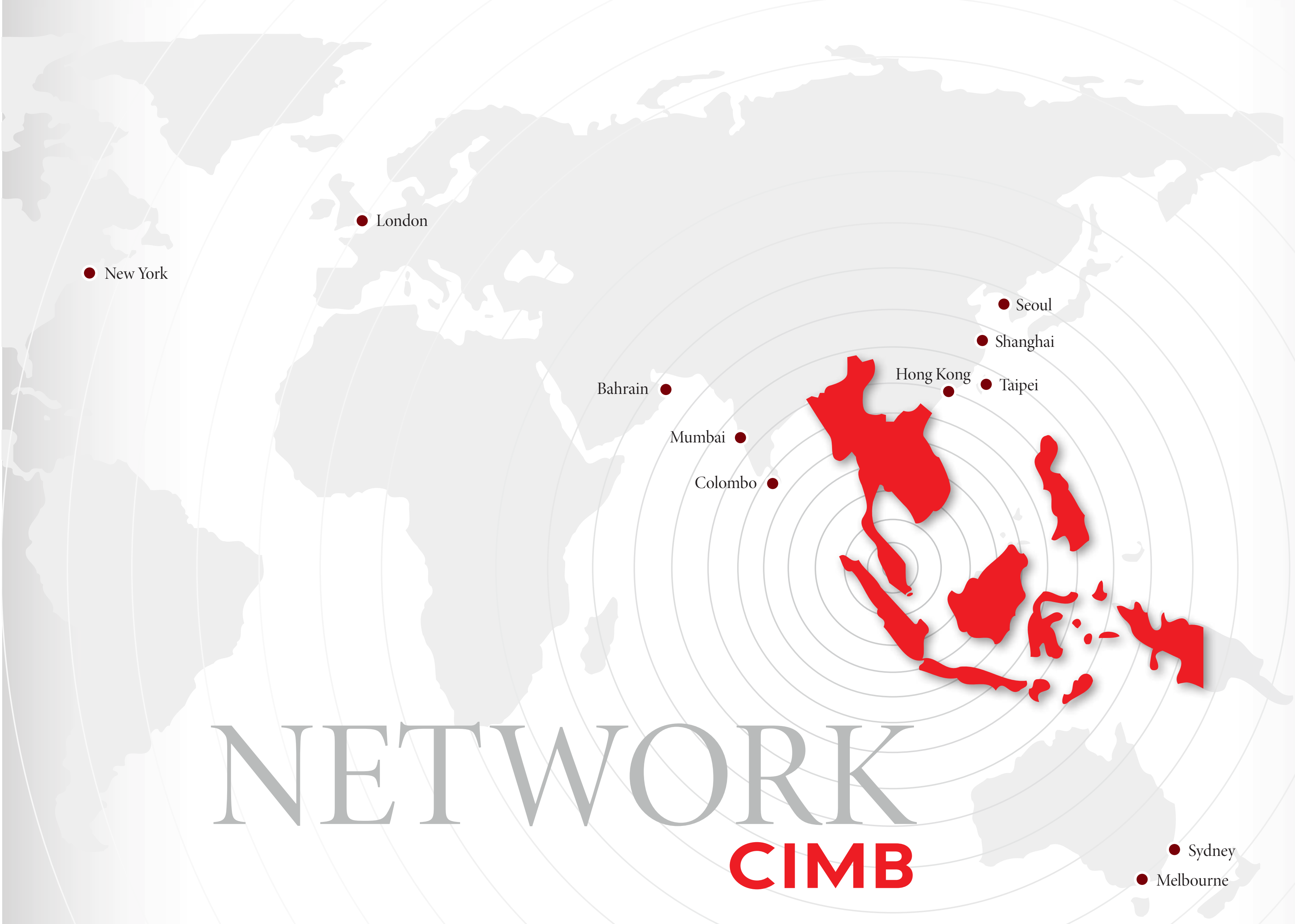
CIMB GROUP HOLDINGS BERHAD (50841-W)

CIMB GROUP

ANNUAL REPORT 2012 FINANCIAL STATEMENTS



NETWORK CIMB

CIMB GROUP

FINANCIAL STATEMENTS

ANNUAL REPORT 2012

Five Year Group Financial Highlights

Key Highlights	Financial Year Ended 31 December 2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	Changes 2012 %	2011 %	2010 %
Consolidated Statement of Income								
Net interest income	**7,395,880**	6,676,251	6,604,775	6,068,906	4,660,596	**10.78**	1.08	8.83
Net non-interest income	**6,098,945**	5,445,778	5,273,428	4,414,245	2,961,777	**11.99**	3.27	19.46
Operating income	**13,494,825**	12,122,029	11,878,203	10,483,151	7,622,373	**11.32**	2.05	13.31
Overheads	**7,612,099**	6,629,912	6,613,304	5,551,847	4,025,217	**14.81**	0.25	19.12
Profit before allowances	**5,882,726**	5,492,117	5,264,899	4,931,304	3,597,155	**7.11**	4.32	6.76
Allowance for impairment losses on loans, advances and financing	**329,098**	487,343	607,176	1,022,605	794,715	**(32.47)**	(19.74)	(40.62)
Profit before taxation ^^	**5,677,893**	5,203,142	4,626,717	3,791,293	2,694,107	**9.12**	12.46	22.04
Net profit for the financial year	**4,344,776**	4,030,798	3,500,803	2,786,232	1,930,486	**7.79**	15.14	25.65
Consolidated Statement of Financial Position								
Loans, advances and financing	**202,137,818**	183,838,777	159,181,385	142,191,673	117,382,074	**9.95**	15.49	11.95
Total assets ^	**337,056,884**	299,737,840	269,018,947	239,781,199	206,897,066	**12.45**	11.42	12.19
Deposits from customers	**243,970,307**	221,933,142	199,845,664	178,882,336	146,890,210	**9.93**	11.05	11.72
Total liabilities	**307,705,438**	272,874,680	244,715,748	217,134,485	188,084,473	**12.76**	11.51	12.70
Shareholders' funds ^	**28,376,667**	25,936,470	23,229,966	20,345,014	17,099,203	**9.41**	11.65	14.18
Commitments and contingencies	**461,648,463**	414,197,407	349,069,257	322,892,443	321,678,842	**11.46**	18.66	8.11
Financial Ratios (%)								
Core capital ratio (CIMB Bank)	**13.16**	15.26	14.38	14.81	10.75	**(13.74)**	6.12	(2.90)
Risk-weighted capital ratio (CIMB Bank)	**16.34**	17.59	15.27	15.06	13.90	**(7.14)**	15.20	1.39
Return on average equity	**16.0**	16.4	16.2	14.9	11.8	**(2.44)**	1.30	8.80
Retun on total assets	**1.29**	1.34	1.30	1.16	0.93	**(4.15)**	3.34	11.99
Net interest margin	**3.07**	3.12	3.34	3.28	2.30			
Cost to income ratio	**56.41**	54.69	55.68	52.96	52.81	**3.13**	(1.77)	5.13
Gross impaired/non-performing loans to gross loans	**3.80**	5.11	6.14	4.98	4.94	**(25.69)**	(16.75)	23.26
Allowance coverage ratio	**82.82**	81.12	81.12	90.76	88.05	**2.09**	–	(10.63)
Loan loss charge	**0.16**	0.25	0.36	0.69	0.65			
Loan deposit ratio	**82.85**	82.84	79.65	79.49	79.91	**0.02**	4.00	0.21
Net tangible assets per share (RM)	**2.65**	2.15	1.81	3.09	2.52	**22.98**	18.82	(41.31)
Book value per share (RM)	**3.82**	3.49	3.13	2.88	4.85			
CASA Ratio	**35.10**	34.20	32.71	31.67	31.32			
Other information								
Earnings per share (sen)								
– basic *^	**58.45**	54.23	48.72	39.47	28.59	**7.79**	11.32	23.44
– fully diluted*	**n/a**	n/a	n/a	n/a	28.88	**n/a**	n/a	n/a
Gross dividend per share (sen)	**23.38**	22.00	26.08	18.50	19.83	**6.27**	(15.64)	40.97
Dividend payout ratio (%)	**40.0**	40.6	54.9	23.3	35.8			
Number of shares in issue ('000)	**7,432,775**	7,432,775	7,432,775	3,531,766	3,578,078	**–**	–	110.45
Weighted average number of shares in issue ('000)	**7,432,772**	7,432,772	7,186,034	7,059,934	6,751,796	**–**	3.43	1.79
Non financial highlights								
Share price at year-end (RM)	**7.63**	7.44	8.50	12.84	5.85	**2.55**	(12.47)	(33.80)
Number of employees	**41,993**	40,244	36,984	35,922	31,932	**4.35**	9.00	2.96

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

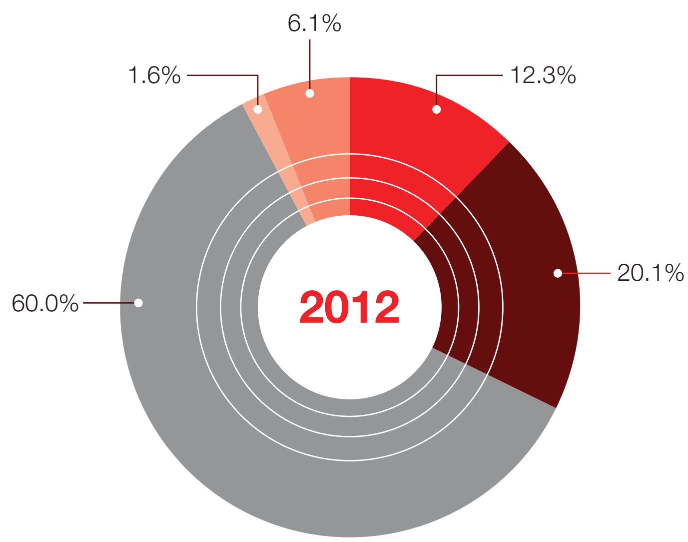
^ The comparatives are before adoption of MFRS 1.

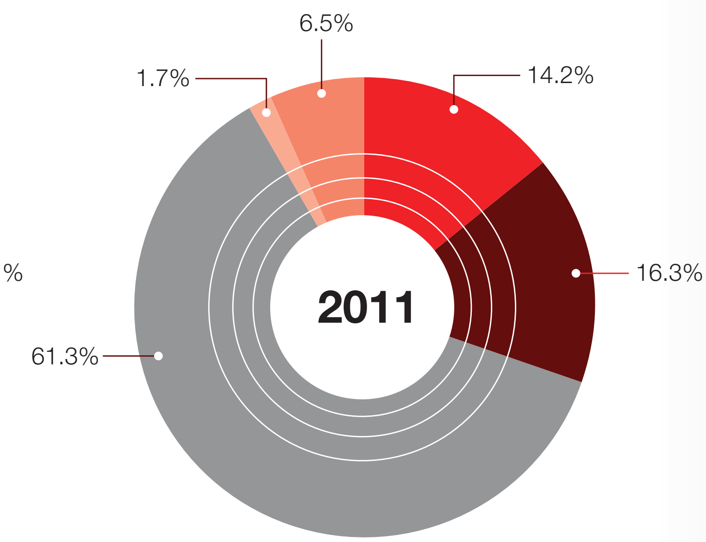
^^ Profit before taxation is inclusive of discontinuing operations.

CONTENTS

Simplified Group Statements of Financial Position

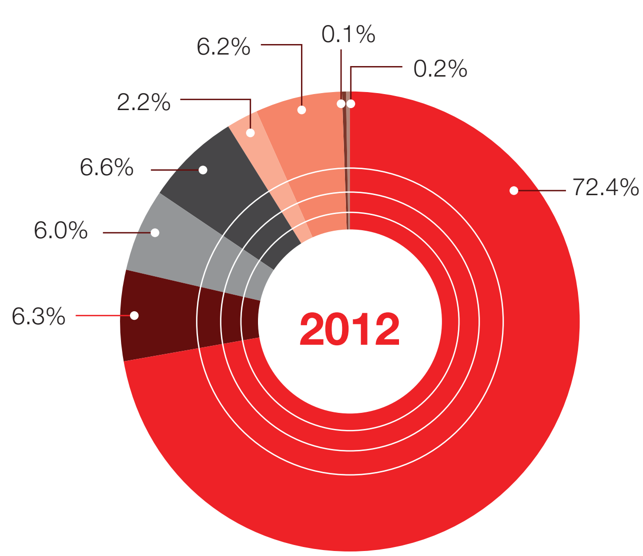
ASSETS

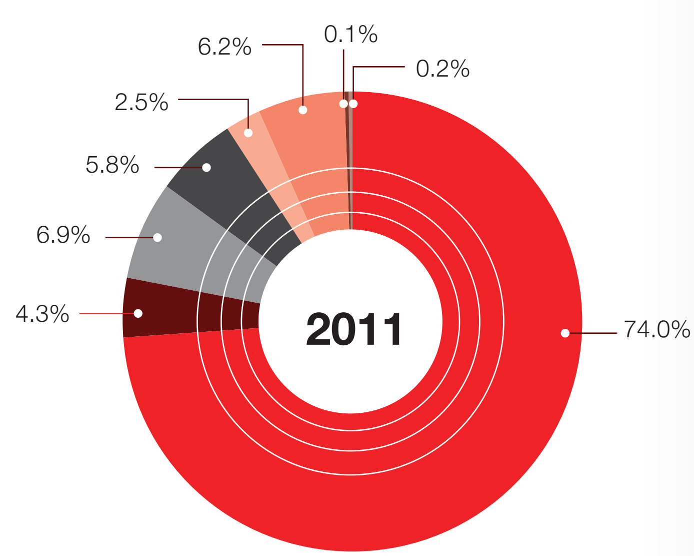




- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

LIABILITIES & EQUITY

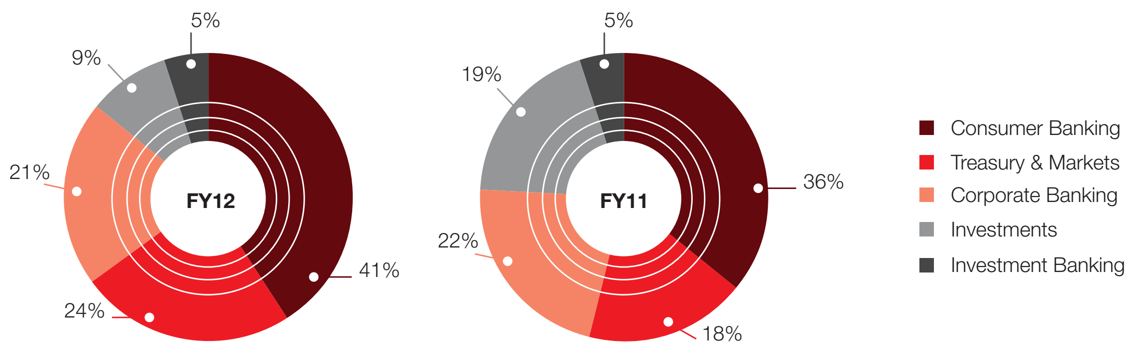




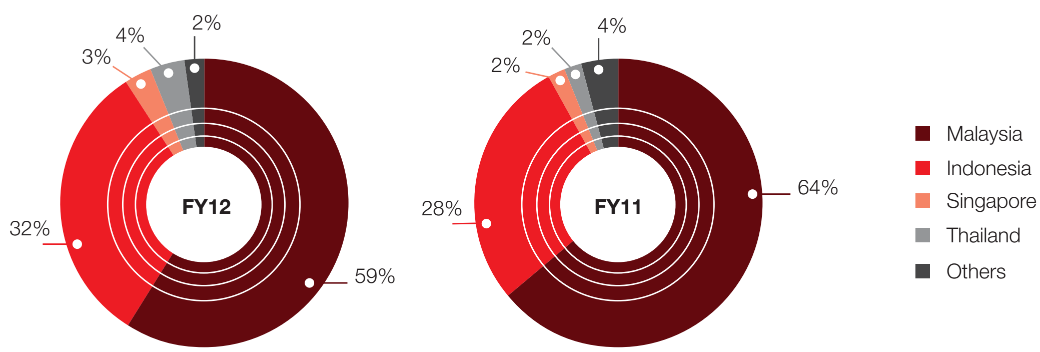
- Deposits from customers
- Debt securities issued and other borrowed funds
- Preference shares
- Deposits from banks
- Share capital
- Non-controlling interests
- Bills and acceptances payable and other liabilities
- Reserves

Segmental Information

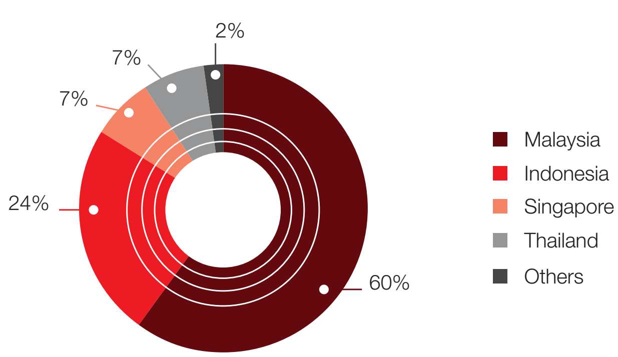
PBT BY DIVISION



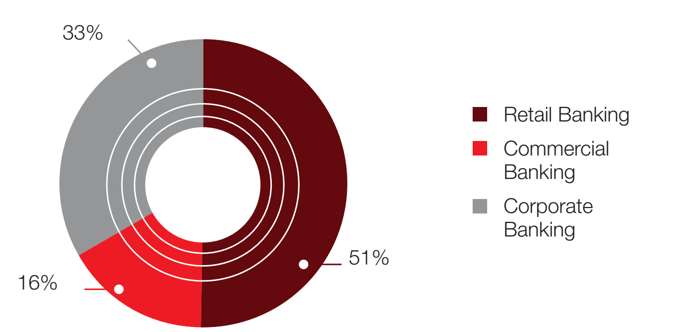
PBT BY COUNTRY



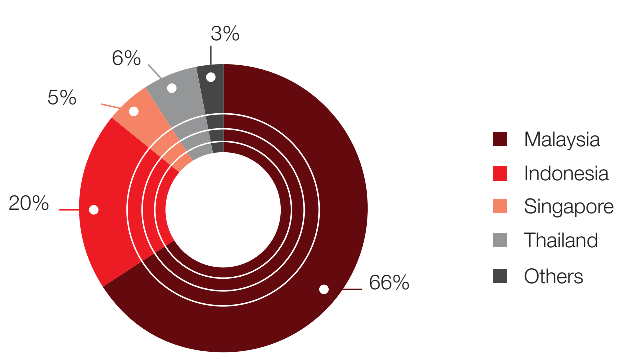
LOANS BY COUNTRY AS AT 31 DECEMBER 2012



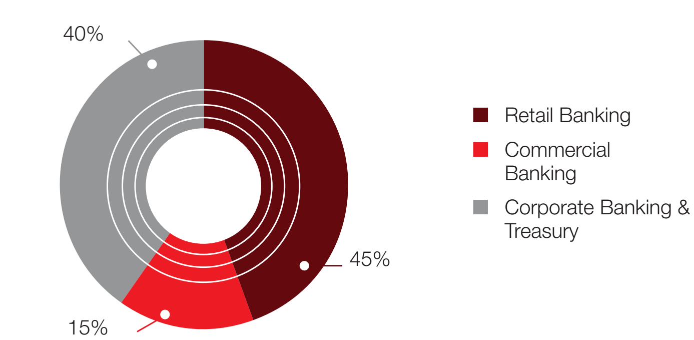
LOANS BY PRODUCT AS AT 31 DECEMBER 2012



DEPOSITS BY COUNTRY AS AT 31 DECEMBER 2012



DEPOSITS BY PRODUCT AS AT 31 DECEMBER 2012



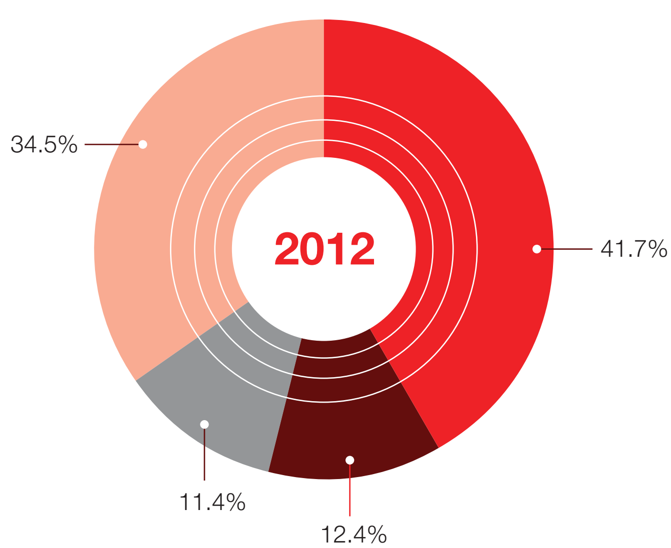
Group Quarterly Financial Performance

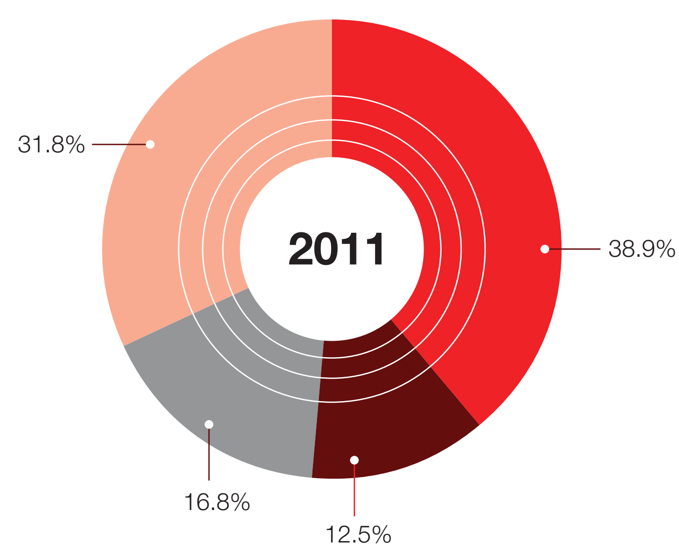
RM million	2012			
	Q1	**Q2**	**Q3**	**Q4**
Operating income	**3,255,553**	**3,325,606**	**3,544,376**	**3,369,290**
Net interest income	**1,737,678**	**1,864,760**	**1,885,666**	**1,907,776**
Net non-interest income	**1,141,996**	**1,008,915**	**1,195,110**	**1,063,581**
Overheads	**(1,792,473)**	**(1,846,553)**	**(2,007,095)**	**(1,965,978)**
Profit before taxation	**1,341,222**	**1,469,527**	**1,495,768**	**1,371,376**
Net profit attributable to equity holders of the Company	**1,010,667**	**1,109,688**	**1,142,823**	**1,081,598**
Earning per share (sen)	**13.60**	**14.93**	**15.38**	**14.55**
Dividend per share (sen)	**–**	**5.00**	**–**	**18.38**

RM million	2011			
	Q1	**Q2**	**Q3**	**Q4**
Operating income	2,750,383	2,959,191	3,031,492	3,380,963
Net interest income	1,594,106	1,659,820	1,662,344	1,759,981
Net non-interest income	815,800	919,876	981,307	1,258,474
Overheads	(1,545,432)	(1,661,845)	(1,700,709)	(1,721,926)
Profit before taxation	1,232,571	1,277,929	1,287,672	1,404,970
Net profit attributable to equity holders of the Company	916,511	970,015	1,011,758	1,132,514
Earning per share (sen)	12.33	13.05	13.61	15.24
Dividend per share (sen)	–	12.00	–	10.00

Value Added Statements

	2012 RM'000	2011 RM'000
Value added		
Net interest income	**7,395,880**	6,676,251
Income from Islamic banking operations	**1,689,343**	1,470,321
Non-interest income	**4,409,602**	3,975,457
Overheads excluding personnel costs and depreciation	**(2,949,809)**	(2,779,772)
Allowances for impairment losses on loans, advances and financing	**(329,098)**	(487,343)
Other allowances (made)/written back	**(33,228)**	47,337
Share of results of jointly controlled entities	**16,025**	16,993
Share of results of associates	**141,468**	134,038
Value added available for distribution	**10,340,183**	9,053,282
Distribution of Value Added		
To employees:		
Personnel costs	**4,316,627**	3,517,935
To the Government:		
Taxation	**1,281,086**	1,128,816
To providers of capital:		
Dividends paid to shareholders	**1,114,916**	1,486,555
Minority interest	**52,031**	43,528
To reinvest to the Group:		
Depreciation	**345,663**	332,205
Retained profit	**3,229,860**	2,544,243
Value added available for distribution	**10,340,183**	9,053,282





To Employees: Personnel costs

To the Government: Taxation

To Providers of Capital: Dividends paid to shareholders, Minority interest

To Reinvest to the Group: Depreciation, Retained Profit

Analysis of Financial Statements

ANALYSIS OF STATEMENTS OF INCOME

(RM'mil)	FY12	FY11	Y-o-Y
Net interest income	8,791	7,947	10.6%
Non interest income	4,704	4,175	12.7%
Operating income	**13,495**	**12,122**	**11.3%**
Overhead expenses	(7,612)	(6,630)	14.8%
PPOP	**5,883**	**5,492**	**7.1%**
Loan impairment	(329)	(487)	(32.4%)
Other provisions	(33)	47	n.a.
Share of JV/Associates	157	151	4.0%
PBT *	**5,678**	**5,203**	**9.1%**
Net profit	**4,345**	**4,031**	**7.8%**
EPS (sen)	**58.4**	**54.2**	**7.7%**

* *Includes discontinued operations*

A) Net interest income

As a Group, net interest income (NII) expanded by 10.6% Y-o-Y to RM8.8 billion in FY12 from RM7.9 billion in FY11. This was largely due to the 11.8% growth in total credit (gross loans excluding the bad bank, financial investments available-for-sale and financial investments held-to-maturity) and partially offset by a 5bps decline in NIMs. Further, the stronger CIMB Niaga loans growth was tempered by the 8.9% depreciation in the Indonesian Rupiah during the year. From a regional perspective, loans growth was strongest in the commercial banking segment which grew 15.7%.

B) Non interest income

The RM528.7 million increase (12.7% Y-o-Y growth) in total net non-interest income in FY12 was attributed to a combination of reasons - essentially a record year in capital market transactions, a strong performance at the Corporate Banking and Treasury Markets division from increased flow of interest rate and foreign exchange products, and greater traction on consumer wealth management sales. The uplift would have been greater excluding the RM250.0 million gain on deconsolidation of CIMB Aviva in FY11.

C) Overhead expenses

The Group's total overhead expenses stood at RM7.6 billion, a 14.8% Y-o-Y increase from RM6.6 billion in FY11. The increase was attributed to a combination of normal business expansion plans, deferred expenses from the previous year and initial costs related to the acquisition of selected APAC IB businesses of RBS. Excluding the RBS costs, overhead expenses would have risen by a lower 11.9%. The growth was mainly driven by a 22.7% increase in personnel cost but other segments were better controlled - establishment (+6.1%), marketing (-0.3%) and admin & general (+7.3%). The Group's cost to income ratio rose to 56.4% compared to 54.7% in FY11.

D) Allowance for Provisions and Impairments

Total net impairment allowances for losses on loans, advances and financing of RM329.1 million in FY12 was a 32.4% decline from the RM487.3 million in FY11. This is principally due to sustained large loan recoveries from the bad bank as well as the continued decline in collective assessments. As a consequence, the Group's total credit charge stood at 0.16% with a gross impairment ratio of 3.8% in FY12.

E) Net profits

For the 12-months period in 2012, the Group posted a net profit of RM4.3 billion, representing a 7.8% Y-o-Y growth. This is principally attributed to the stronger 11.3% expansion in revenues partially offset by the 14.8% increase in overheads. As a result, the Group's net EPS came in at 58.4 sen compared to 54.2 sen in FY11.

Analysis of Financial Statements

SIGNIFICANT MOVEMENT IN STATEMENTS OF FINANCIAL POSITION

	31 December 2012 RM'000	31 December 2011 RM'000	Growth
Assets			
Cash and short-term funds	**30,763,061**	34,203,978	(10.1%)
Deposits and placements with banks and other financial institutions	**4,990,331**	4,174,012	19.6%
Financial Investments Portfolio	**63,576,092**	44,544,258	42.7%
Loans, advances and financing	**202,137,818**	183,838,777	10.0%
Other assets	**35,589,582**	33,187,813	7.2%
Total assets	**337,056,884**	299,948,838	12.4%
Liabilities			
Deposits from customers	**243,970,307**	221,933,142	9.9%
Deposits and placements of banks and other financial institutions	**21,402,758**	12,964,309	65.1%
Bonds and debentures	**3,350,499**	521,225	542.8%
Other borrowings	**5,586,698**	5,324,032	4.9%
Subordinated notes	**13,220,286**	11,417,980	15.8%
Other liabilities	**20,174,890**	20,789,853	(3.0%)
Total liabilities	**307,705,438**	272,950,541	12.7%

A) Total Assets

Over the 12-month period ended 31 December 2012, CIMB Group's total assets increased by RM37.1 billion or 12.4% higher at RM337.1 billion. The increase was attributed to a 10.0% growth or RM18.3 billion in loans, advances and financing as well as a 42.7% or RM19.0 billion expansion in financial investments portfolio. This was partially offset by the 10.1% decline in cash and short term deposit.

B) Total Loans, Advances and Financing

The Group's loans, advances and financing stood at RM202.1 billion as at end 31 December 2012, representing a 10.0% Y-o-Y growth. This was supported by a 8.9% expansion in Malaysian loans and 15.7% growth in loans originated from Indonesia. Loans from Thailand and Singapore expanded by 16.4% and 23.4% respectively. The Group's gross impaired loans ratio saw a marked improvement to 3.8% as at end-2012 compared to 5.1% as at a year previously. Corporate loans increased 6.4% while retail loans and commercial banking loans grew 10.1% and 15.7% respectively.

C) Financial Investments Portfolio

The Financial Investment Portfolio which grew by RM19.0 billion or 42.7% mainly consists of Financial investments at fair value through profit or loss, Financial investments available-for-sale and Financial investments held-to-maturity. The main increases arose from an increase in our holdings in money market instruments and private debt securities.

D) Total Liabilities

The Group's total liabilities were 12.7% higher at RM307.7 billion, representing a RM34.8 billion expansion with virtually the entire increase due to the significantly higher deposit from customers.

E) Total Deposits from Customers

Total Group deposits grew by 9.9% Y-o-Y but were 12.0% higher Y-o-Y after excluding foreign exchange fluctuations. This was driven by an 8.2% expansion in retail deposits and a 11.1% growth in commercial banking deposits. Corporate and Treasury deposits were 11.6% higher Y-o-Y. Geographically, deposit growth was strongest in Singapore at 41.4% from a low base, while Malaysian deposits expanded at 7.8%. Indonesia and Thailand deposits grew 14.6% and 33.0% respectively Y-o-Y. The Group's CASA ratio increased to 35.1% from 34.2% last year while overall net interest margin was marginally lower at 3.07% from 3.12% in FY11.

F) Deposits and placements of banks and other financial institutions

The increase of RM8.4 billion or 65.1% Y-o-Y in deposits and placements of banks and other financial institution is part of the normal business of the Group in accessing the money market and interbank market.

Capital Management

OVERVIEW

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

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

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

The Group has maintained a healthy capital base over the years and actively tapped alternative capital from local as well as overseas markets. The Group has issued tax deductible non-dilutive innovative and non-innovative Tier 1 capital and Tier 2 subdebt, to achieve an optimal mix of capital which met the objectives of the capital management framework and also facilitated several major acquisitions and at the same time, enabled a healthy record of return on equity as well as dividend payout to its shareholders.

Calendar Year	FY2008 RM million	FY2009 RM million	FY2010 RM million	FY2011 RM million	FY2012 RM million
Total Shareholders' funds ^	17,099	20,345	23,230	25,936	28,377
Long term debt/hybrid capital	10,421	10,893	14,743	18,144	22,989
Net profit for the financial year ^	1,930	2,786	3,501	4,031	4,345
Return on average equity ^	11.8%	14.9%	16.2%	16.4%	16.0%
Gross dividend (sen)	19.83	18.50	26.08	22.00	23.38

^ *The comparative years are before adoption of MFRS 1.*

Capital Management

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

Capital Ratios (After Proposed Dividend)	Core Tier 1		Tier 1		RWCR	
	As at 31 December 2012	Minimum Regulatory Ratio	As at 31 December 2012	Minimum Regulatory Ratio	As at 31 December 2012	Minimum Regulatory Ratio
CIMB Bank *	10.15%	2.0%	12.35%	4.0%	15.53%	8.0%
CIMB Islamic	8.37%	2.0%	8.69%	4.0%	13.27%	8.0%
CIMB Investment Bank	18.97%	2.0%	18.97%	4.0%	18.97%	8.0%
CIMB Niaga	N/A	N/A	12.25%	N/A	15.08%	8.0%
CIMB Thai	N/A	N/A	10.27%	4.25%	16.21%	8.5%

* *CIMB Group Holdings ("CIMBGH") announced that it would implement a Dividend Reinvestment Scheme ("DRS") for the second interim dividend in respect of the financial year ended 2012. Pursuant to the DRS, CIMBGH intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated here.*

IMPLEMENTATION OF BASEL III GUIDELINES

On 28 November 2012, Bank Negara Malaysia (BNM) issued revised guidelines for its capital adequacy framework, which take effect beginning 1 January 2013. These guidelines are largely in line with the package of measures finalised by the Basel Committee in December 2010, which include enhancing the definition of capital, raising minimum capital requirements and introducing capital buffers, as well as introducing liquidity standards and a leverage cap. BNM has adopted the Basel Committee timeline of a gradual phase-in of these standards beginning 2013 until 2019 as shown in the table below.

<table>
<tr><th>Calendar Year</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th></tr>
<tr><td>Leverage Ratio</td><td colspan="5">Observation period reporting</td><td colspan="2">Standard in force</td></tr>
<tr><td>Minimum common equity capital ratio</td><td>3.5%</td><td>4.0%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td></tr>
<tr><td>Capital conservation buffer</td><td></td><td></td><td></td><td>0.625%</td><td>1.250%</td><td>1.875%</td><td>2.5%</td></tr>
<tr><td>Minimum common equity + conservation buffer</td><td>3.5%</td><td>4%</td><td>4.5%</td><td>5.125%</td><td>5.750%</td><td>6.375%</td><td>7%</td></tr>
<tr><td>Minimum tier 1 capital</td><td>4.5%</td><td>5.5%</td><td>6%</td><td>6%</td><td>6%</td><td>6%</td><td>6%</td></tr>
<tr><td>Minimum tier 1 capital + conservation buffer</td><td>4.5%</td><td>5.5%</td><td>6%</td><td>6.625%</td><td>7.250%</td><td>7.875%</td><td>8.5%</td></tr>
<tr><td>Minimum total capital</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td></tr>
<tr><td>Minimum total capital + conservation buffer</td><td>8%</td><td>8%</td><td>8%</td><td>8.625%</td><td>9.25%</td><td>9.875%</td><td>10.5%</td></tr>
<tr><td>Capital instruments that no longer qualify as non-core tier 1 or tier 2 capital</td><td colspan="7">Phased out over a 10 year horizon beginning 2013</td></tr>
<tr><td>Liquidity Coverage Ratio</td><td colspan="2">Observation period reporting</td><td colspan="5">Standard in force</td></tr>
<tr><td>Net Stable Funding Ratio</td><td colspan="5">Observation period reporting</td><td colspan="2">Standard in force</td></tr>
</table>

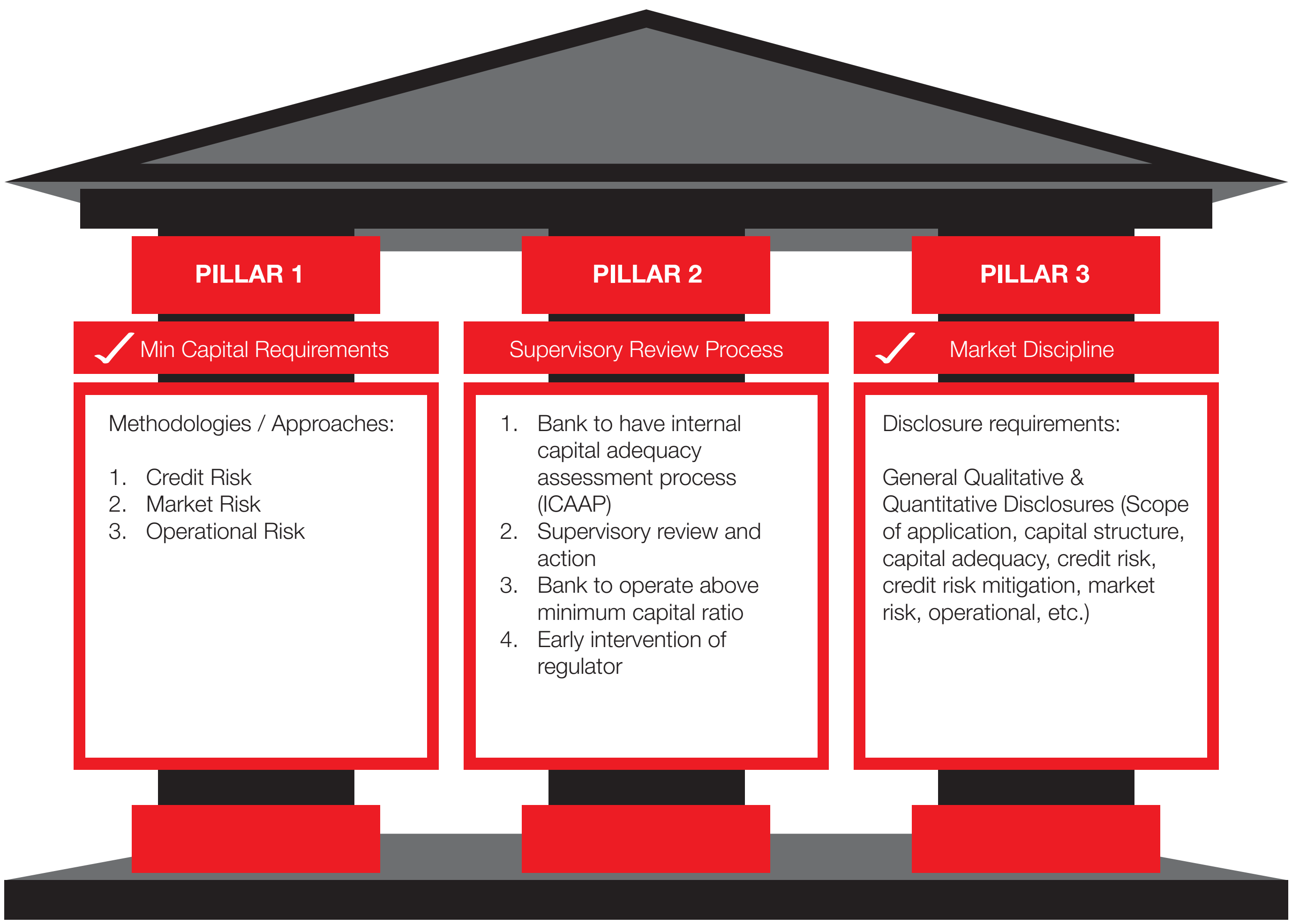
Capital Management

NEW FINANCIAL SERVICES ACT 2012

The new Financial Services Act (FSA) will be introduced and will replace several existing acts, including the Banking and Financial Institutions Act 1989, the Exchange Control Act 1953, the Insurance Act 1996 and the Payment Systems Act 2003. The enforcement date of the new FSA will be announced by the regulators accordingly.

PILLAR 2 – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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



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

Capital Management

The ICAAP Framework that the Group has initiated and continues to work towards comprises 5 main elements:

- **Governance by the Board and Senior Management:** The Board and Senior Management are responsible to ensure that capital levels in the Group are proportionate to the level and complexity of the inherent material risks in the Group.
- **Comprehensive Risk Assessment**: Comprehensive risk assessment involves considering the potential financial or reputational impact of material risks on the Group. Material risks can be measureable or non-measurable and are identified, evaluated, measured, mitigated and monitored/reported on a regular basis according to the Group's risk management process.
- **Sound Capital Management:** The internal capital targets for the Group are recommended and set by the Group Executive Committee and approved by the relevant Board of Directors on an annual basis.
- **Monitoring and Reporting of Risk and Capital:** Institutionalise a robust system for continuous monitoring and reporting of risk exposures and impact on capital requirements.
- **Independent Review:** Engagement of independent auditors to review the Group's ICAAP for proportionality to size, nature of business and complexity of activities and to assess the quality and completeness of data inputs, reasonableness and validity of methodologies, assumptions and scenarios in ICAAP.

KEY INITIATIVES

CIMB Group has established a comprehensive capital management plan over the next 3 years to continuously maintain a strong and optimised capital base. The Group strengthened its capital management process and governance through the establishment of a centralised and independent unit called Capital and Balance Sheet Management (CBSM) in 2011. This unit has oversight from the Group EXCO and is charged with maintaining discipline over investment and capital allocation decisions and implementing key initiatives to better position the Group amidst the changing competitive, regulatory and social landscape.

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

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

DIVIDEND REINVESTMENT SCHEME

As part of the Group's capital management strategy and in light of impending tighter capital regulation and requirements, on 18 January 2013, CIMB Group announced that it would implement a Dividend Reinvestment Scheme (DRS). The DRS is a useful capital management tool, as it allows shareholders to continue receiving attractive dividend yields whilst preserving capital for the Group.

Under the DRS, CIMB Group's shareholders have the option to elect to reinvest their cash dividend. The DRS has been duly approved by shareholders at the extraordinary general meeting (EGM) held on 25 February 2013. The DRS will be applicable to the Group's second interim dividend of RM1,366 million for the financial year ended 31 December 2012.

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

Financial Calendar

MONDAY
27 FEBRUARY 2012
Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2011

THURSDAY
1 MARCH 2012
Notice of book closure for single tier interim dividend of 10.0 sen per share for the financial year ended 31 December 2011

TUESDAY
13 MARCH 2012
Date of entitlement for the single tier interim dividend of 10.0 sen per share for the financial year ended 31 December 2011

FRIDAY
23 MARCH 2012
Notice of 54th Annual General Meeting ("AGM") and issuance of Annual Report for the financial year ended 31 December 2011

FRIDAY
30 MARCH 2012
Payment of the single tier interim dividend of 10.0 sen per share for the financial year ended 31 December 2011

TUESDAY
17 APRIL 2012
55th AGM

THURSDAY
24 MAY 2012
Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2012

WEDNESDAY
15 AUGUST 2012
Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2012

THURSDAY
16 AUGUST 2012
Notice of book closure for the single tier interim dividend of 5.0 sen per share for the financial year ended 31 December 2012

FRIDAY
7 SEPTEMBER 2012
Date of entitlement for the single tier interim dividend of 5.0 sen per share for the financial year ended 31 December 2012

FRIDAY
28 SEPTEMBER 2012
Payment of the single tier interim dividend of 5.0 sen per share for the financial year ended 31 December 2012

TUESDAY
20 NOVEMBER 2012
Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2012

Statement of Directors' Responsibilities

In Relation to Financial Statements

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

The Directors consider that, in preparing the financial statements for the financial year ended 31 December 2012, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

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

Directors' Report

for the financial year ended 31 December 2012

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	4,344,776	1,354,655
– Non-controlling interests	52,031	–
	4,396,807	1,354,655

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011: Dividend on 7,432,771,631 ordinary shares, paid on 30 March 2012 – single tier second interim dividend of 10.0 sen per ordinary share	743,277
In respect of the financial year ended 31 December 2012: Dividend on 7,432,771,506 ordinary shares, paid on 28 September 2012 – single tier first interim dividend of 5.0 sen per ordinary share	371,639

The Directors have declared a single tier second interim dividend of 18.38 sen per ordinary share, on 7,432,771,338 ordinary shares amounting to RM1,366,000,000 in respect of the financial year ended 31 December 2012. The single tier second interim dividend was approved by the Board of Directors on 17 January 2013.

The proposed dividend consist of an electable portion of 18.38 sen which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Scheme as disclosed in Note 47(h) to the financial statements and pending approval from Bank Negara Malaysia.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2012.

RESERVES, PROVISIONS AND ALLOWANCES

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

ISSUANCE OF SHARES

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

Directors' Report

for the financial year ended 31 December 2012

SHARE BUY-BACK AND CANCELLATION

The shareholders of the Company, had via an ordinary resolution passed at the Annual General Meeting held on 17 April 2012, approved the Company's plan and mandate to authorise the Directors of the Company to buy back up to 10% of its existing paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company bought back 205 shares, as stated in Note 30(b) to the Financial Statements, at an average price of RM7.61 per share from the open market using internally generated funds. As at 31 December 2012, there were 3,209 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2012 was 7,432,771,437 shares.

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

SHARE-BASED EMPLOYEE BENEFIT PLAN

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

BAD AND DOUBTFUL DEBTS, AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

Directors' Report

for the financial year ended 31 December 2012

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

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

DIRECTORS

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

Tan Sri Dato' Md Nor bin Md Yusof
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing (resigned on 23 January 2013)
Glenn Muhammad Surya Yusuf
Watanan Petersik
Katsumi Hatao (appointed on 23 February 2012)

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

Dato' Robert Cheim Dau Meng
Glenn Muhammad Surya Yusuf
Watanan Petersik

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

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

	No. of ordinary shares of RM1 each			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
Tan Sri Dato' Md Nor bin Md Yusof	400,000	–	–	400,000
* Dato' Sri Mohamed Nazir bin Abdul Razak	55,395,875	388,406**	(4,000,000)	51,784,281
^ Dato' Zainal Abidin bin Putih	110,000	–	–	110,000
# Dato' Robert Cheim Dau Meng	115,592	65,052**	–	180,644

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

Directors' Report

for the financial year ended 31 December 2012

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

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

	No. of ordinary shares of RM1 each			
	As at 1 January	Acquired	Disposed	As at 31 December
* Dato' Azlina binti Abdul Aziz	8,000,000	-	(4,000,000)	4,000,000
^ Datin Jasmine binti Abdullah Heng	20,000	-	-	20,000
^ Mohamad Ari Zulkarnain bin Zainal Abidin	10,000	–	–	10,000
# Chiem Tat Seng	–	46,522	–	46,522

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

	Debentures held			
	As at 1 January	Acquired/ Granted	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Subordinated Fixed Rate Notes				
Dato' Robert Cheim Dau Meng	RM1,000,000	–	–	RM1,000,000
PT Bank CIMB Niaga Tbk				
– Subordinated Notes				
Dato' Sri Mohamed Nazir bin Abdul Razak	IDR4,500,000,000	–	–	IDR4,500,000,000
Dato' Robert Cheim Dau Meng	IDR1,000,000,000	–	–	IDR1,000,000,000

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

DIRECTORS' BENEFITS

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

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

Directors' Report

for the financial year ended 31 December 2012

2012 BUSINESS PLAN AND STRATEGY

2012 was the year CIMB Group injected itself with a second lease of life with the advent of the 'CIMB 2.0' corporate theme. We put in place refreshed operational structures and internal process improvements that will place the Group in a much more competitive position going forwards. With the ASEAN network firmly in place, we are now intent on ensuring that the Group's platform is able to deliver the best levels of service and product innovation to our consumer and corporate clients.

The year kicked off on a relatively upbeat mode after an extremely cautious 2011. However, the sense of cautious optimism never quite got into gear as plunging global commodity prices, rising inflationary pressures and uncertainties surrounding the potential political changes in the two biggest global economies, the USA and China, continued to simmer. Things came to a head towards the end of 2012 as the world focused on the ability of the US government to address the debt ceiling and looming fiscal cliff. We are relieved that ASEAN yet again proved its resilience and continued its positive growth momentum, auguring well for regional franchises like ourselves.

We maintained a steady state of cautious optimism throughout the year by keeping a close eye on asset quality and ensuring growth in areas with more controlled levels of risk and intensified attention on capital management. We are pleased with another year of record profits and return on equity (ROE) of 16.0% despite higher capital requirements, upfront expansion costs and significant rupiah depreciation.

Strategically, 2012 was another transformative year. CIMB hit the headlines with the seeming audacious acquisition of selected cash equities and advisory businesses of Royal Bank of Scotland in Asia Pacific. The eventual completion of this high profile deal will propel the Group forward as the largest Asia Pacific-based investment bank. We also acquired a Thai retail brokerage, SICCO Securities and are in the midst of negotiating the acquisition of 60% of Bank of Commerce in the Philippines.

The Group posted a revenue and profit before tax (PBT) of RM13.5 billion and RM5.7 billion, an increase of 11.3% and 9.1% respectively year on year (Y-o-Y) underpinned by strong earnings in all business lines (including discontinuing operations). The principal growth driver was non-interest income which expanded by 19.8% after excluding the RM250 million gain on deconsolidation of CIMB Aviva in 2011, driven by the record performances in the capital markets, treasury markets and retail wealth management activity.

The regional consumer PBT grew 23.9% Y-o-Y to RM2.3 billion, largely driven by continued low credit charges and a 45.9% surge in Indonesian consumer banking PBT where assets growth was coupled with margin expansion. PBT for regional Wholesale Banking expanded 23.1% Y-o-Y to RM2.9 billion in what was our best ever year in capital markets. CIMB Niaga's PBT rose 31.8% Y-o-Y to IDR5,786.9 billion driven by continued loans growth, significantly better asset liability management and good sustained momentum in non-interest income growth. CIMB Thai's PBT rose 21.2% to THB1.7 billion as one off gains were partially offset by provisions, while CIMB Singapore's PBT rose 73.6% to RM155.7 million.

Excluding the bad bank, the Group's total gross loans and credit (excluding financial investments available-for-sale and financial investments held-to-maturity) expanded 9.8% and 11.8% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit increased by 12.1% and 14.1% Y-o-Y respectively. Corporate loans increased 6.4% while commercial banking loans grew 15.7%. Total Group deposits grew by 10.0% Y-o-Y but were 12.0% higher Y-o-Y after excluding foreign exchange fluctuations. The Group's CASA ratio increased to 35.1% from 34.2% last year while overall net interest margin was marginally lower at 3.0% from 3.1% in FY11.

The Group's allowances for impairment losses on loans continued a 32.4% decline to RM329.1 million in FY12 compared to RM487.3 million in FY11. The Group's total credit charge was 0.16%. The Group's gross impairment ratio improved to 3.8% for FY12 from 5.1% as at FY11, with an allowance coverage of 82.8%. The Group's cost to income ratio rose to 56.4% compared to 54.7% in FY11 partly as a result of new acquisitions.

The Group kept to its 40% dividend payout policy by declaring total FY12 dividends amounting to RM1.7 billion or 23.38 sen per share. This was paid in two interim dividend payouts of 5.0 sen (paid in September 2012) and 18.38 sen, to be paid by April 2012 via the option of either cash or via a dividend reinvestment scheme.

CIMB Bank's risk weighted capital ratio is expected to be 16.0% while its core capital ratio is expected to be 12.8% as at 31 December 2012 (after inclusion of FY12 net profits and proposed DRS). CIMB Group's double leverage and gearing stood at 124.1% and 26.1% respectively as at end-December 2012.

Directors' Report

for the financial year ended 31 December 2012

OUTLOOK FOR 2013

The corporate theme for 2013 is 'Network CIMB', a clarion call to bring all divisions from across the Group to leverage on the strength of a collective CIMB. The internal spotlight will be on taking a stronger rein of costs, capital management and to drive the synergistic upside from the integration of the expanded Asia Pacific IB franchise. The effects of the CIMB 2.0 reorganisation will continue to be felt into 2013 as initiatives gain traction and momentum. We will stay careful with capital commitments and will exercise care with assets growth as there remains real fragility in the global economy. Basel III and its eventual implementation will have a profound impact on the banking industry and the way banking moves forward.

For us, Indonesia should drive 2013 growth, with Singapore and Thailand expanding significantly from low bases. Malaysia will continue to grow less quickly due to our large base and the more mature financial market. We are placing a Group ROE target of 16% for 2013 whilst keeping to a conservative 40% dividend payout, possibly supplemented by a dividend reinvestment option.

RATINGS BY EXTERNAL RATING AGENCY

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

Rating agency	**Date accorded**	**Rating classification**
Corporate Credit Rating:		
RAM	August 2012	Long term – AA1 Short-term – P1 Outlook (long term) – Stable
RM6.0 billion Conventional and Islamic Commercial Papers/Medium-Term Notes Programme (2008/2038):		
RAM	August 2012	Long term – AA1 Short term – P1 Outlook (long term) – Stable
RM3.0 billion Subordinated Notes Programme (2009/2074):		
RAM	August 2012	Long term – AA3 Outlook (long term) – Stable

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 operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group Holding that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

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 CIMB Group Holding. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to the Islamic banking business of CIMB Group Holding 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.

Directors' Report

for the financial year ended 31 December 2012

BOARD SHARIAH COMMITTEE (CONTINUED)

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 Mohd Nai'm bin Haji Mokhtar
4. Sheikh Associate Professor Dr. Shafaai bin Musa
5. Sheikh Dr. Yousef Abdullah Al Shubaily
6. Professor Dr. Noor Inayah Yaakub

The Board hereby affirms based on advice of the Board Shariah Committee that the Group's Islamic banking and finance operations 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 of the Group. For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of Zakat on deposits and investments received from their customers lies with their respective Muslim customers only. The aforesaid is subject to the jurisdictional requirements on Zakat payment as may be applicable from time to time on the Company 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 is reflective of this.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

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

AUDITORS

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

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

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Sri Mohamed Nazir bin Abdul Razak
Managing Director

Kuala Lumpur
12 March 2013

Statement by Directors

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

We, Tan Sri Dato' Md Nor bin Md Yusof and Dato' Sri Mohamed Nazir bin Abdul Razak, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 026 to 290 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Sri Mohamed Nazir bin Abdul Razak
Managing 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 Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 026 to 290 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Kim Kenny

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

Commissioner for Oath

PESURUHJAYA SUMPAH
No W533
Nama TENGKU FARIDDUDIN
BIN TENGKU SULAIMAN
MALAYSIA

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

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 Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

Our main responsibilities and accountabilities is to assist the Board in ensuring that the Group'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 Group 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 operations of the Islamic banking and finance business of CIMB Group have 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 relevant financial regulators in the relevant jurisdictions that the Group's Islamic banking and finance 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 CIMB Group 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 group'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 throughout CIMB Group.

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 Group's Islamic banking and finance operations on a scheduled and periodic basis.

We acknowledge that in 2012 the emplaced system of internal control 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 Group'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 Group is responsible and accountable to the Board to ensure that the Islamic banking and finance businesses of CIMB Group is 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 Group 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.

Board Shariah Committee's Report

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the 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.

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 Group. 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 Group has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Group for the 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 Group Holdings Berhad
Company No: 50841-W
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Group Holdings Berhad on pages 026 to 290, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 56.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

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

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

Independent Auditors' Report

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 57 on page 289 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the Financial Statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PricewaterhouseCoopers

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Mohammad Faiz Bin Mohammad Azmi
(2025/03/14(J))
Chartered Accountant

Kuala Lumpur
12 March 2013

Consolidated Statements of Financial Position

as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	2	**30,763,061**	34,203,978	26,838,963
Reverse repurchase agreements		**5,594,278**	4,230,482	3,804,662
Deposits and placements with banks and other financial institutions	3	**4,990,331**	4,174,012	11,745,823
Financial investments at fair value through profit or loss	4	**25,383,276**	13,665,700	17,082,596
Derivative financial instruments	7	**4,125,907**	4,274,073	3,577,155
Financial investments available-for-sale	5	**29,207,522**	18,417,726	15,112,046
Financial investments held-to-maturity	6	**8,985,294**	12,460,832	10,820,500
Loans, advances and financing	8	**202,137,818**	183,838,777	159,181,385
Other assets	9	**7,392,298**	6,518,355	7,353,522
Deferred tax assets	10	**110,344**	78,669	77,973
Tax recoverable		**73,934**	139,258	98,358
Statutory deposits with central banks	11	**5,264,920**	5,084,105	1,410,436
Investment in associates	13	**689,212**	1,165,159	504,579
Investment in jointly controlled entities	14	**204,504**	188,479	171,486
Property, plant and equipment	15	**1,534,341**	1,458,400	1,442,948
Investment properties	16	**17,451**	8,653	61,216
Prepaid lease payments	17	**159,613**	170,564	185,542
Goodwill	18	**8,180,586**	8,242,489	8,151,432
Intangible assets	19	**1,677,520**	1,611,879	1,551,332
		336,492,210	299,931,590	269,171,954
Non-current assets held for sale	51	**564,674**	17,248	59,050
Total assets		**337,056,884**	299,948,838	269,231,004
Liabilities				
Deposits from customers	20	**243,970,307**	221,933,142	199,845,664
Deposits and placements of banks and other financial institutions	21	**21,402,758**	12,964,309	13,092,157
Repurchase agreements		**3,068,039**	1,067,946	33,087
Derivative financial instruments	7	**4,083,366**	4,217,291	3,748,516
Bills and acceptances payable		**4,257,257**	7,566,691	4,532,446
Other liabilities	22	**7,479,226**	6,362,943	8,278,371
Deferred tax liabilities	10	**132,682**	210,146	112,294
Current tax liabilities		**322,400**	483,820	322,789
Amount due to Cagamas Berhad		**–**	–	107,523
Bonds and debentures	24	**3,350,499**	521,225	423,982
Other borrowings	25	**5,586,698**	5,324,032	3,783,587
Subordinated notes	26	**13,220,286**	11,417,980	9,675,340
Non-cumulative guaranteed and redeemable preference shares	28(a), 28(b)	**831,920**	881,016	860,162
Total liabilities		**307,705,438**	272,950,541	244,815,918

Consolidated Statements of Financial Position

as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Equity				
Capital and reserves attributable to owners of the Parent				
Ordinary share capital	27	**7,432,775**	7,432,775	7,432,775
Reserves	29	**20,944,487**	18,641,686	15,911,923
Less: Shares held under trust	30(a)	**(563)**	(563)	(563)
Treasury shares, at cost	30(b)	**(32)**	(30)	(21)
		28,376,667	26,073,868	23,344,114
Perpetual preference shares	28(c)	**200,000**	200,000	200,000
Non-controlling interests		**774,779**	724,429	870,972
Total equity		**29,351,446**	26,998,297	24,415,086
Total equity and liabilities		**337,056,884**	299,948,838	269,231,004
Commitments and contingencies	7	**461,648,463**	414,197,407	349,069,257
Net assets per share attributable to owners of the Parent (RM)		**3.82**	3.51	3.14

Consolidated Statements of Income

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Continuing operations			
Interest income	31	**13,540,605**	12,681,512
Interest expense	32	**(6,144,725)**	(6,005,261)
Net interest income		**7,395,880**	6,676,251
Income from Islamic banking operations	54	**1,689,343**	1,470,321
Net non-interest income	33	**4,409,602**	3,975,457
		13,494,825	12,122,029
Overheads	34	**(7,612,099)**	(6,629,912)
Profit before allowances		**5,882,726**	5,492,117
Allowance made for impairment losses on loans, advances and financing	35	**(329,098)**	(487,343)
Allowance made for impairment losses on other receivables		**(31,387)**	(8,908)
Allowance written back for commitments and contingencies	22	**13,473**	55,435
Recoveries from investment management and securities services		**–**	15,000
Allowance made for other impairment losses	36	**(15,314)**	(14,190)
		5,520,400	5,052,111
Share of results of jointly controlled entities	14	**16,025**	16,993
Share of results of associates	13	**101,886**	110,625
Profit before taxation		**5,638,311**	5,179,729
Taxation			
– Company and subsidiaries	38	**(1,281,086)**	(1,128,816)
Profit for the year from continuing operations		**4,357,225**	4,050,913
Discontinuing operations			
Share of results of associates from discontinued operations (attributable to owners of the Parent)		**39,582**	23,413
Profit for the financial year		**4,396,807**	4,074,326
Profit attributable to:			
Owners of the Parent		**4,344,776**	4,030,798
Non-controlling interests		**52,031**	43,528
		4,396,807	4,074,326
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic			
From continuing operations	39	**57.9**	53.9
From discontinuing operations	39	**0.5**	0.3
		58.4	54.2

Consolidated Statements of Comprehensive Income

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Net profit after taxation		**4,396,807**	4,074,326
Other comprehensive income:			
Continuing operations			
Revaluation reserve-financial investments available-for-sale		**87,547**	62,598
– Net gain from change in fair value		**440,874**	320,066
– Realised gain transferred to statement of income on disposal and impairment		**(390,306)**	(271,725)
– Income tax effects		**42,490**	13,075
– Currency translation difference		**(5,511)**	1,182
Net investment hedge		**82,222**	(46,887)
Hedging reserve – cash flow hedge		**(45)**	226
– Net gain from change in fair value		**(45)**	226
Exchange fluctuation reserve		**(1,069,673)**	178,309
Share of other comprehensive (expense)/income of associate		**(13,505)**	25,041
Other comprehensive income/(expense) during the financial year, net of tax from continuing operations		**(913,454)**	219,287
Total comprehensive income for the financial year		**3,483,353**	4,293,613
Total comprehensive income attributable to:			
Owners of the Parent		**3,446,001**	4,243,953
Non-controlling interests		**37,352**	49,660
		3,483,353	4,293,613
Total comprehensive income for the period attributable to owners of the Parent arising from:			
– Continuing operations		**3,406,419**	4,220,540
– Discontinuing operation		**39,582**	23,413
		3,446,001	4,243,953

Company Statements of Financial Position

as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	2	**135,075**	316,828	529,826
Derivative financial instruments	7	**10,712**	17,459	5,676
Loans, advances and financing	8	**95**	930	1,147
Other assets	9	**2,459**	23,184	9,897
Tax recoverable		**43,441**	93,288	55,383
Investment in subsidiaries	12	**18,930,222**	17,887,961	16,093,491
Amount owing by subsidiaries net of allowance for doubtful debts of RM775,423 (2011: RM775,423; 2010: RM805,285)	41	**4,238**	4,811	19,267
Investment in associates	13	**3,834**	3,834	3,834
Property, plant and equipment	15	**28,717**	31,607	32,471
Investment properties	16	**508**	527	3,516
Total assets		**19,159,301**	18,380,429	16,754,508
Liabilities				
Derivative financial instruments	7	**8,892**	4,164	9,363
Other liabilities	22	**1,408**	3,242	1,515
Amount owing to subsidiaries	41	**–**	–	147
Deferred tax liabilities	10	**2,127**	2,122	3,988
Other borrowings	25	**3,802,565**	3,266,052	1,664,348
Subordinated notes	26	**2,141,378**	2,141,655	2,130,000
Total liabilities		**5,956,370**	5,417,235	3,809,361
Equity				
Ordinary share capital	27	**7,432,775**	7,432,775	7,432,775
Reserves	29	**5,770,188**	5,530,449	5,512,393
Less: Treasury shares, at cost	30(b)	**(32)**	(30)	(21)
Total equity		**13,202,931**	12,963,194	12,945,147
Total equity and liabilities		**19,159,301**	18,380,429	16,754,508
Commitments and contingencies	7	**965,000**	965,000	465,000

Company Statements of Income

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Interest income	31	**9,895**	8,573
Interest expense	32	**(260,401)**	(235,444)
Net interest expense		**(250,506)**	(226,871)
Net non-interest income	33	**1,873,478**	2,247,140
		1,622,972	2,020,269
Overheads	34	**(9,890)**	(15,115)
Profit before taxation		**1,613,082**	2,005,154
Taxation	38	**(258,427)**	(500,543)
Net profit after taxation		**1,354,655**	1,504,611

Company Statements of Comprehensive Income

for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Net profit after taxation/Total comprehensive income for the financial year	**1,354,655**	1,504,611

Consolidated Statements of Changes in Equity

for the financial year ended 31 December 2012

		Attributable to owners of the Parent															
The Group	Note	Share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2012																	
– as previously reported		7,432,775	4,192,596	4,103,591	137,104	(172,673)	(563)	(30)	535,762	20,094	374,332	490,627	8,822,855	25,936,470	200,000	726,690	26,863,160
– Effects of adopting MFRS 1	52	-	-	-	-	347,337	-	-	193,789	(131,736)	-	-	(271,992)	137,398	-	(2,261)	135,137
As restated		7,432,775	4,192,596	4,103,591	137,104	174,664	(563)	(30)	729,551	(111,642)	374,332	490,627	8,550,863	26,073,868	200,000	724,429	26,998,297
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	4,344,776	4,344,776	-	52,031	4,396,807
Other comprehensive income (net of tax)		-	-	(29)	-	(1,051,161)	-	-	71,414	82,011	(1,011)	-	-	(898,776)	-	(14,678)	(913,454)
Financial investments available-for-sale		-	-	-	-	-	-	-	84,919	-	-	-	-	84,919	-	2,628	87,547
Net investment hedge		-	-	-	-	-	-	-	-	82,056	-	-	-	82,056	-	166	82,222
Hedging reserve – cash flow hedge		-	-	-	-	-	-	-	-	(45)	-	-	-	(45)	-	-	(45)
Currency translation difference		-	-	(29)	-	(1,051,161)	-	-	-	-	(1,011)	-	-	(1,052,201)	-	(17,472)	(1,069,673)
Share of other comprehensive income of associate		-	-	-	-	-	-	-	(13,505)	-	-	-	-	(13,505)	-	-	(13,505)
Total comprehensive income for the financial year		-	-	(29)	-	(1,051,161)	-	-	71,414	82,011	(1,011)	-	4,344,776	3,446,000	-	37,353	3,483,353
Dividend for the financial year ended 31 December 2011	40	-	-	-	-	-	-	-	-	-	-	-	(743,277)	(743,277)	-	-	(743,277)
Dividend for the financial year ended 31 December 2012	40	-	-	-	-	-	-	-	-	-	-	-	(371,639)	(371,639)	-	-	(371,639)
Non-controlling interest share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,425)	(1,425)
Transfer to statutory reserve		-	-	202,902	-	-	-	-	-	-	-	-	(202,902)	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	-	682,950	(682,950)	-	-	-	-
Rights issue of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,615	33,615
Arising from (dilution)/ accretion of equity interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(7,530)	(7,530)	-	(19,193)	(26,723)
EOP for staff resigned		-	-	-	-	-	-	-	-	-	-	-	3,663	3,663	-	-	3,663
Purchase of treasury shares	30(b)	-	-	-	-	-	-	(2)	-	-	-	-	-	(2)	-	-	(2)
Share-based payment expense		-	-	-	-	-	-	-	-	-	87,962	-	-	87,962	-	-	87,962
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	-	(66,308)	-	-	(66,308)	-	-	(66,308)
Purchase of shares in relation to Equity Ownership Plan		-	-	-	-	-	-	-	-	(46,070)	-	-	-	(46,070)	-	-	(46,070)
Expiry of MES		-	-	-	-	-	-	-	-	-	(335,516)	-	335,516	-	-	-	-
At 31 December 2012		7,432,775	4,192,596	4,306,464	137,104	(876,497)	(563)	(32)	800,965	(75,701)	59,459	1,173,577	11,226,520	28,376,667	200,000	774,779	29,351,446

Consolidated Statements of Changes in Equity

for the financial year ended 31 December 2012

		Attributable to owners of the Parent															
The Group	Note	Share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2011																	
– as previously reported		7,432,775	4,192,596	3,935,308	136,954	(347,337)	(563)	(21)	474,673	131,736	318,071	117,595	6,838,179	23,229,966	200,000	873,233	24,303,199
– Effects of adopting MFRS 1	52	–	–	–	–	347,337	–	–	170,539	(131,736)	–	–	(271,992)	114,148	–	(2,261)	111,887
As restated		7,432,775	4,192,596	3,935,308	136,954	–	(563)	(21)	645,212	–	318,071	117,595	6,566,187	23,344,114	200,000	870,972	24,415,086
Profit for the financial year		–	–	–	–	–	–	–	–	–	–	–	4,030,798	4,030,798	–	43,528	4,074,326
Other comprehensive income (net of tax)		–	–	(3)	–	174,664	–	–	84,339	(46,254)	409	–	–	213,155	–	6,132	219,287
Financial investments available-for-sale		–	–	–	–	–	–	–	59,298	–	–	–	–	59,298	–	3,300	62,598
Net investment hedge		–	–	–	–	–	–	–	–	(46,480)	–	–	–	(46,480)	–	(407)	(46,887)
Hedging reserve – cash flow hedge		–	–	–	–	–	–	–	–	226	–	–	–	226	–	–	226
Currency translation difference		–	–	(3)	–	174,664	–	–	–	–	409	–	–	175,070	–	3,239	178,309
Share of other comprehensive income of associate		–	–	–	–	–	–	–	25,041	–	–	–	–	25,041	–	–	25,041
Total comprehensive income for the financial year		–	–	(3)	–	174,664	–	–	84,339	(46,254)	409	–	4,030,798	4,243,953	–	49,660	4,293,613
Dividend for the financial year ended 31 December 2010	40	–	–	–	–	–	–	–	–	–	–	–	(594,622)	(594,622)	–	–	(594,622)
Dividend for the financial year ended 31 December 2011		–	–	–	–	–	–	–	–	–	–	–	(891,933)	(891,933)	–	–	(891,933)
Non-controlling interest share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,250)	(11,250)
Transfer to statutory reserve		–	–	168,286	–	–	–	–	–	–	–	–	(168,286)	–	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	–	–	–	–	373,032	(373,032)	–	–	–	–
Arising from reorganisation of investment in subsidiaries and deemed disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(15,953)	(15,953)	–	(185,592)	(201,545)
Issue of share capital arising from:																	
– Bonus issue and capital repayment of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(1,796)	(1,796)	–	(9,110)	(10,906)
Issue of capital funds		–	–	–	150	–	–	–	–	–	–	–	–	150	–	–	150
Rights issue of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(500)	(500)	–	9,749	9,249
Purchase of treasury shares	30(b)	–	–	–	–	–	–	(9)	–	–	–	–	–	(9)	–	–	(9)
Share-based payment expense		–	–	–	–	–	–	–	–	–	76,281	–	–	76,281	–	–	76,281
Shares released under Equity Ownership Plan		–	–	–	–	–	–	–	–	–	(20,429)	–	–	(20,429)	–	–	(20,429)
Purchase of shares in relation to Equity Ownership Plan		–	–	–	–	–	–	–	–	(65,388)	–	–	–	(65,388)	–	–	(65,388)
At 31 December 2011		7,432,775	4,192,596	4,103,591	137,104	174,664	(563)	(30)	729,551	(111,642)	374,332	490,627	8,550,863	26,073,868	200,000	724,429	26,998,297

Company Statements of Changes in Equity

for the financial year ended 31 December 2012

		← Non-distributable			→	Distributable	
The Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2012		**7,432,775**	**4,192,596**	**55,982**	**(30)**	**1,281,871**	**12,963,194**
Profit for the financial year		**–**	**–**	**–**	**–**	**1,354,655**	**1,354,655**
Total comprehensive income for the financial year		**–**	**–**	**–**	**–**	**1,354,655**	**1,354,655**
Dividends for the financial year ended 31 December 2011	40	**–**	**–**	**–**	**–**	**(743,277)**	**(743,277)**
Dividends for the financial year ended 31 December 2012	40	**–**	**–**	**–**	**–**	**(371,639)**	**(371,639)**
Purchase of treasury shares	30(b)	**–**	**–**	**–**	**(2)**	**–**	**(2)**
At 31 December 2012		**7,432,775**	**4,192,596**	**55,982**	**(32)**	**1,521,610**	**13,202,931**
At 1 January 2011		7,432,775	4,192,596	55,982	(21)	1,263,815	12,945,147
Profit for the financial year		–	–	–	–	1,504,611	1,504,611
Total comprehensive income for the financial year		–	–	–	–	1,504,611	1,504,611
Dividend for the financial year ended 31 December 2010	40	–	–	–	–	(594,622)	(594,622)
Dividends for the financal year ended 31 December 2011		–	–	–	–	(891,933)	(891,933)
Purchase of treasury shares	30(b)	–	–	–	(9)	–	(9)
At 31 December 2011		7,432,775	4,192,596	55,982	(30)	1,281,871	12,963,194

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Operating Activities		
Profit before taxation		
– from continuing operations	**5,638,311**	5,179,729
– from discontinuing operation	**39,582**	23,413
	5,677,893	5,203,142
Adjustments for:		
Accretion of discounts less amortisation of premiums	**(215,587)**	(168,068)
Amortisation of prepaid lease payments	**12,642**	14,910
Allowance for other receivables	**31,387**	8,908
Allowance for impairment losses	**15,314**	14,190
Allowance for losses on loans, advances and financing	**771,293**	900,815
Allowance (written back)/made for commitments and contingencies	**(13,473)**	(55,435)
Amortisation of intangible assets	**262,112**	242,179
Depreciation of property, plant and equipment	**345,663**	332,205
Dividends from financial investments available-for-sale	**(26,197)**	(40,780)
Dividends from financial investments held-for-trading	**(35,449)**	(31,477)
Gain on deemed disposal/disposal of net assets and interest in subsidiaries	**(2,567)**	(250,000)
Gain on disposal of property, plant and equipment/assets held for sale	**(14,868)**	(16,194)
Gain on disposal of leased assets	**(168)**	(99)
Gain on maturity of financial investments held-to-maturity	**(35,581)**	(76,864)
Gain on sale of financial investments available-for-sale	**(388,868)**	(329,432)
Gain on revaluation of investment properties	**(4,755)**	(1,843)
(Gain)/loss on sale of financial assets held for trading and derivative financial instruments	**(909,643)**	(222,902)
Loss from fair value hedge of Redeemable Preference Shares ("RPS")	**(17,088)**	9,313
Loss on disposal of foreclosed properties	**9,387**	19,942
MES expenses	**–**	23,718
Net loss arising from hedging derivatives	**26,912**	16,284
Property plant & equipment written off	**731**	–
Recoveries from investment management and securities services	**–**	(15,000)
Share-based payment expense	**87,962**	52,563
Share of results of associates	**(101,886)**	(110,625)
Share of results of jointly controlled entities	**(16,025)**	(16,993)
Unrealised loss/(gain) on revaluation of derivative financial instruments	**250,495**	(349,416)
Unrealised gain on foreign exchange	**(190,367)**	(312,741)
Unrealised (gain)/loss on revaluation of financial assets held for trading	**(38,944)**	36,621
	(197,568)	(326,221)
	5,480,325	4,876,921
(Increase)/decrease in operating assets		
Reverse repurchase agreements	**(1,363,796)**	(425,820)
Deposits and placements with banks and other financial institutions	**(816,065)**	7,571,811
Financial assets held for trading	**(11,412,367)**	3,064,657
Loans, advances and financing	**(18,900,661)**	(25,640,381)
Other assets	**(91,909)**	706,760
Derivative financial instruments	**592,109**	643,509
Statutory deposits with central banks	**(180,815)**	(3,673,669)
	(32,173,504)	(17,753,133)
Increase/(decrease) in operating liabilities		
Deposits from customers	**22,037,165**	22,087,478
Deposits and placements of banks and other financial institutions	**8,438,449**	(127,848)
Repurchase agreements	**2,000,093**	1,034,859
Amount due to Cagamas Berhad	**–**	(107,523)
Bills and acceptances payable	**(3,309,434)**	3,034,245
Other liabilities	**1,000,031**	(1,900,428)
	30,166,304	24,020,783
Cash flows generated from operations	**3,473,125**	11,144,571

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Taxation paid		**(1,451,419)**	(927,431)
Net cash flows generated from operating activities		**2,021,706**	10,217,140
Investing Activities			
Dividends received from financial investments available-for-sale		**26,197**	40,780
Dividends received from financial assets held for trading		**35,449**	31,477
Net (purchase)/proceeds of financial investments available-for-sale		**(10,356,777)**	(1,733,637)
Net (purchase)/proceeds of financial investments held-to-maturity		**3,539,230**	(2,551,865)
Net cash (outflow)/inflow from acquisitions and disposals of subsidiaries, net of capital repayment from subsidiaries		**(165,628)**	640
Proceeds from disposal of property, plant and equipment		**46,960**	79,650
Purchase of property, plant and equipment		**(507,909)**	(454,291)
Proceeds from disposal of intangible assets		**738**	1,903
Purchase of intangible assets		**(319,672)**	(308,056)
Net cash flows used in from investing activities		**(7,701,412)**	(4,893,399)
Financing Activities			
Dividends paid to shareholders		**(1,114,916)**	(1,497,805)
Interest paid on bonds		**(42,655)**	–
Net proceeds from Subordinated Notes		**1,802,306**	2,128,242
Net proceeds of commercial paper and medium term notes		**55,814**	604,264
Proceeds from bonds		**2,880,241**	521,225
Proceeds from term loan facility		**51,405**	1,000,658
Proceeds/(repayment) from revolving credit and overdraft		**169,092**	(63,018)
Purchase of treasury shares		**(2)**	(9)
Redemption on bonds		**–**	(423,982)
Redemption of USD200 million Subordinated Notes		**–**	(635,200)
Repayment of redeemable preference shares		**(11,455)**	(13,696)
Net cash flows generated from financing activities		**3,789,830**	1,620,679
Net (decrease)/increase in cash and short-term funds during the financial year		**(1,889,876)**	6,944,420
Effects of exchange rate changes		**(1,551,041)**	420,595
Cash and short-term funds at beginning of the financial year		**34,203,978**	26,838,963
Cash and short-term funds at end of the financial year	2	**30,763,061**	34,203,978
Statutory deposits with Bank Indonesia*		**(4,060,668)**	(3,887,585)
Monies held in trust		**(29,786)**	(27,683)
Cash and cash equivalents at end of the financial year		**26,672,607**	30,288,710

* This represent non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM4,060,668,000 (2011: RM3,887,585,000), which is not readily available for use by the Group.

Company Statements of Cash Flows

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Operating Activities			
Profit before taxation		**1,613,082**	2,005,154
Adjustments for:			
Accretion of discounts less amortisation of premiums		**–**	(583)
Depreciation of property, plant and equipment		**2,345**	2,365
Depreciation of investment properties		**19**	110
Dividends from subsidiaries		**(1,882,314)**	(2,240,314)
Dividend from an associate		**–**	(700)
Gain on disposal of property, plant and equipment		**(104)**	(1,670)
Interest expense on commercial papers		**688**	8,762
Net (gain)/loss arising from hedging derivatives		**(63)**	194
Property, plant and equipment written off		**–**	68
Unrealised (gain)/loss on foreign exchange		**(10,749)**	9,073
Unrealised loss/(gain) on revaluation of derivative financial instruments		**17,950**	(18,386)
		(1,872,228)	(2,241,081)
		(258,808)	(235,927)
Decrease/(increase) in operating assets			
Loans, advances and financing		**835**	217
Other assets		**20,948**	(12,299)
		21,783	(12,082)
(Decrease)/increase in operating liabilities			
Other liabilities		**(1,098)**	7,280
		(1,098)	7,280
Cash flows used in operations		**(238,461)**	(240,729)
Net taxation refund		**87,712**	17,440
Net cash flows used in operating activities		**(150,749)**	(223,289)
Investing Activities			
Acquisition of additional interest in subsidiary		**(1,042,261)**	(1,794,470)
Dividends from subsidiaries		**1,586,026**	1,682,735
Dividend from an associate		**–**	525
Proceeds from disposal of property, plant and equipment		**441**	–
Proceeds from disposal of investment properties		**–**	4,550
Purchase of property, plant and equipment		**(40)**	(2,204)
Repayment from subsidiaries		**573**	14,456
Net cash flows generated from/(used in) investing activities		**544,739**	(94,408)
Financing Activities			
Dividends paid to shareholders		**(1,114,916)**	(1,486,555)
Proceeds from term loan facility		**490,432**	1,000,000
Proceeds from commercial papers and medium term notes		**148,743**	1,490,995
Purchase of treasury shares		**(2)**	(9)
Repayment of commercial papers and medium term notes		**(100,000)**	(900,000)
Net cash flows (used in)/generated from financing activities		**(575,743)**	104,431
Net decrease in cash and cash equivalents during the financial year		**(181,753)**	(213,266)
Effects of exchange rate changes		**–**	268
Cash and cash equivalents at beginning of the financial year		**316,828**	529,826
Cash and cash equivalents at end of the financial year	2	**135,075**	316,828

Summary of Significant Group 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 Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

The Financial Statements of the Group and the Company for the year ended 31 December 2012 are the first set of Financial Statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), including MFRS 1 "First-time adoption of MFRS". Subject to certain transition elections disclosed in Note 52, the Group and the Company 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. Comparative figures for 2011 in these Financial Statements have been restated to give effect to these changes. Note 52 discloses the impact of the transition to MFRS on the Group and the Company's reported financial position, financial performance and cash flows.

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

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

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

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

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

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

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

A BASIS OF PREPARATION (CONTINUED)

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

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

- 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 MFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The 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.

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

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

(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.

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

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

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

  MFRS 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 Company except for MFRS 9 and MFRS 119. The financial effects of the adoption of MFRS 9 and MFRS 119 are still being assessed by the Group and the Company.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

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

When assessing whether the Group controls a SPE, in addition to the criteria in 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 Company and all its subsidiaries made up to the end of the financial year.

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

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

Under the acquisition method of accounting, the consideration transferred for an acquisition is measured as the acquisition date fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 acquire are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in statement of income.

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

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 acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

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

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

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

(b) Transaction with non-controlling interests

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

(c) Jointly controlled entities

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

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

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

(d) Associates

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Associates

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.

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 profit/(loss) of an associate' in the statement of income.

(e) Changes in ownership interest

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

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

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

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

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

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

D RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

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

E FINANCIAL ASSETS

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

E FINANCIAL ASSETS (CONTINUED)

(c) Subsequent measurement

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

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

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

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

(d) Reclassification of financial assets

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

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

F FINANCIAL LIABILITIES

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

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

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

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

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

F FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities at amortised cost

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

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

H IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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

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

(b) Assets classified as available-for-sale

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

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

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

I SALE AND REPURCHASE AGREEMENTS

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

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

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

J PROPERTY, PLANT AND EQUIPMENT

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

J PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

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

K INVESTMENT PROPERTIES

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

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

L INTANGIBLE ASSETS

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

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

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

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

M ASSETS PURCHASED UNDER LEASE

(a) Finance lease

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

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

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

M ASSETS PURCHASED UNDER LEASE (CONTINUED)

(b) Operating lease

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

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

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

N ASSETS SOLD UNDER LEASE

(a) Finance lease

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

(b) Operating lease

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

O BILLS AND ACCEPTANCES PAYABLE

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

P DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

P DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

Q CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

Q CURRENCY TRANSLATIONS (CONTINUED)

(b) Foreign currency transactions and balances

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

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

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

(c) Group companies

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

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

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

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

R INCOME AND DEFERRED TAXES

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

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

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

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

R INCOME AND DEFERRED TAXES (CONTINUED)

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

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

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

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

S SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

T EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Post employment benefits

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

T EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions are not recognised unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10 percent of the scheme assets or liabilities ("the corridor approach"). In these circumstances, the excess is recognised in statement of income over the employees' expected average remaining working lives.

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

(c) Other long term employee benefits

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

(d) Termination benefits

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

T EMPLOYEE BENEFITS (CONTINUED)

(e) Share-based compensation benefits

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

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

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

Employee Ownership Plan ("EOP")

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

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

U IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

V FORECLOSED PROPERTIES

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

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

W PROVISIONS

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

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

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

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

Provisions are not recognised for future operating losses.

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

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

X FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount determined in accordance with 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 judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

Y CASH AND CASH EQUIVALENTS

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

Z 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.

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2012

AA CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

AB NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

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

AC TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capabilities 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

1 GENERAL INFORMATION

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

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

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

2 CASH AND SHORT-TERM FUNDS

	The Group			The Company		
	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
Cash and balances with banks and other financial institutions	**10,284,370**	9,183,261	8,137,344	**6,546**	4,979	15,457
Money at call and deposit placements maturing within one month	**20,478,691**	25,020,717	18,701,619	**128,529**	311,849	514,369
	30,763,061	34,203,978	26,838,963	**135,075**	316,828	529,826

(i) Included in the Group's cash and short-term funds is non-interest bearing statutory deposits of a foreign subsidiary of RM4,060,668,000 (31 December 2011: RM3,887,585,000; 1 January 2011: RM2,985,829,000) maintained with Bank Indonesia in compliance with their applicable legislation.

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Remisiers' trust balances	**29,786**	27,683	21,532

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	**2,673,721**	2,356,084	7,864,641
Licensed investment banks	**232,154**	248,578	232,176
Bank Negara Malaysia and other central banks	**1,993,574**	1,475,612	3,019,806
Other financial institutions	**90,882**	93,738	629,200
	4,990,331	4,174,012	11,745,823

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

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Financial assets held for trading	**25,383,276**	13,665,700	16,221,146
Financial assets designated at fair value through profit or loss	**–**	–	861,450
	25,383,276	13,665,700	17,082,596

(a) Financial assets held for trading

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments:			
Unquoted:			
Malaysian Government securities	**310,623**	253,409	360,214
Cagamas bonds	**–**	52,511	13,186
Khazanah bonds	**16,914**	–	–
Malaysian Government treasury bills	**215,116**	90,484	57,779
Bank Negara Malaysia bills	**1,223,834**	156,856	2,597,966
Bank Negara Malaysia negotiable notes	**6,423,927**	1,817,293	2,226,623
Negotiable instruments of deposit	**2,929,556**	2,069,683	1,778,088
Bankers' acceptances and Islamic accepted bills	**584,737**	575,819	740,811
Credit-linked notes	**46,291**	46,059	123,158
Commercial papers	**320,059**	168,458	163,033
Other Government's securities	**3,574,330**	2,933,501	2,053,218
Government investment issues	**413,357**	147,201	320,534
	16,058,744	8,311,274	10,434,610
Quoted securities:			
In Malaysia			
Warrants	**–**	–	5
Shares	**1,056,010**	904,743	1,210,166
Outside Malaysia			
Shares	**2,452**	6,534	26,102
Private and Islamic debt securities	**387,834**	305,183	57,525
Other Government bonds	**621,390**	448,161	79,143
Bank Indonesia certificates	**–**	67,775	1,478,043
Investment linked funds	**472,208**	299,213	54,017
	2,539,894	2,031,609	2,905,001
Unquoted securities:			
In Malaysia			
Private and Islamic debt securities	**4,886,688**	1,925,800	1,628,798
Shares	**6,544**	6,243	5,948
Outside Malaysia			
Private and Islamic debt securities	**1,822,141**	1,322,944	1,246,789
Shares	**59,769**	58,157	–
Unit trust	**9,496**	9,673	–
	6,784,638	3,322,817	2,881,535
Total financial assets held for trading	**25,383,276**	13,665,700	16,221,146

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

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

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments:			
Unquoted:			
Malaysian Government securities	–	–	223,810
Cagamas bonds	–	–	22,536
Khazanah bonds	–	–	8,012
Government investment issues	–	–	195,523
	–	–	449,881
Quoted securities:			
In Malaysia			
Shares	–	–	81,637
Unit trusts	–	–	10,797
	–	–	92,434
Unquoted securities:			
In Malaysia			
Private and Islamic debt securities	–	–	265,410
Shares	–	–	2,334
Investment-linked funds	–	–	51,391
	–	–	319,135
Total financial assets designated at fair value through profit or loss	–	–	861,450
	25,383,276	13,665,700	17,082,596

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments:			
Unquoted:			
Malaysian Government securities	**860,826**	1,422,455	1,333,672
Cagamas bonds	**290,288**	453,651	437,562
Khazanah bonds	**400,350**	190,187	–
Other Government securities	**104,099**	25,874	–
Other Government treasury bills	**49,398**	–	–
Bank Negara Malaysia bills	**497,386**	–	–
Government investment issues	**3,480,923**	1,198,283	882,712
Commercial papers	**9,999**	–	–
	5,693,269	3,290,450	2,653,946

Notes to the Financial Statements

for the financial year ended 31 December 2012

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Quoted securities:			
In Malaysia			
Shares	**20,476**	26,504	115,676
Unit trusts	**134,276**	122,654	240,949
Outside Malaysia			
Shares	**289**	21,319	12,074
Private and Islamic debt securities	**1,212,714**	371,387	24,582
Other Government bonds	**3,211,801**	2,807,382	2,635,564
Unit trusts	**292,873**	292,209	318,435
	4,872,429	3,641,455	3,347,280
Unquoted securities:			
In Malaysia			
Private and Islamic debt securities	**13,982,613**	8,940,133	7,949,059
Shares	**1,003,666**	976,604	905,404
Loans stocks	**18,507**	19,774	26,624
Property funds	**194**	188	175
Investment-linked funds	**–**	–	6,947
Bond funds	**–**	12,611	12,380
Outside Malaysia			
Shares	**75,903**	207,581	80,480
Private equity and unit trust funds	**88,291**	81,604	224,453
Private and Islamic debt securities	**3,758,795**	1,622,114	321,077
Loan stocks	**1,889**	1,568	1,531
	18,929,858	11,862,177	9,528,130
	29,495,556	18,794,082	15,529,356
Allowance for impairment losses:			
Private debt securities	**(115,716)**	(210,510)	(240,661)
Quoted shares	**(12,464)**	(16,854)	(27,413)
Quoted bonds	**(8,423)**	(3,411)	–
Unquoted shares	**(134,972)**	(131,662)	(134,266)
Unit trusts	**(1,898)**	(1,113)	(878)
Loan stocks	**(14,561)**	(12,806)	(14,092)
	(288,034)	(376,356)	(417,310)
	29,207,522	18,417,726	15,112,046

Included in financial investments available-for-sale of the Group are securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM4,329 million (31 December 2011: RM3,746 million; 1 January 2011: RM3,212 million).

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

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January		
– as previously reported	**372,964**	413,918
– effect of adopting MFRS 1	**3,392**	3,392
At 1 January	**376,356**	417,310
Net allowance made during the financial year	**5,749**	12,941
Amount written off	**–**	(836)
Disposal of securities	**(92,135)**	(53,582)
Exchange fluctuation	**(1,936)**	523
At 31 December	**288,034**	376,356

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments:			
Unquoted:			
Malaysian Government Securities	**–**	13,228	149,967
Cagamas bonds	**4,834**	5,977	4,817
Other government securities	**754,593**	490,820	–
Malaysian Government investment issues	**20,686**	11,403	–
Bank Negara negotiable notes	**9,719**	9,986	–
Khazanah bonds	**–**	–	9,948
	789,832	531,414	164,732
Quoted securities:			
Outside Malaysia			
Private debt securities	**2,560,527**	3,602,677	1,414,395
Islamic bonds	**18,519**	23,818	23,983
Medium term notes – Islamic	**–**	3,527	8,565
Other Government bonds	**177,690**	204,816	117,303
Bank Indonesia certificates	**150,745**	363,350	286,090
	2,907,481	4,198,188	1,850,336
Unquoted securities:			
In Malaysia			
Private debt securities	**3,654,055**	4,680,206	5,847,319
Loan stocks	**28,813**	30,781	31,814
Danaharta Urus Sdn Bhd ("DUSB") bonds	**130,139**	795,335	795,335
	3,813,007	5,506,322	6,674,468
Outside Malaysia			
Private debt securities	**1,485,557**	1,932,271	1,901,967
	8,995,877	12,168,195	10,591,503
Accretion of discount net of amortisation of premium	**30,746**	339,260	274,509
Less: Allowance for impairment losses	**(41,329)**	(46,623)	(45,512)
	8,985,294	12,460,832	10,820,500

Notes to the Financial Statements

for the financial year ended 31 December 2012

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

Included in the financial investments held-to-maturity of the Group as at 31 December 2012 are 10-year promissory notes of THB263 million (31 December 2011: THB415 million; 1 January 2011: THB746 million) maturing between 2013 to 2015. The promissory notes were received from Thai Asset Management Corporation ("TAMC") for settlement of impaired loans transferred by CIMB Thai Bank Public Company Limited ("CIMB Thai Bank") to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer the impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. During the financial year, CIMB Bank Thai has recognised a gain of approximately RM133 million (2011: RM101 million) arising from the sharing arrangement.

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

	The Group	
	2012 RM'000	**2011 RM'000**
At 1 January	**46,623**	45,512
Allowance (written back)/made during the financial year	**(2,906)**	785
Exchange fluctuation	**(2,388)**	326
At 31 December	**41,329**	46,623

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES

(i) Derivative financial instruments

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

At 31 December 2012	The Group Fair values Principal amount RM'000	The Group Fair values Assets RM'000	The Group Fair values Liabilities RM'000	The Company Fair values Principal amount RM'000	The Company Fair values Assets RM'000	The Company Fair values Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	13,542,140	170,004	(171,271)	–	–	–
– Less than 1 year	10,297,294	67,972	(104,824)	–	–	–
– 1 year to 3 years	1,136,705	59,776	(33,953)	–	–	–
– More than 3 years	2,108,141	42,256	(32,494)	–	–	–
Currency swaps	53,863,289	235,347	(193,694)	–	–	–
– Less than 1 year	53,461,234	219,441	(191,879)	–	–	–
– 1 year to 3 years	215,636	5,172	(1,251)	–	–	–
– More than 3 years	186,419	10,734	(564)	–	–	–
Currency spots	5,559,618	2,491	(3,729)	–	–	–
– Less than 1 year	5,559,618	2,491	(3,729)	–	–	–
Currency options	1,592,825	7,455	(6,494)	–	–	–
– Less than 1 year	1,592,825	7,455	(6,494)	–	–	–
Cross currency interest rate swaps	20,868,765	578,385	(339,913)	315,000	–	(8,892)
– Less than 1 year	3,511,121	137,088	(87,179)	315,000	–	(8,892)
– 1 year to 3 years	7,257,431	189,356	(109,816)	–	–	–
– More than 3 years	10,100,213	251,941	(142,918)	–	–	–
	95,426,637	993,682	(715,101)	315,000	–	(8,892)
Interest rate derivatives						
Interest rate swaps	254,831,493	2,095,358	(1,695,206)	500,000	9,398	–
– Less than 1 year	38,432,806	71,625	(68,101)	–	–	–
– 1 year to 3 years	161,514,518	700,612	(680,522)	500,000	9,398	–
– More than 3 years	54,884,169	1,323,121	(946,583)	–	–	–
Interest rate futures	8,199,677	20,571	(606)	–	–	–
– Less than 1 year	4,571,511	8,894	(551)	–	–	–
– 1 year to 3 years	3,119,440	10,459	(55)	–	–	–
– More than 3 years	508,726	1,218	–	–	–	–
Interest rate options	2,478,652	1,400	(14,283)	–	–	–
– Less than 1 year	290,000	862	(1,788)	–	–	–
– 1 year to 3 years	170,000	489	(3,959)	–	–	–
– More than 3 years	2,018,652	49	(8,536)	–	–	–
	265,509,822	2,117,329	(1,710,095)	500,000	9,398	–

Notes to the Financial Statements

for the financial year ended 31 December 2012

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Equity related derivatives						
Index futures	1,245,997	15,325	(15,336)	–	–	–
– Less than 1 year	713,516	2,616	(2,627)	–	–	–
– 1 year to 3 years	151,964	2,556	(2,556)	–	–	–
– More than 3 years	380,517	10,153	(10,153)	–	–	–
Equity options	8,706,537	551,515	(983,801)	–	–	–
– Less than 1 year	3,355,279	524,471	(941,504)	–	–	–
– 1 year to 3 years	2,630,101	26,202	(29,627)	–	–	–
– More than 3 years	2,721,157	842	(12,670)	–	–	–
Equity swaps	340,784	937	(945)	–	–	–
– More than 3 years	340,784	937	(945)	–	–	–
	10,293,318	567,777	(1,000,082)			
Commodity related derivatives						
Commodity options	521,350	141,739	(141,752)	–	–	–
– Less than 1 year	367,498	16,895	(16,908)	–	–	–
– More than 3 years	153,852	124,844	(124,844)	–	–	–
Commodity swaps	199,464	19,072	(19,870)	–	–	–
– Less than 1 year	163,152	11,675	(12,565)	–	–	–
– 1 year to 3 years	29,711	3,458	(3,366)	–	–	–
– More than 3 years	6,601	3,939	(3,939)	–	–	–
Commodity futures	135	15	–	–	–	–
– Less than 1 year	135	15	–	–	–	–
	720,949	160,826	(161,622)			
Credit related contract						
Credit default swaps	2,167,635	31,603	(99,750)	–	–	–
– Less than 1 year	445,962	819	(59,782)	–	–	–
– 1 year to 3 years	1,064,578	3,488	(9,653)	–	–	–
– More than 3 years	657,095	27,296	(30,315)	–	–	–
Hedging derivatives						
Interest rate swaps	18,488,500	240,707	(384,450)	150,000	1,314	–
– Less than 1 year	1,088,711	10,360	(3,697)	150,000	1,314	–
– 1 year to 3 years	3,700,279	127,898	(53,971)	–	–	–
– More than 3 years	13,699,510	102,449	(326,782)	–	–	–
Currency forward	208,663	203	–	–	–	–
– Less than 1 year	208,663	203	–	–	–	–
Cross currency interest rate swaps	991,873	13,780	(12,266)	–	–	–
– 1 year to 3 years	563,674	8,322	(1,055)	–	–	–
– More than 3 years	428,199	5,458	(11,211)	–	–	–
	19,689,036	254,690	(396,716)	150,000	1,314	–
Total derivative assets/(liabilities)	393,807,397	4,125,907	(4,083,366)	965,000	10,712	(8,892)

Notes to the Financial Statements

for the financial year ended 31 December 2012

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

	The Group Fair values			The Company Fair values		
At 31 December 2011	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	11,664,292	152,198	(172,128)	–	–	–
– Less than 1 year	9,407,525	107,872	(126,346)	–	–	–
– 1 year to 3 years	971,908	40,641	(22,110)	–	–	–
– More than 3 years	1,284,859	3,685	(23,672)	–	–	–
Currency swaps	38,210,727	412,086	(328,753)	–	–	–
– Less than 1 year	37,870,738	394,071	(324,315)	–	–	–
– 1 year to 3 years	128,276	6,806	(4,081)	–	–	–
– More than 3 years	211,713	11,209	(357)	–	–	–
Currency spots	3,185,666	2,100	(2,329)	–	–	–
– Less than 1 year	3,185,666	2,100	(2,329)	–	–	–
Currency options	2,246,845	9,030	(14,226)	–	–	–
– Less than 1 year	2,246,845	9,030	(14,226)	–	–	–
Cross currency interest rate swaps	16,993,262	535,129	(393,016)	315,000	–	(4,164)
– Less than 1 year	3,516,246	90,581	(130,104)	–	–	–
– 1 year to 3 years	6,199,649	255,084	(106,253)	315,000	–	(4,164)
– More than 3 years	7,277,367	189,464	(156,659)	–	–	–
	72,300,792	1,110,543	(910,452)	315,000	–	(4,164)
Interest rate derivatives						
Interest rate swaps	244,561,024	2,711,995	(2,338,891)	500,000	13,188	–
– Less than 1 year	32,606,090	85,636	(60,632)	–	–	–
– 1 year to 3 years	131,899,721	1,010,775	(1,050,691)	–	–	–
– More than 3 years	80,055,213	1,615,584	(1,227,568)	500,000	13,188	–
Interest rate futures	11,930,771	31,861	(2,279)	–	–	–
– Less than 1 year	5,734,380	10,485	(2,279)	–	–	–
– 1 year to 3 years	4,844,425	17,375	–	–	–	–
– More than 3 years	1,351,966	4,001	–	–	–	–
Interest rate options	150,000	10,407	(4,549)	–	–	–
– 1 year to 3 years	100,000	9,730	(4,542)	–	–	–
– More than 3 years	50,000	677	(7)	–	–	–
	256,641,795	2,754,263	(2,345,719)	500,000	13,188	–

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Equity related derivatives						
Index futures	17,121	1	(132)	–	–	–
– Less than 1 year	17,121	1	(132)	–	–	–
Equity options	8,651,175	60,008	(392,563)	–	–	–
– Less than 1 year	1,839,406	50,392	(290,103)	–	–	–
– 1 year to 3 years	3,087,134	351	(69,162)	–	–	–
– More than 3 years	3,724,635	9,265	(33,298)	–	–	–
Equity swaps	525,927	416	(385)	–	–	–
– More than 3 years	525,927	416	(385)	–	–	–
	9,194,223	60,425	(393,080)			
Commodity related derivatives						
Commodity options	203,200	48,048	(48,048)	–	–	–
– Less than 1 year	34,947	10,075	(10,075)	–	–	–
– More than 3 years	168,253	37,973	(37,973)	–	–	–
Commodity swaps	80,961	4,456	(5,498)	–	–	–
– Less than 1 year	44,312	3,730	(3,663)	–	–	–
– 1 year to 3 years	36,649	726	(1,835)	–	–	–
Commodity futures	39,642	782	(863)	–	–	–
– Less than 1 year	38,235	684	(845)	–	–	–
– 1 year to 3 years	1,407	98	(18)	–	–	–
	323,803	53,286	(54,409)			
Credit related contract						
Credit default swaps	1,344,019	38,374	(40,744)	–	–	–
– Less than 1 year	158,850	24	–	–	–	–
– 1 year to 3 years	839,250	3,613	(10,290)	–	–	–
– More than 3 years	345,919	34,737	(30,454)	–	–	–
Hedging derivatives						
Interest rate swaps	14,221,710	257,182	(472,290)	150,000	4,271	–
– Less than 1 year	20,911	318	(329)	150,000	4,271	–
– 1 year to 3 years	1,163,570	32,874	(10,503)	–	–	–
– More than 3 years	13,037,229	223,990	(461,458)	–	–	–
Cross currency interest rate swaps	71,131	–	(597)	–	–	–
– More than 3 years	71,131	–	(597)	–	–	–
	14,292,841	257,182	(472,887)	150,000	4,271	–
Total derivative assets/(liabilities)	354,097,473	4,274,073	(4,217,291)	965,000	17,459	(4,167)

Notes to the Financial Statements

for the financial year ended 31 December 2012

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

	The Group Fair values			The Company Fair values		
At 1 January 2011	**Principal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Principal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	10,895,870	160,377	(155,349)	–	–	–
– Less than 1 year	8,620,215	52,888	(127,990)	–	–	–
– 1 year to 3 years	423,654	13,602	(4,281)	–	–	–
– More than 3 years	1,852,001	93,887	(23,078)	–	–	–
Currency swaps	34,993,961	515,653	(489,576)	–	–	–
– Less than 1 year	34,684,832	507,854	(486,527)	–	–	–
– 1 year to 3 years	49,362	2,018	–	–	–	–
– More than 3 years	259,767	5,781	(3,049)	–	–	–
Currency options	3,405,312	16,694	(20,901)	–	–	–
– Less than 1 year	3,405,312	16,694	(20,901)	–	–	–
Cross currency interest rate swaps	15,962,201	626,336	(746,157)	315,000	–	(9,363)
– Less than 1 year	4,521,983	145,670	(239,900)	–	–	–
– 1 year to 3 years	6,239,274	266,962	(294,195)	315,000	–	(9,363)
– More than 3 years	5,200,944	213,704	(212,062)	–	–	–
	65,257,344	1,319,060	(1,411,983)	315,000	–	(9,363)
Interest rate derivatives						
Interest rate swaps	183,436,844	1,791,631	(1,344,587)	–	–	–
– Less than 1 year	54,389,510	339,772	(308,923)	–	–	–
– 1 year to 3 years	63,610,038	441,927	(357,772)	–	–	–
– More than 3 years	65,437,296	1,009,932	(677,892)	–	–	–
Interest rate futures	13,746,090	18,185	(15,428)	–	–	–
– Less than 1 year	7,276,246	8,610	(13,457)	–	–	–
– 1 year to 3 years	5,273,591	6,772	(1,971)	–	–	–
– More than 3 years	1,196,253	2,803	–	–	–	–
Interest rate options	750,000	7,179	(3,602)	–	–	–
– Less than 1 year	600,000	–	–	–	–	–
– 1 year to 3 years	100,000	5,314	(2,818)	–	–	–
– More than 3 years	50,000	1,865	(784)	–	–	–
	197,932,934	1,816,995	(1,363,617)	–	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2012

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

	The Group	Fair values		The Company	Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Equity related derivatives						
Index futures	10,845	–	(145)	–	–	–
– Less than 1 year	10,845	–	(145)	–	–	–
Equity options	10,545,680	223,081	(606,369)	–	–	–
– Less than 1 year	3,593,370	168,358	(571,441)	–	–	–
– 1 year to 3 years	3,606,018	3,849	(3,849)	–	–	–
– More than 3 years	3,346,292	50,874	(31,079)	–	–	–
Equity swaps	273,717	1,777	(51,329)	–	–	–
– Less than 1 year	272,086	1,433	(51,023)	–	–	–
– 1 year to 3 years	1,631	344	(306)	–	–	–
	10,830,242	224,858	(657,843)			
Commodity related derivatives						
Commodity options	104,840	15,028	(15,028)	–	–	–
– Less than 1 year	70,921	12,068	(12,068)	–	–	–
– 1 year to 3 years	33,919	2,960	(2,960)	–	–	–
Commodity swaps	60,480	4,085	–	–	–	–
– Less than 1 year	20,400	1,624	–	–	–	–
– 1 year to 3 years	40,080	2,461	–	–	–	–
Commodity futures	60,553	1	(3,653)	–	–	–
– Less than 1 year	60,553	1	(3,653)	–	–	–
	225,873	19,114	(18,681)			
Credit related contract						
Credit default swaps	1,397,612	31,585	(37,674)	–	–	–
– Less than 1 year	580,483	2,805	(175)	–	–	–
– 1 year to 3 years	169,593	143	(2,386)	–	–	–
– More than 3 years	647,536	28,637	(35,113)	–	–	–
Hedging derivatives						
Interest rate swaps	13,426,998	165,543	(215,376)	150,000	5,676	–
– Less than 1 year	1,428,650	31,058	–	–	–	–
– 1 year to 3 years	1,180,155	30,646	(6,211)	150,000	5,676	–
– More than 3 years	10,818,193	103,839	(209,165)	–	–	–
Cross currency interest rate swaps	218,378	–	(43,342)	–	–	–
– More than 3 years	218,378	–	(43,342)	–	–	–
	13,645,376	165,543	(258,718)	150,000	5,676	–
Total derivative assets/(liabilities)	289,289,381	3,577,155	(3,748,516)	465,000	5,676	(9,363)

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (continued)

(a) Fair value hedges

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

For the financial year ended 31 December 2011, the Group has ceased fair value hedge item of RM6,220,990 due to maturity of negotiable instruments of deposit. The Group has also fully amortised the cumulative fair value loss of redesignated negotiable instruments of deposit of RM 22,512,000 upon its maturity.

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

	The Group			The Company		
	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
Loss on hedging instruments	**(45,817)**	(150,195)	(50,768)	**(2,957)**	(1,363)	(2,727)
Gain on the hedged items attributable to the hedged risk	**18,905**	133,911	10,603	**3,020**	1,170	2,618

(b) Net investment hedge

Foreign exchange swaps and non derivative financial liabilities are used to hedge the Group's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the foreign exchange swaps are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. Ineffectiveness from hedges of net investments was recognised in the statement of income during the year for the Group of RM10,722,676 (2011: RM6,075,860). No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

(c) Cash flows hedge

Cash flow hedges are used by the Group to protect against exposure to variability in future cash flows attributable to movements in foreign exchange rates of financial assets and financial liabilities. The Group hedges cash flows from held-to-maturity debt securities against foreign exchange risk using currency swaps. During the financial year ended 31 December 2012, the Group has ceased cash flow hedge accounting with cumulative gain of RM180,525 (2011: RM225,502) remaining in equity. Amounts accumulated in equity are reclassified to statement of income in the period where the hedged item affects the statement of income.

(ii) Commitments and contingencies

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies (continued)

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
The Group			
Credit-related			
Direct credit substitutes	**6,091,247**	5,255,701	4,929,234
Certain transaction-related contingent items	**6,084,990**	5,464,748	5,468,256
Short-term self-liquidating trade-related contingencies	**2,597,320**	2,549,245	3,511,093
Obligations under underwriting agreement	**–**	226,887	235,000
Irrevocable commitments to extend credit:			
– maturity not exceeding one year	**47,395,370**	36,370,852	33,812,453
– maturity exceeding one year	**5,834,498**	6,710,863	6,778,430
Forward assets purchases	**–**	–	303,084
Miscellaneous commitments and contingencies	**2,183,684**	4,941,508	5,609,923
Total credit-related commitments and contingencies	**70,187,109**	61,519,804	60,647,473
Treasury-related			
Foreign exchange related contracts:			
– less than one year	**74,207,227**	55,646,664	51,504,531
– one year to less than five years	**17,555,418**	12,201,742	10,668,701
– five years and above	**4,864,528**	4,523,518	3,688,354
	96,627,173	72,371,924	65,861,586
Interest rate related contracts:			
– less than one year	**74,657,093**	58,228,737	63,095,660
– one year to less than five years	**164,276,556**	173,654,325	102,937,958
– five years and above	**45,607,215**	39,228,394	45,696,333
	284,540,864	271,111,456	211,729,951
Equity related contracts:			
– less than one year	**3,943,985**	1,852,206	3,616,346
– one year to less than five years	**4,655,934**	4,949,209	5,121,018
– five years and above	**1,693,398**	2,392,808	2,092,883
	10,293,317	9,194,223	10,830,247
Total treasury-related commitments and contingencies	**391,461,354**	352,677,603	288,421,784
	461,648,463	414,197,407	349,069,257
The Company			
Foreign exchange related contracts:			
– one year to less than five years	**315,000**	315,000	315,000
	315,000	315,000	315,000
Interest rate related contracts:			
– one year to less than five years	**650,000**	650,000	150,000
	965,000	965,000	465,000

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies (continued)

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

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

8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group			The Company		
	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
Overdrafts	**5,981,019**	6,052,496	6,317,493	**–**	–	–
Term loans/financing						
– Housing loans/financing	**52,299,880**	48,812,565	42,496,812	**–**	–	–
– Syndicated term loans	**9,288,422**	9,656,325	6,996,472	**–**	–	–
– Hire purchase receivables	**12,772,502**	11,614,260	11,384,643	**–**	–	–
– Lease receivables	**205,565**	109,868	32,087	**–**	–	–
– Factoring receivables	**19,007**	12,172	23,655	**–**	–	–
– Other term loans/financing	**79,003,082**	72,727,971	60,588,953	**–**	–	–
Bills receivable	**3,720,725**	3,740,413	2,636,548	**–**	–	–
Trust receipts	**2,389,242**	1,300,741	1,145,109	**–**	–	–
Claims on customers under acceptance credits	**5,010,728**	4,578,277	4,548,433	**–**	–	–
Staff loans [of which RM2,275,218 (31.12.2011: RM10,050,224; 1.1.2011: RM6,473,245) are to Directors]	**685,699**	706,835	728,594	**95**	930	1,147
Credit card receivables	**5,690,695**	5,604,180	4,981,667	**–**	–	–
Revolving credits	**28,966,355**	24,593,593	24,289,359	**–**	–	–
Share margin financing	**2,309,686**	1,882,615	1,299,816	**–**	–	–
Other loans	**432**	890	9,730	**–**	–	–
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147
Fair value changes arising from fair value hedge	**360,979**	398,797	44,340	**–**	–	–
	208,704,018	191,791,998	167,523,711	**95**	930	1,147
Less: Allowance for impairment losses						
– Individual impairment allowance	**(3,270,343)**	(3,988,345)	(4,079,367)	**–**	–	–
– Portfolio impairment allowance	**(3,295,857)**	(3,964,876)	(4,262,959)	**–**	–	–
	(6,566,200)	(7,953,221)	(8,342,326)	**–**	–	–
Total net loans, advances and financing	**202,137,818**	183,838,777	159,181,385	**95**	930	1,147

(a) Included in the Group's loans, advances and financing balances are RM63,591,000 (31 December 2011: RM69,977,000; 1 January 2011: RM75,347,000) of reinstated loans which were previously non-performing and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

Notes to the Financial Statements

for the financial year ended 31 December 2012

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) By type (continued)

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM7,869,471,000 (31 December 2011: RM7,237,885,000; 1 January 2011: RM7,663,278,000) loans, advances and financing using interest rate swaps.

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Gross loans hedged	**7,869,471**	7,237,885	7,663,278
Fair value changes arising from fair value hedges	**360,979**	398,797	44,340
	8,230,450	7,636,682	7,707,618

The fair value loss of interest rate swaps in the hedge transaction as at 31 December 2012 was RM311,304,935 (31 December 2011: RM445,176,674; 1 January 2011: RM127,755,094).

(ii) By type of customer:

	The Group			The Company		
	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
Domestic banking financial institutions	**384,015**	57,963	65,091	**–**	–	–
Domestic non-bank financial institutions						
– stockbroking companies	**10,009**	–	–	**–**	–	–
– others	**1,807,723**	1,705,420	2,645,801	**–**	–	–
Domestic business enterprises						
– small medium enterprises	**29,702,223**	29,824,771	24,984,641	**–**	–	–
– others	**45,972,378**	44,209,093	37,223,540	**–**	–	–
Government and statutory bodies	**12,883,567**	12,657,089	10,666,029	**–**	–	–
Individuals	**96,771,514**	89,303,602	80,444,835	**95**	930	1,147
Other domestic entities	**5,846,174**	3,515,254	3,878,422	**–**	–	–
Foreign entities	**14,965,436**	10,120,009	7,571,012	**–**	–	–
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147

Notes to the Financial Statements

for the financial year ended 31 December 2012

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) By interest/profit rate sensitivity:

	The Group			The Company		
	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
Fixed rate						
– Housing loans	**1,944,961**	2,124,405	3,718,109	**–**	–	–
– Hire-purchase receivables	**12,765,401**	11,606,719	11,403,949	**–**	–	–
– Other fixed rate loans	**41,206,674**	40,418,809	33,223,936	**95**	930	1,147
Variable rate						
– BLR plus	**101,437,673**	91,771,906	78,906,381	**–**	–	–
– Cost plus	**25,595,375**	24,913,736	22,845,941	**–**	–	–
– Other variable rates	**25,392,955**	20,557,626	17,381,055	**–**	–	–
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147

(iv) By economic purposes:

	The Group			The Company		
	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
Personal use	**7,242,619**	6,781,937	5,123,491	**6**	18	27
Credit card	**5,690,695**	5,604,180	4,981,667	**–**	–	–
Purchase of consumer durables	**25,342**	954	1,216	**–**	–	–
Construction	**7,276,301**	5,217,186	4,324,911	**–**	–	–
Residential property (Housing)	**52,491,785**	48,808,900	43,708,701	**76**	775	915
Non-residential property	**15,963,686**	12,758,609	11,843,651	**–**	–	–
Purchase of fixed assets other than land and building	**14,901,632**	16,528,217	10,261,260	**–**	–	–
Mergers and acquisitions	**1,987,139**	5,186,293	2,620,451	**–**	–	–
Purchase of securities	**12,214,573**	8,668,328	8,013,606	**–**	–	–
Purchase of transport vehicles	**18,720,872**	16,281,213	15,803,368	**13**	137	205
Working capital	**53,855,535**	46,078,495	46,081,461	**–**	–	–
Other purpose	**17,972,860**	19,478,889	14,715,588	**–**	–	–
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147

Notes to the Financial Statements

for the financial year ended 31 December 2012

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) By geographical distribution:

	The Group			The Company		
	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
Malaysia	**125,727,508**	118,894,085	111,065,224	**95**	930	1,147
Indonesia	**48,347,157**	46,022,974	37,516,196	**–**	–	–
Thailand	**15,243,168**	13,077,940	9,906,698	**–**	–	–
Singapore	**13,423,878**	9,514,291	5,964,290	**–**	–	–
United Kingdom	**934,931**	996,344	621,152	**–**	–	–
Hong Kong	**1,119,775**	598,442	248,187	**–**	–	–
Other countries	**3,546,622**	2,289,125	2,157,624	**–**	–	–
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147

(vi) By residual contractual maturity:

	The Group			The Company		
	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
Within one year	**49,322,168**	47,260,671	43,362,071	**9**	9	9
One year to less than three years	**28,500,116**	25,060,561	21,307,164	**10**	35	77
Three years to less than five years	**23,576,875**	21,348,048	22,449,382	**25**	7	9
Five years and more	**106,943,880**	97,723,921	80,360,754	**51**	879	1,052
Gross loans, advances and financing	**208,343,039**	191,393,201	167,479,371	**95**	930	1,147

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Personal use	**244,752**	355,210	399,960
Credit card	**39,687**	127,609	98,523
Purchase of consumer durables	**204**	570	251
Construction	**1,226,694**	1,343,284	1,380,526
Residential property (Housing)	**1,645,152**	1,781,704	1,909,586
Non-residential property	**338,853**	406,835	491,942
Purchase of fixed assets other than land and building	**416,280**	556,579	365,872
Purchase of securities	**193,583**	123,855	101,641
Purchase of transport vehicles	**338,661**	424,208	322,967
Working capital	**2,678,973**	3,566,045	4,123,317
Other purpose	**804,978**	1,118,782	1,089,794
Gross impaired loans	**7,927,817**	9,804,681	10,284,379

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Malaysia	**5,078,112**	6,058,318	6,781,354
Indonesia	**1,335,882**	1,846,522	1,687,775
Thailand	**1,225,674**	1,442,422	1,466,154
Singapore	**45,764**	62,500	116,176
United Kingdom	**2,310**	54,025	48,095
Other countries	**240,075**	340,894	184,825
Gross impaired loans	**7,927,817**	9,804,681	10,284,379

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	**9,804,681**	10,284,379
Classified as impaired during the financial year	**3,111,369**	3,973,790
Reclassified as not impaired during the financial year	**(1,818,922)**	(1,967,542)
Amount written back in respect of recoveries	**(1,263,113)**	(1,380,212)
Arising from deemed disposal of subsidiaries	**–**	(942)
Amount written off	**(2,129,372)**	(1,202,023)
Reclassified from unwinding income	**195,004**	126
Loans converted to securities	**(13,219)**	–
Exchange fluctuation	**41,389**	97,105
At 31 December	**7,927,817**	9,804,681
Ratio of gross impaired loans to gross loans, advances and financing	**3.81%**	5.12%

Notes to the Financial Statements

for the financial year ended 31 December 2012

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group	
	2012 RM'000	**2011 RM'000**
Individual impairment allowance		
At 1 January	**3,988,345**	4,079,367
Net allowance made during the financial year	**164,322**	348,005
Amount written off	**(895,452)**	(339,739)
Loans converted to securities	**(13,219)**	–
Allowance made and charged to deferred assets	**1,221**	140
Amount transferred from/(to) portfolio impairment allowance	**22,111**	(1,970)
Allowance written off in relation to disposal/deemed disposal of subsidiary	**–**	(942)
Unwinding income	**85,234**	(73,737)
Exchange fluctuation	**(82,219)**	(22,779)
At 31 December	**3,270,343**	3,988,345
Portfolio impairment allowance		
At 1 January	**3,964,876**	4,262,959
Net allowance made during the financial year	**600,195**	539,855
Amount transferred from individual impairment allowance	**(22,111)**	1,970
Amount transferred to allowance for impairment losses on other receivables	**(28,786)**	–
Amount written off	**(1,221,111)**	(828,307)
Allowance (written back)/made and charged to deferred assets	**(1,510)**	844
Unwinding income	**69,404**	(20,293)
Exchange fluctuation	**(65,100)**	7,848
At 31 December	**3,295,857**	3,964,876
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	**2.32%**	2.55%

Notes to the Financial Statements

for the financial year ended 31 December 2012

9 OTHER ASSETS

		The Group			The Company		
		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 from brokers and clients net of allowance for impairment losses of RM26,157,004 (31.12.2011: RM18,236,179; 1.1.2011: RM15,906,849)	(a)	**1,905,758**	1,352,950	1,250,003	**–**	–	–
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM68,321,427 (31.12.2011: RM64,939,762; 1.1.2011: RM60,900,962)	(b)	**2,775,848**	2,438,201	2,976,433	**554**	1,269	1,487
Due from insurers, brokers and reinsurers		**33,271**	28,716	25,476	**–**	–	–
Option premium receivable		**246,723**	249,461	278,032	**–**	–	–
Deferred assets	(c)	**103,524**	131,204	170,961	**–**	–	–
Foreclosed properties net of allowance for impairment losses of RM53,645,409 (31.12.2011: RM57,153,449 1.1.2011: RM72,613,405)		**178,713**	167,765	228,785	**–**	–	–
Collateral pledged for derivative transactions		**862,547**	778,691	752,344	**1,905**	21,915	8,410
Due from jointly controlled entity	(d)	**1,285,914**	1,371,367	1,671,488	**–**	–	–
		7,392,298	6,518,355	7,353,522	**2,459**	23,184	9,897

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

	The Group					
	2012			2011		
	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000	Total RM'000	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000	Total RM'000
At 1 January	**7,174**	**11,062**	**18,236**	4,821	11,086	15,907
Allowance made during the financial year	**562**	**623**	**1,185**	2,872	128	3,000
Write back during the financial year	**–**	**–**	**–**	(435)	(152)	(587)
Acquisition of subsidiary	**6,856**	**–**	**6,856**	–	–	–
Write off	**(84)**	**–**	**(84)**	(164)	–	(164)
Exchange fluctuation	**(14)**	**(22)**	**(36)**	80	–	80
At 31 December	**14,494**	**11,663**	**26,157**	7,174	11,062	18,236

Notes to the Financial Statements

for the financial year ended 31 December 2012

9 OTHER ASSETS (CONTINUED)

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

	The Group	
	2012 Individual impairment allowance RM'000	2011 Individual impairment allowance RM'000
At 1 January	**64,940**	60,901
Allowance made during the financial year	**36,339**	11,668
Write back during the financial year	**(5,352)**	(5,175)
Write off	**(23,909)**	(75)
Exchange fluctuation	**(3,697)**	(2,379)
At 31 December	**68,321**	64,940

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	**131,204**	170,961
Amortisation during the financial year	**(27,391)**	(40,741)
Individual impairment allowance writeback/(made)	**(289)**	984
At 31 December	**103,524**	131,204

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

10 DEFERRED TAXATION

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

	The Group			The Company		
	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
Deferred tax assets	**110,344**	78,669	77,973	**–**	–	–
Deferred tax liabilities	**(132,682)**	(210,146)	(112,294)	**(2,127)**	(2,122)	(3,988)
	(22,338)	(131,477)	(34,321)	**(2,127)**	(2,122)	(3,988)

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

10 DEFERRED TAXATION (CONTINUED)

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January, as previously reported	**(84,287)**	3,145	**(2,122)**	(3,988)
Effect of adoption of MFRS 1	**(47,190)**	(37,466)	**–**	–
At 1 January, as restated	**(131,477)**	(34,321)	**(2,122)**	(3,988)
Credited/(charged) to profit or loss (Note 38)				
– loans, advances and financing	**(2,918)**	(103,939)	**–**	–
– unutilised tax losses	**42,113**	484	**–**	–
– excess of capital allowance over depreciation	**(18,558)**	12,328	**30**	–
– intangible assets	**34,423**	15,177	**–**	–
– financial investments available-for-sale	**(9,585)**	(8,036)	**–**	–
– Provision for accrued expenses	**34,629**	(46,005)	**–**	–
– other temporary differences	**(6,489)**	37,506	**(23)**	1,844
	73,615	(92,485)	**7**	1,844
– (over)/under accrual in prior years	**26,178**	11,231	**(12)**	22
	99,793	(81,254)	**(5)**	1,866
Disposal of subsidiaries	**(141)**	3,488	**–**	–
Transferred to equity				
– revaluation reserve – financial investments available-for-sale	**9,487**	(19,390)	**–**	–
At 31 December	**(22,338)**	(131,477)	**(2,127)**	(2,122)

	The Group			The Company		
	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
Deferred tax assets (before offsetting)						
Loans, advances and financing	**65,494**	88,893	169,410	**–**	–	–
Financial investments available-for-sale	**–**	–	45	**–**	–	–
Unutilised tax losses	**47,922**	5,889	5,801	**–**	–	–
Provision for accrued expenses	**235,981**	201,757	233,703	**284**	365	334
Other temporary differences	**178,392**	140,095	162,826	**–**	–	–
	527,789	436,634	571,785	**284**	365	334
Offsetting	**(417,445)**	(357,965)	(493,812)	**(284)**	(365)	(334)
Deferred tax assets (after offsetting)	**110,344**	78,669	77,973	**–**	–	–
Deferred tax liabilities (before offsetting)						
Property, plant and equipment	**(78,035)**	(65,759)	(75,099)	**(16)**	(36)	(7)
Financial investments available-for-sale	**(153,811)**	(162,186)	(130,576)	**–**	–	–
Intangible assets	**(274,291)**	(296,154)	(357,009)	**–**	–	–
Other temporary differences	**(43,990)**	(44,012)	(43,422)	**(2,395)**	(2,451)	(4,315)
	(550,127)	(568,111)	(606,106)	**(2,411)**	(2,487)	(4,322)
Offsetting	**417,445**	357,965	493,812	**284**	365	334
Deferred tax liabilities (after offsetting)	**(132,682)**	(210,146)	(112,294)	**(2,127)**	(2,122)	(3,988)

Notes to the Financial Statements

for the financial year ended 31 December 2012

11 STATUTORY DEPOSITS WITH CENTRAL BANKS

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

12 INVESTMENT IN SUBSIDIARIES

	The Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ordinary shares	**7,336,383**	7,336,383	7,336,383
Redeemable preference shares *	**11,595,114**	10,552,853	8,708,941
Redeemable convertible unsecured loan stocks *	**–**	–	49,442
	18,931,497	17,889,236	16,094,766
Less: Allowance for impairment loss of a subsidiary	**(1,275)**	(1,275)	(1,275)
	18,930,222	17,887,961	16,093,491

The direct subsidiaries of the Company are:

		Percentage of equity held		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Berhad	Investment holding	**100**	100	100
CIMB Group Sdn Bhd	Investment holding	**99.9**	99.9	99.9
Commerce MGI Sdn Bhd	Dormant	**51**	51	51
Commerce Asset Realty Sdn Bhd	Holding of properties for letting to a related company	**100**	100	100
iCIMB (MSC) Sdn Bhd	Provision of management and outsourcing services	**100**	100	100
SBB Berhad	Dormant	**100**	100	100
CIMB Foundation ∞	Special purpose vehicle	**–**	–	–
Touch 'n Go Sdn Bhd @	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20	20

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

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

* Classified as cost of investment in subsidiaries due to the terms of the instruments.

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMB Berhad are:

		Percentage of equity held					
		Directly by CIMB Berhad			Indirectly by the Company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Islamic Trustee Berhad@ (formerly known as CIMB Trustee Berhad)	Trustee services	**20**	20	20	**100**	100	100
CIMB Commerce Trustee Berhad@ (formerly known as BHLB Trustee Berhad)	Trustee services	**20**	20	20	**100**	100	100

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

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	**99.9**	99.9	99.9	**–**	–	–
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	**100**	100	100	**–**	–	–
PT Bank CIMB Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	**96.9**	96.9	96.9	**1.0**	1.0	1.0
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	**99.0**	99.0	99.0	**1.0**	1.0	1.0
CIMB SI Sdn Bhd	Trading in securities and direct principal investments	**100**	100	100	**–**	–	–
CIMB SI I Sdn Bhd	Investment holding	**–**	–	–	**100**	100	100
CIMB SI II Sdn Bhd	Investment holding	**100**	100	100	**–**	–	–
CIMB Private Equity Sdn Bhd	Investment holding	**100**	100	100	**–**	–	–
Maju Uni Concept Sdn Bhd	Investment holding	**–**	–	–	**100**	100	100
Mutiara Makmur Ventures Sdn Bhd	Investment holding	**–**	–	–	**100**	100	100
Semantan Investment Holdings Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	–	**100**	100	100
Papyrus Capital Sdn Bhd	Investment holding	**–**	–	–	**100**	100	100

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are (continued):

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
Armada Investment Holdings Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	–	**84.8**	84.8	84.8
CIMB General Partner Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	–	**100**	100	100
CIMB Securities International Pte Ltd + (Incorporated in the Republic of Singapore)	Investment holding	**100**	100	100	**–**	–	–
CIMB Securities (Singapore) Pte Ltd + (Incorporated in the Republic of Singapore)	Stock and sharebroking	**–**	–	–	**100**	100	100
CIMB Research Pte Ltd + (Incorporated in the Republic of Singapore)	Investment research	**–**	–	–	**100**	100	100
CIMB Securities (UK) Ltd + (Incorporated in the United Kingdom)	Securities related business	**–**	–	–	**100**	100	100
CIMB Securities (USA) Inc # (Incoporated in the United States of America)	Dormant	**–**	–	–	**100**	100	100
CIMB Securities Ltd + (Incorporated in Hong Kong) (formerly known as CIMB Securities (HK) Ltd)	Securities broking, dealing and trading	**–**	–	–	**100**	100	100
CIMB Securities (HK) Nominees Ltd + (Incorporated in Hong Kong)	Nominee services	**–**	–	–	**100**	100	100
PT CIMB Securities Indonesia + (Incorporated in the Republic of Indonesia)	Stockbroking	**–**	–	–	**100**	100	100
CIMB-GK Securities (Thailand) Ltd+ (Incorporated in the Kingdom of Thailand)	Dormant	**–**	–	–	**99.9**	99.9	99.9
CIMB Real Estate Sdn Bhd	Real estate investment	**100**	100	100	**–**	–	–
CIMB-Mapletree Management Sdn Bhd	Real estate fund management	**–**	–	–	**60**	60	60
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	**60**	60	60	**–**	–	–

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are (continued):

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB-Principal Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**–**	–	–	**60**	60	60
Sathorn Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Asset Management	**–**	–	–	**99.9**	99.9	99.9
CIMB Principal Asset Management (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**–**	–	–	**60**	60	60
PT CIMB-Principal Asset Management + (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**–**	–	–	**60.4**	60.4	60.4
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**–**	–	–	**60**	60	60
i-Wealth Advisors Sdn Bhd	Provision of management services and distribution of products and services	**60**	60	60	**–**	–	–
CIMB Strategic Assets Sdn Bhd	Investment holding	**100**	100	100	**–**	–	–
Capital Advisors Partners Asia Sdn Bhd	Investment advisory services	**–**	–	–	**–**	100	60
Capital Advisors Partners Asia Pte Ltd + (Incorporated in the Republic of Singapore)	Investment advisory services	**–**	–	–	**–**	100	60
Capasia South East Asian Strategic Asset Fund (General Partner) Ltd (Incorporated in the Cayman Islands)	Investment advisory services	**–**	–	–	**60**	60	60
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**–**	–	–	**–**	100	60
CIMB Private Equity Advisors Sdn Bhd	Investment advisory and private equity management	**100**	100	100	**–**	–	–
CIG Berhad	Insurance holding company	**100**	100	100	**–**	–	–
CIMB Insurance Brokers Sdn Bhd	Insurance broking	**–**	–	–	**100**	100	100
PT CIMB Sun Life + (Incorporated in the Republic of Indonesia)	Life assurance business	**–**	–	–	**51**	51	51

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are (continued):

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
Commerce Asset Ventures Sdn Bhd ("CAV")	Investment holding company	**100**	100	100	**–**	–	–
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	**100**	100	100	**–**	–	–
Kibaru Manufacturing Sdn Bhd	Manufacturing of rubber components	**–**	–	–	**64.1**	64.1	64.1
CAV Private Equity Management Sdn Bhd	Providing management and advisory services	**–**	–	–	**100**	100	100
Commerce Technology Ventures Sdn Bhd	Investment holding company	**–**	–	–	**100**	100	100
VC Prestige Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	100	–
Commerce Agro Ventures Sdn Bhd *	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
CAV BAT Sdn Bhd	Investment holding company	**–**	–	–	**100**	100	100
Commerce Growth Sdn Bhd	Investment holding company	**–**	–	–	**100**	100	100
Prima Special Sdn Bhd*	Investment holding company	**–**	–	–	**30**	30	30
Edufuture Sdn Bhd*	Investment holding company	**–**	–	–	**30**	30	30
Metro Bumimas Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Sedia Fajar Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Peranan Dinamik Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Trace Tracker Malaysia Sdn Bhd &	Provider of traceability services	**–**	–	–	**9.67**	9.67	9.67
Pesat Dinamik Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Prima Mahawangsa Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Tetap Fajar Sdn Bhd*	Investment holding company	**–**	–	–	**33.3**	33.3	33.3
Primabaguz Sdn Bhd* (formerly known as Vital Remarks Sdn Bhd)	Manufacturing and distribution of halal meat based products	**–**	–	–	**19.3**	17	17
Ekspedisi Yakin Sdn Bhd #	Dormant	**–**	–	–	**–**	–	100
Titan Setup Sdn Bhd #	Investment holding company	**–**	–	–	**100**	100	100
Commerce-KPF Ventures Sdn Bhd *	Investment holding company	**–**	–	–	**30**	30	30
Touch 'n Go Sdn Bhd @	Establishment, operation and management of an electronic collection system for toll and transport operators	**–**	–	–	**32.2**	32.2	32.2
Radiant Direction Sdn Bhd #	Dormant	**–**	–	–	**–**	–	100
Quantum Epic Sdn Bhd #	Dormant	**–**	–	–	**–**	–	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are (continued):

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
Goodmaid Chemical Corporation Sdn Bhd #	Manufacturing of household care products	**–**	–	–	**99.6**	99.6	99.6
Goodmaid Marketing Sdn Bhd #	Trading and marketing of household care products	**–**	–	–	**100**	100	100
Goodmaid Industrial Supplies Sdn Bhd #	Trading of industrial chemical products	**–**	–	–	**100**	100	100
EQ Industry Supplies Sdn Bhd #	Trading and marketing of industrial chemicals	**–**	–	–	**100**	100	100
Itopia Sdn Bhd #@	Provision of telephony infrastructure, products and services	**–**	–	–	**49**	49	49
CIMB Middle East BSC + (Incorporated in the Kingdom of Bahrain)	Islamic investment	**99**	50	50	**1**	–	–
CIMB-Trustcapital Advisors Singapore Pte Ltd # (Incorporated in the Republic of Singapore)	Real estate management and advisory	**–**	–	–	**67**	67	70
CIMB-Trustcapital AOF1 GP Pte Ltd # (Incorporated in the Republic of Singapore)	Property fund management (including REIT manager)	**–**	–	–	**100**	100	100
CIMB Southeast Asia Research Sdn Bhd (CARI)	Public advocacy through research, publication and events	**100**	100	–	**–**	–	–
PT CIMB ASEAN Research # (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events.	**–**	–	–	**100**	100	–
CIMB Securities (Thailand) Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Stock and share broking				**99.99**	–	–
CIMB Securities International (Thailand) Public Company Ltd + (Incorporated in the Kingdom of Thailand)	Stock and share broking	**–**	–	–	**99.6**	–	–
CIMB Advisory (Thailand) Company Limited (Incorporated in the Kingdom of Thailand)	Dormant	**–**	–	–	**99.6**	–	–
CIMB Securities International (Australia) Pty Ltd (Incorporated in Australia)#	Investment holding company and providing services to related entities				**100**	–	–

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are (continued):

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Securities (Australia) Limited (Incorporated in Australia)#	Stock and share broking	–	–	–	100	–	–
CIMB Corporate Finance (Australia) Limited (Incorporated in Australia)#	Corporate finance and advisory services				100	–	–
CIMB Capital Markets (Australia) Limited (Incorporated in Australia)#	Equity capital markets business	–	–	–	100	–	–
Fleet Nominess Pty Ltd#	Nominee services	–	–	–	100	–	–
Quinambo Nominess Pty Ltd#	Nominee services	–	–	–	100	–	–
Wanford Nominees Pty Ltd#	Nominee services	–	–	–	100	–	–
CIMB Corporate Finance (India) Private Limited (Incorporated in India)	Corporate finance and advisory services	–	–	–	100	–	–
CIMB Securities (India) Private Limited (Incorporated in India)	Stock and share broking	–	–	–	75	–	–

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

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

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Holdings Sdn Bhd	Investment holding	**100**	100	100	**–**	–	–
IMBS 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 (formerly known as CIMSEC Nominees 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	**–**	–	–
CIMB Commerce Trustee Berhad @ (formerly known as BHLB Trustee Berhad)	Trustee services	**–**	–	–	**20**	20	20
CIMB Islamic Trustee Berhad @(formerly known as CIMB Trustee Berhad)	Trustee services	**–**	–	–	**20**	20	20

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

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB FactorLease Bhd	Leasing, hire purchase financing, debt factoring, loan management and property management	**100**	100	100	**–**	–	–
CIMB Islamic Trustee Berhad @ (formerly known as CIMB Trustee Berhad)	Trustee services	**20**	20	20	**40**	40	40
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	**100**	100	100	**–**	–	–
Mutiara Aset Berhad (formerly known as Bumiputra-Commerce Finance Bhd)	Dormant	**100**	100	100	**–**	–	–

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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
Mutiara Aset Berhad (formerly known as Bumiputra-Commerce Finance Bhd)	Dormant	**100**	100	100	**–**	–	–
iCIMB (M) Sdn Bhd	Provision of management and outsourcing services	**100**	100	100	**–**	–	–
CIMB Group Nominees Sdn Bhd	Nominee services	**100**	100	100	**–**	–	–
CIMB Group Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	100	**–**	–	–
CIMB Group Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	100	**–**	–	–
Semerak Services Sdn Bhd	Service company	**100**	100	100	**–**	–	–
BBMB Finance (Hong Kong) Ltd ^^ (Incorporated in Hong Kong)	Dormant	**–**	–	100	**–**	–	–
CIMB Islamic Bank Berhad	Islamic banking and related financial services	**100**	100	100	**–**	–	–
CIMB Trust Ltd (Incorporated in the Federal Territory of Labuan)	Trustee services	**100**	100	100	**–**	–	–
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	–	**100**	100	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	–	**100**	100	100
Halyconia Asia Fund Limited ^^ (Incorporated in the British Virgin Islands)	Open-ended investment fund	**–**	–	–	**–**	100	100
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	–	**100**	100	100
CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	**–**	–	–	**100**	100	100
CIMB Islamic Nominees (Tempatan) Sdn Bhd (formerly known as Southern Nominees (Tempatan) Sdn Bhd)	Nominee services	**100**	100	100	**–**	–	–

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held					
		Directly by CIMBG			Through CIMBG's subsidiary company		
Name of Subsidiary	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %	31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Islamic Nominees (Asing) Sdn Bhd (formerly known as Southern Nominees (Asing) Sdn Bhd)	Nominee services	**100**	100	100	**–**	–	–
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	**100**	100	100	**–**	–	–
BHLB Properties Sdn Bhd	Property ownership and management	**100**	100	100	**–**	–	–
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	100	**–**	–	–
SBB Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	100	**–**	–	–
CIMB Nominees (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Nominee services	**100**	100	100	**–**	–	–
SBB Capital Corporation	Special purpose vehicle	**100**	100	100	**–**	–	–
SFB Auto Berhad	Dormant	**100**	100	100	**–**	–	–
Premier Fidelity Berhad	Dormant	**100**	100	100	**–**	–	–
CIMB Bank PLC + (Incorporated in Cambodia)	Commercial banking and related financial services	**100**	100	100	**–**	–	–
Perdana Visi Hartanah Sdn Bhd	Property investment	**100**	100	100	**–**	–	–
SBB Capital Markets Sdn Bhd	Investment holding	**100**	100	100	**–**	–	–
CIMB Commerce Trustee Berhad @ (formerly known as BHLB Trustee Berhad)	Trustee services	**20**	20	20	**40**	40	40
S.B. Properties Sdn Bhd	Property ownership and management	**100**	100	100	**–**	–	–
SFB Development Sdn Bhd	Property investment	**100**	100	100	**–**	–	–
Seal Line Trading Sdn Bhd ^^	Property investment	**–**	–	–	**–**	–	100
SIBB Berhad	Dormant	**80**	80	80	**–**	–	–
Perdana Nominees (Tempatan) Sdn Bhd	Nominee services	**–**	–	–	**80**	80	80
Commerce Returns Berhad ∞	Special purpose vehicle	**–**	–	–	**–**	–	–
CIMB Thai Bank Public Company Limited+ (Incorporated in the Kingdom of Thailand)	Banking	**93.7**	93.2	93.2	**–**	–	–

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

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
PT CIMB Niaga Auto Finance + (Incorporated in the Republic of Indonesia)	Financing services	**99.9**	99.9	99.9
PT Kencana Internusa Artha Finance + (Incorporated in the Republic of Indonesia)	Financing services	**51**	51	51

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

Name of Subsidiary	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
CIMB Securities (Thailand) Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Stock and share broking	**–**	99.99	99.99
CT Coll Co., Ltd (formerly known as BT Business Consulting Co., Ltd.) + (Incorporated in the Kingdom of Thailand)	Debt Collection Service	**99.99**	99.99	99.99
Centre Auto Lease Co.,Ltd (formerly known as BT Leasing Co., Ltd.) + (Incorporated in the Kingdom of Thailand)	Leasing/hire purchase	**99.99**	99.99	99.99
Worldlease Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**99.99**	75.04	75.04

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

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

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

^^ Strike off during the financial year

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

13 INVESTMENT IN ASSOCIATES

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost of investment	**689,212**	1,165,159	504,579

	The Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted shares, at cost	**3,834**	3,834	3,834

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

	31 December 2012 RM'000	31 December 2011 RM'000
Income	**263,305**	260,095
Expenses	**(118,636)**	(111,866)
Allowance for losses on loans and advances	**(11,154)**	(4,518)
Allowance written back for impairment losses	**–**	825
Profit before taxation	**133,515**	144,536
Taxation	**(31,488)**	(33,794)
Profit after taxation	**102,027**	110,742
Non-controlling interests	**(141)**	(117)
	101,886	110,625

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Total assets	**6,672,293**	6,947,205	4,550,536
Total liabilities	**(6,068,352)**	(6,091,558)	(4,109,590)
Net assets	**603,941**	855,647	440,946

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13 INVESTMENT IN ASSOCIATES (CONTINUED)

The direct associate of the Company is:

		Percentage of equity held		
Name of Associate	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20	20

The associates held through CAV are:

		Percentage of equity held		
Name of Associate	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
IHS Innovations Sdn Bhd	Provider and consultant specialising in reliability testing systems, vision and imaging systems	**20**	20	20
Evermal Resources Sdn Bhd	Investment holding company	**–**	20.5	20.5
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	**–**	–	16.1

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

		Percentage of equity held		
Name of Associate	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
Opera Café Sdn Bhd	Leisure and entertainment services	**–**	–	49

13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
In-fusion Solutions Sdn Bhd@	Provision of educational and training related solutions and services to various government bodies and private institutions	**6**	6	6
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	**–**	–	3.1
Delphax Sdn Bhd @	Manufacturer of reconstructive & spinal implants, trauma & related orthopaedic surgical products	**7.0**	7.0	7.0

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

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
Landas Bina Aquaventures Sdn Bhd @	Aquaculture	**13.3**	13.3	13.3
Kejmukda Co. Ltd @	Investment holding company	**16.3**	16.3	–

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

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
Sesama Equilab Sdn Bhd	Dormant	**29**	29	29
Consolidated Liquid Eggs Sdn Bhd	Dormant	**30**	30	30
Explorium (M) Sdn Bhd	Provider for customer and marketing management services, e-learning, brand experience	**30**	30	30
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	**20.3**	20.3	20.3
CMnet DotCom Sdn Bhd	Dormant	**36.5**	36.5	36.5

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13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associates held through CIMB Bank are:

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
Bank of Yingkou Co. Ltd (Incorporated in the Peoples Republic of China)	Banking	**20**	20	20
The South East Asian Strategic Assets Fund (Incorporated in the Cayman Islands)	Invest in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	**25.1**	31.9	31.9
SEASAF Power Sdn Bhd	Investment holding	**25.1**	31.9	31.9
SEASAF Highway Sdn Bhd	Investment holding	**25.1**	31.9	31.9
SEASAF Education Sdn Bhd	Investment holding	**25.1**	31.9	31.9
SEASAF Sdn Bhd	Investment holding	**25.1**	31.9	31.9
SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	**25.1**	31.9	31.9

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

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
Engage Media Sdn Bhd	Operates out of home digital media network	**35**	35	35

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

Name of Associate	Principal activities	Percentage of equity held 31 December 2012 %	31 December 2011 %	1 January 2011 %
Tune Money Sdn Bhd	Online financial services	**25**	25	25

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13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

		Percentage of equity held		
Name of Associate	**Principal activities**	**31 December 2012 %**	**31 December 2011 %**	**1 January 2011 %**
CIMB Aviva Assurance Berhad	Life assurance business	**51**	51	51
CIMB Aviva Takaful Berhad	Takaful Business	**51**	51	51

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

		Percentage of equity held		
Name of Associate	**Principal activities**	**31 December 2012 %**	**31 December 2011 %**	**1 January 2011 %**
CIMB Private Equity 1 Sdn Bhd	Investment holding	**28.2**	28.2	28.2
Ekuiti Erasama Sdn Bhd@	Investment holding	**19.7**	19.7	19.7
Bigbite Ventures Sdn Bhd	Investment holding	**20.1**	20.1	20.1
Big Ship Sdn Bhd	Investment management company	**20.1**	20.1	20.1
Eagle Eye Capital Sdn Bhd@	Investment holding	**14.1**	14.1	14.1
Silverbell Capital Sdn Bhd	Investment holding	**28.2**	28.2	28.2
Silverbell Investment Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	**28.2**	28.2	28.2
Mezzanine Holdings Sdn Bhd@	Investment holding	**18.5**	18.5	18.5
Top Sigma Sdn Bhd	Investment holding	**20.1**	20.1	20.1

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

		Percentage of equity held		
Name of Associate	**Principal activities**	**31 December 2012 %**	**31 December 2011 %**	**1 January 2011 %**
CMREF 1 Sdn Bhd	Investment holding	**24.9**	24.9	24.9
Eleven Section Sixteen Sdn Bhd	Property investment and management	**24.9**	24.9	24.9
Dynamic Concept One Sdn Bhd	Property investment	**24.9**	24.9	24.9
Jaya Section Fourteen Sdn Bhd	Property investment and management	**24.9**	24.9	24.9
Project Asia City Sdn Bhd	Property investment and management	**24.9**	24.9	24.9
Forward Wealth Advisors Sdn Bhd	Property investment and management	**24.9**	24.9	24.9
Sentral Parc City Sdn Bhd	Property investment	**24.9**	24.9	24.9
Lot A Sentral Sdn Bhd@	Property investment	**14.9**	14.9	14.9

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13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

		Percentage of equity held		
Name of Associate	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
Capital Advisors Partners Asia Sdn Bhd	Investment advisory services	**40**	–	–
Capital Advisors Partners Asia Pte Ltd (Incorporated in the Republic of Singapore)	Investment advisory services	**40**	–	–
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**40**	–	–
Capasia Asean Infrastructure Fund III (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	General Partner of The CapAsia Asean Infrastructure Fund III L.P	**40**	–	–

The associates held through PT Bank CIMB Niaga Tbk is:

		Percentage of equity held		
Name of Associate	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
Asuransi Cigna (Incorporated in the Republic of Indonesia)	Life insurance activities	**–**	–	20

@ The combined interests of these associates within the Group are more than 20%
^ These are associates of the Group since financial year 2011

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Share of net assets of jointly controlled entities	**204,504**	188,479	171,486
Unquoted shares, at cost	**156,636**	156,636	156,636
Accumulated share of results	**47,868**	31,843	14,850
	204,504	188,479	171,486

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14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

		Percentage of equity held through subsidiary company		
Name	Principal activities	31 December 2012 %	31 December 2011 %	1 January 2011 %
Proton Commerce Sdn Bhd	Financing of vehicles	**50**	50	50
Alam-PE Holdings (L) Inc (Incorporated in the Federal Territory of Labuan)	Owning and chartering offshore supply vessels	**51**	51	51
CIMB-Principal Islamic Asset Management Sdn Bhd	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	**50**	50	50
Hasrat Eramas Sdn Bhd	Investment holding	**60**	60	60

Proton Commerce Sdn Bhd

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

Alam-PE Holdings (L) Inc

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

CIMB-Principal Islamic Asset Management Sdn Bhd

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

Hasrat Eramas Sdn Bhd

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

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14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	2012 RM'000	2011 RM'000
Income	**90,774**	81,818
Expenses	**(73,534)**	(62,206)
Profit before taxation	**17,240**	19,612
Taxation	**(1,215)**	(2,619)
Net profit for the financial year	**16,025**	16,993

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-current assets	**942,028**	960,978	346,881
Current assets	**177,381**	170,054	142,088
Current liabilities	**(892,125)**	(839,386)	(112,712)
Long term liabilities	**(22,780)**	(103,167)	(204,771)
Net assets	**204,504**	188,479	171,486

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15 PROPERTY, PLANT AND EQUIPMENT

The Group 2012	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	Total RM'000
Cost												
At 1 January		87,450	34,512	1,804	381,091	100,334	330,646	1,856,428	857,544	63,217	146,114	3,859,140
Additions		8	–	–	31	940	48,633	199,988	191,418	5,311	61,580	507,909
Arising from acquisition of subsidiaries	49(a)(i)	–	–	–	–	–	–	5,018	10,125	–	1,448	16,591
Disposals/written off		(2,675)	–	–	(3,578)	–	(3,162)	(91,611)	(69,726)	(22,271)	(26,356)	(219,379)
Transfer/ reclassifications		–	–	–	–	–	–	(10,640)	10,681	(41)	–	–
Reclassified to intangible assets	19	–	–	–	–	–	–	(3,466)	(13,807)	–	–	(17,273)
Reclassified to prepaid lease payments	17	–	–	–	–	–	–	(203)	–	–	–	(203)
Reclassified to investment properties	16	–	–	–	–	(6,700)	–	–	–	–	–	(6,700)
Reclassified to non-current assets held for sale	51	(467)	(579)	–	(8,010)	(1,560)	(295)	–	–	–	–	(10,911)
Exchange fluctuation		(14,527)	–	–	(1,318)	71	(26,679)	(65,883)	(122)	43	(499)	(108,914)
At 31 December		69,789	33,933	1,804	368,216	93,085	349,143	1,889,631	986,113	46,259	182,287	4,020,260
Accumulated depreciation and impairment loss												
At 1 January		8,830	9,221	978	119,874	45,281	226,986	1,196,880	669,655	55,231	67,804	2,400,740
Charge for the financial year		–	806	26	5,173	2,650	22,706	184,051	100,107	2,829	27,315	345,663
Arising from acquisition of subsidiaries	49(a)(i)	–	–	–	–	–	–	3,412	8,764	–	944	13,120
Disposals/written off		–	–	–	(2,272)	–	(2,690)	(82,222)	(67,072)	(21,364)	(20,585)	(196,205)
Reclassified to intangible assets	19	–	–	–	–	–	–	(1,262)	(7,713)	–	–	(8,975)
Reclassified to investment properties	16	–	–	–	–	(1,763)	–	–	–	–	–	(1,763)
Reclassified to non-current asset held for sale	51	–	(311)	–	(1,798)	(708)	(236)	–	–	–	–	(2,521)
Exchange fluctuation		(63)	–	–	(623)	(6)	(18,675)	(43,720)	(274)	65	(312)	(63,608)
At 31 December		8,767	9,716	1,004	120,354	45,454	228,091	1,257,139	703,467	36,761	75,166	2,485,919
Net book value at 31 December 2012		61,022	24,217	800	247,862	47,631	121,052	632,492	282,646	9,498	107,121	1,534,341

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2011	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	Total RM'000
Cost												
At 1 January		86,357	35,113	1,804	430,589	111,366	318,104	1,604,567	839,827	62,684	129,792	3,620,203
Additions		17,376	–	–	–	–	20,880	277,705	100,160	1,184	36,986	454,291
Disposals/written off		(1,594)	(601)	–	(31,920)	(3,157)	(11,168)	(16,305)	(17,208)	(240)	(18,967)	(101,160)
Transfer/ reclassifications		–	–	–	–	–	–	(3,919)	3,919	–	–	–
Deemed disposal of subsidiaries		(8,544)	–	–	(8,044)	(7,648)	–	(14,135)	(66,116)	(37)	(1,748)	(106,272)
Reclassified to intangible assets	19	–	–	–	–	–	–	–	(1,676)	(477)	–	(2,153)
Reclassified to investment properties	16	–	–	–	–	(539)	–	–	–	–	–	(539)
Reclassified to non-current assets held for sale		(7,400)	–	–	(5,516)	(135)	(832)	–	–	–	–	(13,883)
Exchange fluctuation		1,255	–	–	(4,018)	447	3,662	8,515	(1,362)	103	51	8,653
At 31 December		87,450	34,512	1,804	381,091	100,334	330,646	1,856,428	857,544	63,217	146,114	3,859,140
Accumulated depreciation and impairment loss												
At 1 January		9,639	8,802	956	128,535	47,583	213,871	1,024,289	629,416	50,142	64,022	2,177,255
Charge for the financial year		–	825	22	5,484	2,539	20,826	181,408	94,732	5,247	21,122	332,205
Disposals/written off		(633)	(406)	–	(9,042)	(941)	(10,199)	(11,689)	(10,749)	(205)	(15,725)	(59,589)
Deemed disposal of subsidiaries		–	–	–	(1,742)	(3,566)	–	(3,385)	(42,824)	–	(1,672)	(53,189)
Reclassified to investment properties	16	–	–	–	–	(327)	–	–	–	–	–	(327)
Reclassified to non-current asset held for sale		–	–	–	(1,521)	(82)	(112)	–	–	–	–	(1,715)
Exchange fluctuation		(176)	–	–	(1,840)	75	2,600	6,257	(920)	47	57	6,100
At 31 December		8,830	9,221	978	119,874	45,281	226,986	1,196,880	669,655	55,231	67,804	2,400,740
Net book value at 31 December 2011		78,620	25,291	826	261,217	55,053	103,660	659,548	187,889	7,986	78,310	1,458,400
Net book value at 1 January 2011		76,718	26,311	848	302,054	63,783	104,233	580,278	210,411	12,542	65,770	1,442,948

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2012	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 January	**6,792**	**31**	**45,687**	**5,585**	**161**	**2,635**	**60,891**
Additions	**–**	**–**	**–**	**40**	**–**	**–**	**40**
Disposals	**–**	**–**	**–**	**(248)**	**–**	**–**	**(1,239)**
At 31 December	**6,792**	**31**	**45,687**	**5,377**	**161**	**1,644**	**59,692**
Accumulated depreciation							
At 1 January	**2,760**	**31**	**22,264**	**2,251**	**155**	**1,823**	**29,284**
Charge for the financial year	**170**	**–**	**1,492**	**425**	**3**	**255**	**2,345**
Disposals	**–**	**–**	**–**	**–**	**–**	**(654)**	**(654)**
At 31 December	**2,930**	**31**	**23,756**	**2,676**	**158**	**1,424**	**30,975**
Net book value at 31 December 2012	**3,862**	**–**	**21,931**	**2,701**	**3**	**220**	**28,717**

The Company 2011	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 January	6,792	31	45,687	4,093	202	2,635	59,440
Additions	–	–	–	2,195	9	–	2,204
Disposals	–	–	–	(703)	(50)	–	(753)
At 31 December	6,792	31	45,687	5,585	161	2,635	60,891
Accumulated depreciation							
At 1 January	2,592	31	20,795	1,620	187	1,744	26,969
Charge for the financial year	168	–	1,469	636	13	79	2,365
Disposals	–	–	–	(5)	(45)	–	(50)
At 31 December	2,760	31	22,264	2,251	155	1,823	29,284
Net book value at 31 December 2011	4,032	–	23,423	3,334	6	812	31,607
Net book value at 1 January 2011	4,200	–	24,892	2,473	15	891	32,471

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16 INVESTMENT PROPERTIES

The Group	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2012						
At 1 January		**437**	**5,922**	**2,211**	**83**	**8,653**
Reclassification		**–**	**–**	**(2,212)**	**2,212**	**–**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**4,937**	**4,937**
Reclassified from prepaid lease payment	17	**–**	**–**	**6**	**–**	**6**
Reclassified to non-current assets held for sale	51	**–**	**–**	**–**	**(200)**	**(200)**
Disposals		**–**	**(700)**	**–**	**–**	**(700)**
Fair value adjustments		**(410)**	**1,201**	**–**	**3,964**	**4,755**
At 31 December		**27**	**6,423**	**5**	**10,996**	**17,451**
2011						
At 1 January		905	4,554	2,900	52,857	61,216
Additions		–	1,200	–	–	1,200
Reclassification		(79)	79	–	–	–
Reclassified from property, plant and equipment	15	–	–	–	212	212
Reclassified to prepaid lease payment	17	–	–	(689)	–	(689)
Reclassified to non-current assets held for sale	51	(389)	(1,111)	–	(771)	(2,271)
Disposals		–	–	–	(52,858)	(52,858)
Fair value adjustments		–	1,200	–	643	1,843
At 31 December		437	5,922	2,211	83	8,653

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16 INVESTMENT PROPERTIES (CONTINUED)

The Company	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2012			
Cost			
At 1 January/31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**269**	**269**
Charge for the financial year	**–**	**19**	**19**
At 31 December	**–**	**288**	**288**
Net book value at 31 December 2012	**235**	**273**	**508**
2011			
Cost			
At 1 January	1,708	4,149	5,857
Disposals	(1,473)	(3,588)	(5,061)
At 31 December	235	561	796
Accumulated depreciation			
At 1 January	–	1,517	1,517
Charge for the financial year	–	110	110
Disposals	–	(1,358)	(1,358)
At 31 December	–	269	269
Accumulated impairment loss			
At 1 January	633	191	824
Disposals	(633)	(191)	(824)
At 31 December	–	–	–
Net book value at 31 December 2011	235	292	527
Net book value at 1 January 2011	1,075	2,441	3,516

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

	The Group	
	2012 RM'000	2011 RM'000
Rental income	**236**	1,052
Operating expenses arising from investment properties that generated the rental income	**72**	119

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17 PREPAID LEASE PAYMENTS

The Group	Note	Leasehold land less than 50 years RM'000	Total RM'000
2012			
Cost			
At 1 January		**289,193**	**289,193**
Arising from acquisition of a subsidiary	49(a)(i)	**1,345**	**1,345**
Additions		**161**	**161**
Reclassified from property, plant and equipment	15	**203**	**203**
Reclassified to investment properties	16	**(13)**	**(13)**
Exchange fluctuation		**(36)**	**(36)**
At 31 December		**290,853**	**290,853**
Amortisation and impairment loss			
At 1 January		**118,629**	**118,629**
Amortisation during the financial year		**12,642**	**12,642**
Reclassified to investment properties	16	**(7)**	**(7)**
Exchange fluctuation		**(24)**	**(24)**
At 31 December		**131,240**	**131,240**
Net book value at 31 December 2012		**159,613**	**159,613**
2011			
Cost			
At 1 January		289,364	289,364
Reclassified to non-current assets held for sale	51	(693)	(693)
Reclassified to investment properties	16	689	689
Disposals/write-off		(58)	(58)
Exchange fluctuation		(109)	(109)
At 31 December		289,193	289,193
Amortisation and impairment loss			
At 1 January		103,822	103,822
Amortisation during the financial year		14,910	14,910
Disposals/write-off		(34)	(34)
Reclassified to non-current assets held for sale	51	(2)	(2)
Exchange fluctuation		(67)	(67)
At 31 December		118,629	118,629
Net book value at 31 December 2011		170,564	170,564
Net book value at 1 January 2011		185,542	185,542

17 PREPAID LEASE PAYMENTS (CONTINUED)

Future amortisation of prepaid land lease is as follows:

The Group	31 December 2012 Leasehold land less than 50 years RM'000	31 December 2011 Leasehold land less than 50 years RM'000	1 January 2011 Leasehold land less than 50 years RM'000
– Not later than one year	**12,642**	14,910	14,466
– Later than one year and not later than five years	**50,567**	59,642	57,865
– More than five years	**96,404**	96,012	113,211
	159,613	170,564	185,542

18 GOODWILL

		The Group	
	Note	2012 RM'000	2011 RM'000
Cost			
At 1 January		**8,278,712**	8,187,655
Goodwill arising from business combinations:		**164,417**	–
– Acquisition of SICCO Securities Public Company Limited	49a(i)	**12,033**	–
– Arising from initial accounting for the acquisition of selected RBS businesses	49a(ii)	**152,384**	–
Deemed disposal of insurance subsidiaries		**–**	(26,549)
Exchange fluctuation		**(216,078)**	117,606
At 31 December		**8,227,051**	8,278,712
Impairment			
At 1 January		**(36,223)**	(36,223)
Impairment charge during the financial year		**(10,242)**	–
At 31 December		**(46,465)**	(36,223)
Net book value at 31 December		**8,180,586**	8,242,489

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18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating-units

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

Acquisition	CGU	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
CIMB Investment Bank Berhad	Corporate and Investment Banking	**21,547**	21,547	21,547
CIMB Securities International Pte Ltd	Corporate and Investment Banking	**165,114**	153,081	153,081
CIMB SI Sdn Bhd	Corporate and Investment Banking	**19,246**	19,246	19,246
Commerce Asset Ventures Sdn Bhd	Asset Management	**–**	10,242	10,242
Insurance entities	Insurance	**1,500**	1,500	28,049
PT Bank CIMB Niaga Tbk	Foreign Banking Operations	**2,578,349**	2,578,349	2,578,349
SBB Berhad	Retail Banking	**1,101,075**	1,101,075	1,101,075
	Business Banking	**911,000**	911,000	911,000
	Corporate and Investment Banking	**419,000**	419,000	419,000
	Islamic Banking	**136,000**	136,000	136,000
	Direct Banking Group	**587,000**	587,000	587,000
	Treasury	**537,000**	537,000	537,000
CIMB-Principal Asset Management Sdn Bhd	Asset Management	**281,772**	281,772	281,772
CIMB Thai Bank Public Company Limited	Foreign Banking Operations	**1,199,277**	1,199,277	1,199,277
Touch 'n Go Sdn Bhd	Others	**51,082**	51,082	51,082
Exchange fluctuation		**19,240**	235,318	117,712
		8,028,202	8,242,489	8,151,432
RBS businesses	Unallocated*	**152,384**	–	–
		8,180,586	8,242,489	8,151,432

* The goodwill arising from acquisition of selected RBS businesses is based on management's best estimates as at 31 December 2012. The amount of goodwill unallocated is RM152,384,000. As the acquisition was completed close to the financial year ended 31 December 2012, the fair value adjustments in respect of assets and liabilities are in progress. As allowed by MFRS 3, fair value adjustments to the assets and liabilities and goodwill will be finalised in the financial year ended 31 December 2013. Goodwill impairment testing will be performed once the allocation of goodwill to CGUs is finalised.

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2013 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

18 GOODWILL (CONTINUED)

Impairment test for goodwill (continued)

Value-in-use (continued)

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

	31 December 2012		31 December 2011		1 January 2011	
	Growth rate	Discount rate	Growth rate	Discount rate	Growth rate	Discount rate
Corporate and Investment Banking	2.00%-5.00%	4.50%-11.15%	2.00%-5.00%	6.54%-12.24%	2.00%-5.00%	7.12%-19.23%
Asset Management	5.00%	7.10%	5.00%	8.72%	3.00%-5.00%	8.89%
Consumer Banking	5.00%	7.10%	5.00%	8.72%	5.00%	8.89%
Treasury and Investment	5.00%	7.10%	5.00%	8.72%	5.00%	8.89%
Foreign banking operations	2.00%	9.50%-10.86%	2.00%	12.33%-12.82%	2.00%	10.43%-11.59%
Others	2.00-5.00%	7.10%	2.00-5.00%	8.72%	4.20%-5.00%	8.89%

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

Impairment charge

The impairment charge of RM10.2 million during the financial year arises from asset management CGU (2011: Nil). The impairment charge arose as the recoverable amount of the CGU was less than the carrying value of the CGU following a reassessment of the market which has been increasingly competitive putting pressure on the future growth of the business. The reassessment is based on comparison with comparable industries in which the CGU operates.

19 INTANGIBLE ASSETS

The Group 2012	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Licenses and debentures RM'000	Insurance broker license* RM'000	Total RM'000
Cost								
At 1 January		**211,795**	**1,348,558**	**30,939**	**1,150,823**	**2,007**	**899**	**2,745,021**
Arising from acquisition of a subsidiary	49(a)(i)	**–**	**–**	**–**	**941**	**–**	**–**	**941**
Additions during the financial year		**–**	**–**	**–**	**309,977**	**9,695**	**–**	**319,672**
Disposals during the financial year		**–**	**–**	**–**	**(3,257)**	**–**	**–**	**(3,257)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**17,273**	**–**	**–**	**17,273**
Exchange fluctuation		**(23)**	**–**	**735**	**(708)**	**(189)**	**–**	**(185)**
At 31 December		**211,772**	**1,348,558**	**31,674**	**1,475,049**	**11,513**	**899**	**3,079,465**

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

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19 INTANGIBLE ASSETS (CONTINUED)

The Group 2012	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Licenses and debentures RM'000	Insurance broker license* RM'000	Total RM'000
Accumulated amortisation and impairment								
At 1 January		**103,343**	**427,646**	**30,788**	**570,716**	**649**	**–**	**1,133,142**
Amortisation during the financial year		**23,060**	**110,772**	**–**	**128,249**	**31**	**–**	**262,112**
Disposals during the financial year		**–**	**–**	**–**	**(2,519)**	**–**	**–**	**(2,519)**
Reclassified from property, plant and equipment	15	**–**	**–**	**–**	**8,975**	**–**	**–**	**8,975**
Exchange fluctuation		**(22)**	**–**	**735**	**(288)**	**(190)**	**–**	**235**
At 31 December		**126,381**	**538,418**	**31,523**	**705,133**	**490**	**–**	**1,401,945**
Net book value at 31 December 2012		**85,391**	**810,140**	**151**	**769,916**	**11,023**	**899**	**1,677,520**

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

The Group 2011	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Licenses and debentures RM'000	Insurance broker license* RM'000	Total RM'000
Cost								
At 1 January		211,795	1,348,558	29,685	863,540	1,906	899	2,456,383
Additions during the financial year		–	–	–	308,056	–	–	308,056
Disposals during the financial year		–	–	–	(7,037)	–	–	(7,037)
Reclassified from property, plant and equipment	15	–	–	–	2,153	–	–	2,153
Deemed disposal of subsidiaries		–	–	–	(13,929)	–	–	(13,929)
Exchange fluctuation		–	–	1,254	(1,960)	101	–	(605)
At 31 December		211,795	1,348,558	30,939	1,150,823	2,007	899	2,745,021

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

19 INTANGIBLE ASSETS (CONTINUED)

The Group 2011	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Licenses and debentures RM'000	Insurance broker license* RM'000	Total RM'000
Accumulated amortisation and impairment								
At 1 January		80,283	316,874	29,534	478,329	31	–	905,051
Amortisation during the financial year		23,060	110,772	–	108,049	298	–	242,179
Impairment during the financial year		–	–	–	(1,916)	–	–	(1,916)
Disposals during the financial year		–	–	–	(5,134)	–	–	(5,134)
Deemed disposal of subsidiaries		–	–	–	(7,626)	–	–	(7,626)
Exchange fluctuation		–	–	1,254	(986)	320	–	588
At 31 December		103,343	427,646	30,788	570,716	649	–	1,133,142
Net book value at 31 December 2011		108,452	920,912	151	580,107	1,358	899	1,611,879
Net book value at 1 January 2011		131,512	1,031,684	151	385,211	1,875	899	1,551,332

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

The above intangible assets include software under construction at cost of RM452,343,695 (31 December 2011: RM429,321,508; 1 January 2011: RM246,949,720).

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

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

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

Customer relationships:	
– credit card	5.5 years
– revolving credit	1 year
– overdraft	2 - 3 years
– trade finance	1 year
Core deposits	1.5 - 16 years
Computer software	2 - 14 years

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20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Demand deposits	**57,438,752**	51,191,447	43,982,722
Savings deposits	**28,178,314**	25,380,012	22,242,066
Fixed deposits	**110,497,486**	98,257,823	90,291,236
Negotiable instruments of deposit	**3,371,484**	3,020,467	1,545,997
Others	**44,484,271**	44,083,393	41,783,643
	243,970,307	221,933,142	199,845,664

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Due within six months	**100,144,057**	87,378,439	77,723,485
Six months to one year	**10,436,673**	10,628,247	10,887,119
One year to three years	**1,562,580**	1,338,243	1,281,316
Three years to five years	**891,283**	1,583,660	1,677,355
More than five years	**834,377**	349,701	267,958
	113,868,970	101,278,290	91,837,233

(ii) By type of customer

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Government and statutory bodies	**11,507,833**	12,579,786	14,123,891
Business enterprises	**97,653,374**	96,573,598	89,923,855
Individuals	**92,727,823**	84,078,467	70,213,582
Others	**42,081,277**	28,701,291	25,584,336
	243,970,307	221,933,142	199,845,664

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	**12,383,677**	8,549,707	7,241,711
Licensed finance companies	**405,825**	129,555	145,025
Licensed investment banks	**437,756**	200,041	529,845
Bank Negara Malaysia	**1,988,428**	372,677	1,598,400
Other financial institutions	**6,187,072**	3,712,329	3,577,176
	21,402,758	12,964,309	13,092,157

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM97,000,000 (31 December 2011: RM70,000,000; 1 January 2011: RM1,025,300,000) using interest rate swaps.

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Negotiable instruments of deposit	**97,000**	70,000	1,025,300
Fair value changes arising from fair value hedges	**(2,141)**	721	(13,613)
	94,859	70,721	1,011,687

The fair value loss of the interest rate swaps in this hedge transaction as at 31 December 2012 was RM2,287,177 (31 December 2011: fair value gain of RM3,577,351; 1 January 2011: fair value loss of RM13,843,746).

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22 OTHER LIABILITIES

		The Group			The Company		
	Note	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 and clients		**1,730,672**	1,275,520	1,042,668	**–**	–	–
Expenditure payable		**1,849,179**	1,530,272	1,716,722	**1,404**	3,149	941
Provision for legal claims		**86,801**	128,254	138,319	**–**	–	–
Sundry creditors		**809,560**	881,454	897,968	**4**	39	522
Insurance fund – life and takaful insurance business		**51,277**	45,397	998,019	**–**	–	–
Insurance fund – general insurance business		**–**	–	541,062	**–**	–	–
Allowance for commitments and contingencies	(a)	**46,497**	33,061	88,631	**–**	–	–
Post employment benefit obligations	23	**253,924**	292,022	286,019	**–**	54	52
Credit card expenditure payable		**222,557**	125,537	221,237	**–**	–	–
Call deposit borrowing		**456,832**	436,242	281,833	**–**	–	–
Others		**1,971,927**	1,615,184	2,065,893	**–**	–	–
		7,479,226	6,362,943	8,278,371	**1,408**	3,242	1,515

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	**33,061**	88,631
Allowance written back during the financial year	**(13,473)**	(55,435)
Transferred from portfolio impairment allowances	**28,786**	–
Payment made during the financial year	**–**	(477)
Exchange fluctuation	**(1,877)**	342
At 31 December	**46,497**	33,061

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23 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group			The Company		
	Note	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
Defined contribution plan – EPF	(a)	**30,271**	28,713	30,500	**–**	54	52
Defined benefit plans	(b)	**223,653**	263,309	255,519	**–**	–	–
		253,924	292,022	286,019	**–**	54	52

(a) Defined contribution plan

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

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Malaysia, Indonesia, Thailand and Singapore, the assets of which are held in separate trustee-administered funds. The latest actuarial valuations of the plans in Indonesia, Thailand and Singapore were carried out in 2012.

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Present value of funded obligations	**522,254**	503,820	538,526
Fair value of plan assets	**(331,268)**	(301,522)	(398,838)
Status of funded plan	**190,986**	202,298	139,688
Present value of unfunded obligations	**111,356**	107,156	96,930
Unrecognised actuarial losses	**(80,014)**	(45,464)	(21,477)
Unrecognised past service costs	**1,325**	(681)	40,378
Liability	**223,653**	263,309	255,519

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

	The Group	
	2012 RM'000	2011 RM'000
Current service costs	**42,102**	38,325
Interest costs	**35,980**	39,637
Expected return on plan assets	**(30,613)**	(32,616)
Net actuarial losses recognised during the year	**533**	1,951
Past service costs	**62**	5,139
Curtailment gain of unrecognised loss	**–**	(5,046)
Termination	**2,854**	(269)
Total included in personnel costs (Note 34)	**50,918**	47,121

The actual return on plan assets of the Group was RM31,763,000 (2011: RM23,192,000).

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23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (continued)

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	**610,976**	635,456
Current service costs	**42,102**	38,325
Interest costs	**35,980**	39,637
Actuarial losses/(gains)	**11,129**	(3,075)
Benefits paid	**(45,304)**	(179,452)
Past service costs non-vested benefits	**(1,460)**	6,546
Past service costs vested benefits	**11**	4,985
Effects of changes in actuarial assumption	**34,400**	76,298
Settlements	**–**	–
Curtailments	**(1,376)**	(5,642)
Exchange fluctuation	**(52,939)**	(2,102)
At 31 December	**633,519**	610,976

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

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	**301,522**	398,838
Expected return on plan assets	**30,613**	32,616
Actuarial losses/(gains)	**2,199**	(14,810)
Employer contributions	**3,454**	3,617
Contribution by plan participant	**52,992**	–
Benefits paid	**(31,092)**	(123,632)
Exchange fluctuation	**(28,420)**	4,893
At 31 December	**331,268**	301,522

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

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

	The Group		
	31 December 2012 %	31 December 2011 %	1 January 2011 %
Discount rates	**3.50 - 7.00**	3.50 - 9.00	6.60 - 11.00
Expected return on plan assets	**10.00**	11.00	5.00 - 11.00
Future salary increases	**5.00 - 8.00**	5.00 - 8.00	6.00 - 8.00

23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (continued)

The expected contribution to post employment benefits plan for the financial year ending 31 December 2013 is RM3,329,000 (2012: RM3,617,000) to the Group.

The Group	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000
As at 31 December						
Present value of funded defined benefit obligation	**522,163**	503,820	538,526	410,414	351,129	318,032
Fair value of plan assets	**(331,268)**	(301,522)	(398,838)	(358,906)	(247,806)	(288,677)
Deficit	**190,895**	202,298	139,688	51,508	103,323	29,355
Experience adjustments on plan liabilities	**11,129**	(3,075)	(11,928)	17,846	23,187	19,190
Experience adjustments on plan assets	**2,199**	(14,810)	(11,856)	41,040	(61,236)	23,323

24 BONDS AND DEBENTURES

		The Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
USD140 million bonds 2009/2014 ("USD140 million bonds")	(a)	**–**	–	423,982
IDR1,500,000 million bonds	(b)	**640,018**	521,225	–
HKD462 million notes	(c)	**188,499**	–	–
USD350 million notes	(d)	**1,079,268**	–	–
IDR2,000,000 million bonds	(e)	**475,123**	–	–
Structured debentures THB1.2 billion	(f)	**121,489**	–	–
Short term debenture THB 6.6 billion	(g)	**656,153**	–	–
IDR600,000 million bonds CNAF I/ 2012	(h)	**189,949**	–	–
		3,350,499	521,225	423,982

(a) USD140 million bonds

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

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24 BONDS AND DEBENTURES (CONTINUED)

(b) IDR1,500,000 million bonds

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

(i) Series A Bond

The nominal value of the bonds amounted to IDR180,000 million with a tenor of 3 years which will mature on 23 December 2014. It bears fixed interest rate of 7.375% per annum.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR1,320,000 million with a tenor of 5 years which will mature on 23 December 2016. It bears fixed interest rate of 8.30% per annum.

(c) HKD462 million notes

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

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
HKD462 million notes, at cost	**180,462**	–	–
Fair value changes arising from fair value hedges	**3,116**	–	–
Foreign exchange translation and interest payables	**4,921**	–	–
	188,499	–	–

The fair value gain of cross currency interest rate swaps in this hedge transaction as at 31 December 2012 were RM5,457,587 (31 December 2011: Nil; 1 January 2011: Nil).

(d) USD350 million notes

On 26 July 2012, CIMB Bank Berhad, an indirect subsidiary of the Company, issued a USD 350 million 5-year senior unsecured notes under it USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 26 July 2017. It bears a coupon rate of 2.375% per annum payable semi-annually in arrears.

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
USD350 million notes, at cost	**1,103,725**	–	–
Fair value changes arising from fair value hedges	**3,630**	–	–
Foreign exchange translation and interest payables	**(28,087)**	–	–
	1,079,268	–	–

The fair value gain of interest rate swaps in this hedge transaction as at 31 December 2012 were RM10,764,183 (31 December 2011: Nil; 1 January 2011: Nil).

24 BONDS AND DEBENTURES (CONTINUED)

(e) IDR2,000,000 million bonds

In 2012, CIMB Niaga, a indirect subsidiary of the Company, issued unsecured IDR2,000,000 million bonds with fixed interest rates. The bonds are divided into two series:

(i) Series A Bond
The nominal value of the bonds amounted to IDR600,000 million with a tenor of 3 years which will mature on 30 October 2015. It bears fixed interest rate of 7.35% per annum.

(ii) Series B Bond
The nominal value of the bonds amounted to IDR1,400,000 million with a tenor of 5 years which will mature on 30 October 2017. It bears fixed interest rate of 7.75% per annum.

(f) Structured debentures THB1.2 billion

During the financial year, CIMB Thai Bank issued various unsecured structured debentures amounted to THB1.2 billion with embedded callable range accrual swaps. The structured deposits will mature in five years from respective issuance dates. The structured debentures bear interest rate at THBFIX 6 month + 0.50% per annum payable semi annually.

(g) Short term debentures THB6.6 billion

During the financial year, CIMB Thai Bank issued various unsecured short term debentures amounted to THB6.6 billion, with maturity dates varies from 12 days to 6 months. The debentures carry fixed interest rates of 2.76% to 2.95%, payable at respective maturity dates.

(h) IDR600,000 million bonds

During the year, PT CIMB Niaga Auto Finance, a wholly-owned subsidiary of CIMB Niaga, has issued a unsecured IDR600,000 million bond with fixed interest rates. The bonds are divided in 2 series:

(i) Series 1
The nominal value of the bonds amounted to IDR152,000 million with a tenor of 1 year which will mature on 22 November 2013. It bears fixed interest rate of 7.00% per annum.

(ii) Series 2
The nominal value of the bonds amounted to IDR448,000 million with a tenor of 3 years which will mature on 22 November 2015. It bears fixed interest rate of 8.10% per annum.

25 OTHER BORROWINGS

		The Group			The Company		
	Note	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
Syndicated term loan – USD300 million	(a)	**–**	–	925,050	**–**	–	–
Syndicated term loan – USD100 million	(b)	**306,164**	318,052	308,350	**306,164**	318,052	308,633
Commercial Papers/ Medium Term Notes	(c)	**917,196**	861,382	257,118	**1,002,575**	946,804	343,623
Term loan	(d)	**2,000,969**	2,300,642	1,470,922	**2,493,826**	2,001,196	1,012,092
Others	(e)	**2,362,369**	1,843,956	822,147	**–**	–	–
		5,586,698	5,324,032	3,783,587	**3,802,565**	3,266,052	1,664,348

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25 OTHER BORROWINGS (CONTINUED)

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

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

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

The main features of the CPs are as follows:

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

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

(iii) In 2011, the Company issued RM100 million Commercial Papers which will mature on 27 January 2012. The Commercial Papers and MTNs carry an interest rate of 3.40%. On January 2012, the RM100 million Commercial Papers has matured on 27 January 2012.

(iv) In 2012, the Company issued RM150 million Commercial Papers which will mature on 28 February 2013. The Commercial Papers carry an interest rate of 3.4% per annum.

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

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

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

(iii) In 2011, the Company issued RM500 million MTNs which will mature on 14 April 2016. The MTNs carry an interest rate of 4.20% per annum.

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

	The Company		
	31 December 2012 %	**31 December 2011 %**	**1 January 2011 %**
Islamic Medium Term Notes, at cost	**150,000**	150,000	150,000
Fair value changes arising from fair value hedge	**(2,663)**	(9,052)	(7,882)
	147,337	140,948	142,118

The fair value gain of profit rate swaps in these hedge transactions as at 31 December 2012 was RM1,313,881 (31 December 2011: RM4,270,816; 1 January 2011: RM5,676,287).

25 OTHER BORROWINGS (CONTINUED)

(d) In 2009, the Company secured an unsecured term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full at the end of three years on 26 June 2015 and bears a floating interest rate of 3.69% (2011:3.73%) per annum.

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

In 2012, the Company secured a term loan amounting to USD190 million from its subsidiary which bears a floating rate of 1.2% plus USD Cost of fund per annum. The term loan is secured by shares of its subsidiaries. The term loan is partially drawdown up to USD160.5 million as of 31 December 2012. The term loan will mature on 30 October 2017.

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

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

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

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

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

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

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

The Group continues to recognise the hire purchase receivables on its statements of financial position as at 31 December 2012 and 2011 as the Group continues to retain the risk and rewards of the hire purchase receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2012

26 SUBORDINATED NOTES

		The Group			The Company		
	Note	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 Notes 2006/2011 (USD200 million)	(a)	**–**	–	443,580	**–**	–	–
Subordinated Notes 2010/2017 (IDR 1,380,000 million)	(b)	**466,949**	496,607	467,108	**–**	–	–
Subordinated Notes 2010/2020 (IDR 1,600,000 million)	(c)	**506,917**	568,762	546,692	**–**	–	–
Subordinated bonds RM1.5 billion	(d)	**1,510,496**	1,520,952	1,506,340	**–**	–	–
Subordinated bonds RM1.0 billion	(e)	**1,015,603**	1,015,786	1,000,000	**–**	–	–
Subordinated bonds RM1.0 billion	(f)	**994,303**	991,868	947,673	**–**	–	–
Subordinated Notes (USD50 million)	(g)	**–**	–	158,387	**–**	–	–
Subordinated Notes (USD40 million)	(h)	**–**	133,734	126,237	**–**	–	–
Subordinated Notes – THB544 million	(i)	**54,450**	54,843	55,932	**–**	–	–
Subordinated Sukuk – RM850 million	(j)	**861,751**	545,590	295,203	**–**	–	–
Subordinated Notes – RM1 billion	(k)	**1,018,754**	1,027,297	999,414	**–**	–	–
Subordinated Notes – RM1 billion	(k)	**1,061,704**	1,066,054	998,774	**–**	–	–
Subordinated Fixed Rate Notes RM1.38 billion	(l)	**1,380,276**	1,380,552	1,380,000	**1,380,276**	1,380,552	1,380,000
Subordinated Fixed Rate Notes RM150 million	(m)	**146,857**	146,857	150,000	**151,917**	151,917	150,000
Subordinated Fixed Rate Notes RM600 million	(m)	**599,415**	591,921	600,000	**609,185**	609,186	600,000
Subordinated Notes – RM1.5 billion	(n)	**1,557,190**	1,567,422	–	**–**	–	–
Subordinated Notes – THB3 billion	(o)	**238,072**	309,735	–	**–**	–	–
Subordinated notes – THB3 billion	(p)	**302,091**	–	–	**–**	–	–
Subordinated Debt – RM1.5 billion	(q)	**1,505,458**	–	–	**–**	–	–
		13,220,286	11,417,980	9,675,340	**2,141,378**	2,141,655	2,130,000

26 SUBORDINATED NOTES (CONTINUED)

(a) Subordinated Notes 2006/2011

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

The main features of the Notes are as follows:

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

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

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

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

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

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

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

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

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

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

(d) Subordinated Bonds RM1.5 billion

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

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

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

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

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

26 SUBORDINATED NOTES (CONTINUED)

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated bonds, at cost	**600,000**	600,000	600,000
Fair value changes arising from fair value hedges	**(8,634)**	1,821	6,341
	591,366	601,821	606,341

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2012 was RM4,598,938 (31 December 2011: RM14,993,302; 1 January 2011: 20,380,266).

(e) Subordinated Bonds RM1.0 billion

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

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

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

(f) Subordinated Bonds RM1.0 billion

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

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

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

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

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

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

26 SUBORDINATED NOTES (CONTINUED)

(f) Subordinated Bonds RM1.0 billion (continued)

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated bonds, at cost	**800,000**	800,000	800,000
Fair value changes arising from fair value hedges	**(6,880)**	(9,119)	(52,327)
	793,120	790,881	747,673

The fair value loss of interest rate swaps in these hedge transactions as at 31 December 2012 was RM9,589,359 (31 December 2011: RM11,841,284; 1 January 2011: RM55,049,856).

(g) Subordinated Notes USD50 million

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

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

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

(h) Subordinated Notes USD40 million

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

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

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

On 21 February 2012, CIMB Thai Bank had fully settled the USD40 million Notes.

(i) Subordinated Notes THB544 million

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

Notes to the Financial Statements

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26 SUBORDINATED NOTES (CONTINUED)

(j) Subordinated Sukuk RM850 million

The RM850 million unsecured subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme by the Company's indirect subsidiary, CIMB Islamic, which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

RM250 million Subordinated debts

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated debts, at cost	**250,000**	250,000	–
Fair value changes arising from fair value hedges	**5,628**	7,959	–
	255,628	257,959	–

The fair value gain of profit rate swaps in these hedge transactions as at 31 December 2012 were RM5,932,760 (31 December 2011: RM8,194,538; 1 January 2011: RM Nil).

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

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

RM300 million Subordinated debts

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated bonds, at cost	**300,000**	–	–
Fair value changes arising from fair value hedges	**(2,351)**	–	–
	297,649	–	–

The fair value loss of profit rate swaps in this hedge transaction as at 31 December 2012 was RM2,302,664.

The RM850 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

26 SUBORDINATED NOTES (CONTINUED)

(k) Subordinated Notes RM2 billion

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

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

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

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

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

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

Subordinated debts with maturity of 10 years

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated debts, at cost	**1,000,000**	1,000,000	1,000,000
Fair value changes arising from fair value hedges	**18,754**	27,297	(586)
	1,018,754	1,027,297	999,414

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2012 RM15,087,833 was (31 December 2011: fair value gain of RM23,117,414; 1 January 2011: fair value loss of RM3,113,966).

Subordinated debts with maturity of 15 years

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated debts, at cost	**1,000,000**	1,000,000	1,000,000
Fair value changes arising from fair value hedges	**61,704**	66,054	(1,226)
	1,061,704	1,066,054	998,774

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2012 was RM51,449,507 (31 December 2011: RM55,268,434; 1 January 2011: fair value loss of RM8,039,903).

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

26 SUBORDINATED NOTES (CONTINUED)

(l) Subordinated Fixed Rate Notes RM1.38 billion

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

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

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

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

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

(n) Subordinated Notes RM1.5 billion

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

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

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

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

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

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

RM1.35 billion Subordinated debts

	The Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Subordinated debts, at cost	**1,350,000**	1,350,000	–
Fair value changes arising from fair value hedges	**26,142**	35,936	–
	1,376,142	1,385,936	–

26 SUBORDINATED NOTES (CONTINUED)

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

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2012 was RM29,818,318 (31 December 2011: RM38,756,075; 1 January 2011: RM Nil).

RM150 million Subordinated debts

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated debts, at cost	**150,000**	150,000	–
Fair value changes arising from fair value hedges	**5,819**	6,257	–
	155,819	156,257	–

The fair value gain of interest rate swaps in these hedge transactions as at 31 December 2012 was RM6,478,919 (31 December 2011: RM6,820,237; 1 January 2011: RM Nil).

(o) Subordinated Notes THB3 billion

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

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

The THB 3 billion Notes will mature on 14 July 2021 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

(p) Subordinated debt THB 3 billion

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

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

The THB3 billion Notes qualify as Tier-2 Capital for the purpose of the RWCR computation.

Notes to the Financial Statements

for the financial year ended 31 December 2012

26 SUBORDINATED NOTES (CONTINUED)

(q) Subordinated debt RM1.5 billion

CIMB Bank has on 30 November 2012 completed the issuance of RM1.5 billion unsecured subordinated debt.

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

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

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

The RM1.5 billion subordinated debt qualifies as Tier-2 Capital for the purpose of the RWCR computation.

27 SHARE CAPITAL

	The Group and the Company	
	2012 RM'000	2011 RM'000
Ordinary shares of RM1.00 each:		
Authorised:		
At 1 January/31 December	**10,000,000**	10,000,000
Issued and fully paid shares of RM1.00 each:		
At 1 January/31 December	**7,432,775**	7,432,775

28 PREFERENCE SHARES

		The Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Liability				
Non-cumulative guaranteed preference shares	28(a)	**703,724**	741,429	706,879
Redeemable prefence shares	28(b)	**128,196**	139,587	153,283
		831,920	881,016	860,162
Equity				
Perpetual preference shares	28(c)	**200,000**	200,000	200,000

Notes to the Financial Statements

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28 PREFERENCE SHARES (CONTINUED)

(a) Non-cumulative guaranteed preference shares

	The Group	
	2012 RM'000	2011 RM'000
Authorised		
Redeemable preference shares of USD0.01 each		
At 1 January/31 December	**8**	8

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Issued and fully paid			
Redeemable preference shares of USD0.01 each			
Non-cumulative guaranteed preference shares	**703,724**	741,429	706,879

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-cumulative guaranteed preference shares, at cost	**728,250**	728,250	728,250
Fair value changes arising from fair value hedges	**91,556**	108,644	99,331
Foreign exchange translations	**(116,082)**	(95,465)	(120,702)
	703,724	741,429	706,879

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

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

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

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

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

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

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28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares

	Note	The Group 2012 RM'000	The Group 2011 RM'000
Authorised			
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(i)	**1,000**	1,000
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(ii)	**350**	350
Issued and fully paid			
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(i)	**100,000**	100,000
Redeemable preference shares of RM0.01 each	(ii)		
At 1 January		**39,587**	53,283
Redeemed during the financial year		**(11,391)**	(13,696)
At 31 December		**28,196**	39,587

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

The main features of the RPS are as follows:

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

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

The main features of the RPS are as follows:

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

28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares (continued)

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

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 5% per annum.
- The maturity date of the RPS is either:-
  - (i) the date corresponding to the 5th anniversary of the issue date; or
  - (ii) the date corresponding to the 7th anniversary of the issue date; or
  - (iii) such other date as the Board may resolve.

Each RPS shall be liable to be redeemed at the option of the holders at any time after the issue date at the redemption price.

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

The main features of the RPS are as follows:

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

(c) Perpetual preference shares

	The Group	
	2012 RM'000	**2011 RM'000**
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**200,000**	200,000

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

(i) The PPS has no right to dividends.

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

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

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

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29 RESERVES

	Note	The Group			The Company		
		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
Share premium – ordinary shares		**4,192,596**	4,192,596	4,192,596	**4,192,596**	4,192,596	4,192,596
Statutory reserves	(a)	**4,306,464**	4,103,591	3,935,308	**–**	–	–
Regulatory reserve	(b)	**1,173,577**	490,627	117,595	**–**	–	–
Capital reserve		**137,104**	137,104	136,954	**55,982**	55,982	55,982
Exchange fluctuation reserves	(c)	**(876,497)**	174,664	–	**–**	–	–
Revaluation reserve – financial investments available-for-sale	(d)	**800,965**	729,551	645,212	**–**	–	–
Retained earnings	(e)	**11,226,520**	8,550,863	6,566,187	**1,521,610**	1,281,871	1,263,815
Share-based payment reserve	(f)	**59,459**	374,332	318,071	**–**	–	–
Other reserves – hedging reserve – net investment hedge	(g)	**36,109**	(46,254)	–	**–**	–	–
– EOP reserve-shares purchased pending release	(h)	**(111,810)**	(65,388)	–	**–**	–	–
		20,944,487	18,641,686	15,911,923	**5,770,188**	5,530,449	5,512,393

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

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

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

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

(e) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax in the hands of the shareholders ("single tier system"). During the financial year 2009, the Company has fully utilised the credit in the Section 108 balance to distribute dividend payments to its shareholders as allowed by the transitional provision under the Finance Act, 2007. As at 31 December 2012, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (31 December 2011: RM477,522,037; 1 January 2011: RM467,522,037) out of its retained earnings.

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

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

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

30 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2012 RM'000	2011 RM'000
At 1 January/31 December	**563**	563

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

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

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

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

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

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

As at 31 December 2012, there are 258,000 units remain unexercised.

(b) Treasury shares, at cost

	The Group and the Company			
	2012		2011	
	Units '000	RM'000	Units '000	RM'000
At 1 January	**3**	**30**	2	21
Purchased during the year	**1**	**2**	1	9
At 31 December	**4**	**32**	3	30

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30 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 17 April 2012, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back 205 (2011: 1,040) of its issued share capital at an average price of RM7.61 per share (2011: RM8.60 per share), from the open market. As at statements of financial position date, there were 3,209 ordinary shares held as treasury shares (2011: 3,004). The total consideration paid for the share buyback during the financial year, including transaction costs is RM1,783 (2011: RM8,631) and was financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

31 INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing				
– interest income other than recoveries	**10,809,389**	10,130,012	**5**	32
– unwinding income ^	**140,015**	158,602	**–**	–
Money at call and deposits with financial institutions	**571,901**	531,544	**9,619**	7,417
Reverse repurchase agreements	**157,942**	107,351	**–**	–
Financial assets held for trading	**342,539**	351,863	**–**	–
Financial investments available-for-sale	**896,330**	694,747	**–**	–
Financial investments held-to-maturity	**390,585**	521,447	**–**	–
Others	**16,317**	17,878	**271**	541
	13,325,018	12,513,444	**9,895**	7,990
Accretion of discounts less amortisation of premiums	**215,587**	168,068	**–**	583
	13,540,605	12,681,512	**9,895**	8,573

^ Unwinding income is interest income earned on impaired financial assets

32 INTEREST EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	**165,629**	112,832	**–**	–
Deposits from other customers	**4,835,399**	4,868,975	**–**	–
Repurchase agreements	**32,085**	2,480	**–**	–
Bonds	**64,267**	968	**–**	–
Subordinated notes	**564,087**	576,782	**147,192**	146,790
Loans sold to Cagamas	**–**	1,635	**–**	–
Negotiable certificates of deposits	**99,960**	141,756	**–**	–
Other borrowings	**263,569**	186,480	**113,209**	88,654
Others	**119,729**	113,353	**–**	–
	6,144,725	6,005,261	**260,401**	235,444

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33 NET NON-INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net fee and commission income:				
Commissions	**517,216**	475,792	**–**	–
Fee on loans, advances and financing	**463,879**	394,805	**–**	–
Portfolio management fees	**20,948**	18,391	**–**	–
Service charges and fees	**528,455**	459,343	**–**	–
Corporate advisory fees	**143,695**	133,989	**–**	–
Guarantee fees	**48,880**	66,148	**–**	–
Other fee income	**289,795**	240,899	**–**	–
Placement fees	**96,053**	51,441	**–**	–
Underwriting commission	**35,168**	34,286	**–**	–
Fee and commission income	**2,144,089**	1,875,094	**–**	–
Fee and commission expense	**(415,647)**	(365,195)	**–**	–
Net fee and commission income	**1,728,442**	1,509,899	**–**	–
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**1,882,314**	2,240,314
– Associates	**–**	–	**–**	700
– Financial assets held for trading	**33,785**	31,477	**–**	–
– Financial investments available-for-sale	**14,437**	20,757	**–**	–
Outside Malaysia				
– Financial assets held for trading	**1,664**	2,143	**–**	–
– Financial investments available-for-sale	**11,760**	20,023	**–**	–
	61,646	74,400	**1,882,314**	2,241,014
Net gain/(loss) arising from financial assets held for trading				
– realised	**60,820**	(315,618)	**–**	–
– unrealised	**38,944**	(36,621)	**–**	–
	99,764	(352,239)	**–**	–
Net gain/(loss) arising from derivative financial instruments				
– realised	**848,823**	538,520	**(4,316)**	(7,129)
– unrealised	**(250,495)**	349,416	**(17,950)**	18,386
	598,328	887,936	**(22,266)**	11,257
Net loss arising from hedging derivatives	**(26,912)**	(16,284)	**63**	(194)

Notes to the Financial Statements

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33 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gain from sale of financial investments available-for-sale	**388,868**	329,432	**–**	–
Net gain from redemption/maturity of financial investments held-to-maturity	**35,581**	76,864	**–**	–
Income from assets management and securities services	**181,992**	178,901	**–**	–
Brokerage income	**385,959**	349,461	**–**	–
Other non-interest income:				
Foreign exchange gain/(loss):				
– realised	**138,459**	(110,977)	**2**	(318)
– unrealised	**190,367**	312,741	**10,749**	(9,073)
Share of gain from recovery of impaired loans	**133,464**	101,220	**–**	–
Gain on deemed disposal/disposal of interests in subsidiaries	**2,567**	250,000	**–**	–
Rental income	**9,597**	13,069	**2,491**	2,778
Gain on disposal of property, plant and equipment/ assets held for sale	**14,868**	16,194	**104**	–
Gain on disposal of leased assets	**168**	99	**–**	–
Gain on disposal of investment properties	**–**	–	**–**	1,670
Gain on disposal of associates	**445**	–	**–**	–
Gain on revaluation of investment properties	**4,755**	1,843	**–**	–
Other non-operating income	**460,878**	356,031	**21**	6
Underwriting surplus before management expenses (Note (a))	**9,753**	16,809	**–**	–
Loss on disposal of foreclosed properties	**(9,387)**	(19,942)	**–**	–
	955,934	937,087	**13,367**	(4,937)
	4,409,602	3,975,457	**1,873,478**	2,247,140

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

	The Group	
	2012 RM'000	2011 RM'000
Insurance premium earned	**148,369**	67,998
Net claims incurred	**(117,522)**	(33,274)
Net commissions	**(21,094)**	(17,915)
	9,753	16,809

34 OVERHEADS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel costs				
– Salaries, allowances and bonus	**3,285,005**	2,711,023	**(181)**	1,307
– Pension costs (defined contribution plan)	**202,039**	169,312	**(37)**	213
– Pension costs (defined benefit plans (Note 23(b))	**50,918**	47,121	**–**	–
– Overtime	**32,157**	33,014	**4**	18
– Staff incentives and other staff payments	**182,813**	139,560	**–**	–
– Medical expenses	**88,648**	78,530	**3**	6
– Others	**475,047**	339,375	**12**	144
Establishment costs				
– Depreciation of property, plant and equipment	**345,663**	332,205	**2,345**	2,365
– Depreciation of investment properties	**–**	–	**19**	110
– Amortisation of prepaid lease payments	**12,642**	14,910	**–**	–
– Rental	**333,261**	301,823	**4**	62
– Repair and maintenance	**309,778**	215,492	**323**	439
– Outsourced services	**215,782**	287,695	**7**	22
– Security expenses	**95,943**	95,600	**–**	–
– Others	**218,739**	196,428	**678**	502
Marketing expenses				
– Sales commission	**15,844**	13,556	**–**	–
– Advertisement	**268,810**	278,573	**117**	10
– Others	**71,739**	64,543	**–**	–
Administration and general expenses				
– Amortisation of intangible assets	**262,112**	242,179	**–**	–
– Legal and professional fees	**178,418**	171,449	**329**	6,736
– Stationery	**82,921**	91,070	**5**	2
– Communication	**154,339**	160,733	**40**	50
– Incidental expenses on banking operations	**39,875**	56,487	**–**	–
– Insurance	**179,975**	150,796	**–**	–
– Others	**509,631**	438,438	**6,222**	3,129
	7,612,099	6,629,912	**9,890**	15,115

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34 OVERHEADS (CONTINUED)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors' remuneration (Note 37)	**14,588**	16,490	**1,955**	2,589
Rental of premises	**224,183**	225,427	**–**	21
Hire of equipment	**9,088**	7,270	**3**	41
Lease rental	**31,986**	19,631	**–**	–
Auditors' remuneration				
Audit				
– Statutory audit (PricewaterhouseCoopers Malaysia*)	**3,443**	3,314	**176**	171
– Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)	**5,140**	4,898	**–**	–
– Limited review (PricewaterhouseCoopers Malaysia*)	**710**	723	**–**	–
– Limited review (other member firms of PricewaterhouseCoopers International Limited*)	**810**	638	**–**	–
– Other audit related (PricewaterhouseCoopers Malaysia*)	**160**	160	**–**	–
– Other audit related (other member firms of PricewaterhouseCoopers International Limited*)	**274**	227	**–**	–
Non-audit				
– Non-audit services (PricewaterhouseCoopers Malaysia*)	**905**	661	**31**	27
– Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)	**511**	990	**–**	–
Other auditors remuneration				
– Statutory audit	**361**	–	**–**	–
– Non-audit services	**110**	–	**–**	–
Property, plant and equipment written off	**731**	–	**–**	68

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

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

	The Group	
	2012 RM'000	2011 RM'000
Allowance for bad and doubtful debts on loans and financing		
Net allowance made during the financial year		
– Individual impairment allowance	**164,322**	348,005
– Portfolio impairment allowance	**600,195**	539,855
Impaired loans and financing		
– recovered	**(442,195)**	(413,472)
– written off	**6,776**	12,955
	329,098	487,343

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36 ALLOWANCE MADE/(WRITTEN BACK) FOR IMPAIRMENT LOSSES

	The Group	
	2012 RM'000	2011 RM'000
Financial investments available-for-sale		
– net allowance made/(written back) during the financial year	**5,749**	12,941
Financial investments held-to-maturity		
– net allowance (written back)/made during the financial year	**(2,906)**	785
– recovered	**–**	(2,509)
Goodwill		
– impaired during the financial year	**10,242**	–
Associates/Jointly controlled entity		
– net allowance made during the financial year	**2,229**	2,973
	15,314	14,190

37 DIRECTORS' REMUNERATION

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

Executive Directors
Dato' Sri Mohamed Nazir bin Abdul Razak

Non-Executive Directors
Tan Sri Dato' Md Nor bin Md Yusof
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Glenn Muhammad Surya Yusuf
Watanaa Petersik
Katsumi Hatao

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive Directors				
– Salary and other remuneration	**6,037**	6,285^	**–**	1,193
– Benefits-in-kind	**3,963**	4,155	**–**	35
	10,000	10,440	**–**	1,228
Non-Executive Directors				
– Fees	**1,303**	1,452	**885**	829
– Other remuneration	**3,180**	4,028^	**1,070**	532
– Benefits-in-kind	**105**	570	**–**	–
	4,588	6,050	**1,955**	1,361

^ These salary and other remuneration include bonus accruals in relation to the directorship of certain Directors in certain subsidiaries excluding Bank CIMB Niaga. The Directors' bonus for the financial year 2012 will be paid in tranches, spread over financial year 2013, while for financial year 2011, it will be 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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37 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
2012								
Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	–	6,037	3,963	10,000	–	–	–	–
	–	6,037	3,963	10,000	–	–	–	–
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	126	762	–	888	102	758	–	860
Dato' Zainal Abidin bin Putih	270	520	–	790	126	68	–	194
Dato' Hamzah bin Bakar	186	299	–	485	126	58	–	184
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	270	519	–	789	126	58	–	184
Dato' Robert Cheim Dau Meng	–	806	94	900	–	–	–	–
Hiroyuki Kudo	–	134	11	145	–	–	–	–
Cezar Peralta Consing	114	32	–	146	102	30	–	132
Glenn Muhammad Surya Yusuf	126	47	–	173	114	43	–	157
Watanan Petersik	114	36	–	150	102	32	–	134
Katsumi Hatao	97	25	–	122	87	23	–	110
	1,303	3,180	105	4,588	885	1,070	–	1,955
	1,303	9,217	4,068	14,588	885	1,070	–	1,955

Notes to the Financial Statements

for the financial year ended 31 December 2012

37 DIRECTORS' REMUNERATION (CONTINUED)

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

38 TAXATION

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Taxation based on the profit for the financial year:				
– Malaysian income tax	**914,156**	766,508	**258,422**	502,409
– Foreign tax	**523,329**	337,732	**–**	–
	1,437,485	1,104,240	**258,422**	502,409
Deferred tax (Note 10)	**(73,615)**	92,485	**(7)**	(1,844)
(Over)/Under accrual in prior years	**(82,784)**	(67,909)	**12**	(22)
	1,281,086	1,128,816	**258,427**	500,543

Notes to the Financial Statements

for the financial year ended 31 December 2012

38 TAXATION (CONTINUED)

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	**5,638,311**	5,203,142	**1,613,082**	2,005,154
Tax calculated at a rate of 25%	**1,409,578**	1,300,785	**403,271**	501,289
Income not subject to tax	**(121,592)**	(212,528)	**(177,285)**	(1,216)
Effects of different tax rates in other countries	**(101,747)**	(58,834)	**–**	–
Effects of change in tax rates	**–**	743	**–**	–
Expenses not deductible for tax purposes	**229,122**	229,043	**32,429**	492
Utilisation of previously unrecognised tax losses	**(51,491)**	(62,484)	**–**	–
(Over)/Under accrual in prior years	**(82,784)**	(67,909)	**12**	(22)
Tax charge of current year	**1,281,086**	1,128,816	**258,427**	500,543

Deferred tax assets arising from unabsorbed tax losses amounted to RM152,170,000 (31 December 2011: RM191,922,000, 1 January 2011: RM244,725,000), have not been recognised in the Group's financial statements. The unabsorbed tax losses will expire in 2013 and 2014.

39 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2012	2011
Net profit for the financial year (RM'000)		
– from continuing operations	**4,305,194**	4,007,385
– from discontinuing operations	**39,582**	23,413
	4,344,776	4,030,798
Weighted average number of ordinary shares in issue ('000)	**7,432,772**	7,432,772
Basic earnings per share (expressed in sen per share)		
– from continuing operations	**57.9**	53.9
– from discontinuing operations	**0.5**	0.3
	58.4	54.2

(b) Diluted earnings per share

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

40 DIVIDENDS PER ORDINARY SHARE

Dividends recognised as distributions to owners:

The single tier second interim dividend for the previous financial year were approved by the Board of Directors on 27 February 2012 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single tier interim dividend of 5.0 sen per ordinary share on 7,432,771,506 ordinary shares amounting to RM371,638,575 for the financial year ended 31 December 2012. The interim dividend of 5.0 sen per ordinary share was approved by the Board of Directors on 15 August 2012 and paid on 28 September 2012.

The Directors have proposed a second interim single tier dividend of 18.38 sen per ordinary share, on 7,432,771,338 ordinary shares amounting to RM1,366,000,000 in respect of the financial year ended 31 December 2012, to be paid in 2013. The single tier second interim dividend was approved by the Board of Directors on 17 January 2013. The proposed dividend consist of an electable portion of 18.38 sen which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Scheme as disclosed in Note 47(d) to the financial statements and subject to the relevant regulatory approvals.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2013.

The Directors do not recommend the payment of any final dividend for the financial year ended 2012.

	The Group and the Company			
	2012		2011	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend	**10.0**	**743,277**	8.0	594,622
Interim dividend	**5.0**	**371,639**	12.0	891,933
	15.0	**1,114,916**	20.0	1,486,555

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

Notes to the Financial Statements
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41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Subsidiaries		Associates		Key management personnel	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Related party transactions						
The Group						
Income earned						
Interest on loans, advances and financing	**–**	–	**–**	–	**55**	42
Brokerage income	**–**	–	**–**	–	**183**	42
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	**–**	–	**–**	–	**3,868**	3,766
The Company						
Income earned						
Interest on fixed deposits and money market	**9,619**	7,333	**–**	–	**–**	–
Accretion on financial investments held-to-maturity	**–**	583	**–**	–	**–**	–
Interest on savings account	**–**	84	**–**	–	**–**	–
Interest on collateral pledged for derivative transaction	**271**	541	**–**	–	**–**	–
Dividend income	**1,882,314**	2,240,314	**–**	700	**–**	–
Rental income	**2,491**	2,773	**–**	–	**–**	–
Expenditure incurred						
Interest on IMTN	**5,017**	5,597	**–**	–	**–**	–
Interest on term loan	**1,887**	–	**–**	–	**–**	–

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates		Key management personnel	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Related party balances						
The Group						
Amount due from						
Loans, advances and financing	**–**	–	**–**	–	**10,125**	20,740
Amount due to						
Deposits from customers and securities sold under repurchase agreements	**–**	–	**–**	–	**320,978**	324,625
Others	**–**	–	**–**	–	**–**	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	**135,075**	316,828	**–**	–	**–**	–
Derivatives financial instruments	**9,398**	13,188	**–**	–	**–**	–
Others	**6,143**	26,726	**–**	–	**–**	–
Amount due to						
Amount due to CIMB Bank Berhad	**81,306**	89,944	**–**	–	**–**	–
Amount due to CIMB Islamic Bank Berhad	**20,105**	20,105				
Derivatives financial instruments	**8,892**	4,164	**–**	–	**–**	–
Term loan from CIMB Bank Berhad	**492,856**	–	**–**	–	**–**	–

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

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries and other short-term employee benefits	**104,420**	99,963	**13,006**	15,390
Share options of the Company (units)	**–**	11,008,700	**–**	4,760,000
Shares of the Company (units)	**3,383,529**	3,618,435	**406,936**	484,945

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

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

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

(e) Credit transactions and exposures with connected parties

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Outstanding credit exposures with connected parties	**14,386,434**	11,984,397	14,928,121
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**5.29%**	5.13%	7.22%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.00%**	0.00%	0.00%

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the Company, owns 29% of the issued share capital of the Company (2011: 24%). KNB is an entity controlled by the Malaysian Government. The Group considers 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 Company.

Apart from the individually significant transactions as disclosed in Note 9(c), Note 42(a) and Note 47(c) to the Financial Statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

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

42 EMPLOYEE BENEFITS

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

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company, whereby share options are granted to selected employees of the Group. The scheme was initially launched on 1 March 2004 and the expiry date of the scheme was extended from 28 February 2012 to 31 May 2012. The Scheme lapsed thereafter.

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

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

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

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

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

The total share-based payment expenses recognised in relation to the Scheme during the current financial year amounted Nil (2011: RM23,717,843). The shares were exercisable 2 years from the grant date.

Notes to the Financial Statements
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42 EMPLOYEE BENEFITS (CONTINUED)

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

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

Options (units '000)	2012	2011
At 1 January	**17,707**	36,674
Granted	**–**	–
Bonus issue	**–**	–
Exercised	**(17,707)**	(18,905)
Forfeited	**–**	(62)
At 31 December	**–**	17,707

There are no share options outstanding at the end of the financial year.

The weighted average share price at the time of exercise was RM7.39 (2011: RM8.12). There is no weighted average remaining contractual life as at 31 December 2012 (2011: 0.16 years).

The total entitlement granted during the financial year was Nil (2011: Nil) and number of entitlements that are exercisable at the financial year end is Nil (2011: 17,707,137 units).

(b) Equity Ownership Plan ("EOP")

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

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

The total share-based payment expenses recognised in statement of income during the financial year amounted to RM87,962,000 (2011: RM59,847,030).

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

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

	2012 Total Shares (units '000)	2011 Total Shares (units '000)
At 1 January	**7,807**	–
Awarded	**16,381**	10,545
Released	**(8,517)**	(2,738)
At 31 December	**15,671**	7,807

43 CAPITAL COMMITMENTS

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Capital expenditure:			
Authorised and contracted for	**421,403**	320,582	320,388
Authorised but not contracted for	**519,196**	1,123,558	1,291,836
	940,599	1,444,140	1,612,224

Analysed as follows:

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Property, plant and equipment	**569,098**	736,947	1,033,084
Subscription for investments	**57,986**	61,736	64,486
Bank guarantee	**96,506**	–	
Software development	**9,100**	35,885	9,315
Computer software	**69,638**	601,004	468,413
Others	**138,271**	8,568	36,926
	940,599	1,444,140	1,612,224

44 LEASE COMMITMENTS

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

	The Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Within one year	**197,324**	174,445	130,317
One year to less than five years	**602,595**	777,449	187,322
Five years and more	**418,752**	456,911	150,585

45 SEGMENT REPORTING

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

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

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

Notes to the Financial Statements

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45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting

Definition of segments

As a result of an internal organisation, there is a change in business segment reporting. The Group has been re-organised into the four major operating divisions. The division form the basis on which the Group reports is segment information.

(i) *Consumer Banking*

Consumer Banking provides full-fledged financial services to individuals and commercial customers. It encompasses the banking services across the Group's main operating markets of Malaysia, Indonesia, Singapore, Thailand and Cambodia. The divisions which make up the Consumer Banking are Consumer Sales & Distribution, Retail Financial Services, Commercial Banking, Group Cards & Personal Financing and Group Insurance.

- Consumer Sales & Distribution oversees the Group's sales network including branches and mobile sales teams.
- Retail Financial Services is responsible for most of the products and services to individuals and micro enterprise customers. It offers products covering lending, deposits, wealth management, remittance and other services.
- Commercial Banking is responsible for the development of products and services for small and medium-scale enterprise (SMEs) and mid-sized corporations.
- Group Cards & Personal Financing is responsible for the Group's credit card business and personal loans portfolio.
- Group Insurance is responsible of manufacturing and distribution of life and takaful insurance products.

(ii) *Wholesale Banking*

Wholesale Banking comprises Investment Banking and Corporate Banking, Treasury & Markets.

- Investment Banking includes client coverage, advisory, equities and asset management businesses. Client coverage focuses on marketing and delivering solutions to corporate and institutional clients.

  Advisory offers financial advisory services to corporations, advising issuance of equity-linked products, debts restructuring, mergers and acquisitions, initial public offerings, secondary offerings and general corporate advisory. Equities, provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making, as well as provides nominee services and stock broking services to retail and corporate clients.

  Asset management comprises wholesale fund management and unit trust.

- Corporate Banking, Treasury and Markets (CBTM) is responsible for corporate lending and deposit taking, transaction banking, treasury and markets activities. Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative instrument avenues.

(iii) *Investments*

Investments focus on Group Strategy and Strategic Investments (GSSI) including funding operations for the Group. GSSI consists of Group Strategy, Private Equity and Strategies Investment which focus in defining and formulating strategies at the corporate and business unit levels, oversees the Group's strategic, private equity fund management and strategic investments. It also invests in the Group's proprietary capital.

(iv) *Support and others*

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (continued)

	31 December 2012					
	Consumer Banking	Wholesale Banking		Investment	Support and Others	Total
Group	RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	RM'000	RM'000	RM'000
Continuing operations						
Net interest income						
– external income/(expense)	4,874,629	59,576	2,524,312	(87,566)	24,929	7,395,880
– inter-segment income	(29,119)	(13,514)	(3,677)	162,924	(116,614)	–
	4,845,510	46,062	2,520,635	75,358	(91,685)	7,395,880
Non-interest income	1,666,281	928,200	1,308,922	525,008	(18,809)	4,409,602
Income from Islamic banking operations	814,215	140,173	344,936	384,196	5,823	1,689,343
	7,326,006	1,114,435	4,174,493	984,562	(104,671)	13,494,825
Overheads of which:	(4,868,256)	(805,383)	(1,382,561)	(483,798)	(72,101)	(7,612,099)
– Depreciation of property, plant and equipment	(211,636)	(43,990)	(37,272)	(9,702)	(43,063)	(345,663)
– Amortisation of prepaid lease payments	(34)	(90)	–	–	(12,518)	(12,642)
– Amortisation of intangible assets	(130,535)	(5,600)	(13,893)	(89,314)	(22,770)	(262,112)
Profit/(loss) before allowances	2,457,750	309,052	2,791,932	500,764	(176,772)	5,882,726
Allowance (made)/written back for impairment losses on loans, advances and financing	(116,153)	2,106	(152,744)	(27)	(62,280)	(329,098)
Allowance written back/(made) for losses on other receivables	(15,760)	(1,920)	2,107	(2,379)	(13,435)	(31,387)
Allowance (made)/written back for commitments and contingencies	14,507	–	(1,330)	–	296	13,473
Allowance written back/(made) for other impairment losses	–	–	(842)	(17,466)	2,994	(15,314)
Segment results	2,340,344	309,238	2,639,123	480,892	(249,197)	5,520,400
Share of results of jointly controlled entity	4,349	(1,126)	–	12,802	–	16,025
Share of results of associates	–	602	–	101,284	–	101,886
Profit/(loss) before taxation	2,344,693	308,714	2,639,123	594,978	(249,197)	5,638,311
Taxation						(1,281,086)
Profit for the period for continuing operations						4,357,225
Discontinuing operations						
Share of results of associates from discontinuing operations	39,582	–	–	–	–	39,582
Profit for the period						4,396,807

Notes to the Financial Statements

for the financial year ended 31 December 2012

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (continued)

	31 December 2012					
	Consumer Banking	Wholesale Banking		Investment	Support and Others	Total
Group	RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	RM'000	RM'000	RM'000
Segment assets	139,499,694	7,071,918	165,974,058	10,812,898	1,359,240	324,717,808
Investment in associates and jointly controlled entities	153,557	6,615	–	729,026	4,518	893,716
	139,653,251	7,078,533	165,974,058	11,541,924	1,363,758	325,611,524
Unallocated assets	–	–	–	–	–	11,445,360
Total assets	139,653,251	7,078,533	165,974,058	11,541,924	1,363,758	337,056,884
Segment liabilities	144,974,579	1,734,585	146,140,849	2,577,249	6,957,345	302,384,607
Unallocated liabilities	–	–	–	–	–	5,320,831
Total liabilities	144,974,579	1,734,585	146,140,849	2,577,249	6,957,345	307,705,438
Other segment items						
Incurred capital expenditure	465,038	119,767	38,556	12,697	191,684	827,742
Investment in jointly controlled entities	153,557	1,989	–	48,958	–	204,504
Investment in associates	–	4,626	–	680,066	4,520	689,212

Notes to the Financial Statements

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45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (continued)

	31 December 2011					
	Consumer Banking	Wholesale Banking		Investment	Support and Others	Total
Group	RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	RM'000	RM'000	RM'000
Continuing operations						
Net interest income						
– external income/(expense)	4,349,136	46,040	2,488,863	(227,892)	20,104	6,676,251
– inter-segment income	30,882	(8,704)	(181,674)	277,489	(117,993)	–
	4,380,018	37,336	2,307,189	49,597	(97,889)	6,676,251
Non-interest income	1,489,821	858,018	844,771	782,349	498	3,975,457
Income from Islamic banking operations	731,176	68,139	293,249	374,958	2,799	1,470,321
	6,601,015	963,493	3,445,209	1,206,904	(94,592)	12,122,029
Overheads of which:	(4,363,994)	(693,878)	(1,271,986)	(266,695)	(33,359)	(6,629,912)
– Depreciation of property, plant and equipment	(218,293)	(38,373)	(43,045)	(11,720)	(20,774)	(332,205)
– Amortisation of prepaid lease payments	(2,914)	–	–	–	(11,996)	(14,910)
– Amortisation of intangible assets	(124,239)	(2,684)	(12,169)	(87,842)	(15,245)	(242,179)
Profit/(loss) before allowances	2,237,021	269,615	2,173,223	940,209	(127,951)	5,492,117
Allowance (made)/written back for impairment losses on loans, advances and financing	(285,770)	412	(82,265)	(5,803)	(113,917)	(487,343)
Allowance written back/(made) for losses on other receivables	(24,329)	(4,465)	(1,254)	22,137	(997)	(8,908)
Allowance (made)/written back for commitments and contingencies	6,762	–	23,097	(72)	25,648	55,435
Recoveries from investment management and securities services	–	–	–	15,000	–	15,000
Allowance written back/(made) for other impairment losses	1,554	–	452	(17,567)	1,371	(14,190)
Segment results	1,935,238	265,562	2,113,253	953,904	(215,846)	5,052,111
Share of results of jointly controlled entity	9,359	(1,264)	–	8,898	–	16,993
Share of results of associates	–	–	–	110,625	–	110,625
Profit/(loss) before taxation	1,944,597	264,298	2,113,253	1,073,427	(215,846)	5,179,729
Taxation						(1,128,816)
Profit for the period for continuing operations						4,050,913
Discontinuing operations						
Share of results of associates from discontinuing operations	23,413	–	–	–	–	23,413
Profit for the period						4,074,326

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for the financial year ended 31 December 2012

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (continued)

	31 December 2011					
	Consumer Banking	Wholesale Banking		Investment	Support and Others	Total
		Investment Banking	Corporate Banking, Treasury and Markets			
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	125,862,975	5,139,362	145,486,222	9,529,576	1,608,240	287,626,375
Investment in associates and jointly controlled entities	657,611	3,114	–	688,369	4,544	1,353,638
	126,520,586	5,142,476	145,486,222	10,217,945	1,612,784	288,980,013
Unallocated assets	–	–	–	–	–	10,968,885
Total assets	126,520,586	5,142,476	145,486,222	10,217,945	1,612,784	299,948,838
Segment liabilities	134,241,323	5,142,476	123,330,070	3,090,307	6,015,201	269,027,168
Unallocated liabilities	–	2,350,267	–	–	–	3,923,373
Total liabilities	134,241,323	2,350,267	123,330,070	3,090,307	6,015,201	272,950,541
Other segment items						
Incurred capital expenditure	406,286	68,159	38,710	34,633	215,759	763,547
Investment in jointly controlled entities	149,208	3,114	–	36,157	–	188,479
Investment in associates	508,403	–	–	652,212	4,544	1,165,159

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45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (continued)

1 January 2011						
	Consumer Banking	Wholesale Banking		Investment	Support and Others	Total
Group	RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	RM'000	RM'000	RM'000
Segment assets	111,995,990	7,110,954	129,297,766	8,037,861	1,123,832	257,566,403
Investment in associates and jointly controlled entities	139,849	4,378	–	491,918	39,920	676,065
	112,135,839	7,115,332	129,297,766	8,529,779	1,163,752	258,242,468
Unallocated assets	–	–	–	–	–	10,988,536
Total assets	112,135,839	7,115,332	129,297,766	8,529,779	1,163,752	269,231,004
Segment liabilities	114,277,523	4,004,875	114,475,097	3,459,890	3,296,787	239,514,172
Unallocated liabilities	–	–	–	–	–	5,301,746
Total liabilities	114,277,523	4,004,875	114,475,097	3,459,890	3,296,787	244,815,918
Other segment items						
Incurred capital expenditure	301,943	53,173	32,346	6,875	122,305	516,642
Investment in jointly controlled entities	139,849	4,378	–	27,259	–	171,486
Investment in associates	–	–	–	464,659	39,920	504,579

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

Notes to the Financial Statements

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45 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting

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

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

The Group	Net interest income RM'000	Total non current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
31 December 2012					
Malaysia	**3,426,503**	**16,043,860**	**221,433,766**	**203,632,546**	**488,908**
Indonesia	**3,080,791**	**592,443**	**63,372,647**	**56,049,147**	**174,144**
Thailand	**591,583**	**575,226**	**20,288,173**	**18,336,857**	**39,781**
Other countries	**297,003**	**1,191,637**	**28,005,989**	**25,700,583**	**124,909**
	7,395,880	**18,403,166**	**333,100,575**	**303,719,133**	**827,742**
31 December 2011					
Malaysia	3,218,678	15,906,913	203,968,194	186,229,696	461,588
Indonesia	2,677,924	585,032	58,709,549	52,117,726	155,977
Thailand	547,377	459,665	17,105,661	15,781,156	79,977
Other countries	232,272	1,074,035	20,165,434	18,821,963	66,005
	6,676,251	18,025,645	299,948,838	272,950,541	763,547
1 January 2011					
Malaysia	3,410,112	12,018,361	185,956,248	168,803,335	368,601
Indonesia	2,544,348	664,444	49,383,809	44,606,090	69,727
Thailand	514,544	600,902	14,721,092	13,494,510	42,683
Other countries	135,771	332,287	19,169,855	17,911,983	35,631
	6,604,775	13,615,994	269,231,004	244,815,918	516,642

Notes to the Financial Statements

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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of additional equity stake in CIMB Securities International (Thailand) Public Company Limited (formerly known as SICCO Securities Public Company Limited ("SSEC"))

On 15 February 2012, CIMB Securities International Pte. Ltd. ("CSI"), an indirect wholly-owned subsidiary of the Company, has completed a conditional Share Sale and Purchase Agreement ("SSPA") with Siam Industrial Credit Public Company Limited ("SICCO") for the Proposed Acquisition of 70.06% interest in SICCO Securities Public Company Limited ("SSEC") at a total cash consideration of THB767,907,519 (equivalent to RM78,426,395) or a cash consideration of THB1.72 per ordinary share of SSEC.

CSI made a tender offer under the laws of Thailand to acquire the remaining SSEC shares not owned by CSI which represents approximately 17.93% of the total issued and outstanding shares of SSEC ("Tender Offer"). The Tender Offer was completed on 11 April 2012, and CSI had acquired 15.31% of the total issued and outstanding shares, increasing CSI's equity stake in SSEC to approximately 97.37% of the total issued and outstanding shares of SSEC.

On 12 September 2012, CSI acquired an additional 2.22% of the total issued and outstanding shares in SSEC via a delisting tender offer. As a result of this, the Group's equity interest in SSEC was increased to approximately 99.59% of the total issued and outstanding shares of SSEC.

SICCO operates its business in Thailand and has been granted securities business licenses from Thailand's Ministry of Finance to operate the following securities business:

1. Securities Brokerage
2. Securities Trading
3. Securities Underwriting
4. Investment Advisory Service
5. Derivatives Agent
6. Securities Borrowing and Lending

As a result of the acquisition, the Group is expected to increase its presence in Thailand.

See Note 49 for the effect of the acquisition on the Financial Statements of the Group.

(b) Acquisition of a stake in Bank of Commerce ("BOC") in the Philippines

On 8 May 2012, CIMB Bank has entered into share purchase agreements ("SPA") with San Miguel Properties, Inc., San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings, Inc. and various minority shareholders for the proposed acquisition of 59.98% of the issued and paid-up share capital of BOC ("Proposed Acquisition"), which is equivalent to 67,325,197 fully paid ordinary shares of PHP100 par value each, for a total cash consideration of PHP12,203 million (equivalent to approximately RM881 million). The approval from Bank Negara Malaysia for the proposal has been obtained on 7 November 2012.

Monetary Board of Bangko Sentral ng Pilipinas, the central bank of the Republic of the Philippines, had vide its letter dated 20 November 2012 approved the Proposed Acquisition. The Proposed Acquisition is subject to certain conditions to be met prior to the completion.

(c) Acquisition of Royal Bank of Scotland Asia Pacific ("RBS")

On 1 March 2012, CIMB Group Sdn Bhd, a wholly-owned subsidiary of the Group, has signed a memorandum of understanding (the "MOU") for the proposed acquisition of certain of the cash equities, equity capital markets and corporate finance businesses of The Royal Bank of Scotland in Asia Pacific.

On 2 April 2012, the Group has entered into a Sale and Purchase Agreement with the RBS for the acquisition of selected cash equities business in Australia, China, Hong Kong, India and Taiwan, equity capital markets business and M&A corporate finance business in Australia, China (excluding any activities carried on by Hua Ying Securities Co., Ltd.), Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan and Thailand for a total cash consideration of GBP88.4 million (or equivalent to approximately RM431.8 million) ("Proposed Acquisition").

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for the financial year ended 31 December 2012

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) Acquisition of Royal Bank of Scotland Asia Pacific ("RBS") (continued)

The acquisition of selected equity capital markets and M&A corporate finance businesses in Indonesia, Malaysia, Singapore and Thailand has been completed on 27 April 2012. The acquisition of selected cash equities, equity capital markets and M&A corporate finance businesses in China and Hong Kong was completed on 30 June 2012. The acquisition of selected cash equities, equity capital markets and M&A corporate finance businesses in Australia was completed on 2 November 2012.

On 12 July 2012, CIMB Group Sdn Bhd, a wholly-owned subsidiary of the Group, terminated the proposed acquisition of the cash equities, equity capital markets and M&A corporate finance business of RBS in India ("India business") due to an unexpected legal issue arising in connection with the sale of the India Business by RBS.

As of 31 December 2012, the acquisition of selected cash equities, equity capital markets and M&A corporate finance businesses in Taiwan is still on-going.

See Note 49 for the effect of the acquisition on the Financial Statements of the Group.

(d) Cooperation letter agreement with RBS

On 12 April 2012, the Group entered into a cooperation letter agreement with RBS to confirm their mutual understanding to explore cooperation in various areas, which include capital markets activities, mergers and acquisitions, equities, derivatives, loan markets, trade advisory and trade financing solutions, cash management services and agent/custodian bank arrangements.

(e) Disposal of CIMB Securities (Thailand) Co. Ltd ("CIMBS")

On 22 June 2012, CIMB Thai, a 93.15% owned subsidiary of CIMB Bank, which in turn is a 99.99% owned subsidiary of CIMBG, entered into a Share Sale Agreement with CIMB Securities International Pte Ltd., a 100% owned subsidiary of CIMBG, to dispose to the latter 109,999,993 ordinary shares in CIMBS, representing 99.99% of CIMBS's issued and paid-up share capital for a total consideration of THB1,117,600,000 (equivalent to approximately RM110,936,000). The disposal of CIMBS was completed on 2 July 2012.

There are no effects on the Financial Statements of the Group as this is an intra-group transaction.

(f) Disposal of 6.8% stake in The South East Asian Strategic Assets Fund LP

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

(g) Joint venture in Sri Lanka

On 28 February 2012, CIMB Securities International Pte. Ltd ("CIMBSI") has entered into a Deed of Accession to the Joint Venture and Shareholders' Agreement to facilitate the entry of Vista Knowledge Pte Ltd ("Vista Knowledge"), a wholly-owned subsidiary of Genting Berhad, as a new shareholder of the Joint Venture company. The new shareholding structure following Vista Knowlege's entry is; CIMB (45%), Mr. Alex Lovell (20%), Vista Knowledge (20%) and Ms Reshani Dangalla (15%).

(h) Strategic alliance in Sri Lanka on stock broking business

On 5 March 2012, CIMB Securities (Singapore) Pte Ltd, an indirect wholly-owned subsidiary of the Company, has entered into a strategic collaboration agreement with John Keells Stock Brokers (Pvt) Ltd ("JKSB") to facilitate the Company's stock broking business in Sri Lanka.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(i) CIMB Thai Rights Issue

On 8 March 2012, CIMB Thai Bank, 93.71% owned subsidiary of CIMB Bank, which in turn is a 99.99% owned subsidiary of CIMBG, announced a 3-for-10 rights issue at THB1 per share. The exercise was approved at the Annual General Meeting and approved by Thailand's Ministry of Finance on 12 April 2012 and 21 June 2012 respectively. The exercise was completed on 7 August 2012 and CIMB Thai Bank successfully raised a total capital of THB4.769 billion.

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

(j) Issuance of HKD462 million 5-year unsecured notes

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

(k) Issuance of USD350 million 5-year unsecured notes

CIMB Bank Berhad issued a USD350 million 5-year senior unsecured notes (the "Notes") under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The Notes were issued on 26 July 2012 and will mature on 26 July 2017. The Notes bear a coupon rate of 2.375% per annum payable semi-annually in arrears.

(l) Settlement of subordinated notes

CIMB Thai Bank, a subsidiary of CIMB Bank, had fully settled its USD 40 million subordinated notes on 21 February 2012.

(m) Loss in control in investment advisory services subsidiaries

On 29 March 2012,CIMB Strategic Assets Sdn Bhd ("CIMB SA"), a wholly owned subsidiary of the Group had disposed:

i) 300,000 ordinary issued shares of Capital Advisors Partners Asia Sdn Bhd ("CAPA"), representing 60% of issued share capital, for a cash consideration of RM2,000,000.

ii) 6 ordinary issued shares of its subsidiary, CapAsia Islamic Infrastructure Fund (General Partner) Limited ("CIIF"), representing 60% of the issued share capital, for a cash consideration of RM3,999,000.

iii) 3 ordinary issued shares of CapAsia ASEAN Infrastructure Fund III (General Partner) Limited ("CAIF III GP"), representing 60% of the issued share capital, for a cash consideration of RM1,000.

On 29 March 2012, CIMB Group entered into a 40:60 joint venture with the Rohatyn Group to jointly sponsor, manage and administer the CapAsia Funds.

As a results, CAPA, CIIF and CAIF III GP became a joint venture of CIMB SA and indirect owned joint venture of the Group.

(n) Issuance of RM300 million Subordinated Sukuk ("the Sukuk")

CIMB Islamic Bank, has issued a RM300 million subordinated Sukuk ("the Sukuk") under its RM2 billion Tier 2 Junior Sukuk Program which was approved by the Securities Commission on 22 May 2009. The Sukuk was issued on 18 September 2012 and will mature on 18 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter subject to prior approval by Bank Negara Malaysia. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

The Sukuk qualifies as Tier-2 capital for the purpose of the RWCR computation.

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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(o) Issuance of IDR2,000,000 million Senior Bond

CIMB Niaga, has issued 3-year Series A and 5-year Series B Senior Bond ("the bonds") of IDR600,000 million and IDR1,400,000 million respectively, totalling IDR2,000,000 million on 30 October 2012. The bonds will mature on 30 October 2015 and 30 October 2017 for Series A and Series B respectively. The bonds bear a coupon rate of 7.35% per annum and 7.75% per annum for Series A and Series B respectively.

(p) Issuance of THB3 billion Tier 2 subordinated debt

CIMB Thai Bank, has issued a THB3 billion Tier 2 subordinated debt ("the Subdebt") which was approved by the CIMB Thai Board of Directors on 28 September 2012. The Subdebt was issued on 9 November 2012 and will mature on 9 November 2022, with the optional redemption on 9 November 2017. The Subdebt bears an interest rate of 4.8% per annum, payable semi-annually in arrears.

(q) Issuance of IDR600,000 million bonds

PT CIMB Niaga Auto Finance, a wholly-owned subsidiary of CIMB Niaga, has issued an IDR600,000 million bond ("the bonds") on 22 November 2012. The bonds are divided in 2 series. Series 1 is IDR152,000 million with one year tenor which will mature on 22 November 2013. It bears fixed interest rate of 7% per annum. Series 2 is IDR448,000 million with 3 years tenor which will mature on 22 November 2015. It bears fixed interest rate of 8.10% per annum.

(r) Issuance of Subordinated debt RM1,500 million

CIMB Bank has completed the issuance of RM1,500 million subordinated debt ("the Subdebt") on 30 November 2012. The Subdebt was issued as a single tranche of RM1.5 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter. Redemption of Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval. The coupon rate for the Subordinated Debt is 4.15% per annum. There is no step up coupon after call dates.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) Disposal of stake in insurance associates

On 17 January 2013, CIMB Group Holdings Berhad ("CIMB Group") has reached an understanding with Khazanah Nasional Berhad ("KNB") to sell its stake in CIMB Aviva Assurance Berhad ("CAAB") and CIMB Aviva Takaful Berhad ("CATB"), for a total consideration of RM1,110 million. The purchase consideration will be satisfied by a cash component of RM1,066.5 million as well as shares worth RM43.5 million in a new insurance holding company, Renggis Ventures Sdn Bhd, wholly owned by KNB. As a result, CIMB Group will maintain an effective 2% interest in CAAB and CATB.

(b) Issuance of HKD430 million senior Fixed Rate Notes

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

(c) Issuance of USD45 million senior Fixed Rate Notes

On 29 January 2013, CIMB Bank issued 2-year USD45 million senior unsecured floating rate notes (the "Notes") under its USD 1 billion Euro Medium Term Note Programme established on 27 January 2011. The Notes will mature on the interest payment date falling in or nearest to January 2015. The coupon rate is calculated based on the 3 month U.S.$ LIBOR plus a margin of 0.70% per annum and coupon is payable quarterly in arrears.

(d) Issuance of THB461 million unsecured structured debentures

In the month of January 2013, CIMB Thai Bank issued various unsecured structured debentures amounted to THB461 million with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rate at THBFIX 6 month +0.50% per annum payable semi annually.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(e) Issuance of THB6,400 million unsecured short term debentures

In the month of January 2013, CIMB Thai Bank issued various unsecured short term debentures amounted to THB6,400 million, with maturity dates varies from 11 days to 6 months. The debentures carry fixed interest rates of 2.70% to 2.93%, payable at respective maturity dates.

(f) Issuance of THB1,370 million unsecured structured debentures

Subsequent to 31 December 2012, CIMB Thai Bank issued various unsecured structured debentures amounted to THB1,370 million with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rate at THBFIX 6 month + 0.50% per annum payable semi annually.

(g) Issuance of THB5,750 million unsecured short term debentures

Subsequent to 31 December 2012, CIMB Thai Bank issued various unsecured short term debentures amounted to THB5,750 million, with maturity dates varies form 1 month to 6 months. The debentures carry fixed interest rates of 2.73% to 2.93%, payable at respective maturity dates.

(h) Dividend Reinvestment Scheme

On 18 January 2013 the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares") ("Dividend Reinvestment Scheme").

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-a-vis the Group's capital strategy and plans.

The rationale of the Dividend Reinvestment Scheme are as follows:

(i) CIMB's capital management strategy
As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

(ii) Enhancing shareholder value with reasonable dividend yield
The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investor's interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

(iii) Alternative mode of payment of Dividends
The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

(i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.
In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested: or

(ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.
The Dividend Reinvestment Scheme had received the necessary approval from Bursa Securities and from its shareholders via an Extraordinary General Meeting held on 25 February 2013. The Dividend Reinvestment Scheme is pending approval from Bank Negara Malaysia.

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47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(i) Establishment of a branch in Taiwan

On the 7 February 2013, CIMB Securities International Pte Ltd made capital injection of USD7.7 million to CIMB Securities Limited ("CSL"). CSL then made capital injection on 8 February 2013 amounting to TWD225 million (equivalent to USD7.614 million) and established a branch in the Republic of China (Taiwan) on 19 February 2013.

48 CAPITAL ADEQUACY

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

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

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

The capital adequacy ratios of CIMB Bank Group (other than CIMB Thai Bank and CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with Bank Negara Malaysia ("BNM") Guidelines on Risk Weight Capital Adequacy Framework: Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational Risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

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

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

The capital adequacy ratios of Bank CIMB Niaga and CIMB Thai Bank remained unchanged based on guidelines issued by Bank of Indonesia and Bank of Thailand respectively. Credit Risk and Market Risk is based on Standardised Approach (SA) while Operational Risk is based on Basic Indicator Approach. The capital adequacy ratio of CIMB Bank PLC is completed based on National Bank of Cambodia's requirements.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2011. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, including tier-2 Subordinated Debt, innovative and non-innovative tier-1 hybrid securities that qualify as capital pursuant to the RWCAF and Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM.

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48 CAPITAL ADEQUACY (CONTINUED)

Capital Structure and Adequacy (continued)

(a) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Bank Group, CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai Bank and CIMB Bank PLC for the financial year ended 31 December 2012 are as follows. The individual entities within the Group and the Group complied with all externally imposed capital requirements to which they are subject to.

31 December 2012	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Before deducting proposed dividends							
Core capital ratio	13.16%	8.69%	10.27%	10.47%	20.98%	12.25%	N/A
Risk-weighted capital ratio	16.34%	13.27%	16.21%	16.19%	21.02%	15.08%	26.82%
After deducting proposed dividends							
Core capital ratio	12.35%#	8.69%	10.27%	9.86%#	18.58%	12.25%	N/A
Risk-weighted capital ratio	15.53%#	13.27%	16.21%	15.58%#	18.63%	15.08%	26.82%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	94,244,713	19,554,311	15,042,700	126,983,208	1,387,711	43,728,549	353,503
Market risk	13,283,095	913,826	563,332	14,568,174	126,634	365,323	–
Operational risk	10,528,945	1,678,915	990,901	13,560,253	823,010	5,062,114	–
Large exposure risk	397,786	–	–	397,786	–	–	–
	118,454,539	22,147,052	16,596,933	155,509,421	2,337,355	49,155,986	353,503

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2012 are as follows:

31 December 2012	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier I capital							
Paid-up capital	3,764,469	1,000,000	1,054,244	3,764,469	100,000	511,740	113,183
Perpetual preference shares	200,000	70,000	–	200,000	–	–	–
Non-innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Innovative Tier I Capital	1,611,800	–	–	1,611,800	–	–	–
Share premium	5,033,633	–	386,774	5,033,633	–	2,571,266	–
Other reserves	7,679,028	1,008,841	262,722	9,408,892	433,319	2,996,653	(17,717)
Non-controlling interests	–	–	–	306,905	–	–	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	–	–	–	–	–	(56,105)	–
Deferred tax assets	(140,439)	(18,057)	–	(146,237)	(42,998)	–	–
Intangible assets	–	–	–	–	–	–	(3,260)
Goodwill	(3,555,075)	(136,000)	–	(4,891,433)	–	–	–
Total Tier I capital	15,593,416	1,924,784	1,703,740	16,288,029	490,321	6,023,554	92,206

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48 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2012 are as follows:

31 December 2012	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier II capital							
Redeemable preference shares	29,740	–	–	29,740	10	–	–
Subordinated notes	6,500,000	850,000	600,000	7,881,400	–	–	–
Subordinated loans	–	–	–	–	–	924,728	–
Revaluation reserve	–	–	74,037	–	–	–	–
Regulatory reserve	930,953	242,624	–	1,173,577	–	–	–
Portfolio impairment allowance √	133,220	45,257	54,567	278,012	1,115	486,464	2,587
Surplus of total eligible provision over expected loss under the IRB approach	250,350	(122,870)	–	91,670	–	–	–
Others	–	–	257,410	–	–	36,439	–
Total eligible Tier II capital	7,844,263	1,015,011	986,014	9,454,399	1,125	1,447,631	2,587
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,716,715)	–	–	(186,901)	(50)	(56,105)	–
Securitisation exposures subject to deductions**	(65,621)	–	–	(65,621)	–	–	–
Investment in associates	(305,584)	–	–	(305,584)	–	–	–
Total Eligible Tier II capital	3,756,343	1,015,011	986,014	8,896,293	1,075	1,391,526	2,587
Total Capital base	19,349,759	2,939,795	2,689,754	25,184,322	491,396	7,415,080	94,793
Less:							
Proposed dividends	(959,000)	–	–	(959,000)	(56,000)	–	–
	18,390,759	2,939,795	2,689,754	24,225,322	435,396	7,415,080	94,793

\# Interim dividend for financial year ending 31 December 2012 was paid in September 2012.

** Financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach; The investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) Guideline dated 31 December 2009.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2012 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM339,039,051, RM322,557,239 and RM16,481,812 respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

^ CIMB Group Holdings Berhad ("CIMBGH") announced that it would implement a Dividend Reinvestment Scheme ("DRS") for the second interim dividend in respect of the financial year ended 31 December 2012. Pursuant to the DRS, CIMBGH intends to reinvest the excess cash dividend into the Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank than those stated above. The DRS of CIMBGH had received the necessary approvals from Bursa Securities and from its shareholders via an Extraordinary General Meeting held on 25 February 2013. The DRS is pending approval from Bank Negara Malaysia.

Notes to the Financial Statements

for the financial year ended 31 December 2012

48 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited and CIMB (L) Limited), CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga and CIMB Thai Bank for the financial year ended 31 December 2011 are as follows:

31 December 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Before deducting proposed dividends							
Core capital ratio	15.07%	10.44%	7.65%	11.91%	21.02%	10.17%	N/A
Risk-weighted capital ratio	17.40%	14.42%	13.00%	16.81%	21.04%	13.09%	56.33%
After deducting proposed dividends							
Core capital ratio	14.26%+	10.44%	7.65%	11.28%	16.51%+	10.17%	N/A
Risk-weighted capital ratio	16.59%+	14.42%	13.00%	16.18%	16.53%+	13.09%	56.33%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	83,785,262	14,677,578	13,168,819	109,351,226	1,081,967	46,387,969	184,352
Market risk	8,105,302	346,673	339,155	8,785,131	307,315	611,862	–
Operational risk	9,949,736	1,402,324	862,316	12,620,584	807,424	5,117,613	–
Large exposure risk	400,148	–	–	400,148	–	–	–
	102,240,448	16,426,575	14,370,290	131,157,089	2,196,706	52,117,444	184,352

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

31 December 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier I capital							
Paid-up capital	3,764,469	1,000,000	809,961	3,764,469	100,000	561,888	117,549
Perpetual preference shares	200,000	70,000	–	200,000	–	–	–
Non-innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Innovative Tier I Capital	1,635,400	–	–	1,635,400	–	–	–
Share premium	5,033,633	–	147,266	5,033,633	–	2,823,236	–
Other reserves	7,448,197	791,169	141,948	8,706,891	402,127	1,948,607	(12,130)
Non-controlling interests	–	–	–	266,211	–	–	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	–	–	–	–	–	(35,245)	–
Deferred tax assets	(118,506)	(10,791)	–	(89,327)	(40,460)	–	–
Intangible assets	–	–	–	–	–	–	(2,916)
Goodwill	(3,555,075)	(136,000)	–	(4,899,904)	–	–	–
Total Tier I capital	15,408,118	1,714,378	1,099,175	15,617,373	461,667	5,298,486	102,503

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for the financial year ended 31 December 2012

48 CAPITAL ADEQUACY (CONTINUED)

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

31 December 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier II capital							
Redeemable preference shares	29,740	–	–	29,740	10	–	–
Subordinated notes	5,000,000	550,000	439,728	5,813,057	–	–	–
Subordinated loans	–	–	–	–	–	1,051,495	–
Revaluation reserve	–	–	36,571	–	–	–	–
Regulatory reserve	431,514	59,113	–	490,627	–	–	–
Portfolio impairment allowance √	188,389	64,585	41,044	397,291	623	464,878	1,346
Surplus of total eligible provision over expected loss under the IRB approach	359,190	(18,719)	–	255,860	–	–	–
Others	–	–	251,674	–	–	40,010	–
Total eligible Tier II capital	6,008,833	654,979	769,017	6,986,575	633	1,556,383	1,346
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,249,823)	–	–	(177,125)	(50)	(35,245)	–
Securitisation exposures subject to deductions**	(70,116)	–	–	(70,116)	–	–	–
Investment in associates	(306,061)	–	–	(306,061)	–	–	–
Total Eligible Tier II capital	2,382,833	654,979	769,017	6,433,273	583	1,521,138	1,346
Total Capital base	17,790,951	2,369,357	1,868,192	22,050,646	462,250	6,819,624	103,849
Less:							
Proposed dividends	(827,000)	–	–	(827,000)	(99,034)	–	–
Total Capital base (net of proposed dividend)	16,963,951	2,369,357	1,868,192	21,223,646	363,216	6,819,624	103,849

\+ Interim dividend for financial year ended 31 December 2011, which was paid in March 2012

** Financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach; The investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) Guideline dated 31 December 2009.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2011 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM463,064,140, RM441,690,248 and RM21,373,892 respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

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48 CAPITAL ADEQUACY (CONTINUED)

(e) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited and CIMB (L) Limited), CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga and CIMB Thai Bank as of 1 January 2011 are as follows:

1 January 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Before deducting proposed dividends							
Core capital ratio	14.20%	13.22%	9.04%	11.77%	19.76%	9.53%	N/A
Risk-weighted capital ratio	15.09%	17.19%	14.69%	15.24%	19.80%	13.24%	636.20%
After deducting proposed dividends							
Core capital ratio	13.63%+	13.22%	9.04%	11.29%+	17.06% @	9.53%	N/A
Risk-weighted capital ratio	14.53%+	17.19%	14.69%	14.76%+	17.11% @	13.24%	636.20%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:							
Credit risk	87,236,173	7,623,657	10,911,021	104,892,665	1,028,430	36,364,455	17,184
Market risk	9,176,183	285,115	313,670	9,658,308	192,321	394,887	–
Operational risk	9,604,531	1,041,278	777,097	11,242,737	765,308	3,230,655	–
Large exposure risk	360,424	–	–	360,424	–	–	–
	106,377,311	8,950,050	12,001,788	126,154,134	1,986,059	39,989,997	17,184

(f) Components of Tier I and Tier II capital as of 1 January 2011 are as follows:

1 January 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier I capital							
Paid-up capital	3,764,469	750,000	837,999	3,764,469	100,000	531,876	114,090
Perpetual preference shares	200,000	70,000	–	200,000	–	–	–
Non-innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–
Innovative Tier I Capital	1,616,700	–	–	1,616,700	–	–	–
Share premium	5,033,633	–	152,364	5,033,633	–	2,283,429	–
Other reserves	7,157,203	506,180	95,115	7,975,343	336,741	1,053,455	(1,395)
Non-controlling interests	–	–	–	260,586	–	–	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	–	–	–	–	–	(56,634)	–
Deferred tax assets	(115,206)	(7,283)	–	(82,519)	(44,329)	–	–
Intangible assets	–	–	–	–	–	–	(3,374)
Goodwill	(3,555,075)	(136,000)	–	(4,923,428)	–	–	–
Deductions in excess of Tier 2 Capital							
Total Tier I capital	15,101,724	1,182,897	1,085,478	14,844,784	392,412	3,812,126	109,321

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48 CAPITAL ADEQUACY (CONTINUED)

(f) Components of Tier I and Tier II capital as of 1 January 2011 are as follows (continued):

1 January 2011	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC* RM'000
Tier II capital							
Redeemable preference shares	29,740	–	–	29,740	10	–	–
Subordinated notes	3,500,000	300,000	342,732	3,936,919	–	–	–
Subordinated loans	–	–	–	–	–	1,108,000	–
Revaluation reserve	–	–	38,336	–	–	–	–
Regulatory reserve	110,190	7,405	–	117,595	–	–	–
Portfolio impairment allowance √	221,940	30,892	30,840	381,876	650	391,631	–
Surplus of total eligible provision over expected loss under the IRB approach	404,989	17,577	–	409,200	209	–	–
Others	–	–	265,240	–	–	39,333	–
Total eligible Tier II capital	4,266,859	355,874	677,148	4,875,330	869	1,538,964	–
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,000,892)	–	–	(178,194)	(50)	(56,634)	–
Investment in joint venture	–	–	–	–	–	–	–
Securitisation exposures subject to deductions**	(70,116)	–	–	(70,116)	–	–	–
Investment in associates	(245,134)	–	–	(245,134)	–	–	–
Total Eligible Tier II capital	950,717	355,874	677,148	4,381,886	819	1,482,330	–
Total Capital base	16,052,441	1,538,771	1,762,626	19,226,670	393,231	5,294,456	109,321
Less:							
Proposed dividends	(600,903)	–	–	(600,903)	(53,500)	–	–
Total Capital base (net of proposed dividend)	15,451,538	1,538,771	1,762,626	18,625,767	339,731	5,294,456	109,321

Notes to the Financial Statements

for the financial year ended 31 December 2012

49 BUSINESS COMBINATIONS

(a) Acquisitions during the financial year

(i) CIMB Securities International (Thailand) Public Company Limited (formerly known as SICCO Securities Public Company Limited) ("SSEC")

The Group has complet ed the acquisition of SSEC on 15 February 2012 and its allocation of the cost of business combination to the assets acquired and liabilities assumed. The fair value adjustments and intangible assets identified on acquisition are based on finalised purchase allocation and fair value exercise.

As required by MFRS 3, the fair values of assets and liabilities arising from the acquisition of SSEC on 15 February 2012 are set out as below:

	Fair value RM'000
Cash and cash equivalents	20,119
Deposits and placements with banks and other financial institution	254
Financial assets at fair value through profit or loss	6,419
Loans, advances and financing	63,743
Other assets	48,226
Other long term investments carried at cost	1,161
Intangible assets	941
Prepaid lease payments	1,345
Property, plant and equipment	3,471
Trade and other payables	(50,162)
Current tax liabilities	(622)
Net assets	94,895
Less: Non-controlling interest	(17,025)
Net assets acquired	77,870
Goodwill	12,033
Purchase consideration satisfied via cash	89,903
Less: Cash and cash equivalents acquired	(20,373)
Cash inflow on acquisition	69,530

Acquisition related costs

Acquisition related costs during the financial year ended 31 December 2012 amounting to RM4,921,000 (2011: RM346,000) have been incurred and are included in administration and general expenses in the consolidated statements of income.

Acquired receivables

The fair value of receivables acquired amounted to RM107,806,000 comprising of balances in loans, advances and financing of RM63,473,000 and balances in other assets of RM44,063,000. The gross contractual amount for receivables balances in other assets is RM51,069,000 of which RM7,006,000 is expected to be uncollectible.

Goodwill

The goodwill of RM12,033,000 arising from the acquisition is attributable to the expected synergies from combining the operations of SSEC with that of the Group in Thailand and the value of strengthening the Group's securities business in Thailand.

Non-controlling interests

The Group has chosen to recognise the 17.94% non-controlling interest based on the non-controlling interest's proportionate share in the net assets of SSEC.

Revenue and profit contribution

The acquired business contributed revenue of RM28,350,000 and net profit of RM1,273,000 to the Group for the period from 15 February 2012 to 31 December 2012.

Had SSEC been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been RM13,497,513,000 and RM4,396,953,000 respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2012

49 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions during the financial year (continued)

(i) CIMB Securities International (Thailand) Public Company Limited (formerly known as SICCO Securities Public Company Limited) ("SSEC") (continued)

Acquisition of non-controlling interests

During financial year 2012, the Group acquired additional equity interests in SSEC from its non-controlling interests in two separate transactions as described below:

On 11 April 2012, the Group acquired an additional 15.31% equity interest in SSEC for a cash consideration of RM16,669,000. As a result of this acquisition, the Group's equity interest in SSEC was increased to 97.37%. The carrying value of the net assets of SICCO as at 11 April 2012 was RM95,305,000 and the carrying value of the additional interest acquired was approximately RM14,591,000. The difference of RM2,078,000 between the carrying value and the additional interest acquired has been recognised within retained earnings.

On 12 September 2012, the Group acquired an additional 2.22% equity interest in SSEC for a cash consideration of RM2,358,000. As a result of this acquisition, the Group's equity interest in SSEC was increased to 99.59%. The carrying value of the net assets of SSEC as at 12 September 2012 was RM93,030,000 and the carrying value of the additional interest acquired was approximately RM2,068,000. The difference of RM290,000 between the carrying value and the additional interest acquired has been recognised within retained earnings.

The following summarises the effect of the change in the Group's ownership interest in SSEC on the equity attributable to owners of the Group arising from the two acquisitions identified above:

	11-Apr-12 RM'000	12-Sep-12 RM'000	Total RM'000
Consideration paid for acquisition of non-controlling interest	16,669	2,358	19,027
Decrease in equity attributable to non-controlling interests	(14,591)	(2,068)	(16,659)
Decrease in equity attributable to owners of the Group	2,078	290	2,368

(ii) Acquisition of Royal Bank of Scotland Asia Pacific ("RBS")

During the financial year, the Group has partially completed the acquisition of RBS. Refer to Note 46(c).

The Group has accounted for the acquisition of RBS using the provisional fair values of the assets and liabilities which were based on the carrying amount as at 2 November 2012. The goodwill on acquisition, which was determined provisionally, represents the value of synergies arising from the acquisition.

The provisional fair value of assets and liabilities arising from the acquisition are as follows:

	Provisional Fair value RM'000
Cash and short-term funds	258,254
Other assets	118,464
Other liabilities	(130,356)
Net assets	246,362
Provisional Goodwill	152,384
Purchase consideration satisfied via cash	398,746
Less: Cash and cash equivalents acquired	(258,254)
Cash inflow on acquisition	140,492

49 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions during the financial year (continued)

(ii) Acquisition of Royal Bank of Scotland Asia Pacific ("RBS") (continued)

The fair values of the acquired identifiable assets acquired of RM376,718,000 and liabilities assumed of RM130,356,000 have been determined based on a provisional basis as the fair value adjustments are in progress. Goodwill arising from this acquisition will be adjusted accordingly on a retrospective basis when the fair value exercise is finalised.

Acquisition-related costs

Acquisition-related costs amounting to RM16,714,000 (2011: Nil) have been incurred during the financial year ended 31 December 2012 and are included in administration and general expenses in the consolidated statement of comprehensive income.

Acquired receivables

The fair value of receivables acquired amounted to RM118,464,000 which is expected to be fully collectible.

Goodwill

The goodwill of RM152,384,000 arising from the acquisition is attributable to the expected strengthening of the Group's Investment Banking operations in the Asia Pacific region, and the expected synergies amongst the relevant entities of the Group.

Revenue and profit contribution

The acquired entities contributed revenue of RM7,029,000 and net loss of RM42,053,000 to the Group for the period from 2 November 2012 to 31 December 2012.

Had the acquired entities been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been RM13,548,816,000 and RM4,292,514,000 respectively.

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

(b) Impairment losses on loans, advances and financing

The Group and the Company make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill impairment

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

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of capital, which requires exercise of judgement. Refer to Note 18 for details of these assumptions and the potential impact of changes to the assumptions.

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

(d) Intangible assets

The Group's intangible assets that derive their value from contractual customer relationships and core deposits or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgement by the Group's management. At each statements of financial position date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount: the higher of fair value less cost to sell and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed in a binding agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets' continued use, including those resulting from its ultimate disposal, at a market-based discount rate on pre-tax basis.

(e) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 53.4.

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of associates – CAAB and CATB

Following the loss of control over CAAB and CATB on 1 January 2011, the former subsidiaries ceased to be consolidated and the Group's retained interest of 51% is recognised as investment in associate at fair value.

The fair value is based on the appraisal valuation, which comprises the Value in Force and Structural Value of the insurance businesses. The appraisal valuation is performed by an independent external actuary, Actuarial Partners Consulting Sdn Bhd, who has applied the actuarial appraisal approach to determine the fair value. The projected cash flows are derived using the following key assumptions, which are determined at the date of valuation:

(i) Risk discount rates

- 9.5%, being the current market discount rates used for the Malaysian insurance industry

(ii) New business volume

- Projection to their natural termination, a ten-year tranche of new business commencing from 1 January 2012, representing the existing Structural Value of the Life fund, with an average growth rate of 10% from 2012 onwards; and
- For General Takaful fund, the expected contribution growth on products ranging from an average of 13.7% to 34.3% from 2012 to 2014. The claims liabilities estimated are following the valuation guidelines for general insurance/general takaful liabilities issued by BNM.

(iii) Investment returns

- Investment returns ranging from 3.1% to 3.5% per annum

(iv) Management expense assumptions

- Expenses overrun allowed in the valuation is based on the projected new business from 2012 to 2014

(v) Minimum solvency margin

- Based on the insurance entities' internal capital adequacy ratios

(vi) Taxation

- 22% to 25%, which represents the net tax rate assumed on surplus transferred to the shareholders' funds; and
- 8% of investment income based on life insurance fund/family takaful fund.

51 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

		The Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-current assets held for sale:				
– property, plant and equipment		**7,720**	14,286	3,411
– prepaid lease payments	17	**–**	691	–
– foreclosed properties		**–**	–	8,835
– investment properties	16	**200**	2,271	46,804
– Investment in associates		**556,754**	–	–
Total non-current assets held for sale		**564,674**	17,248	59,050

Property, plant and equipment, foreclosed properties and investment properties of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2013.

The Group's investments in CAAB and CATB (part of the consumer banking segment) have been presented as held for sale as at 31 December 2012 following the Group reaching an understanding with Khazanah Nasional Berhad to sell its entire equity interest in CAAB and CATB. The disposal is expected to be completed by April 2013. Refer to Note 47(c).

Notes to the Financial Statements

for the financial year ended 31 December 2012

52 CHANGE IN COMPARATIVES

(a) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRS to MFRS for the respective years noted for equity and total comprehensive income.

(i) Reconciliation of equity

Group	Note	1 January 2011 (Date of transition) RM'000	31 December 2011 RM'000
Equity as reported under FRS		**24,303,199**	26,863,160
Add/(Less): Transitioning adjustments:			
Designation of financial investments – as available for sales	52(b)(c)	**149,353**	182,327
Deferred tax arising from transitional adjustments		**(37,466)**	(47,190)
Equity on transition to MFRS		**24,415,086**	26,998,297

(ii) Reconciliation of total comprehensive income

Group	Note	31 December 2011 RM'000
Total comprehensive income as reported under FRS		4,270,363
Add/(Less): Transitioning adjustments:		
Designation of financial investments – as available for sales	52(b)(c)	32,975
Income tax arising from transitional adjustments		(9,725)
Total comprehensive income upon transition to MFRS		4,293,613

(iii) Impact to statement of income and statement of cash flows

The transition from FRS to MFRS has had no effect on the reported net profit after taxation and cash flows generated by the Group and the Company.

(b) Adoption of the MFRS 1 exemption options

MFRS 1 exemption options

The Group and the Company have elected the following MFRS 1 exemption options:

(a) *Exemption for business combinations*

MFRS 1 "First time adoption of MFRS" provides the option to apply MFRS 3 'Business combinations' prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. In addition, the Group has also applied MFRS 127 'Consolidated and separate financial statements' from the same date.

(b) *Exemption for cumulative translation differences*

MFRS 1 "First time adoption of MFRS" permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with MFRS 121 'The effects of changes in foreign exchange rates' from the date a foreign operation was acquired. The Group elected to reset all cumulative translation differences to zero in opening retained earnings at its transition date. At the transition date, cumulative translation differences amounted to RM347,337,000.

52 CHANGE IN COMPARATIVES (CONTINUED)

(b) Adoption of the MFRS 1 exemption options (continued)

MFRS 1 exemption options (continued)

(c) Designation of previously recognised financial instruments

MFRS 1 "First time adoption of MFRS" allows an entity to designate a previously recognised financial instrument as available-for-sale or fair value through profit or loss on the transition date, provided the criteria in MFRS 139 "Financial Investment: Recognition and Measurement" are met. Consequently, the Group has designated previously recognised financial investments held-to-maturity with carrying amount of RM3,299,763,000 and fair value of RM3,453,344,000 as available-for-sale at transition date.

(c) Change in accounting policy

MIA FRSIC18

During the 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 has applied FRSIC 18 retrospectively.

(d) Segment reporting

As a result of an internal reorganisation, there is a change in business segment reporting and the comparatives for segment reporting have been restated to reflect this new group structure. Refer to Note 45.

(e) Other reclassification

Certain comparatives were restated to conform to the current year's presentation. There were no significant impact to the financial performance and ratios in relation to the financial year ended 31 December 2011 and as at the date of transition.

The impact of the above on the financial statements of the Group are set out as follows:

(i) Impact on the Group's consolidated statement of financial position as at 31 December 2011 and 1 January 2011:

	Balance as at 31 December 2011				
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	FRSIC 18 RM'000	Reclassification RM'000	As restated RM'000
Assets					
Cash and short term funds	34,668,845	–	(464,867)	–	34,203,978
Financial investments available-for-sale	13,773,219	4,644,507	–	–	18,417,726
Financial investments held-to-maturity	16,918,784	(4,457,952)	–	–	12,460,832
Deferred tax assets	49,998	–	–	28,671	78,669
Liabilities					
Other liabilities	6,827,810	–	(464,867)	–	6,362,943
Deferred taxation	134,285	47,190	–	28,671	210,146
Equity					
Reserves	18,504,288	137,398	–	–	18,641,686
Non-controlling interest	726,690	(2,261)	–	–	724,429

Notes to the Financial Statements

for the financial year ended 31 December 2012

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(i) Impact on the Group's consolidated statement of financial position as at 31 December 2011 and 1 January 2011 (continued):

	Balance as at 1 January 2011				
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	FRSIC 18 RM'000	Reclassification RM'000	As restated RM'000
Assets					
Cash and short term funds	27,185,260	–	(346,297)	–	26,838,963
Financial investments available-for-sale	11,658,702	3,453,344	–	–	15,112,046
Financial investments held-to-maturity	14,120,263	(3,299,763)	–	–	10,820,500
Deferred tax assets	15,269	–	–	62,704	77,973
Liabilities					
Other liabilities	8,624,668	–	(346,297)	–	8,278,371
Deferred taxation	12,124	37,466	–	62,704	112,294
Equity					
Reserves	15,797,775	114,148	–	–	15,911,923
Non-controlling interest	873,233	(2,261)	–	–	870,972

(ii) Impact on the Group's consolidated statements of comprehensive income for the financial year ended 31 December 2011:

	Amount for the financial year ended 31 December 2011		
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	As restated RM'000
Revaluation reserve of financial investments available-for-sale			
– Net gain from change in fair value	287,091	32,975	320,066
– Income tax effects	22,800	(9,725)	13,075

(iii) Impact on the Group's consolidated statement of changes in equity for the year ended 31 December 2011 and 1 January 2011:

	Balance as at 31 December 2011		
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	As restated RM'000
Exchange fluctuation reserves	(172,673)	347,337	174,664
Revaluation reserve-financial investments available-for-sale	535,762	193,789	729,551
Other reserves	20,094	(131,736)	(111,642)
Retained profits	8,822,855	(271,992)	8,550,863
Non-controlling interests	726,690	(2,261)	724,429

Notes to the Financial Statements

for the financial year ended 31 December 2012

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(iii) Impact on the Group's consolidated statement of changes in equity for the year ended 31 December 2011 and 1 January 2011 (continued):

	Balance as at 1 January 2011		
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	As restated RM'000
Exchange fluctuation reserves	(347,337)	347,337	–
Revaluation reserve-financial investments available-for-sale	474,673	170,539	645,212
Other reserves	131,736	(131,736)	–
Retained profits	6,838,179	(271,992)	6,566,187
Non-controlling interests	873,233	(2,261)	870,972

(iv) Impact on the Group's consolidated statement of cash flows for the year ended 31 December 2011:

	Balance as at 31 December 2011		
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	As restated RM'000
Increase/(decrease) in operating liabilities	24,139,353	(118,570)	24,020,783
Other liabilities	(1,781,858)	(118,570)	(1,900,428)
Cash flows generated from/(used in) operations	11,294,618	(150,047)	11,144,571
Net cash flows generated from/(used in) operating activities	10,367,187	(150,047)	10,217,140
Net increase in cash and short-term funds during the financial year	7,062,990	(118,570)	6,944,420
Cash and short-term funds at beginning of the financial year	27,185,260	(346,297)	26,838,963
Cash and short-term funds at end of the financial year	34,668,845	(464,867)	34,203,978
Monies held in trust	(384,083)	356,400	(27,683)

(v) Impact on the notes to statements of financial position for the year ended 31 December 2011 and 1 January 2011:

	Balance as at 31 December 2011				
Group	As previously reported RM'000	Effect of adopting MFRS1 RM'000	FRSIC 18 RM'000	Other Reclassification RM'000	As restated RM'000
Note 2					
Cash and balances with banks and other financial institutions	9,299,580	–	(116,319)	–	9,183,261
Money at call and deposit placements maturing within one month	25,369,265	–	(348,548)	–	25,020,717

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for the financial year ended 31 December 2012

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(v) Impact on the notes to statements of financial position for the year ended 31 December 2011 and 1 January 2011 (continued):

	Balance as at 31 December 2011				
Group	As previously reported RM'000	Effect of adopting MFRS1 RM'000	FRSIC 18 RM'000	Other Reclassification RM'000	As restated RM'000
Note 5					
Money market instruments – Unquoted					
Malaysian Government securities	320,703	1,101,752	–	–	1,422,455
Cagamas bonds	201,174	252,477	–	–	453,651
Khazanah bonds	44,786	145,401	–	–	190,187
Government investment issues	345,990	852,293	–	–	1,198,283
Unquoted Securities					
Private and Islamic debt securities					
– In Malaysia	6,789,561	2,150,572	–	–	8,940,133
– Outside Malaysia	1,476,710	145,404	–	–	1,622,114
Allowance for impairment losses – unquoted shares	(128,270)	(3,392)	–	–	(131,662)
Note 6					
Money market instruments – Unquoted					
Malaysian Government securities	1,088,815	(1,075,587)	–	–	13,228
Cagamas bonds	255,977	(250,000)	–	–	5,977
Khazanah bonds	134,776	(134,776)	–	–	–
Government investment issues	862,212	(850,809)	–	–	11,403
Unquoted Securities					
Private debt securities					
– In Malaysia	6,685,239	(2,005,033)	–	–	4,680,206
– Outside Malaysia	2,071,299	(139,028)	–	–	1,932,271
Accretion of discount net of amortisation of premium	341,979	(2,719)	–	–	339,260
Note 8(i)					
Term loans/financing					
– Syndicated term loans	9,738,460	–	–	(82,135)	9,656,325
– Other term loans/financing	72,645,836	–	–	82,135	72,727,971
Note 9					
Other debtors, deposits and prepayments net of allowance for doubtful debts	2,471,597	–	–	(33,396)	2,438,201
Collateral pledged for derivative transactions	745,295	–	–	33,396	778,691
Note 20(i)					
Fixed deposits	98,439,974	–	–	(182,151)	98,257,823
Negotiable instruments of deposit	3,017,584	–	–	2,883	3,020,467
Others	43,904,125	–	–	179,268	44,083,393
Note 22					
Due to brokers and clients	1,732,776	–	(457,256)	–	1,275,520
Expenditure payable	1,534,593	–	–	(4,321)	1,530,272
Sundry creditors	981,769	–	(1,022)	(99,293)	881,454
Post employment benefit obligations	282,427	–	–	9,595	292,022
Call deposit borrowing	402,705	–	–	33,537	436,242
Others	1,561,291	–	(6,589)	60,482	1,615,184

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(v) Impact on the notes to statements of financial position for the year ended 31 December 2011 and 1 January 2011 (continued):

	Balance as at 1 January 2011				
Group	As previously reported RM'000	Effect of adopting MFRS1 RM'000	FRSIC 18 RM'000	Other Reclassification RM'000	As restated RM'000
Note 2					
Cash and balances with banks and other financial institutions	8,204,383	–	(67,039)	–	8,137,344
Money at call and deposit placements maturing within one month	18,980,877	–	(279,258)	–	18,701,619
Note 5					
Money market instruments – Unquoted					
Malaysian Government securities	346,720	986,952	–	–	1,333,672
Cagamas bonds	184,494	253,068	–	–	437,562
Government investment issues	282,022	600,690	–	–	882,712
Unquoted Securities					
Private and Islamic debt securities					
– In Malaysia	6,477,787	1,471,272	–	–	7,949,059
– Outside Malaysia	176,323	144,754	–	–	321,077
Allowance for impairment losses					
– unquoted shares	(130,874)	(3,392)	–	–	(134,266)
Note 6					
Money market instruments – Unquoted					
Malaysian Government securities	1,123,977	(974,010)	–	–	149,967
Cagamas bonds	254,817	(250,000)	–	–	4,817
Government investment issues	600,245	(600,245)	–	–	–
Unquoted Securities					
Private debt securities					
– In Malaysia	7,190,838	(1,343,519)	–	–	5,847,319
– Outside Malaysia	2,036,903	(134,936)	–	–	1,901,967
Accretion of discount net of amortisation of premium	271,562	2,947	–	–	274,509
Note 22					
Due to brokers and clients	1,381,307	–	(338,639)	–	1,042,668
Expenditure payables	1,788,075	–	–	(71,353)	1,716,722
Sundry creditors	900,913	–	(2,945)	–	897,968
Post employment benefit obligations	271,273	–	–	14,746	286,019
Others	2,013,999	–	(4,713)	56,607	2,065,893

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

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(vi) Impact on the notes to statement of income for the year ended 31 December 2011:

Group	Amount for the financial year ended 31 December 2011			
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	Other Reclassification RM'000	As restated RM'000
Note 31				
Financial investments available-for-sale	511,145	183,602	–	694,747
Financial investments held-to-maturity	705,049	(183,602)	–	521,447
Note 33				
Net fee and commission income:				
Fee on loans, advances and financing	357,342	–	37,463	394,805
Portfolio management fees	27,305	–	(8,914)	18,391
Service charges and fees	332,060	–	127,283	459,343
Other fee income	381,719	–	(140,820)	240,899

(vii) Impact on capital adequacy for the year ended 31 December 2011 and 1 January 2011:

CIMB Bank Group	Balance as at 31 December 2011		
	As previously reported RM'000	Effect of adopting MFRS1 RM'000	As restated RM'000
Other reserves	13,816,665	(76,141)	13,740,524
Total Tier 1 capital	15,693,514	(76,141)	15,617,373
Total capital base	22,126,787	(76,141)	22,050,646
Before deducting proposed dividends			
Core capital ratio	11.97%	(0.06%)	11.91%
Risk-weighted capital ratio	16.87%	(0.06%)	16.81%
After deducting proposed dividends			
Core capital ratio	11.33%	(0.05%)	11.28%
Risk-weighted capital ratio	16.24%	(0.06%)	16.18%

Notes to the Financial Statements

for the financial year ended 31 December 2012

52 CHANGE IN COMPARATIVES (CONTINUED)

The impact of the above on the financial statements of the Group are set out as follows (continued):

(vii) Impact on capital adequacy for the year ended 31 December 2011 and 1 January 2011 (continued):

	Balance as at 1 January 2011		
CIMB Bank Group	**As previously reported RM'000**	**Effect of adopting MFRS1 RM'000**	**As restated RM'000**
Other reserves	13,085,117	(76,141)	13,008,976
Total Tier 1 capital	14,920,925	(76,141)	14,844,784
Total capital base	19,302,811	(76,141)	19,226,670
Before deducting proposed dividends			
Core capital ratio	11.83%	(0.06%)	11.77%
Risk-weighted capital ratio	15.30%	(0.06%)	15.24%
After deducting proposed dividends			
Core capital ratio	11.35%	(0.06%)	11.29%
Risk-weighted capital ratio	14.82%	(0.06%)	14.76%

	Balance as at 31 December 2011		
CIMB Bank	**As previously reported RM'000**	**Effect of adopting MFRS1 RM'000**	**As restated RM'000**
Other reserves	12,676,039	(194,209)	12,481,830
Total Tier 1 capital	15,602,327	(194,209)	15,408,118
Total capital base	17,985,160	(194,209)	17,790,951
Before deducting proposed dividends			
Core capital ratio	15.26%	(0.19%)	15.07%
Risk-weighted capital ratio	17.59%	(0.19%)	17.40%
After deducting proposed dividends			
Core capital ratio	14.45%	(0.19%)	14.26%
Risk-weighted capital ratio	16.78%	(0.19%)	16.59%

	Balance as at 1 January 2011		
CIMB Bank	**As previously reported RM'000**	**Effect of adopting MFRS1 RM'000**	**As restated RM'000**
Other reserves	12,385,045	(194,209)	12,190,836
Total Tier 1 capital	15,295,933	(194,209)	15,101,724
Total capital base	16,246,650	(194,209)	16,052,441
Before deducting proposed dividends			
Core capital ratio	14.38%	(0.18%)	14.20%
Risk-weighted capital ratio	15.27%	(0.18%)	15.09%
After deducting proposed dividends			
Core capital ratio	13.81%	(0.18%)	13.63%
Risk-weighted capital ratio	14.71%	(0.18%)	14.53%

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

53 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

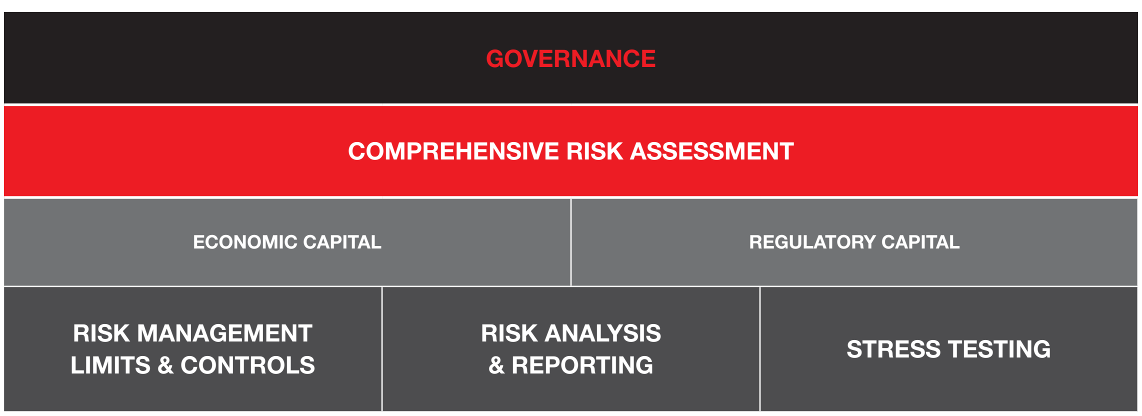
The objectives of the Group's risk management activities are to:

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

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework 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 the 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:



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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Enterprise Wide Risk Management Framework (Continued)

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.

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 the 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 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), each 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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for the financial year ended 31 December 2012

53 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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, oversee utilisation of capital allocation and asset liability management processes across the Group

Group Wholesale Bank Risk Committee (GWBRC)	Consumer Bank Credit Committee (CBCC)	Regional Credit Committee (RCC)	Singapore Business Credit Committee (SBCC)	Regional Liquidity Risk Committee (RLRC)	Operational Risk Committee (ORC)	Balance Sheet Management Committee (BSMC)
• Oversee Group's exposures to market risks • Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments for the Group • Credit approval authority for Malaysian centric credit exposures • Assign and review the Malaysian sector exposures • Review and approve Global Banking Institutions Limits for Malaysian centric banking groups	• Credit approval authority for Malaysian centric credit exposures • Ensuring Group overall loan portfolio/ financing meets regulatory guidelines and approved internal policies and procedures • Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking	• Review and approve or concur non-Malaysian credit exposures • Ensuring Group overall loan portfolio/ financing meets regulatory guidelines and approved internal policies and procedures • Review and approve or concur all non-Malaysian Interbank Limit, Global Financial Institutions Counterparty Limits and Global Country Limit	• Credit approval authority for primarily Singapore centric credit exposures • Ensuring Group overall loan portfolio/ financing meets regulatory guidelines and approved internal policies and procedures	• Oversee the Group's overall liquidity management • Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner	• Oversee operational risk management in terms of best practices, policies and risk tolerance • Review controls and action plans to address identified risks • Oversight on all Business Continuity Management (BCM)/Disaster Recovery (DR) activities	• Review balance sheet positions • Recommend and executing balance sheet strategies and hedging • Ensure risk profile is kept within the established risk appetite/limits/ MAT

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

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.

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 strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market as part of financial valuation.

GRM is also tasked with the co-ordination of the Group's effort towards implementation of 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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/financing and advances, fixed income, derivatives, sales and trading, prior to submission to the CBCC, GWBRC, the Group Executive Committee (EXCO) or Board for approval. GC ensures proper grouping of entities and counterparties under the single customer framework. GC also reviews the 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.

(g) Regional Risk

RR was established with the objective of overseeing the risk management functions of the regional offices in Singapore, Cambodia and Indonesia as well as the Group's unit trust business under CIMB Principal Asset Management Bhd.

For the regional offices, the respective risk management team identifies, analyses, monitors, reviews, and reports the risk exposures of each individual country, including:

i) Proprietary trading strategies, positions and activities against changes in the financial market on a daily basis.

ii) Limit utilisation and adequacy, transaction prices and mark-to-market positions.

iii) Credit reviews.

iv) New product approval process.

For the unit trust business the risk management unit works with other departments in the areas of market, credit and operational risk. The risk management team reports to RR.

Non-Malaysian securities businesses under the Group are consolidated under CIMB Securities International Pte Ltd. There is a risk management function set up within the entity to identify, analyse, monitor, review and report market, credit, operational and other principal risk exposures related to the securities businesses. This unit reports into RR.

The Validation Team is independent from the risk taking units and model development team, and reports to RR. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on rating systems, estimates of the risk components, and the processes by which the internal ratings are obtained and used. The unit provides recommendations to the modelling team and the business users. The unit reports its findings and recommendations to GRC and BRC.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

Strategies and Processes for Various Risk Management

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

53.1 Credit risk

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

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risk.

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning various delegated authorities and various credit committees. The credit committees namely, SBCC, CBCC, RCC and GWBRC are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the Group's business units. The Committees also ensure the overall loan/financing portfolio meets the guidelines of the regulatory authorities and adheres to the approved credit policies and procedures.

Credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

Adherence to established credit limits is monitored daily by GRM, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures on at least an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Notes to the Financial Statements

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

Credit Risk Mitigation

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

Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GWBRC/RCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral include land and buildings and vehicles. Guarantors accepted are in line with BNM's Risk Weighted Capital Adequacy Framework ("RWCAF") (Basel II – Risk Weighted Assets Computation) and Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

Netting

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

Concentrations within risk mitigation

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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

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

Credit Risk Mitigation

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

Treatment of Rating Downgrade

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	The Group Maximum exposure		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Financial guarantees	**4,653,443**	4,155,355	4,399,652
Credit related commitments and contingencies	**57,383,909**	49,465,662	47,049,824
	62,037,352	53,621,017	51,449,476

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 76% (31 December 2011: 65%; 1 January 2011: 70%) while the financial effect of collateral for derivatives for the Group is 66% (31 December 2011: 60%; 1 January 2011: 59%). The financial effect of collateral held for the remaining financial assets are insignificant.

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

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

The Group 31 December 2012	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	15,095,290	3,384,833	89,907	1,535,563	3,362,685	1,202,070	1,038,272	1,197,572	26,906,192
Reverse repurchase agreements	4,836,131	63,870	200,060	311,143	–	45,329	131,378	6,367	5,594,278
Deposits and placements with banks and other financial institutions	1,179,332	1,922,479	73,478	889,925	–	191,103	462,489	271,525	4,990,331
Financial investments at fair value through profit or loss									
– Financial assets held for trading									
– Money market instruments	12,484,412	48,553	7	3,417,579	108,193	–	–	–	16,058,744
– Quoted securities	–	679,172	330,052	–	–	–	–	–	1,009,224
– Unquoted securities	4,817,505	67,798	211,324	545,629	57,835	52,684	152,058	803,996	6,708,829
Financial investments available-for-sale									
– Money market instruments	5,539,772	104,099	–	–	–	49,398	–	–	5,693,269
– Quoted securities	–	3,218,291	1,199,552	–	–	–	–	–	4,417,843
– Unquoted securities	14,303,264	261,276	349,303	760,810	61,205	216,705	805,733	939,037	17,697,333
Financial investments held-to-maturity									
– Money market instruments	35,333	–	–	491,633	252,911	–	–	–	779,877
– Quoted securities	–	630,334	2,178,903	–	58,189	–	–	30,089	2,897,515
– Unquoted securities	3,567,562	–	279,735	1,155,606	–	25,321	25,107	254,568	5,307,899
Derivative financial instruments									
– Trading derivatives	1,754,284	77,405	214,633	624,272	518,113	193,488	127,192	361,830	3,871,217
– Hedging derivatives	114,522	24,660	–	94,914	17,655	–	–	2,939	254,690
Loans, advances and financing									
– Overdrafts	4,287,464	513	727,112	93,394	23	965	–	108,243	5,217,714
– Term loans/financing	103,533,029	22,784,979	9,460,988	10,358,562	196,190	675,343	890,495	2,385,109	150,284,695
– Bills receivable	442,493	–	2,554,447	593,658	1,257	–	–	26,231	3,618,086
– Trust receipts	323,083	77,445	1,546,795	225,523	–	–	9,868	3,070	2,185,784
– Claim on customers under acceptance credit	3,647,030	984,346	989	–	–	–	–	–	4,632,365
– Credit card receivables	3,848,906	1,122,656	–	630,601	–	–	–	–	5,602,163
– Revolving credit	4,945,458	21,225,899	63,778	1,030,706	–	354,376	218,496	516,722	28,355,435
– Share margin financing	691,687	987,181	127,380	421,754	–	–	–	13,574	2,241,576
Other assets	3,914,326	660,265	465,911	658,298	52,681	28,007	292,203	70,638	6,142,329
Financial guarantees	1,134,686	838,060	275,994	1,954,324	138,029	5,487	82,908	223,955	4,653,443
Credit related commitments and contingencies	45,712,889	4,531,011	1,131,084	5,608,069	757	27,338	19,784	352,977	57,383,909
Total credit exposures	236,208,458	63,695,125	21,481,432	31,401,963	4,825,723	3,067,614	4,255,983	7,568,442	372,504,740

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

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

The Group 31 December 2011	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	21,011,876	4,089,693	217,240	2,113,996	1,400,608	1,095,606	723,305	414,612	31,066,936
Reverse repurchase agreements	4,169,452	–	–	61,030	–	–	–	–	4,230,482
Deposits and placements with banks and other financial institutions	2,033,552	1,453,179	103,059	159,149	–	127,086	95,367	202,620	4,174,012
Financial investments at fair value through profit or loss									
– Financial assets held for trading									
– Money market instruments	5,342,968	58,867	–	2,701,268	208,171	–	–	–	8,311,274
– Quoted securities	–	599,693	221,426	–	–	–	–	–	821,119
– Unquoted securities	2,258,052	75,902	153,720	489,618	64,273	79,426	53,844	73,909	3,248,744
Financial investments available-for-sale									
– Money market instruments	3,264,576	25,874	–	–	–	–	–	–	3,290,450
– Quoted securities	–	2,321,511	853,847	–	–	–	–	–	3,175,358
– Unquoted securities	9,368,374	241,084	94,919	195,629	–	–	351,804	179,985	10,431,795
Financial investments held-to-maturity									
– Money market instruments	40,079	–	–	490,777	–	–	–	–	530,856
– Quoted securities	–	2,299,237	1,780,436	–	59,748	–	–	55,493	4,194,914
– Unquoted securities	6,084,557	36,938	39,044	930,878	254,944	24,966	54,114	309,620	7,735,061
Derivative financial instruments									
– Trading derivatives	1,413,127	19,877	211,601	894,950	681,375	229,791	114,836	451,334	4,016,891
– Hedging derivatives	104,688	28,575	–	103,980	18,571	–	–	1,368	257,182
Loans, advances and financing									
– Overdrafts	4,613,129	5,848	672,506	83,310	57	800	1,399	54,264	5,431,313
– Term loans/financing	96,439,961	23,282,618	7,780,920	8,351,178	53,145	587,532	581,148	1,562,648	138,639,150
– Bills receivable	692,399	566	2,873,289	17,099	3,107	2,025	–	7,877	3,596,362
– Trust receipts	376,398	47,744	587,025	105,566	–	–	7,817	5	1,124,555
– Claim on customers under acceptance credit	3,265,824	831,494	5,058	–	–	–	–	–	4,102,376
– Credit card receivables	4,068,576	915,976	–	436,002	–	–	–	–	5,420,554
– Revolving credit	3,927,957	18,611,230	54,618	390,266	–	367,137	6,165	337,055	23,694,428
– Share margin financing	497,270	912,096	46,094	367,960	–	–	–	6,619	1,830,039
Other assets	4,236,742	1,135,114	185,896	377,651	15,148	16,805	141,951	21,817	6,131,124
Financial guarantees	3,300,949	568,590	59,553	169,408	–	50,428	–	6,427	4,155,355
Credit related commitments and contingencies	44,005,130	1,221,153	997,069	2,859,376	2,217	63,284	18,574	298,859	49,465,662
Total credit exposures	220,515,636	58,782,859	16,937,320	21,299,091	2,761,364	2,644,886	2,150,324	3,984,512	329,075,992

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

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

The Group 1 January 2011	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	15,774,947	3,170,480	157,517	1,034,009	1,586,252	142,071	1,251,980	687,607	23,804,863
Reverse repurchase agreements	2,687,276	–	1,014,376	12,074	–	90,936	–	–	3,804,662
Deposits and placements with banks and other financial institutions	4,307,520	2,879,320	60,687	1,562,265	241,259	624,583	898,840	1,171,349	11,745,823
Financial investments at fair value through profit or loss									
– Financial assets held for trading									
– Money market instruments	8,380,084	6,763	–	2,047,763	–	–	–	–	10,434,610
– Quoted securities	5	1,605,911	8,800	–	–	–	–	–	1,614,716
– Unquoted securities	1,851,805	76,018	247,444	604,601	22,531	42,962	–	30,226	2,875,587
Financial assets designed at fair value through profit or loss									
– Money market instruments	449,881	–	–	–	–	–	–	–	449,881
– Quoted securities	–	–	–	–	–	–	–	–	–
– Unquoted securities	265,410	–	–	–	–	–	–	–	265,410
Financial investments available-for-sale									
– Money market instruments	2,653,946	–	–	–	–	–	–	–	2,653,946
– Quoted securities	–	2,090,905	569,023	–	–	–	–	–	2,659,928
– Unquoted securities	7,868,345	90,186	–	45,367	–	–	5,650	45,232	8,054,780
Financial investments held-to-maturity									
– Money market instruments	164,834	–	–	–	–	–	–	–	164,834
– Quoted securities	–	391,840	943,124	38,245	57,817	–	–	402,579	1,833,605
– Unquoted securities	7,105,010	3,532	333,445	885,214	–	24,052	102,159	368,649	8,822,061
Derivative financial instruments									
– Trading derivatives	1,406,040	41,138	65,381	506,076	840,338	125,429	57,124	370,086	3,411,612
– Hedging derivatives	16,813	21,339	–	93,167	34,224	–	–	–	165,543
Loans, advances and financing									
– Overdrafts	4,851,224	2,372	627,578	80,726	68	289	5,495	5,553	5,573,305
– Term loans/financing	86,395,695	16,312,478	6,572,502	5,688,587	50,188	203,004	268,354	1,218,827	116,709,635
– Bills receivable	413,125	–	2,002,191	63,070	2,896	–	–	10,233	2,491,515
– Trust receipts	409,787	34,843	449,592	48,431	–	–	–	–	942,653
– Claim on customers under acceptance credit	3,472,377	465,582	5,142	286	–	–	–	–	3,943,387
– Credit card receivables	3,885,531	686,228	–	290,000	–	–	–	–	4,861,759
– Revolving credit	4,170,981	18,525,812	51,401	361,530	–	174,793	57,142	33,706	23,375,365
– Share margin financing	623,747	136,573	18,815	496,448	–	–	–	–	1,275,583
– Other loans	8,183	–	–	–	–	–	–	–	8,183
Other assets	4,575,119	513,317	76,042	808,959	28,180	86,779	103,056	24,068	6,215,520
Financial guarantees	1,079,020	939,865	392,916	1,867,101	–	49,340	71,395	15	4,399,652
Credit related commitments and contingencies	41,551,273	1,043,713	1,003,400	2,879,636	–	37,294	13	534,495	47,049,824
Total credit exposures	204,367,978	49,038,215	14,599,376	19,413,555	2,863,753	1,601,532	2,821,208	4,902,625	299,608,242

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

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

The Company 31 December 2012	Malaysia RM'000	Indonesia RM'000	Total RM'000
Cash and short-term funds	**135,071**	**4**	**135,075**
Derivative financial instruments			
– Hedging derivatives	**10,712**	**–**	**10,712**
Loans, advances and financing			
– Term loans/financing	**95**	**–**	**95**
Other assets	**1,910**	**–**	**1,910**
Amount owing by subsidiaries	**4,238**	**–**	**4,238**
	152,026	**4**	**152,030**

The Company 31 December 2011	Malaysia RM'000	Indonesia RM'000	Total RM'000
Cash and short-term funds	316,822	6	316,828
Derivative financial instruments			
– Hedging derivatives	17,459	–	17,459
Loans, advances and financing			
– Term loans/financing	930	–	930
Other assets	21,959	–	21,959
Amount owing by subsidiaries	4,811	–	4,811
	361,981	6	361,987

The Company 1 January 2011	Malaysia RM'000	Indonesia RM'000	Total RM'000
Cash and short-term funds	528,647	1,179	529,826
Derivative financial instruments			
– Hedging derivatives	5,676	–	5,676
Loans, advances and financing			
– Term loans/financing	1,147	–	1,147
Other assets	8,509	–	8,509
Amount owing by subsidiaries	19,267	–	19,267
	563,246	1,179	564,425

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors

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

The Group 31 December 2012	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Derivative financial instruments Trading derivatives RM'000	Derivative financial instruments Hedging derivatives RM'000	Loans, advances and financing (ii) RM'000	Other financial assets RM'000	Total credit exposures RM'000
Agriculture	-	-	-	59,352	211,590	102,858	1,390	-	6,009,633	-	6,384,823
Mining and quarrying	-	-	-	152,059	163,090	-	11,940	-	4,298,855	1,072	4,627,016
Manufacturing	-	-	-	376,530	440,800	10,942	18,277	-	15,544,167	30,972	16,421,688
Electricity, gas and water	-	-	-	458,803	2,431,999	211,665	52,964	-	1,717,729	5,634	4,878,794
Construction	-	-	-	248,110	1,121,998	154,425	21,185	-	4,636,771	3,560	6,186,049
Transport, storage and communications	-	-	-	907,633	2,691,819	1,989,947	298,081	-	7,165,340	16,762	13,069,582
Education and health	-	-	-	-	5,685	-	-	-	2,962,871	3,547	2,972,103
Trade and hospitality	-	-	-	7,390	-	-	-	-	4,776,784	-	4,784,174
Finance, insurance, real estate business:											
Finance, insurance and business services	16,825,395	403,509	4,935,521	10,512,890	8,713,333	3,195,862	3,185,677	254,690	15,410,751	3,450,799	66,888,427
Real estate	-	11,654	-	10,200	585,284	-	315	-	10,734,423	12,620	11,354,496
Others:											
Purchase of landed property											
-- Residential	-	-	-	-	-	-	37	-	52,187,431	388	52,187,856
– Non-residential	-	-	-	-	-	-	-	-	11,267,194	3,220	11,270,414
General commerce	-	-	-	8,388	79,162	189,401	6,392	-	13,396,978	176,553	13,856,874
Government and government agencies	10,062,690	4,894,739	54,810	10,565,530	10,146,642	3,088,184	14,195	-	12,818,225	414,841	52,059,856
Purchase of securities	-	168,024	-	-	-	-	-	-	8,054,841	1,425,750	9,648,615
Purchase of transport vehicles	-	-	-	-	-	-	-	-	13,988,992	-	13,988,992
Consumption credit	-	-	-	-	-	-	-	-	9,639,230	-	9,639,230
Others	18,107	116,352	-	469,912	1,217,043	42,007	260,764	-	7,527,603	596,611	10,248,399
	26,906,192	5,594,278	4,990,331	23,776,797	27,808,445	8,985,291	3,871,217	254,690	202,137,818	6,142,329	310,467,388

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position 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 31 December 2011	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Derivative financial instruments: Trading derivatives RM'000	Derivative financial instruments: Hedging derivatives RM'000	Loans, advances and financing (ii) RM'000	Other financial assets RM'000	Total credit exposures RM'000
Agriculture	–	–	–	–	172,407	102,873	2,858	–	5,085,963	14,869	5,378,970
Mining and quarrying	–	–	–	–	–	–	7,627	–	3,479,946	24	3,487,597
Manufacturing	–	–	–	314,068	145,652	59,440	51,683	–	14,946,693	15,874	15,533,410
Electricity, gas and water	–	–	–	256,146	1,885,457	27,337	32,319	–	1,730,886	7,210	3,939,355
Construction	–	–	–	278,563	898,239	268,664	15,285	–	3,319,539	1,180	4,781,470
Transport, storage and communications	–	3,445	–	118,615	2,247,739	1,671,992	237,429	–	9,206,626	9,726	13,495,572
Education and health	–	–	–	2,021	5,544	–	(2)	–	2,670,131	–	2,677,694
Trade and hospitality	–	–	–	–	–	–	–	–	4,668,640	–	4,668,640
Finance, insurance, real estate business:											
Finance, insurance and business services	20,086,305	137,370	4,118,808	4,664,605	3,826,408	4,800,420	3,527,531	257,182	14,089,164	3,593,961	59,101,754
Real estate	–	–	–	55,462	326,181	123,068	885	–	7,312,284	10,623	7,828,503
Others:											
Purchase of landed property											
– Residential	–	–	–	–	–	–	–	–	47,430,865	60	47,430,925
– Non-residential	–	–	–	–	–	–	–	–	7,724,760	–	7,724,760
General commerce	–	–	–	26,071	–	–	18,211	–	12,456,844	174,339	12,675,465
Government and government agencies	10,957,831	4,040,419	55,204	6,379,768	6,905,610	4,838,256	2,656	–	12,610,760	309,020	46,099,524
Purchase of securities	–	18,180	–	–	–	–	–	–	6,463,532	1,269,769	7,751,481
Purchase of transport vehicles	–	–	–	–	–	–	–	–	12,544,718	–	12,544,718
Consumption credit	–	26,982	–	–	81,986	–	–	–	12,657,951	–	12,766,919
Others	22,800	4,086	–	285,818	402,380	568,781	120,409	–	5,439,475	724,469	7,568,218
	31,066,936	4,230,482	4,174,012	12,381,137	16,897,603	12,460,831	4,016,891	257,182	183,838,777	6,131,124	275,454,975

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

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

							Derivative financial instruments				
The Group 1 January 2011	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Trading derivatives RM'000	Hedging derivatives RM'000	Loans, advances and financing (ii) RM'000	Other financial assets RM'000	Total credit exposures RM'000
Agriculture	–	–	–	–	154,034	108,362	5,219	–	4,705,521	12,386	4,985,522
Mining and quarrying	–	–	–	–	–	–	11,239	–	1,578,644	7,001	1,596,884
Manufacturing	–	–	–	274,547	250,323	80,357	27,111	–	14,562,248	81,595	15,276,181
Electricity, gas and water	–	–	–	217,321	1,099,556	346,642	36,851	–	1,663,628	9,234	3,373,232
Construction	–	1,558	–	138,427	1,059,613	243,665	16,592	–	4,547,569	4,812	6,012,236
Transport, storage and communications	–	26,230	–	236,196	1,749,161	1,856,281	183,724	–	6,298,602	23,904	10,374,098
Education and health	–	–	–	–	–	–	–	–	1,926,924	–	1,926,924
Trade and hospitality	–	–	–	–	–	–	–	–	3,425,596	–	3,425,596
Finance, insurance, real estate business:											
Finance, insurance and business services	8,595,066	1,182,178	8,726,017	4,131,600	3,858,009	4,745,463	2,977,960	165,543	15,935,327	2,057,255	52,374,418
Real estate	–	–	–	200,603	181,106	–	54	–	3,796,727	24,418	4,202,908
Others:											
Purchase of landed property											
– Residential	–	–	–	–	–	–	–	–	35,986,836	–	35,986,836
– Non-residential	–	–	–	–	–	–	–	–	6,441,776	–	6,441,776
General commerce	–	–	–	23,855	56,919	4,639	8,590	–	9,110,725	34,962	9,239,690
Government and government agencies	15,190,917	2,530,859	3,019,806	9,900,791	4,430,870	3,345,177	1,663	–	10,597,839	282,608	49,300,530
Purchase of securities	–	–	–	32,471	168,388	17,662	40,915	–	4,835,556	941,164	6,036,156
Purchase of transport vehicles	–	–	–	–	–	–	–	–	10,769,291	–	10,769,291
Consumption credit	–	47,290	–	1,990	66,207	–	–	–	11,379,498	108,184	11,603,169
Others	18,880	16,547	–	482,403	294,468	72,252	101,694	–	11,619,078	2,627,997	15,233,319
	23,804,863	3,804,662	11,745,823	15,640,204	13,368,654	10,820,500	3,411,612	165,543	159,181,385	6,215,520	248,158,766

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

	Financial assets held for trading			Financial assets designated at fair value through profit or loss		Financial investments available-for-sale			Financial investments held-to-maturity			
The Group 31 December 2012	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Total credit exposures RM'000
Agriculture	-	8,737	50,616	-	-	-	-	211,590	-	-	102,858	373,801
Mining and quarrying	-	-	152,059	-	-	-	70,624	92,466	-	-	-	315,149
Manufacturing	-	5,026	371,504	-	-	-	-	440,800	-	-	10,942	828,272
Electricity, gas and water	70,907	9,288	378,608	-	-	-	126,509	2,305,490	-	186,297	25,368	3,102,467
Construction	19,886	1,431	226,793	-	-	-	24,854	1,097,144	-	-	154,425	1,524,533
Transport, storage and communications	-	346,622	561,011	-	-	-	271,517	2,420,302	-	278,468	1,711,479	5,589,399
Education and health	-	-	-	-	-	-	5,685	-	-	-	-	5,685
Trade and hospitality	-	7,390	-	-	-	-	-	-	-	-	-	7,390
Finance, insurance, real estate business:												
Finance, insurance and business services	6,149,496	106,618	4,256,775	-	-	430,916	1,497,307	6,785,112	14,689	445,031	2,736,141	22,422,085
Real estate	-	-	10,200	-	-	-	1,017	584,266	-	-	-	595,483
Others:												
General commerce	-	-	8,388	-	-	-	20,403	58,759	-	-	189,401	276,951
Government and government agencies	9,781,258	522,606	261,666	-	-	5,242,609	2,369,958	2,534,075	765,188	1,987,719	335,277	23,800,356
Purchase of securities	-	-	-	-	-	-	-	-	-	-	-	-
Others	37,197	1,506	431,209	-	-	19,744	29,969	1,167,329	-	-	42,008	1,728,962
	16,058,744	1,009,224	6,708,829	-	-	5,693,269	4,417,843	17,697,333	779,877	2,897,515	5,307,899	60,570,533

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

	Financial assets held for trading			Financial assets designated at fair value through profit or loss		Financial investments available-for-sale			Financial investments held-to-maturity			
The Group 31 December 2011	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Total credit exposures RM'000
Agriculture	–	–	–	–	–	–	–	172,407	–	–	102,873	275,280
Manufacturing	9,891	–	304,178	–	–	–	–	145,652	–	–	59,440	519,161
Electricity, gas and water	46,059	–	210,087	–	–	–	9,218	1,876,239	–	–	27,337	2,168,940
Construction	–	–	278,563	–	–	–	–	898,239	–	–	268,664	1,445,466
Transport, storage and communications	–	–	118,615	–	–	–	–	2,247,739	–	–	1,671,992	4,038,346
Education and health	–	2,021	–	–	–	–	5,544	–	–	–	–	7,565
Finance, insurance, real estate business:												
Finance, insurance and business services	2,800,877	300,573	1,563,153	–	–	577,612	397,430	2,851,364	15,431	1,860,490	2,924,498	13,291,428
Real estate	–	–	55,462	–	–	–	–	326,181	–	–	123,068	504,711
Others:												
General commerce	–	–	26,071	–	–	–	–	–	–	–	–	26,071
Government and government agencies	5,454,447	518,525	406,796	–	–	2,712,838	2,763,166	1,429,607	515,425	2,334,424	1,988,407	18,123,635
Consumption credit	–	–	–	–	–	–	–	81,986	–	–	–	81,986
Others	–	–	285,819	–	–	–	–	402,381	–	–	568,782	1,256,982
	8,311,274	821,119	3,248,744	–	–	3,290,450	3,175,358	10,431,795	530,856	4,194,914	7,735,061	41,739,571

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

	Financial assets held for trading			Financial assets designated at fair value through profit or loss		Financial investments available-for-sale			Financial investments held-to-maturity			
The Group 1 January 2011	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Money market instruments RM'000**	**Quoted securities RM'000**	**Unquoted securities RM'000**	**Total credit exposures RM'000**
Agriculture	–	–	–	–	–	–	–	154,034	–	3,392	104,970	262,396
Manufacturing	88,826	205	185,516	–	–	–	–	250,323	–	16,321	64,036	605,227
Electricity, gas and water	115,393	–	95,710	–	6,217	–	–	1,099,556	–	–	346,642	1,663,518
Construction	–	–	136,430	–	1,997	–	–	1,059,613	–	3,392	240,273	1,441,705
Transport, storage and communications	–	–	220,163	–	16,033	–	–	1,749,161	–	56,257	1,800,023	3,841,637
Finance, insurance, real estate business:												
Finance, insurance and business services	2,609,092	167,994	1,267,600	30,548	56,368	437,562	1,217,759	2,202,688	14,840	607,158	4,123,466	12,735,075
Real estate	18,038	–	182,564	–	–	–	–	181,106	–	–	–	381,708
Others:												
General commerce	–	–	23,855	–	–	–	–	56,919	–	–	4,639	85,413
Government and government agencies	7,603,261	1,414,046	464,151	419,333	–	2,216,384	1,273,782	940,705	149,994	1,129,423	2,065,760	17,676,839
Purchase of securities	–	32,471	–	–	–	–	168,387	–	–	17,662	–	218,520
Consumption credit	–	–	–	–	1,990	–	–	66,207	–	–	–	68,197
Others	–	–	299,598	–	182,805	–	–	294,468	–	–	72,252	849,123
	10,434,610	1,614,716	2,875,587	449,881	265,410	2,653,946	2,659,928	8,054,780	164,834	1,833,605	8,822,061	39,829,358

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows:

The Group 31 December 2012	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Total credit exposures RM'000
Agriculture	236,604	3,348,180	19,862	3,410	130,941	–	2,242,391	28,245	6,009,633
Mining and quarrying	32,380	2,907,557	18,485	36	6,363	–	1,334,034	–	4,298,855
Manufacturing	670,026	4,587,312	1,701,711	748,523	1,868,537	–	5,925,601	42,457	15,544,167
Electricity, gas and water	10,050	1,350,572	–	5,391	3,742	–	347,280	694	1,717,729
Construction	525,729	2,018,249	44,488	52,109	152,398	–	1,830,567	13,231	4,636,771
Transport, storage and communications	188,908	4,821,354	30,841	6,216	9,103	–	2,039,454	69,464	7,165,340
Education and health	136,691	2,572,462	–	337	45,589	–	207,792	–	2,962,871
Trade and hospitality	637,513	1,951,021	50,918	149,298	1,364,690	–	623,344	–	4,776,784
Finance, insurance, real estate business:									
Finance, insurance and business services	321,559	10,961,428	420,818	73,879	1,027,070	–	2,590,559	15,438	15,410,751
Real estate	200,334	7,058,610	779,138	238,707	692	–	2,446,849	10,093	10,734,423
Others:									
Purchase of landed property									
– Residential	22,562	52,164,869	–	–	–	–	–	–	52,187,431
– Non-residential	114,836	11,152,358	–	–	–	–	–	–	11,267,194
General commerce	41,317	6,994,315	–	12,290	–	–	5,692,101	656,955	13,396,978
Government and government agencies	–	12,818,225	–	–	–	–	–	–	12,818,225
Purchase of securities	16,149	6,724,330	–	–	–	–	–	1,314,362	8,054,841
Purchase of transport vehicles	–	13,120,501	–	–	–	–	868,491	–	13,988,992
Consumption credit	1,783,436	2,057,222	1,788	–	–	5,602,163	194,621	–	9,639,230
Others	279,620	3,676,130	550,037	895,588	23,240	–	2,012,351	90,637	7,527,603
	5,217,714	150,284,695	3,618,086	2,185,784	4,632,365	5,602,163	28,355,435	2,241,576	202,137,818

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows (Continued):

The Group 31 December 2011	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Total credit exposures RM'000
Agriculture	192,981	2,772,137	551	19,062	133,536	–	1,967,697	–	5,085,963
Mining and quarrying	17,479	1,906,537	858	123	6,110	–	1,548,839	–	3,479,946
Manufacturing	703,180	4,616,600	2,055,186	577,932	1,831,230	–	5,162,565	–	14,946,693
Electricity, gas and water	4,527	1,341,775	–	1,911	–	–	382,673	–	1,730,886
Construction	542,686	1,740,813	29,988	42,527	143,763	–	819,762	–	3,319,539
Transport, storage and communications	179,697	7,719,346	44,761	8,609	9,028	–	1,245,185	–	9,206,626
Education and health	210,969	2,278,357	8,312	1,700	54,320	–	116,473	–	2,670,131
Trade and hospitality	805,501	1,912,468	37,563	153,800	1,008,314	–	750,994	–	4,668,640
Finance, insurance, real estate business:									
Finance, insurance and business services	370,652	9,536,478	232,700	17,930	896,192	–	3,035,212	–	14,089,164
Real estate	203,563	5,506,447	204,073	295	700	–	1,397,206	–	7,312,284
Others:									
Purchase of landed property									
– Residential	20,396	47,410,469	–	–	–	–	–	–	47,430,865
– Non-residential	144,160	7,580,600	–	–	–	–	–	–	7,724,760
General commerce	47,326	7,516,980	314,725	161,376	–	–	4,416,437	–	12,456,844
Government and government agencies	–	12,610,760	–	–	–	–	–	–	12,610,760
Purchase of securities	19,306	4,518,653	–	–	–	–	95,534	1,830,039	6,463,532
Purchase of transport vehicles	–	11,775,998	–	–	–	–	768,720	–	12,544,718
Consumption credit	1,711,694	5,363,668	984	–	–	5,420,554	161,051	–	12,657,951
Others	257,196	2,531,065	666,661	139,290	19,183	–	1,826,080	–	5,439,475
	5,431,313	138,639,150	3,596,362	1,124,555	4,102,376	5,420,554	23,694,428	1,830,039	183,838,777

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows (Continued):

The Group 1 January 2011	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Other loans RM'000	Total credit exposures RM'000
Agriculture	130,103	1,922,419	5,423	3,778	148,864	–	2,494,933	–	–	4,705,520
Mining and quarrying	27,600	381,976	3,060	2,779	10,262	–	1,152,966	–	–	1,578,643
Manufacturing	656,931	4,274,350	1,362,212	350,238	1,908,819	–	6,009,697	–	–	14,562,247
Electricity, gas and water	13,390	1,438,335	9,704	4,422	3,478	–	194,299	–	–	1,663,628
Construction	556,636	2,612,119	51,475	62,341	124,141	–	1,132,674	–	8,183	4,547,569
Transport, storage and communications	182,710	5,069,106	18,070	10,343	11,905	–	1,006,468	–	–	6,298,602
Education and health	180,904	7,619,559	23,207	2,313	74,714	–	85,764	–	–	7,986,461
Trade and hospitality	820,642	1,193,672	37,188	170,456	1,078,426	–	125,216	–	–	3,425,600
Finance, insurance, real estate business:										–
Finance, insurance and business services	432,874	15,277,698	118,511	19,604	39,005	–	4,585,935	–	–	20,473,627
Real estate	203,280	3,095,980	32,628	359	682	–	463,798	–	–	3,796,727
Others:										–
Purchase of landed property										–
– Residential	11,973	35,960,584	–	–	–	–	14,278	–	–	35,986,835
– Non-residential	151,065	6,286,346	–	–	–	–	4,365	–	–	6,441,776
General commerce	260,384	1,760,700	730,848	299,096	527,700	–	5,531,997	–	–	9,110,725
Purchase of securities	18,389	3,446,516	–	–	–	–	95,069	1,275,583	–	4,835,557
Purchase of transport vehicles	–	10,769,291	–	–	–	–	–	–	–	10,769,291
Consumption credit	1,793,126	4,587,608	5,279	76	–	4,861,759	131,651	–	–	11,379,499
Others	133,298	11,013,376	93,910	16,848	15,391	–	346,255	–	–	11,619,078
	5,573,305	116,709,635	2,491,515	942,653	3,943,387	4,861,759	23,375,365	1,275,583	8,183	159,181,385

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets based on the industry sectors of the counterparty are as follows:

The Company 31 December 2012	**Cash and short term funds RM'000**	**Derivative financial instruments* RM'000**	**Loans, advances and financing** RM'000**	**Other financial assets*** RM'000**	**Total credit exposures RM'000**
Finance, insurance, real estate business:					
Finance, insurance and business services	**135,075**	**10,712**	**–**	**6,143**	**151,930**
Others:					
Others	**–**	**–**	**95**	**5**	**100**
	135,075	**10,712**	**95**	**6,148**	**152,030**

* Relates to trading and hedging derivatives
** Relates to term loans
*** Other financial assets include amount owing by subsidiaries and other financial assets

The Company 31 December 2011	**Cash and short term funds RM'000**	**Derivative financial instruments* RM'000**	**Loans, advances and financing** RM'000**	**Other financial assets*** RM'000**	**Total credit exposures RM'000**
Finance, insurance, real estate business:					
Finance, insurance and business services	316,828	17,459	–	26,726	361,013
Others:					
Others	–	–	930	44	974
	316,828	17,459	930	26,770	361,987

* Relates to trading and hedging derivatives
** Relates to term loans
*** Other financial assets include amount owing by subsidiaries and other financial assets

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets based on the industry sectors of the counterparty are as follows (Continued):

The Company 1 January 2011	Cash and short term funds RM'000	Derivative financial instruments* RM'000	Loans, advances and financing** RM'000	Other financial assets*** RM'000	Total credit exposures RM'000
Finance, insurance, real estate business:					
Finance, insurance and business services	529,825	5,676	–	27,677	563,178
Others:					
Others	–	–	1,147	99	1,246
	529,825	5,676	1,147	27,776	564,424

* Relates to trading and hedging derivatives
** Relates to term loans
*** Other financial assets include amount owing by subsidiaries and other financial assets

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies based on the industry sectors of the counterparty are as follows:

	The Group					
	Financial guarantees 31 December 2012 RM'000	Credit related commitments and contingencies 31 December 2012 RM'000	Financial guarantees 31 December 2011 RM'000	Credit related commitments and contingencies 31 December 2011 RM'000	Financial guarantees 1 January 2011 RM'000	Credit related commitments and contingencies 1 January 2011 RM'000
Agriculture	**9,789**	**701,722**	10,296	659,412	8,408	1,153,011
Mining and quarrying	**64,303**	**1,218,860**	31,830	1,177,509	38,060	663,823
Manufacturing	**316,393**	**5,186,178**	269,135	5,256,288	340,381	4,825,520
Electricity, gas and water	**57,464**	**563,390**	68,415	396,135	27,396	1,089,154
Construction	**390,142**	**4,680,657**	78,569	2,624,860	233,139	3,376,824
Transport, storage and communications	**95,588**	**1,257,410**	88,103	1,119,063	57,558	888,479
Education and health	**32,685**	**2,355,874**	42,794	3,036,166	45,491	1,961,952
Trade and hospitality	**96,469**	**3,942,664**	103,909	6,523,880	115,126	4,677,732
Finance, insurance, real estate business:						
Finance, insurance and business services	**3,422,127**	**10,654,180**	3,017,538	4,503,438	2,355,212	4,224,881
Real estate	**10,394**	**838,069**	81	198,526	46,875	1,145,798
Others:						
Purchase of landed property – Residential	**–**	**5,423**	–	17,640	–	298,509
General commerce	**121,647**	**850,389**	403,291	1,011,150	991,542	1,738,537
Purchase of transport vehicles	**–**	**–**	–	–	–	197,724
Consumption credit	**4,211**	**3,528,324**	229	855	–	669,766
Others	**32,231**	**21,600,769**	41,165	22,940,740	140,464	20,138,114
	4,653,443	**57,383,909**	4,155,355	49,465,662	4,399,652	47,049,824

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 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 are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but nor impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
31 December 2012				
Overdrafts	**4,724,121**	**643,963**	**612,691**	**5,980,775**
Term loans/financing	**136,752,560**	**12,195,273**	**5,697,592**	**154,645,425**
Bills receivable	**3,616,915**	**5,384**	**94,611**	**3,716,910**
Trust receipts	**2,167,232**	**4,874**	**211,559**	**2,383,665**
Claim on customers under acceptance credit	**4,557,673**	**4,937**	**447,465**	**5,010,075**
Credit card receivables	**5,265,601**	**384,961**	**40,133**	**5,690,695**
Revolving credit	**28,088,491**	**118,215**	**759,649**	**28,966,355**
Share margin financing	**2,021,034**	**224,967**	**63,685**	**2,309,686**
Other loans	**–**	**–**	**432**	**432**
Total	**187,193,627**	**13,582,574**	**7,927,817**	**208,704,018**
Less: Impairment allowances *				**(6,566,200)**
Total net amount				**202,137,818**
31 December 2011				
Overdrafts	4,730,020	638,115	688,036	6,056,171
Term loans/financing	126,003,390	10,889,921	7,255,228	144,148,539
Bills receivable	3,548,690	63,019	118,689	3,730,398
Trust receipts	1,089,738	12,771	198,429	1,300,938
Claim on customers under acceptance credit	4,016,958	10,349	551,773	4,579,080
Credit card receivables	5,043,398	443,978	112,084	5,599,460
Revolving credit	23,533,514	140,958	823,732	24,498,204
Share margin financing	1,760,276	62,222	55,820	1,878,318
Other loans	–	–	890	890
Total	169,725,984	12,261,333	9,804,681	191,791,998
Less: Impairment allowances *				(7,953,221)
Total net amount				183,838,777

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

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

(a) Loans, advances and financing (Continued)

Loans, advances and financing of the Group are summarised as follows (Continued):

The Group	Neither past due nor impaired (i) RM'000	Past due but nor impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
1 January 2011				
Overdrafts	4,823,881	675,207	819,340	6,318,428
Term loans/financing	103,526,901	11,684,676	7,031,043	122,242,620
Bills receivable	2,461,315	35,994	126,742	2,624,051
Trust receipts	901,950	18,919	222,985	1,143,854
Claim on customers under acceptance credit	3,824,505	60,550	664,227	4,549,282
Credit card receivables	4,702,082	173,369	104,139	4,979,590
Revolving credit	22,936,657	124,832	1,249,949	24,311,438
Share margin financing	1,280,311	–	64,407	1,344,718
Other loans	8,183	–	1,547	9,730
Total	144,465,785	12,773,547	10,284,379	167,523,711
Less: Impairment allowances *				(8,342,326)
Total net amount				159,181,385

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment

Loans, advances and financing of the Company as at 31 December 2012 of RM95,000 (31 December 2011: RM930,000 and 1 January 2011: RM1,147,000) are categorised as "neither past due nor impaired".

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

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

The Group	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
31 December 2012				
Overdrafts	**1,604,625**	**407,943**	**2,711,553**	**4,724,121**
Term loans/financing	**53,989,783**	**5,831,902**	**76,930,875**	**136,752,560**
Bills receivable	**2,312,241**	**851,650**	**453,024**	**3,616,915**
Trust receipts	**1,505,668**	**521,928**	**139,636**	**2,167,232**
Claim on customers under acceptance credit	**3,260,457**	**42,808**	**1,254,408**	**4,557,673**
Credit card receivables	**1,043,761**	**–**	**4,221,840**	**5,265,601**
Revolving credit	**26,297,554**	**491,280**	**1,299,657**	**28,088,491**
Share margin financing	**719,149**	**–**	**1,301,885**	**2,021,034**
Total	**90,733,238**	**8,147,511**	**88,312,878**	**187,193,627**
31 December 2011				
Overdrafts	1,758,808	488,021	2,483,191	4,730,020
Term loans/financing	50,193,503	4,438,643	71,371,244	126,003,390
Bills receivable	1,825,937	1,039,181	683,572	3,548,690
Trust receipts	883,212	122,232	84,294	1,089,738
Claim on customers under acceptance credit	3,311,027	169,147	536,784	4,016,958
Credit card receivables	832,116	–	4,211,282	5,043,398
Revolving credit	22,507,965	324,651	700,898	23,533,514
Share margin financing	771,740	–	988,536	1,760,276
Total	82,084,308	6,581,875	81,059,801	169,725,984
1 January 2011				
Overdrafts	1,880,997	195,654	2,747,230	4,823,881
Term loans/financing	39,164,039	3,324,023	61,038,839	103,526,901
Bills receivable	2,106,949	112,989	241,377	2,461,315
Trust receipts	655,214	44,387	202,349	901,950
Claim on customers under acceptance credit	3,183,525	73,599	567,381	3,824,505
Credit card receivables	618,819	–	4,083,263	4,702,082
Revolving credit	22,240,893	337,651	358,113	22,936,657
Share margin financing	89,351	–	1,190,960	1,280,311
Other loans	–	8,183	–	8,183
Total	69,939,787	4,096,486	70,429,512	144,465,785

The Company	31 December 2012 No rating RM'000	31 December 2012 Total RM'000	31 December 2011 No rating RM'000	31 December 2011 Total RM'000	1 January 2011 No rating RM'000	1 January 2011 Total RM'000
Term loans/financing	**95**	**95**	930	930	1,147	1,147
Total	**95**	**95**	930	930	1,147	1,147

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

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

(ii) *Loans, advances and financing that are "past due but not impaired"*

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of loans, advances and financing that are "past due but not impaired" is set out below:

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
31 December 2012			
Overdrafts	**559,438**	**84,525**	**643,963**
Term loans/financing	**8,477,125**	**3,718,148**	**12,195,273**
Bills receivable	**–**	**5,384**	**5,384**
Trust receipts	**62**	**4,812**	**4,874**
Claim on customers under acceptance credit	**2,619**	**2,318**	**4,937**
Credit card receivables	**331,064**	**53,897**	**384,961**
Revolving credit	**50,831**	**67,384**	**118,215**
Share margin financing	**223,348**	**1,619**	**224,967**
Total	**9,644,487**	**3,938,087**	**13,582,574**
31 December 2011			
Overdrafts	551,157	86,958	638,115
Term loans/financing	7,688,549	3,201,372	10,889,921
Bills receivable	44,434	18,585	63,019
Trust receipts	10,141	2,630	12,771
Claim on customers under acceptance credit	5,276	5,073	10,349
Credit card receivables	301,241	142,737	443,978
Revolving credit	44,090	96,868	140,958
Share margin financing	62,222	–	62,222
Total	8,707,110	3,554,223	12,261,333
1 January 2011			
Overdrafts	568,458	106,749	675,207
Term loans/financing	7,989,402	3,695,274	11,684,676
Bills receivable	35,994	–	35,994
Trust receipts	12,762	6,157	18,919
Claim on customers under acceptance credit	43,898	16,652	60,550
Credit card receivables	111,095	62,274	173,369
Revolving credit	55,842	68,990	124,832
Total	8,817,451	3,956,096	12,773,547

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(iii) Impaired loans, advances and financing

	The Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Total gross impaired loans	**7,927,817**	9,804,681	10,284,379
Less: Impairment allowances	**(3,939,272)**	(4,784,613)	(6,507,183)
Total net impaired loans	**3,988,545**	5,020,068	3,777,196

Refer to Note 8(vii) and Note 8(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

(b) Financial investments at fair value through profit or loss and financial investments

Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
31 December 2012			
Financial investments at fair value through profit or loss			
– Financial assets held for trading			
– Money market instruments	**16,058,744**	**–**	**16,058,744**
– Quoted securities	**1,009,224**	**–**	**1,009,224**
– Unquoted securities	**6,708,829**	**8,000**	**6,716,829**
Financial investments available-for-sale			
– Money market instruments	**5,693,269**	**–**	**5,693,269**
– Quoted securities	**4,424,515**	**–**	**4,424,515**
– Unquoted securities	**17,347,057**	**482,303**	**17,829,360**
Financial investments held-to-maturity			
– Money market instruments	**779,877**	**–**	**779,877**
– Quoted securities	**2,899,733**	**4,761**	**2,904,494**
– Unquoted securities	**5,281,616**	**60,633**	**5,342,249**
Total	**60,202,864**	**555,697**	**60,758,561**
Less: Impairment allowance *			**(188,028)**
Total net amount			**60,570,533**

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows (Continued):

The Group	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
31 December 2011			
Financial investments at fair value through profit or loss			
– Financial assets held for trading			
– Money market instruments	8,311,274	–	8,311,274
– Quoted securities	821,119	–	821,119
– Unquoted securities	3,248,744	8,000	3,256,744
Financial investments available-for-sale			
– Money market instruments	3,290,450	–	3,290,450
– Quoted securities	3,178,770	–	3,178,770
– Unquoted securities	10,303,689	351,421	10,655,110
Financial investments held-to-maturity			
– Money market instruments	530,856	–	530,856
– Quoted securities	4,199,903	5,228	4,205,131
– Unquoted securities	7,689,772	81,695	7,771,467
Total	41,574,577	446,344	42,020,921
Less: Impairment allowance *			(281,350)
Total net amount			41,739,571
1 January 2011			
Financial investments at fair value through profit or loss			
– Financial assets held for trading			
– Money market instruments	10,434,610	–	10,434,610
– Quoted securities	1,614,716	–	1,614,716
– Unquoted securities	2,875,587	–	2,875,587
Financial assets designed at fair value through profit or loss			
– Money market instruments	449,881	–	449,881
– Quoted securities	–	–	–
– Unquoted securities	265,410	–	265,410
Financial investments available-for-sale			
– Money market instruments	2,653,945	–	2,653,945
– Quoted securities	2,660,146	–	2,660,146
– Unquoted securities	7,878,914	430,402	8,309,316
Financial investments held-to-maturity			
– Money market instruments	164,834	–	164,834
– Quoted securities	1,837,739	5,139	1,842,878
– Unquoted securities	8,743,495	114,805	8,858,300
Total	39,579,277	550,346	40,129,623
Less: Impairment allowance *			(300,265)
Total net amount			39,829,358

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

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

There were no financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2012, 31 December 2011 and 1 January 2011 for the Group.

(i) Financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
31 December 2012					
Financial investments at fair value through profit or loss					
– Financial assets held for trading					
– Money market instruments	**12,105,268**	**3,904,895**	**48,553**	**28**	**16,058,744**
– Quoted securities	**621,390**	**387,834**	**–**	**–**	**1,009,224**
– Unquoted securities	**852,726**	**3,598,839**	**114,553**	**2,142,711**	**6,708,829**
Financial investments available-for-sale					
– Money market instruments	**4,681,492**	**897,679**	**104,099**	**9,999**	**5,693,269**
– Quoted securities	**3,211,801**	**1,212,714**	**–**	**–**	**4,424,515**
– Unquoted securities	**813,510**	**13,780,233**	**179,055**	**2,574,259**	**17,347,057**
Financial investments held-to-maturity					
– Money market instruments	**295,044**	**484,833**	**–**	**–**	**779,877**
– Quoted securities	**2,509,738**	**389,995**	**–**	**–**	**2,899,733**
– Unquoted securities	**428,425**	**2,863,941**	**154,425**	**1,834,825**	**5,281,616**
Total	**25,519,394**	**27,520,963**	**600,685**	**6,561,822**	**60,202,864**
31 December 2011					
Financial investments at fair value through profit or loss					
– Financial assets held for trading					
– Money market instruments	5,398,744	2,866,472	–	46,058	8,311,274
– Quoted securities	515,936	305,183	–	–	821,119
– Unquoted securities	250,201	2,885,354	3,533	109,656	3,248,744
Financial investments available-for-sale					
– Money market instruments	2,587,041	703,409	–	–	3,290,450
– Quoted securities	2,805,641	373,129	–	–	3,178,770
– Unquoted securities	1,536,998	7,973,131	126,587	666,973	10,303,689
Financial investments held-to-maturity					
– Money market instruments	525,412	5,444	–	–	530,856
– Quoted securities	3,614,907	579,768	5,228	–	4,199,903
– Unquoted securities	1,449,759	4,193,239	1,794	2,044,980	7,689,772
Total	18,684,639	19,885,129	137,142	2,867,667	41,574,577

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

(i) Financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired" (Continued)

The table below presents an analysis of financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired", based on rating by major credit rating agencies (Continued):

The Group	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
1 January 2011					
Financial investments at fair value through profit or loss					
– Financial assets held for trading					
– Money market instruments	8,046,419	2,265,032	–	123,159	10,434,610
– Quoted securities	1,557,186	57,525	–	5	1,614,716
– Unquoted securities	231,610	2,068,346	48,086	527,545	2,875,587
– Financial assets designed at fair value through profit or loss					
– Money market instruments	427,345	22,536	–	–	449,881
– Unquoted securities	–	244,786	20,624	–	265,410
Financial investments available-for-sale					
– Money market instruments	2,251,807	402,138	–	–	2,653,945
– Quoted securities	2,635,565	24,581	–	–	2,660,146
– Unquoted securities	1,269,748	5,976,673	150,574	481,919	7,878,914
Financial investments held-to-maturity					
– Money market instruments	159,944	4,890	–	–	164,834
– Quoted securities	1,185,920	651,819	–	–	1,837,739
– Unquoted securities	2,454,010	4,411,520	–	1,877,965	8,743,495
Total	20,219,554	16,129,846	219,284	3,010,593	39,579,277

Securities with no ratings consists of government securities, credit-linked notes and private debt securities.

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets

Other financial assets of the Group and the Company are summarised as follows:

The Group	Neither past due nor impaired (i) RM'000	Past due but nor impaired (ii) RM'000	Impaired RM'000	Total gross amount RM'000
31 December 2012				
Cash and short term funds	**26,908,436**	**–**	**–**	**26,908,436**
Reverse repurchase agreements	**5,594,278**	**–**	**–**	**5,594,278**
Deposits and placements with banks and other financial institutions	**4,990,331**	**–**	**–**	**4,990,331**
Other assets	**5,954,315**	**168,683**	**113,811**	**6,236,809**
Derivative financial instruments	**4,125,907**	**–**	**–**	**4,125,907**
Total	**47,573,267**	**168,683**	**113,811**	**47,855,761**
Less: Impairment allowance *				**(96,724)**
Total net amount				**47,759,037**
31 December 2011				
Cash and short term funds	31,066,936	–	–	31,066,936
Reverse repurchase agreements	4,230,482	–	–	4,230,482
Deposits and placements with banks and other financial institutions	4,174,012	–	–	4,174,012
Other assets	5,932,739	187,079	94,483	6,214,301
Derivative financial instruments	4,274,073	–	–	4,274,073
Total	49,678,242	187,079	94,483	49,959,804
Less: Impairment allowance *				(83,177)
Total net amount				49,876,627
1 January 2011				
Cash and short term funds	23,804,863	–	–	23,804,863
Reverse repurchase agreements	3,804,662	–	–	3,804,662
Deposits and placements with banks and other financial institutions	11,745,823	–	–	11,745,823
Other assets	6,030,793	181,492	80,043	6,292,328
Derivative financial instruments	3,577,155	–	–	3,577,155
Total	48,963,296	181,492	80,043	49,224,831
Less: Impairment allowance *				(76,808)
Total net amount				49,148,023

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

Other financial assets of the Group and the Company are summarised as follows:

The Company	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
31 December 2012			
Cash and short term funds	**135,075**	**–**	**135,075**
Other assets	**1,910**	**–**	**1,910**
Derivative financial instruments	**10,712**	**–**	**10,712**
Amount owing by subsidiaries	**4,238**	**775**	**5,013**
Total	**151,935**	**775**	**152,710**
Less: Impairment allowance *			**(775)**
Total net amount			**151,935**
31 December 2011			
Cash and short term funds	316,828	–	316,828
Other assets	21,959	–	21,959
Derivative financial instruments	17,459	–	17,459
Amount owing by subsidiaries	4,811	775	5,586
Total	361,057	775	361,832
Less: Impairment allowance *			(775)
Total net amount			361,057
1 January 2011			
Cash and short term funds	529,826	–	529,826
Other assets	8,509	–	8,509
Derivative financial instruments	5,676	–	5,676
Amount owing by subsidiaries	19,267	805	20,072
Total	563,278	805	564,083
Less: Impairment allowance *			(805)
Total net amount			563,278

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

There were no other credit risk financial assets that are "past due but not impaired" as at 31 December 2012, 31 December 2011 and 1 January 2011 for the Company.

Notes to the Financial Statements

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"

The tables below present an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
31 December 2012					
Cash and short term funds	**17,038,705**	**9,609,766**	**39,328**	**220,637**	**26,908,436**
Reverse repurchase agreements	**4,933,870**	**660,408**	**–**	**–**	**5,594,278**
Deposits and placements with banks and other financial institutions	**2,165,961**	**2,798,840**	**–**	**25,530**	**4,990,331**
Other assets	**166,664**	**538,375**	**–**	**5,249,276**	**5,954,315**
Derivative financial instruments	**75,242**	**3,406,369**	**379,269**	**265,027**	**4,125,907**
Total	**24,380,442**	**17,013,758**	**418,597**	**5,760,470**	**47,573,267**
31 December 2011					
Cash and short term funds	21,858,134	8,757,197	28,418	423,187	31,066,936
Reverse repurchase agreements	3,048,774	1,181,708	–	–	4,230,482
Deposits and placements with banks and other financial institutions	1,612,898	2,545,605	730	14,779	4,174,012
Other assets	240,684	477,296	–	5,214,759	5,932,739
Derivative financial instruments	90,079	3,692,293	227,636	264,065	4,274,073
Total	26,850,569	16,654,099	256,784	5,916,790	49,678,242
1 January 2011					
Cash and short term funds	15,291,289	7,613,585	82,522	817,467	23,804,863
Reverse repurchase agreements	3,231,252	573,410	–	–	3,804,662
Deposits and placements with banks and other financial institutions	3,648,907	8,023,390	18,575	54,951	11,745,823
Other assets	267,457	381,869	405	5,381,062	6,030,793
Derivative financial instruments	20,780	3,094,199	83,894	378,282	3,577,155
Total	22,459,685	19,686,453	185,396	6,631,762	48,963,296

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired" (Continued)

The Company	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
31 December 2012			
Cash and short term funds	**135,075**	**–**	**135,075**
Other assets	**1,905**	**5**	**1,910**
Derivative financial instruments	**10,712**	**–**	**10,712**
Amount owing by subsidiaries	**–**	**4,238**	**4,238**
Total	**147,692**	**4,243**	**151,935**
31 December 2011			
Cash and short term funds	316,828	–	316,828
Other assets	21,915	44	21,959
Derivative financial instruments	17,459	–	17,459
Amount owing by subsidiaries	23	4,788	4,811
Total	356,225	4,832	361,057
1 January 2011			
Cash and short term funds	529,826	–	529,826
Other assets	8,410	99	8,509
Derivative financial instruments	5,676	–	5,676
Amount owing by subsidiaries	18,446	821	19,267
Total	562,358	920	563,278

(ii) Other financial assets that are "past due but not impaired"

An age analysis of the other financial assets of the Group that are "past due but not impaired" as at 31 December 2012, 31 December 2011 and 1 January 2011 are set out as below.

The Group	Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
31 December 2012			
Other assets	**127,774**	**40,909**	**168,683**
31 December 2011			
Other assets	62,416	124,663	187,079
1 January 2011			
Other assets	126,330	55,162	181,492

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.4 Repossessed collateral

The Group and the Company obtained assets by taking possession of collateral held as security as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

	The Group Carrying amount RM'000	The Company Carrying amount RM'000
31 December 2012		
Nature of assets		
Industrial and residential properties and development land	**178,713**	**–**
31 December 2011		
Nature of assets		
Industrial and residential properties and development land	167,765	–
1 January 2011		
Nature of assets		
Industrial and residential properties and development land	237,620	–

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

53.2 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 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.

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

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/benchmark rate risk, foreign exchange risk and commodity risk. Each business unit is allocated 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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

Market Risk Management (Continued)

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to GRC and BRC for its perusal. The usafe of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2012 is shown in table 53.2.1.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest. Hence, the resulting market 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

The Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
CaR (99%)			
Foreign exchange risk	**4,680**	7,540	9,092
Interest rate risk	**18,440**	11,959	13,950
Equity risk	**6,754**	1,920	2,151
Commodity risk	**–**	136	–
Total	**29,874**	21,555	25,193
Total shareholder's fund	**28,376,667**	26,073,868	23,344,114
Percentage of shareholder's fund	**0.11%**	0.08%	0.11%

53.2.2 Interest rate risk

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

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

		Non-trading book								
The Group 31 December 2012	**Note**	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets										
Cash and short-term funds		26,457,442	–	–	–	–	–	4,305,619	–	30,763,061
Reverse repurchase agreements		2,530,176	1,729,721	564,668	752,915	–	–	16,798	–	5,594,278
Deposits and placements with banks and other financial institutions		2,000,718	1,832,362	335,015	666,398	–	15,000	140,838	–	4,990,331
Financial assets held for trading		–	–	–	–	–	–	–	25,383,276	25,383,276
Financial investments available-for-sale	(i)	781,281	296,979	476,101	1,077,703	8,715,304	15,971,914	1,888,240	–	29,207,522
Financial investments held-to-maturity	(i)	1,826,850	649,612	660,249	687,508	3,101,757	1,988,848	70,470	–	8,985,294
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,871,217	3,871,217
– Hedging derivatives		–	6,009	1,681	1,357	232,867	11,259	1,517	–	254,690
Loans, advances and financing	(i)	117,111,750	16,790,615	6,650,929	5,183,680	30,477,725	25,923,119	–	–	202,137,818
Other assets		265,891	–	80,493	55,000	112,053	–	5,628,892	–	6,142,329
Total financial assets		150,974,108	21,305,298	8,769,136	8,424,561	42,639,706	43,910,140	12,052,374	29,254,493	317,329,816

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

	Non-trading book								
The Group 31 December 2012	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	153,296,292	27,419,189	14,095,091	10,879,387	5,979,627	1,822,459	30,478,262	–	243,970,307
Deposits and placements of banks and other financial institutions	12,421,358	3,914,433	1,482,248	346,459	1,875,687	1,306,801	55,772	–	21,402,758
Repurchase agreements	1,065,987	999,326	239,406	752,915	–	–	10,405	–	3,068,039
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	3,686,650	3,686,650
– Hedging derivatives	–	1,439	421	481	110,851	283,524	–	–	396,716
Bills and acceptances payable	2,025,677	873,365	440,332	24,339	61,219	49,968	782,357	–	4,257,257
Other liabilities	1,220	148	–	–	–	–	6,607,829	5,738	6,614,935
Other borrowings	795,425	680,526	378,044	389,121	3,081,396	229,425	32,761	–	5,586,698
Subordinated notes	–	1,491,366	–	–	2,643,953	8,917,311	167,656	–	13,220,286
Bonds and debentures	294,500	219,850	326,268	–	1,379,369	1,115,141	15,371	–	3,350,499
Non-cumulative guaranteed and redeemable preference shares	–	128,196	–	–	697,086	–	6,638	–	831,920
Total financial liabilities	169,900,459	35,727,838	16,961,810	12,392,702	15,829,188	13,724,629	38,157,051	3,692,388	306,386,065
Net interest sensitivity gap	(18,926,351)	(14,422,540)	(8,192,674)	(3,968,141)	26,810,518	30,185,511		25,562,105	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	4,653,443	–	4,653,443
Credit related commitments and contingencies	–	–	–	–	–	–	57,383,909	–	57,383,909
Treasury related commitments and contingencies (hedging)	–	92,146	182,534	814,031	17,914,859	685,466	–	–	19,689,036
Net interest sensitivity gap	–	92,146	182,534	814,031	17,914,859	685,466	62,037,352	–	81,726,388

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

		← Non-trading book						→		
The Group 31 December 2011	**Note**	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets										
Cash and short-term funds		30,390,696	–	–	–	–	–	3,813,282	–	34,203,978
Reverse repurchase agreements		2,110,638	1,532,314	–	580,483	–	–	7,047	–	4,230,482
Deposits and placements with banks and other financial institutions		1,488,828	1,855,644	648,376	63,769	7,069	3,377	106,949	–	4,174,012
Financial assets held for trading		–	–	–	–	–	–	–	13,665,700	13,665,700
Financial investments available-for-sale	(i)	263,990	507,618	1,216,135	1,046,222	6,065,491	7,484,873	1,833,397	–	18,417,726
Financial investments held-to-maturity	(i)	1,108,620	1,617,190	194,408	784,457	6,430,121	2,230,159	95,877	–	12,460,832
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	4,016,891	4,016,891
– Hedging derivatives		–	–	–	319	215,525	41,338	–	–	257,182
Loans, advances and financing	(i)	95,408,302	13,680,143	10,488,823	5,462,490	31,956,287	26,842,732	–	–	183,838,777
Other assets		151,012	–	81,135	55,000	–	110,153	5,700,428	33,396	6,131,124
Total financial assets		130,922,086	19,192,909	12,628,877	7,992,740	44,674,493	36,712,632	11,556,980	17,715,987	281,396,704
Financial liabilities										
Deposits from customers		145,049,963	25,989,361	12,265,874	12,031,325	4,350,702	1,402,187	20,843,730	–	221,933,142
Deposits and placements of banks and other financial institutions		6,165,637	2,486,729	984,210	227,750	1,755,627	1,148,088	196,268	–	12,964,309
Repurchase agreements		–	–	486,918	580,483	–	–	545	–	1,067,946
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,744,404	3,744,404
– Hedging derivatives		5,580	22,699	9,585	329	24,408	410,286	–	–	472,887
Bills and acceptances payable		2,612,453	2,992,758	1,321,190	2,135	11,410	–	626,745	–	7,566,691
Other liabilities		–	–	–	–	–	–	5,533,287	–	5,533,287
Other borrowings		579,936	79,077	1,101,495	120,243	2,884,884	539,886	18,511	–	5,324,032
Subordinated notes		–	131,848	–	–	4,142,278	6,988,110	155,744	–	11,417,980
Bonds		–	–	–	–	521,225	–	–	–	521,225
Non-cumulative guaranteed and redeemable preference shares		–	–	–	–	774,122	100,000	6,894	–	881,016
Total financial liabilities		154,413,569	31,702,472	16,169,272	12,962,265	14,464,656	10,588,557	27,381,724	3,744,404	271,426,919
Net interest sensitivity gap		(23,491,483)	(12,509,563)	(3,540,395)	(4,969,525)	30,209,837	26,124,075		13,971,583	
Financial guarantees and commitments and contingencies										
Financial guarantees		–	–	–	–	–	–	4,155,355	–	4,155,355
Credit related commitments and contingencies		–	–	–	–	–	–	49,465,662	–	49,465,662
Treasury related commitments and contingencies (hedging)		126,595	631,896	207,459	20,911	4,503,207	8,802,773	–	–	14,292,841
Net interest sensitivity gap		126,595	631,896	207,459	20,911	4,503,207	8,802,773	53,621,017	–	67,913,858

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

		Non-trading book								
The Group 1 January 2011	**Note**	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets										
Cash and short-term funds		18,791,229	–	–	–	–	–	8,047,734	–	26,838,963
Reverse repurchase agreements		2,741,383	1,001,833	405	–	–	–	61,041	–	3,804,662
Deposits and placements with banks and other financial institutions		2,773,679	5,369,855	2,355,925	908,213	6,000	138,758	193,393	–	11,745,823
Financial assets held for trading		–	–	–	–	–	–	–	16,221,146	16,221,146
Financial assets designated at fair value through profit or loss	(i)	1,001	4,971	7,813	22,206	232,050	447,250	146,159	–	861,450
Financial investments available-for-sale	(i)	217,492	426,928	170,975	679,744	6,235,266	5,594,199	1,787,442	–	15,112,046
Financial investments held-to-maturity	(i)	261,796	581,133	498,680	1,648,006	5,055,601	2,773,324	1,960	–	10,820,500
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,411,612	3,411,612
– Hedging derivatives		2,992	–	1,343	26,723	123,349	11,136	–	–	165,543
Loans, advances and financing	(i)	91,093,226	26,210,764	5,936,019	4,091,115	13,126,702	18,723,559	–	–	159,181,385
Other assets		840	–	81,756	–	264,629	111,018	5,757,277	–	6,215,520
Total financial assets		115,883,638	33,595,484	9,052,916	7,376,007	25,043,597	27,799,244	15,995,006	19,632,758	254,378,650
Financial liabilities										
Deposits from customers		110,526,194	40,884,713	9,406,760	10,949,502	4,932,562	1,143,779	22,002,154	–	199,845,664
Deposits and placements of banks and other financial institutions		5,398,778	2,673,116	2,106,639	1,453,846	1,217,248	185,010	57,520	–	13,092,157
Repurchase agreements		–	33,087	–	–	–	–	–	–	33,087
Derivative financial instruments										
– Trading derivatives		–	–	–	–	–	–	–	3,489,798	3,489,798
– Hedging derivatives		–	–	–	–	61,516	197,202	–	–	258,718
Bills and acceptances payable		1,774,077	1,559,807	524,598	184,088	1,148	–	488,728	–	4,532,446
Amount due to Cagamas Berhad		–	45,416	62,107	–	–	–	–	–	107,523
Other liabilities		–	–	–	–	–	–	7,304,650	–	7,304,650
Other borrowings		902,507	239,284	77,425	580,919	1,808,786	174,666	–	–	3,783,587
Subordinated notes		–	–	–	–	2,505,756	7,113,653	55,931	–	9,675,340
Bonds		–	–	382,527	–	–	–	41,455	–	423,982
Non-cumulative guaranteed and redeemable preference shares		–	–	–	–	760,162	100,000	–	–	860,162
Total financial liabilities		118,601,556	45,435,423	12,560,056	13,168,355	11,287,178	8,914,310	29,950,438	3,489,798	243,407,114
Net interest sensitivity gap		(2,717,918)	(11,839,939)	(3,507,140)	(5,792,348)	13,756,419	18,884,934		16,142,960	
Financial guarantees and commitments and contingencies										
Financial guarantees		–	–	–	–	–	–	4,399,652	–	4,399,652
Credit related commitments and contingencies		–	–	–	–	–	–	47,049,824	–	47,049,824
Treasury related commitments and contingencies (hedging)		853,500	–	553,500	65,611	3,919,265	8,253,500	–	–	13,645,376
Net interest sensitivity gap		853,500	–	553,500	65,611	3,919,265	8,253,500	51,449,476	–	65,094,852

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows:

	← Non-trading book						→	
The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
31 December 2012								
Financial investments available-for-sale								
– Money market instruments	**309,999**	**–**	**246,784**	**525,840**	**1,232,746**	**3,335,168**	**42,732**	**5,693,269**
– Quoted securities	**19,251**	**56,805**	**120,418**	**265,921**	**1,844,759**	**2,073,023**	**471,221**	**4,851,398**
– Unquoted securities	**452,031**	**240,174**	**108,899**	**285,942**	**5,637,799**	**10,563,723**	**1,374,287**	**18,662,855**
Financial investments held-to-maturity								
– Money market instruments	**744,545**	**–**	**–**	**9,719**	**4,953**	**20,380**	**281**	**779,878**
– Quoted securities	**–**	**512,269**	**132,383**	**401,870**	**1,484,753**	**331,922**	**34,318**	**2,897,515**
– Unquoted securities	**1,082,305**	**137,343**	**527,866**	**275,919**	**1,612,051**	**1,636,546**	**35,871**	**5,307,901**
Loans, advances and financing								
– Overdrafts	**5,217,716**	**–**	**–**	**–**	**–**	**–**	**–**	**5,217,716**
– Term loans/financing	**92,119,853**	**7,565,484**	**1,686,592**	**1,662,592**	**23,657,188**	**23,592,135**	**–**	**150,283,844**
– Bills receivable	**2,276,226**	**931,102**	**399,018**	**11,742**	**–**	**–**	**–**	**3,618,088**
– Trust receipts	**765,200**	**919,957**	**488,684**	**10,215**	**1,728**	**–**	**–**	**2,185,784**
– Claim on customers under acceptance credit	**1,603,579**	**1,869,555**	**1,133,103**	**26,127**	**–**	**–**	**–**	**4,632,364**
– Credit card receivables	**5,602,165**	**–**	**–**	**–**	**–**	**–**	**–**	**5,602,165**
– Revolving credit	**8,209,834**	**5,476,698**	**2,942,387**	**3,451,050**	**6,029,497**	**2,245,967**	**–**	**28,355,433**
– Share margin financing	**1,317,177**	**27,819**	**1,145**	**21,954**	**788,464**	**85,017**	**–**	**2,241,576**
– Other loans	**–**	**–**	**–**	**–**	**848**	**–**	**–**	**848**
Total	**119,719,881**	**17,737,206**	**7,787,279,**	**6,948,891**	**42,294,786**	**43,883,881**	**1,958,710**	**240,330,634**
31 December 2011								
Financial investments available-for-sale								
– Money market instruments	122,205	–	115,007	200,901	2,184,526	658,594	9,217	3,290,450
– Quoted securities	109,362	5,040	–	208,120	1,075,626	1,741,245	480,684	3,620,077
– Unquoted securities	32,423	502,578	1,101,128	637,201	2,805,339	5,085,034	1,343,496	11,507,199
Financial investments held-to-maturity								
– Money market instruments	9,986	–	–	–	495,062	–	25,792	530,840
– Quoted securities	943,937	831,514	105,199	243,210	1,754,163	285,171	31,720	4,194,914
– Unquoted securities	154,697	785,676	89,209	541,247	4,180,896	1,944,988	38,365	7,735,078
Loans, advances and financing								
– Overdrafts	5,431,313	–	–	–	–	–	–	5,431,313
– Term loans/financing	72,972,793	6,395,806	5,838,479	1,489,653	27,155,356	24,787,063	–	138,639,150
– Bills receivable	2,016,758	1,049,666	447,968	76,699	–	5,271	–	3,596,362
– Trust receipts	511,001	265,941	333,379	6,165	8,069	–	–	1,124,555
– Claim on customers under acceptance credit	1,988,191	1,521,319	591,051	1,815	–	–	–	4,102,376
– Credit card receivables	5,420,554	–	–	–	–	–	–	5,420,554
– Revolving credit	6,074,625	4,342,565	3,197,064	3,867,922	4,224,403	1,987,849	–	23,694,428
– Share margin financing	993,067	104,846	80,882	20,236	568,459	62,549	–	1,830,039
Total	96,780,912	15,804,951	11,899,366	7,293,169	44,451,899	36,557,764	1,929,274	214,717,335

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows (Continued):

	Non-trading book							
The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
1 January 2011								
Financial assets designated at fair value through profit or loss								
– Money market instruments	–	–	–	–	70,770	379,111	–	449,881
– Quoted securities	–	–	–	–	–	–	92,434	92,434
– Unquoted securities	1,001	4,971	7,813	22,206	161,280	68,139	53,725	319,135
Financial investments available-for-sale								
– Money market instruments	–	–	–	27,427	2,170,730	455,789	–	2,653,946
– Quoted securities	48,277	102,565	30,657	211,482	1,028,298	1,238,651	637,827	3,297,757
– Unquoted securities	169,215	324,363	140,318	440,835	3,036,238	3,899,759	1,149,615	9,160,343
Financial investments held-to-maturity								
– Money market instruments	–	9,948	–	149,979	4,907	–	–	164,834
– Quoted securities	69,492	–	199,099	771,170	701,507	92,337	–	1,833,605
– Unquoted securities	192,304	571,185	299,581	726,857	4,349,187	2,680,987	1,960	8,822,061
Loans, advances and financing								
– Overdrafts	5,573,305	–	–	–	–	–	–	5,573,305
– Term loans/financing	64,630,082	12,129,944	4,914,145	3,485,972	12,947,216	18,602,276	–	116,709,635
– Bills receivable	1,169,990	698,576	245,352	377,597	–	–	–	2,491,515
– Trust receipts	448,097	162,050	149,644	181,334	1,528	–	–	942,653
– Claim on customers under acceptance credit	1,338,550	2,014,934	586,984	2,919	–	–	–	3,943,387
– Credit card receivables	4,161,242	694,098	6,419	–	–	–	–	4,861,759
– Revolving credit	12,632,948	10,414,527	21,988	14,844	177,958	113,100	–	23,375,365
– Share margin financing	1,139,012	96,635	11,487	28,449	–	–	–	1,275,583
– Other loans	–	–	–	–	–	8,183	–	8,183
Total	91,573,515	27,223,796	6,613,487	6,441,071	24,649,619	27,538,332	1,935,561	185,975,381

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

	← Non-trading book						→		
The Company 31 December 2012	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	128,503	–	–	–	–	–	6,572	–	135,075
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	9,398	9,398
– Hedging derivatives	–	–	–	–	–	–	1,314	–	1,314
Loans, advances and financing									
– Term loans/financing	–	–	9	–	36	50	–	–	95
Other assets	–	–	–	–	1,900	–	10	–	1,910
Amount due from subsidiaries	–	–	–	–	–	–	4,238	–	4,238
Total financial assets	128,503	–	9	–	1,936	50	12,134	9,398	152,030
Financial liabilities									
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	8,892	8,892
Other liabilities	–	–	–	–	–	–	1,408	–	1,408
Other borrowings	–	149,188	347,337	305,900	2,990,970	–	9,170	–	3,802,565
Subordinated notes	–	–	–	–	–	2,130,000	11,378	–	2,141,378
Total financial liabilities	–	149,188	347,337	305,900	2,990,970	2,130,000	21,956	8,892	5,954,243
Net interest sensitivity gap	128,503	(149,188)	(347,328)	(305,900)	(2,989,034)	(2,129,950)		506	
Net interest sensitivity gap									
Treasury related commitments and contingencies	–	–	150,000	–	–	–	–	–	150,000

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

The Company 31 December 2011	Non-trading book Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	311,709	–	–	–	–	–	5,119	–	316,828
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	13,188	13,188
– Hedging derivatives	–	–	–	–	4,271	–	–	–	4,271
Loans, advances and financing									
– Term loans/financing	–	2	–	–	42	879	7	–	930
Other assets	21,860	–	–	–	–	–	99	–	21,959
Amount due from subsidiaries	–	–	–	–	–	–	4,811	–	4,811
Total financial assets	333,569	2	–	–	4,313	879	10,036	13,188	361,987
Financial liabilities									
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	4,164	4,164
Other liabilities	–	–	–	–	–	–	3,242	–	3,242
Other borrowings	99,757	–	1,000,000	–	1,658,648	500,000	7,647	–	3,266,052
Subordinated notes	–	–	–	–	–	2,130,000	11,655	–	2,141,655
Total financial liabilities	99,757	–	1,000,000	–	1,658,648	2,630,000	22,544	4,164	5,415,113
Net interest sensitivity gap	233,812	2	(1,000,000)	–	(1,654,335)	(2,629,121)		9,024	
Net interest sensitivity gap									
Treasury related commitments and contingencies	–	–	–	–	150,000	–	–	–	150,000

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

	← Non-trading book →								
The Company 1 January 2011	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	515,468	–	–	–	–	–	14,358	–	529,826
Derivative financial instruments									
– Hedging derivatives	–	–	–	–	5,676	–	–	–	5,676
Loans, advances and financing									
– Term loans/financing	–	–	–	20	88	1,039	–	–	1,147
Other assets	–	–	–	–	8,410	–	99	–	8,509
Amount due from subsidiaries	–	–	–	–	–	–	19,267	–	19,267
Total financial assets	515,468	–	–	20	14,174	1,039	33,724	–	564,425
Financial liabilities									
Derivative financial instruments									
– Trading derivatives	–	–	–	–	–	–	–	9,363	9,363
Other liabilities	–	–	–	–	–	–	1,463	–	1,463
Other borrowings	–	–	–	–	1,650,468	–	13,880	–	1,664,348
Subordinated notes	–	–	–	–	–	2,130,000	–	–	2,130,000
Amount owing to subsidiaries	–	–	–	–	–	–	147	–	147
Total financial liabilities	–	–	–	–	1,650,468	2,130,000	15,490	9,363	3,805,321
Net interest sensitivity gap	515,468	–	–	20	(1,636,294)	(2,128,961)		(9,363)	
Net interest sensitivity gap									
Treasury related commitments and contingencies	–	–	–	–	150,000	–	–	–	150,000

(b) Sensitivity of profit

The table below shows the sensitivity of the Group and the Company's banking book to movement in interest rates:

	The Group		The Company	
31 December 2012	**+100 basis points RM'000**	**-100 basis points RM'000**	**+100 basis points RM'000**	**-100 basis points RM'000**
Impact to profit (after tax)	**(280,857)**	**280,857**	**(2,430)**	**2,430**
31 December 2011				
Impact to profit (after tax)	**(281,484)**	**281,484**	**(3,008)**	**3,008**

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

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

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

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

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's banking book to movement in interest rates:

The Group	+100 basis points 31 December 2012 RM'000	-100 basis points 31 December 2012 RM'000	+100 basis points 31 December 2011 RM'000	-100 basis points 31 December 2011 RM'000
Impact to revaluation reserve-financial investments available-for-sale	**(1,524,053)**	**1,524,053**	(770,961)	770,961

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

53.2.3 Foreign exchange risk

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.

The Group 31 December 2012	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets											
Cash and short-term funds	15,086,726	5,888,272	332,126	622,383	5,875,658	444,758	921,563	552,804	1,038,771	15,676,335	30,763,061
Reverse repurchase agreements	4,373,057	63,870	200,060	549,305	407,986	–	–	–	–	1,221,221	5,594,278
Deposits and placements with banks and other financial institutions	480,388	1,980,435	73,478	476,738	1,712,088	50,405	99,298	–	117,501	4,509,943	4,990,331
Financial assets held for trading											
– Money market instruments	12,420,325	–	9,981	3,417,579	210,859	–	–	–	–	3,638,419	16,058,744
– Quoted securities	620,282	1,114,678	341,151	22,465	421,471	7,162	–	–	12,685	1,919,612	2,539,894
– Unquoted securities	4,533,296	338	9,496	582,251	1,597,089	16,660	–	–	45,508	2,251,342	6,784,638
Financial investments available-for-sale											
– Money market instruments	5,382,129	104,099	–	–	157,644	–	49,397	–	–	311,140	5,693,269
– Quoted securities	142,291	3,218,291	1,490,527	289	–	–	–	–	–	4,709,107	4,851,398
– Unquoted securities	13,964,068	53,974	81,915	548,141	3,643,619	59,950	–	–	311,188	4,698,787	18,662,855
Financial investments held-to-maturity											
– Money market instruments	35,333	–	–	491,634	252,911	–	–	–	–	744,545	779,878
– Quoted securities	–	511,704	2,208,994	–	176,817	–	–	–	–	2,897,515	2,897,515
– Unquoted securities	4,224,906	–	689	1,082,306	–	–	–	–	–	1,082,995	5,307,901
Derivative financial instruments											
– Trading derivatives	2,327,147	76,117	87,436	50,441	1,237,045	24,221	108	7,633	61,069	1,544,070	3,871,217
– Hedging derivatives	74,502	24,660	–	3,273	142,515	–	637	–	9,103	180,188	254,690
Loans, advances and financing											
– Overdrafts	4,301,337	–	716,496	99,071	100,772	–	–	–	40	916,379	5,217,716
– Term loans/financing	102,141,929	19,417,157	9,139,236	8,265,568	8,608,761	392,526	1,657,128	156,514	505,025	48,141,915	150,283,844
– Bills receivable	28,019	–	2,505,825	81,905	886,061	–	–	9,955	106,323	3,590,069	3,618,088
– Trust receipts	323,083	–	1,292,484	59,563	478,087	–	2,926	3,592	26,049	1,862,701	2,185,784
– Claim on customers under acceptance credit	3,647,030	157,301	989	2,959	792,522	–	–	16,089	15,474	985,334	4,632,364
– Credit card receivables	3,848,910	1,122,656	–	630,599	–	–	–	–	–	1,753,255	5,602,165
– Revolving credit	4,325,183	16,789,979	63,778	1,019,735	5,662,394	17,861	450,069	–	26,434	24,030,250	28,355,433
– Share margin financing	691,687	984,931	140,954	421,754	2,250	–	–	–	–	1,549,889	2,241,576
– Other loans	–	–	848	–	–	–	–	–	–	848	848
Other assets	3,714,137	709,134	533,275	444,086	462,117	44,680	18,489	7,866	208,545	2,428,192	6,142,329
	186,685,765	52,217,596	19,229,738	18,872,045	32,828,666	1,058,223	3,199,615	754,453	2,483,715	130,644,051	317,329,816

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Group 31 December 2012	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	148,834,809	37,792,889	13,175,421	12,073,878	28,752,593	674,036	863,484	229,515	1,573,682	95,135,498	243,970,307
Deposits and placements of banks and other financial institutions	5,324,923	993,605	447,367	4,760,946	7,850,289	418,945	632,640	154,141	819,902	16,077,835	21,402,758
Repurchase agreements	2,017,420	–	300,091	750,528	–	–	–	–	–	1,050,619	3,068,039
Derivatives financial instruments											
– Trading derivatives	2,142,210	39,050	100,999	103,084	1,200,052	22,057	39	3,225	75,934	1,544,440	3,686,650
– Hedging derivatives	253,637	25,432	1,356	2,334	103,768	–	3,043	–	7,146	143,079	396,716
Bills and acceptances payable	1,797,734	138,458	1,450,603	48,273	790,610	–	16	16,089	15,474	2,459,523	4,257,257
Other liabilities	3,375,110	1,780,466	458,685	445,849	217,395	92,160	12,378	9,758	223,134	3,239,825	6,614,935
Other borrowings	3,126,457	1,224,999	155,065	529,040	544,564	2,227	–	–	4,346	2,461,241	5,586,698
Bonds and debentures	–	1,305,091	777,641	–	1,079,268	–	–	–	188,499	3,350,499	3,350,499
Subordinated notes	11,651,807	973,867	594,612	–	–	–	–	–	–	1,568,479	13,220,286
Non-cumulative guaranteed and redeemable preference shares	831,920	–	–	–	–	–	–	–	–	–	831,920
	179,356,027	44,273,857	17,461,840	18,713,932	40,538,539	1,209,425	1,511,600	412,728	2,908,117	127,030,038	306,386,065
Financial guarantees	807,775	130,241	275,994	1,967,988	1,034,939	–	138,363	12,731	285,412	3,845,668	4,653,443
Credit related commitments and contingencies	42,481,242	4,114,972	906,641	5,776,419	3,362,268	1,362	282,614	98,341	360,050	14,902,667	57,383,909
	43,289,017	4,245,213	1,182,635	7,744,407	4,397,207	1,362	420,977	111,072	645,462	18,748,335	62,037,352

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Group 31 December 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets											
Cash and short-term funds	21,926,632	4,050,284	379,423	940,507	5,131,351	151,032	382,975	157,272	1,084,502	12,277,346	34,203,978
Reverse repurchase agreements	3,685,282	–	–	135,796	409,404	–	–	–	–	545,200	4,230,482
Deposits and placements with banks and other financial institutions	1,487,024	1,447,654	59,749	293	1,138,141	–	–	–	41,151	2,686,988	4,174,012
Financial assets held for trading											
– Money market instruments	5,282,946	34,806	–	2,825,336	168,186	–	–	–	–	3,028,328	8,311,274
– Quoted securities	579,918	878,082	224,008	9,215	333,210	1,839	–	421	4,916	1,451,691	2,031,609
– Unquoted securities	1,779,889	49,605	9,673	456,639	1,027,011	–	–	–	–	1,542,928	3,322,817
Financial investments available-for-sale											
– Money market instruments	3,106,918	–	–	–	183,532	–	–	–	–	183,532	3,290,450
– Quoted securities	138,883	2,321,510	1,158,549	1,135	–	–	–	–	–	3,481,194	3,620,077
– Unquoted securities	9,651,920	182,852	82,851	8,129	1,256,274	28,863	–	–	296,310	1,855,279	11,507,199
Financial investments held-to-maturity											
– Money market instruments	40,698	–	–	235,834	254,308	–	–	–	–	490,142	530,840
– Quoted securities	–	2,358,942	1,835,930	–	42	–	–	–	–	4,194,914	4,194,914
– Unquoted securities	6,332,944	–	21,552	1,085,214	295,368	–	–	–	–	1,402,134	7,735,078
Derivative financial instruments											
– Trading derivatives	2,794,775	12,669	167,050	34,526	878,551	10,071	3,430	697	115,122	1,222,116	4,016,891
– Hedging derivatives	120,514	28,575	–	–	108,093	–	–	–	–	136,668	257,182
Loans, advances and financing											
– Overdrafts	4,628,620	–	669,976	92,541	40,176	–	–	–	–	802,693	5,431,313
– Term loans/financing	96,139,981	19,411,157	7,554,702	6,939,612	6,986,028	414,390	510,635	190,360	492,285	42,499,169	138,639,150
– Bills receivable	692,400	1,454	2,728,202	8,443	151,925	–	2,253	79	11,606	2,903,962	3,596,362
– Trust receipts	376,396	–	368,054	35,671	329,897	–	132	2,257	12,148	748,159	1,124,555
– Claim on customers under acceptance credit	3,265,824	203,872	5,058	–	590,798	–	–	32,930	3,894	836,552	4,102,376
– Credit card receivables	4,068,576	915,976	–	436,002	–	–	–	–	–	1,351,978	5,420,554
– Revolving credit	3,624,567	14,600,429	54,618	400,541	4,631,875	–	367,137	–	15,261	20,069,861	23,694,428
– Share margin financing	497,270	912,098	52,712	367,959	–	–	–	–	–	1,332,769	1,830,039
Other assets	4,188,180	1,164,878	171,236	199,274	364,161	4,096	2,046	1,012	36,241	1,942,944	6,131,124
	174,410,157	48,574,843	15,543,343	14,212,667	24,278,331	610,291	1,268,608	385,028	2,113,436	106,986,547	281,396,704

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Group 31 December 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	141,717,289	37,400,917	10,188,843	9,650,744	19,558,425	557,636	289,260	164,511	2,405,517	80,215,853	221,933,142
Deposits and placements of banks and other financial institutions	2,668,604	531,513	150,413	3,734,977	4,127,814	374,023	776,488	2,877	597,600	10,295,705	12,964,309
Repurchase agreements	581,027	–	–	486,919	–	–	–	–	–	486,919	1,067,946
Derivatives financial instruments											
– Trading derivatives	2,550,375	11,183	151,880	39,228	855,816	11,918	3,339	813	119,852	1,194,029	3,744,404
– Hedging derivatives	398,343	29,744	1,806	–	41,492	–	–	–	1,502	74,544	472,887
Bills and acceptances payable	3,218,810	172,159	3,479,785	72,196	586,901	–	16	32,930	3,894	4,347,881	7,566,691
Other liabilities	3,099,998	1,298,825	230,815	484,633	332,787	2,554	9,495	934	73,246	2,433,289	5,533,287
Other borrowings	3,357,129	755,020	–	277,553	933,376	648	–	306	–	1,966,903	5,324,032
Bonds	–	521,225	–	–	–	–	–	–	–	521,225	521,225
Subordinated notes	9,854,298	1,065,370	364,578	–	133,734	–	–	–	–	1,563,682	11,417,980
Non-cumulative guaranteed and redeemable preference shares	881,016	–	–	–	–	–	–	–	–	–	881,016
	168,326,889	41,785,956	14,568,120	14,746,250	26,570,345	946,779	1,078,598	202,371	3,201,611	103,100,030	271,426,919
Financial guarantees	808,854	138,392	336,117	1,854,479	657,033	–	66,155	11,607	282,718	3,346,501	4,155,355
Credit related commitments and contingencies	39,046,453	902,669	775,680	2,964,458	4,696,487	210,899	192,184	57,248	619,584	10,419,209	49,465,662
	39,855,307	1,041,061	1,111,797	4,818,937	5,353,520	210,899	258,339	68,855	902,302	13,765,710	53,621,017

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Group 1 January 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets											
Cash and short-term funds	15,513,228	3,725,176	430,067	193,523	5,662,734	265,229	46,975	166,497	835,534	11,325,735	26,838,963
Reverse repurchase agreements	2,680,216	–	1,014,376	10,901	99,169	–	–	–	–	1,124,446	3,804,662
Deposits and placements with banks and other financial institutions	4,162,034	2,740,563	60,687	–	3,697,174	125,661	383,508	–	576,196	7,583,789	11,745,823
Financial assets held for trading											
– Money market instruments	8,250,199	–	–	2,061,253	123,158	–	–	–	–	2,184,411	10,434,610
– Quoted securities	859,706	1,662,336	13,904	74,476	262,462	8,571	–	195	23,351	2,045,295	2,905,001
– Unquoted securities	1,425,305	44,531	–	551,839	859,860	–	–	–	–	1,456,230	2,881,535
Financial assets designated at fair value through profit or loss											
– Money market instruments	449,881	–	–	–	–	–	–	–	–	–	449,881
– Quoted securities	92,434	–	–	–	–	–	–	–	–	–	92,434
– Unquoted securities	319,135	–	–	–	–	–	–	–	–	–	319,135
Financial investments available-for-sale											
– Money market instruments	2,653,946	–	–	–	–	–	–	–	–	–	2,653,946
– Quoted securities	335,840	2,090,905	867,836	1,386	–	–	–	–	1,790	2,961,917	3,297,757
– Unquoted securities	8,423,189	98,201	27,475	775	457,689	–	–	–	153,014	737,154	9,160,343
Financial investments held-to-maturity											
– Money market instruments	164,834	–	–	–	–	–	–	–	–	–	164,834
– Quoted securities	–	275,033	999,621	–	558,951	–	–	–	–	1,833,605	1,833,605
– Unquoted securities	7,514,726	–	76,641	759,550	471,144	–	–	–	–	1,307,335	8,822,061
Derivative financial instruments											
– Trading derivatives	2,446,367	32,999	182,447	13,913	697,383	8	297	1,521	36,677	965,245	3,411,612
– Hedging derivatives	52,699	–	–	–	112,844	–	–	–	–	112,844	165,543
Loans, advances and financing											
– Overdrafts	4,860,508	–	623,097	89,700	–	–	–	–	–	712,797	5,573,305
– Term loans/financing	85,725,269	14,275,973	6,433,347	4,465,598	5,037,542	172,917	72,489	179,643	346,857	30,984,366	116,709,635
– Bills receivable	413,126	–	1,866,955	64,260	142,113	–	563	883	3,615	2,078,389	2,491,515
– Trust receipts	408,295	–	194,236	12,230	311,408	–	1,939	5,496	9,049	534,358	942,653
– Claim on customers under acceptance credit	3,472,378	103,375	5,142	286	306,910	–	–	42,765	12,531	471,009	3,943,387
– Credit card receivables	3,885,531	686,228	–	290,000	–	–	–	–	–	976,228	4,861,759
– Revolving credit	3,328,919	14,082,982	51,401	520,924	5,207,356	–	175,114	2,789	5,880	20,046,446	23,375,365
– Share margin financing	623,747	136,573	18,815	496,448	–	–	–	–	–	651,836	1,275,583
– Other loans	8,183	–	–	–	–	–	–	–	–	–	8,183
Other assets	4,402,690	752,465	84,613	432,532	466,397	8,007	5,094	255	63,467	1,812,830	6,215,520
	162,472,385	40,707,340	12,950,660	10,039,594	24,474,294	580,393	685,979	400,044	2,067,961	91,906,265	254,378,650

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Group 1 January 2011	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	126,537,374	33,774,821	9,653,079	7,803,996	19,693,258	376,561	372,371	192,226	1,441,978	73,308,290	199,845,664
Deposits and placements of banks and other financial institutions	6,424,122	323,732	210,436	1,917,625	3,626,405	138,861	354,879	1,712	94,385	6,668,035	13,092,157
Repurchase agreements	–	–	–	–	33,087	–	–	–	–	33,087	33,087
Derivatives financial instruments											
– Trading derivatives	2,524,166	24,169	131,617	50,185	700,618	1,545	70	201	57,227	965,632	3,489,798
– Hedging derivatives	204,090	8,660	2,626	–	43,342	–	–	–	–	54,628	258,718
Bills and acceptances payable	2,231,859	89,622	1,824,889	20,053	310,726	–	–	42,765	12,532	2,300,587	4,532,446
Amount due to Cagamas Berhad	107,523	–	–	–	–	–	–	–	–	–	107,523
Other liabilities	5,396,722	988,567	210,517	315,464	292,033	24,478	8,734	1,049	67,086	1,907,928	7,304,650
Other borrowings	1,727,466	267,483	298,920	377,094	1,112,624	–	–	–	–	2,056,121	3,783,587
Bonds	–	–	–	–	423,982	–	–	–	–	423,982	423,982
Subordinated notes	7,900,271	1,145,090	66,240	–	563,739	–	–	–	–	1,775,069	9,675,340
Non-cumulative guaranteed and redeemable preference shares	860,162	–	–	–	–	–	–	–	–	–	860,162
	153,913,755	36,622,144	12,398,324	10,484,417	26,799,814	541,445	736,054	237,953	1,673,208	89,493,359	243,407,114
Financial guarantees	840,971	737,688	391,287	1,729,865	408,061	563	49,340	–	241,877	3,558,681	4,399,652
Credit related commitments and contingencies	36,855,856	541,968	775,643	2,142,432	5,530,191	159,235	228,348	169,435	646,716	10,193,968	47,049,824
	37,696,827	1,279,656	1,166,930	3,872,297	5,938,252	159,798	277,688	169,435	888,593	13,752,649	51,449,476

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Company 31 December 2012	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	134,569	4	502	506	135,075
Derivative financial instruments					
– Trading derivatives	9,398	–	–	–	9,398
– Hedging derivatives	1,314	–	–	–	1,314
Loans, advances and financing					
– Term loans/financing	95	–	–	–	95
Other assets	1,910	–	–	–	1,910
Amount due from subsidiaries	4,238	–	–	–	4,238
	151,524	4	502	506	152,030
Financial liabilities					
Derivatives financial instruments					
– Trading derivatives	–	–	8,892	8,892	8,892
Other liabilities	1,408	–	–	–	1,408
Other borrowings	3,003,545	–	799,020	799,020	3,802,565
Subordinated notes	2,141,378	–	–	–	2,141,378
	5,146,331	–	807,912	807,912	5,954,243

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Company 31 December 2011	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	316,050	6	772	778	316,828
Derivative financial instruments					
– Trading derivatives	13,188	–	–	–	13,188
– Hedging derivatives	4,271	–	–	–	4,271
Loans, advances and financing					
– Term loans/financing	930	–	–	–	930
Other assets	21,959	–	–	–	21,959
Amount due from subsidiaries	4,811	–	–	–	4,811
	361,209	6	772	778	361,987
Financial liabilities					
Derivatives financial instruments					
– Trading derivatives	–	–	4,164	4,164	4,164
Other liabilities	3,242	–	–	–	3,242
Other borrowings	2,948,000	–	318,052	318,052	3,266,052
Subordinated notes	2,141,655	–	–	–	2,141,655
	5,092,897	–	322,216	322,216	5,415,113

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

The Company 1 January 2011	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	527,899	1,179	748	1,927	529,826
Derivative financial instruments					
– Hedging derivatives	5,676	–	–	–	5,676
Loans, advances and financing					
– Term loans/financing	1,147	–	–	–	1,147
Other assets	8,509	–	–	–	8,509
Amount due from subsidiaries	19,223	44	–	44	19,267
	562,454	1,223	748	1,971	564,425
Financial liabilities					
Derivatives financial instruments					
– Trading derivatives	9,363	–	–	–	9,363
Other liabilities	1,463	–	–	–	1,463
Other borrowings	1,355,715	–	308,633	308,633	1,664,348
Subordinated notes	2,130,000	–	–	–	2,130,000
Amount due to subsidiaries	147	–	–	–	147
	3,496,688	–	308,633	308,633	3,805,321

(b) Sensitivity of profit and reserves

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

	The Group		The Company	
31 December 2012	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit (after tax)	**2,554**	**(2,554)**	**(6,781)**	**6,781**
Impact to reserves	**(22,069)**	**22,069**	**–**	**–**
31 December 2011				
Impact to profit (after tax)	3,755	(3,755)	(2,412)	2,412
Impact to reserves	(17,283)	17,283	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves (Continued)

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

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

53.3 Liquidity risk

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

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 modeled 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.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM GP8:

The Group 31 December 2012	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	30,763,061	–	–	–	–	–	–	30,763,061
Reverse repurchase agreements	2,546,933	1,729,762	564,668	752,915	–	–	–	5,594,278
Deposits and placements with banks and other financial institutions	1,550,333	2,835,521	337,736	251,665	–	15,076	–	4,990,331
Financial investments at fair value through profit or loss	4,461,892	7,002,324	3,905,671	1,368,585	5,091,217	1,939,965	1,613,622	25,383,276
Financial investments available-for-sale	583,558	298,810	476,681	1,355,906	8,934,139	16,137,889	1,420,539	29,207,522
Financial investments held-to-maturity	62,424	638,143	584,929	680,665	4,827,562	2,191,571	–	8,985,294
Derivative financial instruments	451,908	282,366	171,100	363,064	1,559,297	1,298,172	–	4,125,907
Loans, advances and financing	21,765,761	10,403,818	7,267,899	7,917,968	50,474,203	104,308,169	–	202,137,818
Other assets	5,706,315	7,861	87,006	61,661	122,033	1,286,186	121,236	7,392,298
Taxation recoverable	73,934	–	–	–	–	–	–	73,934
Deferred tax assets	–	–	–	–	–	–	110,344	110,344
Statutory deposits with central banks	–	–	–	–	–	–	5,264,920	5,264,920
Investment in associates	–	–	–	–	–	–	689,212	689,212
Investment in jointly controlled entities	–	–	–	–	–	–	204,504	204,504
Property, plant and equipment	–	–	–	–	–	–	1,534,341	1,534,341
Investment properties	–	–	–	–	–	–	17,451	17,451
Prepaid lease payment	–	–	–	–	–	–	159,613	159,613
Goodwill	–	–	–	–	–	–	8,180,586	8,180,586
Intangible assets	–	–	–	–	–	–	1,677,520	1,677,520
Non-current assets/disposal groups held for sale	–	–	–	–	–	–	564,674	564,674
Total assets	67,966,119	23,198,605	13,395,690	12,752,429	71,008,451	127,177,028	21,558,562	337,056,884
Liabilities								
Deposits from customers	183,721,623	27,440,640	14,113,164	10,889,099	5,982,849	1,822,932	–	243,970,307
Deposits and placements of banks and other financial institutions	12,273,563	3,919,062	1,482,401	347,247	2,073,684	1,306,801	–	21,402,758
Repurchase agreements	310,407	999,326	254,866	752,915	750,525	–	–	3,068,039
Derivatives financial instruments	852,865	298,218	191,288	334,730	1,615,067	791,198	–	4,083,366
Bills and acceptances payable	2,807,221	873,479	440,415	24,339	61,222	50,581	–	4,257,257
Other liabilities	6,263,099	464,003	8,465	38,350	16,425	677,709	11,175	7,479,226
Deferred tax liabilities	–	–	–	–	–	–	132,682	132,682
Current tax liabilities	322,400	–	–	–	–	–	–	322,400
Bonds	308,765	220,253	326,971	–	2,494,510	–	–	3,350,499
Other borrowings	389,646	766,344	433,305	760,715	3,000,779	235,909	–	5,586,698
Subordinated notes	141,551	1,491,366	13,469	–	6,726,072	4,847,828	–	13,220,286
Non cumulative guaranteed and redeemable preference shares	6,638	28,196	–	–	697,086	100,000	–	831,920
Total liabilities	207,397,778	36,500,887	17,264,344	13,147,395	23,418,219	9,832,958	143,857	307,705,438
Net liquidity gap	(139,431,659)	(13,302,282)	(3,868,654)	(394,966)	47,590,232	117,344,070	21,414,705	29,351,446

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The Group 31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	34,203,978	–	–	–	–	–	–	34,203,978
Reverse repurchase agreements	2,117,685	1,532,314	–	580,483	–	–	–	4,230,482
Deposits and placements with banks and other financial institutions	1,061,090	1,806,237	348,652	64,224	258,409	635,400	–	4,174,012
Financial investments at fair value through profit or loss	2,041,400	4,040,512	1,616,874	1,193,501	2,556,819	928,444	1,288,150	13,665,700
Financial investments available-for-sale	279,083	55,254	452,682	1,054,009	7,489,501	7,826,861	1,260,336	18,417,726
Financial investments held-to-maturity	1,053,761	1,196,728	175,883	799,249	6,715,342	2,519,869	–	12,460,832
Derivative financial instruments	381,429	213,463	111,739	199,542	2,141,779	1,226,121	–	4,274,073
Loans, advances and financing	30,820,633	11,292,480	6,494,291	10,301,773	42,969,937	81,959,663	–	183,838,777
Other assets	4,639,407	38,465	224,620	65,466	67,380	1,481,737	1,280	6,518,355
Taxation recoverable	139,258	–	–	–	–	–	–	139,258
Deferred tax assets	–	–	–	–	–	–	78,669	78,669
Statutory deposits with central banks	–	–	–	–	–	–	5,084,105	5,084,105
Investment in associates	–	–	–	–	–	–	1,165,159	1,165,159
Investment in jointly controlled entities	–	–	–	–	–	–	188,479	188,479
Property, plant and equipment	–	–	–	–	–	–	1,458,400	1,458,400
Investment properties	–	–	–	–	–	–	8,653	8,653
Prepaid lease payment	–	–	–	–	–	–	170,564	170,564
Goodwill	–	–	–	–	–	–	8,242,489	8,242,489
Intangible assets	–	–	–	–	–	–	1,611,879	1,611,879
Non-current assets/disposal groups held for sale	5,043	–	–	–	–	–	12,205	17,248
Total assets	76,742,767	20,175,453	9,424,741	14,258,247	62,199,167	96,578,095	20,570,368	299,948,838
Liabilities								
Deposits from customers	165,841,200	26,015,619	12,278,385	12,040,903	4,312,621	1,444,414	–	221,933,142
Deposits and placements of banks and other financial institutions	6,217,328	2,549,561	684,424	227,753	2,137,155	1,148,088	–	12,964,309
Repurchase agreements	544	–	–	580,483	–	486,919	–	1,067,946
Derivatives financial instruments	686,204	190,544	85,389	240,587	1,766,667	1,247,900	–	4,217,291
Bills and acceptances payable	3,229,466	2,998,338	1,325,341	2,136	11,410	–	–	7,566,691
Other liabilities	5,397,876	694,414	25,644	29,930	46,448	168,631	–	6,362,943
Deferred tax liabilities	–	–	–	–	–	–	210,146	210,146
Current tax liabilities	483,820	–	–	–	–	–	–	483,820
Bonds	–	–	–	–	–	521,225	–	521,225
Other borrowings	586,713	80,720	1,106,378	378,812	3,129,383	42,026	–	5,324,032
Subordinated notes	125,794	1,886	11,654	–	5,205,506	6,073,140	–	11,417,980
Non cumulative guaranteed and redeemable preference shares	–	–	–	–	781,016	100,000	–	881,016
Total liabilities	182,568,945	32,531,082	15,517,215	13,500,604	17,390,206	11,232,343	210,146	272,950,541
Net liquidity gap	(105,826,178)	(12,355,629)	(6,092,474)	757,643	44,808,961	85,345,752	20,360,222	26,998,297

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The Group 1 January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	26,838,963	–	–	–	–	–	–	26,838,963
Reverse repurchase agreements	2,802,424	1,001,833	405	–	–	–	–	3,804,662
Deposits and placements with banks and other financial institutions	5,373,729	2,709,677	2,367,811	906,268	249,580	138,758	–	11,745,823
Financial investments at fair value through profit or loss	5,969,164	4,197,918	1,669,228	603,549	2,010,451	1,249,956	1,382,330	17,082,596
Financial investments available-for-sale	212,919	426,929	172,765	669,535	6,253,884	5,691,526	1,684,488	15,112,046
Financial investments held-to-maturity	83,030	94,944	269,190	1,671,189	5,810,361	2,891,786	–	10,820,500
Derivative financial instruments	430,440	203,461	193,322	278,352	1,631,206	840,374	–	3,577,155
Loans, advances and financing	29,994,524	9,466,053	6,264,936	7,867,608	40,521,182	65,067,082	–	159,181,385
Other assets	4,987,616	3,540	91,078	76,600	412,182	1,782,506	–	7,353,522
Taxation recoverable	98,358	–	–	–	–	–	–	98,358
Deferred tax assets	–	–	–	–	–	–	77,973	77,973
Statutory deposits with central banks	–	–	–	–	–	–	1,410,436	1,410,436
Investment in associates	–	–	–	–	–	–	504,579	504,579
Investment in jointly controlled entities	–	–	–	–	–	–	171,486	171,486
Property, plant and equipment	–	–	–	–	–	–	1,442,948	1,442,948
Investment properties	–	–	–	–	–	–	61,216	61,216
Prepaid lease payment	–	–	–	–	–	–	185,542	185,542
Goodwill	–	–	–	–	–	–	8,151,432	8,151,432
Intangible assets	–	–	–	–	–	–	1,551,332	1,551,332
Non-current assets/disposal groups held for sale	100	46,904	–	–	–	–	12,046	59,050
Total assets	76,791,267	18,151,259	11,028,735	12,073,101	56,888,846	77,661,988	16,635,808	269,231,004
Liabilities								
Deposits from customers	132,683,276	40,421,818	9,619,799	11,130,102	4,826,141	1,164,528	–	199,845,664
Deposits and placements of banks and other financial institutions	5,212,419	2,673,116	2,106,638	1,453,783	1,461,191	185,010	–	13,092,157
Repurchase agreements	–	33,087	–	–	–	–	–	33,087
Derivatives financial instruments	832,066	208,956	313,614	278,100	1,490,325	625,455	–	3,748,516
Bills and acceptances payable	2,262,805	1,559,807	524,598	184,088	1,148	–	–	4,532,446
Other liabilities	5,949,993	411,694	4,349	83,732	210,194	1,618,409	–	8,278,371
Deferred tax liabilities	–	–	–	–	–	–	112,294	112,294
Current tax liabilities	322,789	–	–	–	–	–	–	322,789
Amount due to Cagamas Berhad	–	45,416	62,107	–	–	–	–	107,523
Bonds	–	–	423,982	–	–	–	–	423,982
Other borrowings	85,693	131,049	1,261,037	322,357	1,836,786	146,665	–	3,783,587
Subordinated notes	55,932	–	–	–	3,255,754	6,363,654	–	9,675,340
Non cumulative guaranteed and redeemable preference shares	–	–	–	–	760,162	100,000	–	860,162
Total liabilities	147,404,973	45,484,943	14,316,124	13,452,162	13,841,701	10,203,721	112,294	244,815,918
Net liquidity gap	(70,613,706)	(27,333,684)	(3,287,389)	(1,379,061)	43,047,145	67,458,267	16,523,514	24,415,086

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The Company 31 December 2012	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	135,075	–	–	–	–	–	–	135,075
Derivative financial instruments	–	–	1,314	–	9,398	–	–	10,712
Loans, advances and financing	–	–	9	–	36	50	–	95
Other assets	4	–	–	–	1,905	–	550	2,459
Taxation recoverable	43,441	–	–	–	–	–	–	43,441
Investment in subsidiaries	–	–	–	–	–	–	18,930,222	18,930,222
Amount owing from subsidiaries	1,450	–	–	2,000	788	–	–	4,238
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	28,717	28,717
Investment properties	–	–	–	–	–	–	508	508
Total assets	179,970	–	1,323	2,000	12,127	50	18,963,831	19,159,301
Liabilities								
Derivatives financial instruments	–	–	–	8,892	–	–	–	8,892
Other liabilities	1,408	–	–	–	–	–	–	1,408
Deferred tax liabilities	–	–	–	–	–	–	2,127	2,127
Other borrowings	2,856	149,452	353,387	305,900	2,990,970	–	–	3,802,565
Subordinated notes	–	–	11,378	–	2,130,000	–	–	2,141,378
Total liabilities	4,264	149,452	364,765	314,792	5,120,970	–	2,127	5,956,370
Net liquidity gap	175,706	(149,452)	(363,442)	(312,792)	(5,108,843)	50	18,961,704	13,202,931

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The Group 31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	316,828	–	–	–	–	–	–	316,828
Derivative financial instruments	–	–	–	–	17,459	–	–	17,459
Loans, advances and financing	–	2	7	–	42	879	–	930
Other assets	21,904	–	–	–	–	–	1,280	23,184
Taxation recoverable	93,288	–	–	–	–	–	–	93,288
Investment in subsidiaries	–	–	–	–	–	–	17,887,961	17,887,961
Amount owing from subsidiaries	23	–	–	2,000	2,788	–	–	4,811
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	31,607	31,607
Investment properties	–	–	–	–	–	–	527	527
Total assets	432,043	2	7	2,000	20,289	879	17,925,209	18,380,429
Liabilities								
Derivatives financial instruments	–	–	–	–	4,164	–	–	4,164
Other liabilities	3,242	–	–	–	–	–	–	3,242
Deferred tax liabilities	–	–	–	–	–	–	2,122	2,122
Other borrowings	100,953	352	1,006,099	–	2,158,648	–	–	3,266,052
Subordinated notes	–	–	11,655	–	–	2,130,000	–	2,141,655
Total liabilities	104,195	352	1,017,754	–	2,162,812	2,130,000	2,122	5,417,235
Net liquidity gap	327,848	(350)	(1,017,747)	2,000	(2,142,523)	(2,129,121)	17,923,087	12,963,194

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

The Group 1 January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	529,826	–	–	–	–	–	–	529,826
Derivative financial instruments	–	–	–	–	5,676	–	–	5,676
Loans, advances and financing	–	–	–	20	88	1,039	–	1,147
Other assets	1,487	–	–	–	8,410	–	–	9,897
Taxation recoverable	55,383	–	–	–	–	–	–	55,383
Investment in subsidiaries	–	–	–	–	–	–	16,093,491	16,093,491
Amount owing from subsidiaries	19,267	–	–	–	–	–	–	19,267
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	32,471	32,471
Investment properties	–	–	–	–	–	–	3,516	3,516
Total assets	605,963	–	–	20	14,174	1,039	16,133,312	16,754,508
Liabilities								
Derivatives financial instruments	–	–	–	–	9,363	–	–	9,363
Other liabilities	1,515	–	–	–	–	–	–	1,515
Amount owing to subsidiaries	147	–	–	–	–	–	–	147
Deferred tax liabilities	–	–	–	–	–	–	3,988	3,988
Other borrowings	13,880	–	–	–	1,650,468	–	–	1,664,348
Subordinated notes	–	–	–	–	750,000	1,380,000	–	2,130,000
Total liabilities	15,542	–	–	–	2,409,831	1,380,000	3,988	3,809,361
Net liquidity gap	590,421	–	–	20	(2,395,657)	(1,378,961)	16,129,324	12,945,147

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group 31 December 2012	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	183,850,541	27,605,248	14,220,702	11,128,994	6,206,179	1,916,570	244,928,234
Deposits and placements of banks and other financial institutions	13,106,326	3,944,239	1,580,859	509,941	2,862,293	1,370,896	23,374,554
Repurchase agreements	1,079,458	988,788	257,882	769,466	–	–	3,095,594
Bills and acceptances payable	2,809,071	880,067	447,138	24,373	61,222	50,613	4,272,484
Other liabilities	5,302,550	48,097	5,718	41,716	34,043	90,994	5,523,118
Other borrowings	740,079	781,396	475,527	491,133	4,901,759	271,155	7,661,049
Bonds and debentures	325,904	239,249	345,400	56,349	2,663,186	–	3,630,088
Subordinated obligations	151,106	1,599,341	281,091	372,062	8,722,301	6,853,812	17,979,713
Non-cumulative guaranteed and redeemable preference shares	6,638	28,196	20,027	20,027	697,086	100,000	871,974
Financial guarantees	3,380,963	403,622	136,579	311,086	420,541	652	4,653,443
Credit related commitments and contingencies	41,219,262	3,823,165	1,129,492	3,769,126	3,390,377	4,052,487	57,383,909
	251,971,898	4,034,408	18,900,415	17,494,273	29,958,987	14,707,179	373,374,160

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The Group 31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	165,851,836	26,165,653	12,432,907	12,324,846	3,612,980	2,698,893	223,087,115
Deposits and placements of banks and other financial institutions	6,225,864	2,561,575	695,087	234,819	2,181,706	1,240,872	13,139,923
Repurchase agreements	544	–	–	594,150	–	486,919	1,081,613
Bills and acceptances payable	3,231,179	3,005,946	1,332,618	2,237	11,410	–	7,583,390
Other liabilities	4,528,364	50,768	29,519	33,915	72,460	35,868	4,750,894
Other borrowings	573,447	96,465	1,269,932	394,099	3,433,053	116,254	5,883,250
Bonds	2,026	7,135	10,702	21,405	224,921	462,897	729,086
Subordinated obligations	135,983	97,753	222,282	339,037	6,690,698	8,385,794	15,871,547
Non-cumulative guaranteed and redeemable preference shares	6,894	–	20,800	20,800	940,519	100,000	1,089,013
Financial guarantees	2,798,299	420,284	341,442	351,377	243,609	344	4,155,355
Credit related commitments and contingencies	38,068,387	1,930,856	614,353	1,224,919	1,387,316	6,239,831	49,465,662
	221,422,823	34,336,435	16,969,642	15,541,604	18,798,672	19,767,672	326,836,848

The Group 1 January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	133,316,008	40,648,129	9,761,046	11,287,446	7,611,869	1,223,698	203,848,196
Deposits and placements of banks and other financial institutions	5,287,552	2,706,066	2,130,720	1,481,066	2,493,072	201,850	14,300,326
Repurchase agreements	–	33,325	–	–	–	–	33,325
Bills and acceptances payable	2,266,995	1,566,924	529,233	184,088	1,148	–	4,548,388
Amount due to Cagamas Berhad	452	46,137	62,647	–	–	–	109,236
Other liabilities	5,209,289	398,843	112,695	107,912	536,157	673,582	7,038,478
Other borrowings	171,015	169,157	1,406,402	586,177	2,019,115	150,074	4,501,940
Bonds	–	–	437,112	–	–	–	437,112
Subordinated obligations	68,954	71,569	227,385	326,154	5,654,799	8,152,882	14,501,743
Non-cumulative guaranteed and redeemable preference shares	–	–	20,187	20,187	922,453	100,000	1,062,827
Financial guarantees	2,610,877	133,860	203,676	289,117	1,068,967	93,155	4,399,652
Credit related commitments and contingencies	36,456,575	1,806,829	625,257	950,628	2,263,115	4,947,420	47,049,824
	183,387,717	47,580,839	15,516,360	15,232,775	22,570,695	15,542,661	301,831,047

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

The Company	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2012							
Non-derivative financial liabilities							
Other liabilities	**1,408**	**–**	**–**	**–**	**–**	**–**	**1,408**
Other borrowings	**9,406**	**162,581**	**391,341**	**360,930**	**3,180,037**	**–**	**4,104,295**
Subordinated obligations	**–**	**–**	**72,918**	**73,596**	**717,274**	**2,226,170**	**3,089,958**
	10,814	**162,581**	**464,259**	**434,526**	**3,897,311**	**2,226,170**	**7,195,661**
31 December 2011							
Non-derivative financial liabilities							
Other liabilities	3,242	–	–	–	–	–	3,242
Other borrowings	106,318	13,110	1,038,340	38,392	2,315,437	–	3,511,597
Subordinated obligations	–	–	73,320	73,596	725,224	2,365,010	3,237,150
	109,560	13,110	1,111,660	111,988	3,040,661	2,365,010	6,751,989
1 January 2011							
Non-derivative financial liabilities							
Other liabilities	1,515	–	–	–	–	–	1,515
Amount owing to subsidiaries	147	–	–	–	–	–	147
Other borrowings	–	617	29,400	30,125	1,701,750	–	1,761,892
Subordinated obligations	–	–	73,320	73,596	1,337,160	1,903,850	3,387,926
	1,662	617	102,720	103,721	3,038,910	1,903,850	5,151,480

Derivative financial liabilities

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

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2012							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	**715,101**	**–**	**–**	**–**	**–**	**–**	**715,101**
– Interest rate derivatives	**1,710,095**	**–**	**–**	**–**	**–**	**–**	**1,710,095**
– Equity related derivatives	**1,000,082**	**–**	**–**	**–**	**–**	**–**	**1,000,082**
– Commodity related derivatives	**161,622**	**–**	**–**	**–**	**–**	**–**	**161,622**
– Credit related contracts	**99,750**	**–**	**–**	**–**	**–**	**–**	**99,750**
Hedging derivatives							
– Interest rate derivatives	**6,146**	**(44,967)**	**127,553**	**91,007**	**654,946**	**357,456**	**1,192,141**
	3,692,796	**(44,967)**	**127,553**	**91,007**	**654,946**	**357,456**	**4,878,791**
31 December 2011							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	910,452	–	–	–	–	–	910,452
– Interest rate derivatives	2,345,719	–	–	–	–	–	2,345,719
– Equity related derivatives	393,080	–	–	–	–	–	393,080
– Commodity related derivatives	54,409	–	–	–	–	–	54,409
– Credit related contracts	40,744	–	–	–	–	–	40,744
Hedging derivatives							
– Interest rate derivatives	3,434	(26,746)	78,228	56,341	433,495	281,505	826,257
	3,747,838	(26,746)	78,228	56,341	433,495	281,505	4,570,661

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
1 January 2011							
Derivative financial liabilities							
Trading derivatives							
– Foreign exchange derivatives	223,777	–	–	–	–	–	223,777
– Interest rate derivatives	929,274	–	–	–	–	–	929,274
– Equity related derivatives	645,953	–	–	–	–	–	645,953
– Commodity related derivatives	18,535	–	–	–	–	–	18,535
– Credit related contracts	41,847	–	–	–	–	–	41,847
Hedging derivatives							
– Interest rate derivatives	23,986	(9,188)	27,300	41,217	359,266	283,613	726,194
	1,883,372	(9,188)	27,300	41,217	359,266	283,613	2,585,580

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's and the Company's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
31 December 2012								
Derivative financial liabilities								
Trading derivatives	**7,905,092**	**–**	**–**	**–**	**–**	**–**	**–**	**7,905,092**
Foreign exchange derivatives:								
Hedging derivatives								
Cross currency interest rate derivatives								
– Outflow	**(3,692)**	**(5,979)**	**(4,204)**	**(10,719)**	**(533,211)**	**(467)**	**(247,789)**	**(806,061)**
– Inflow	**2,702**	**5,038**	**5,188**	**9,753**	**518,707**	**431**	**233,887**	**775,706**
	7,904,102	**(941)**	**984**	**(966)**	**(14,504)**	**(36)**	**(13,902)**	**7,874,737**

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2011							
Derivative financial liabilities							
Foreign exchange derivatives	894,639	–	–	–	–	–	894,639
Hedging derivatives							
Cross currency interest rate derivatives							
– Outflow	(1,674)	–	–	(1,638)	(81,366)	–	(84,678)
– Inflow	384	–	391	787	77,064	–	78,626
	893,349	–	391	(851)	(4,302)	–	888,587
1 January 2011							
Derivative financial liabilities							
Trading derivatives							
Foreign exchange derivatives:	1,339,492						1,339,492
Hedging derivatives							
Cross currency interest rate derivatives							
– Outflow	–	(1,488)	–	(1,782)	(8,882)	–	(12,152)
– Inflow	–	511	–	507	2,526	–	3,544
	1,339,492	(977)	–	(1,275)	(6,356)	–	1,330,884

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Derivative financial liabilities (Continued)

The Company	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Total RM'000
31 December 2012						
Derivative financial liabilities						
Trading derivatives						
- Foreign exchange derivatives	**8,892**	**–**	**–**	**–**	**–**	**8,892**
	8,892	**–**	**–**	**–**	**–**	**8,892**
31 December 2011						
Derivative financial liabilities						
Trading derivatives						
Foreign exchange derivatives	4,164	–	–	–	–	4,164
	4,164	–	–	–	–	4,164
1 January 2011						
Derivative financial liabilities						
Trading derivatives						
Foreign exchange derivatives						
- Outflow	(33,956)	–	–	–	–	(33,956)
- Inflow	10,351	–	–	–	–	10,351
	(23,605)	–	–	–	–	(23,605)

53.4 Fair value of financial instruments

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

53.4.1 Determination of fair value and fair value hierarchy

MFRS 7 requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly

Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs)

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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

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

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	The Group					The Company				
		Fair Value					Fair Value			
31 December 2012	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Financial assets										
Financial assets held for trading										
– Money market instruments	16,058,744	–	16,058,744	–	16,058,744	–	–	–	–	–
– Quoted securities	2,539,894	1,533,704	1,006,190	–	2,539,894	–	–	–	–	–
– Unquoted securities	6,784,638	–	6,718,325	66,313	6,784,638	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	5,693,269	–	5,693,269	–	5,693,269	–	–	–	–	–
– Quoted securities	4,851,401	434,000	4,417,401	–	4,851,401	–	–	–	–	–
– Unquoted securities	18,609,847	–	17,436,664	1,173,183	18,609,847	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	3,871,217	20,587	3,850,630	–	3,871,217	9,398	–	9,398	–	9,398
– Hedging derivatives	254,690	–	254,690	–	254,690	1,314	–	1,314	–	1,314
Total	58,663,700	1,988,291	55,435,913	1,239,496	58,663,700	10,712	–	10,712	–	10,712
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	3,686,650	618	3,686,032	–	3,686,650	8,892	–	8,892	–	8,892
– Hedging derivatives	396,716	–	396,716	–	396,716	–	–	–	–	–
Total	4,083,366	618	4,082,748	–	4,083,366	8,892	–	8,892	–	8,892

Notes to the Financial Statements
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53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

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

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	The Group					The Company				
		Fair Value					Fair Value			
31 December 2011	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Financial assets										
Financial assets held for trading										
– Money market instruments	8,311,274	–	8,311,274	–	8,311,274	–	–	–	–	–
– Quoted securities	2,031,609	1,211,007	820,602	–	2,031,609	–	–	–	–	–
– Unquoted securities	3,322,817	–	3,115,435	207,382	3,322,817	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	3,290,450	–	3,290,450	–	3,290,450	–	–	–	–	–
– Quoted securities	3,620,077	420,043	3,200,028	6	3,620,077	–	–	–	–	–
– Unquoted securities	11,457,377	–	10,381,327	1,076,050	11,457,377	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	4,016,891	32,645	3,984,246	–	4,016,891	13,188	–	13,188	–	13,188
– Hedging derivatives	257,182	–	257,182	–	257,182	4,271	–	4,271	–	4,271
Total	36,307,677	1,663,695	33,360,544	1,283,438	36,307,677	17,459	–	17,459	–	17,459
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	3,744,404	3,273	3,741,131	–	3,744,404	4,164	–	4,164	–	4,164
– Hedging derivatives	472,887	–	472,887	–	472,887	–	–	–	–	–
Total	4,217,291	3,273	4,214,018	–	4,217,291	4,164	–	4,164	–	4,164

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for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

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

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	The Group					The Company				
		Fair Value					Fair Value			
1 January 2011	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Financial assets										
Financial assets held for trading										
– Money market instruments	10,434,610	–	10,434,610	–	10,434,610	–	–	–	–	–
– Quoted securities	2,905,001	1,296,600	1,608,401	–	2,905,001	–	–	–	–	–
– Unquoted securities	2,881,535	–	2,741,454	140,081	2,881,535	–	–	–	–	–
Financial assets designated at fair value through profit or loss										
– Money market instruments	449,881	–	449,881	–	449,881	–	–	–	–	–
– Quoted securities	92,434	81,637	10,797	–	92,434	–	–	–	–	–
– Unquoted securities	319,135	–	319,135	–	319,135	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	2,653,946	–	2,653,946	–	2,653,946	–	–	–	–	–
– Quoted securities	3,318,989	349,058	2,969,931	–	3,318,989	–	–	–	–	–
– Unquoted securities	9,139,266	–	8,053,442	1,085,669	9,139,111	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	3,411,612	18,185	3,393,427	–	3,411,612	–	–	–	–	–
– Hedging derivatives	165,543	–	165,543	–	165,543	5,676	–	5,676	–	5,676
Total	35,771,952	1,745,480	32,800,567	1,225,750	35,771,797	5,676	–	5,676	–	5,676
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	3,489,798	19,218	3,470,580	–	3,489,798	9,363	–	9,363	–	9,363
– Hedging derivatives	258,718	–	258,718	–	258,718	–	–	–	–	–
Total	3,748,516	19,218	3,729,298	–	3,748,516	9,363	–	9,363	–	9,363

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

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

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

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

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

The following represents the changes in Level 3 instruments for the financial year ended 31 December for the Group.

	Financial Assets		
	Financial assets held for trading	Financial investments available-for-sale	
The Group	Unquoted securities RM'000	Quoted and Unquoted securities RM'000	Total RM'000
31 December 2012			
At 1 January	207,382	1,076,056	1,283,438
Total gains recognised in statement of income	5,449	3,460	8,909
Total losses recognised in other comprehensive income	–	22,308	22,308
Purchases	–	101,821	101,821
Sales	(144,357)	(21,206)	(165,563)
Settlements	–	–	–
Exchange fluctuation	(2,161)	(9,256)	(11,417)
At 31 December	66,313	1,173,183	1,239,496
Total gains recognised in statement of income relating to assets held on 31 December	4,299	10,980	15,279
Total gains recognised in other comprehensive income relating to assets held on 31 December	–	26,244	26,244

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

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

The following represents the changes in Level 3 instruments for the financial year ended 31 December for the Group. (Continued)

	Financial Assets		
	Financial assets held for trading	Financial investments available-for-sale	
The Group	Unquoted securities RM'000	Quoted and Unquoted securities RM'000	Total RM'000
31 December 2011			
At 1 January	140,081	1,085,669	1,225,750
Total gains recognised in statement of income	9,144	42,696	51,840
Total losses recognised in other comprehensive income	(553)	(38,479)	(39,032)
Purchases	58,710	98,943	157,653
Sales	–	(44,412)	(44,412)
Settlements	–	(61,866)	(61,866)
Exchange fluctuation	–	(6,495)	(6,495)
At 31 December	207,382	1,076,056	1,283,438
Total gains recognised in statement of income relating to assets held on 31 December	5,196	39,995	45,191
Total gains recognised in other comprehensive income relating to assets held on 31 December	(553)	(19,568)	(20,121)

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 Financial instruments not measured at fair value

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

	The Group					
	31 December 2012		31 December 2011		1 January 2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets						
Other assets	**7,392,298**	**7,375,505**	6,518,355	6,498,550	7,353,522	7,271,394
Deposits and placement with banks and other financial institutions	**4,990,331**	**5,167,762**	4,174,012	4,398,242	11,745,823	11,845,472
Financial investments held-to-maturity	**8,985,294**	**9,328,236**	12,460,832	12,625,362	10,820,500	10,811,070
Loans, advances and financing	**202,137,818**	**202,849,612**	183,838,777	184,015,982	159,181,385	155,391,958
Financial liabilities						
Deposits from customers	**243,970,307**	**243,606,910**	221,933,142	221,794,683	199,845,664	199,539,559
Deposits and placements of banks and other financial institutions	**21,402,758**	**21,510,978**	12,964,309	13,042,209	13,092,157	13,118,440
Bonds and debentures	**3,350,499**	**3,327,555**	521,225	521,225	423,982	424,962
Other borrowings	**5,586,698**	**5,591,193**	5,324,032	5,300,826	3,783,587	3,783,587
Subordinated notes	**13,220,286**	**13,434,988**	11,417,980	11,496,338	9,675,340	9,940,775

	The Company					
	31 December 2012		31 December 2011		1 January 2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets						
Loans, advances and financing	**95**	**91**	930	882	1,147	1,107
Financial liabilities						
Subordinated notes	**2,141,378**	**2,425,660**	2,141,655	2,255,598	2,130,000	2,359,441
Other borrowings	**3,802,565**	**3,812,678**	3,266,052	3,285,816	1,664,348	1,664,348

Notes to the Financial Statements

for the financial year ended 31 December 2012

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 Financial instruments not measured at fair value (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Loans, advances and financing

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

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

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

Amount due (to)/from subsidiaries and related companies

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

Deposits from customers

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

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements

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

Floating rate certificates of deposits

For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.2 Financial instruments not measured at fair value (Continued)

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Other borrowings

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated notes

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

Redeemable preference shares

The estimated fair value of redeemable preference shares ("RPS") approximates the carrying value based on Directors' estimate as the effective interest rate of the RPS is a reflection of the current rate for such similar instrument.

Derivative financial instruments

The fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING

Statement of Financial Position as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	(a)	**7,418,491**	8,238,796	7,934,045
Deposits and placements with banks and other financial institutions	(b)	**873,775**	1,437,457	1,340,924
Financial assets held for trading	(c)	**6,252,944**	2,911,603	2,549,533
Islamic derivative financial instruments	(d)	**261,629**	249,169	284,789
Financial investments available-for-sale	(e)	**3,296,450**	1,436,119	659,172
Financial investments held-to-maturity	(f)	**1,075,590**	1,397,598	1,230,451
Financing, advances and other financing/loans	(g)	**36,002,810**	29,500,400	23,368,509
Deferred tax assets	(h)	**11,070**	6,359	4,307
Amount due from related companies		**1,108,894**	55,439	48,835
Amount due from holding company		**823,727**	568,921	514,680
Statutory deposits with Bank Negara Malaysia	(i)	**1,104,097**	1,097,797	143,406
Property, plant and equipment	(j)	**10,680**	9,567	7,314
Other assets	(k)	**524,408**	545,199	764,109
Goodwill	(l)	**136,000**	136,000	136,000
Intangible assets	(m)	**7,328**	4,170	4,287
Total assets		**58,907,893**	47,594,594	38,990,361
Liabilities				
Deposits from customers	(n)	**38,903,965**	31,565,815	24,923,994
Deposits and placements of banks and other financial institutions	(o)	**11,428,893**	10,452,960	10,244,515
Islamic derivative financial instruments	(d)	**382,290**	452,582	265,725
Amount due to holding company		**864,717**	402,487	184,519
Amount due to related companies		**3,776**	1,112	247
Provision for taxation and Zakat	(p)	**138,568**	112,330	86,284
Other liabilities	(q)	**2,452,580**	1,005,532	853,473
Subordinated Sukuk	(r)	**863,557**	564,679	300,000
Total liabilities		**55,038,346**	44,557,497	36,858,757
Equity				
Islamic banking funds		**55,250**	55,000	91,693
Ordinary share capital	(s)	**1,000,000**	1,000,000	750,000
Perpetual preference shares	(s)	**70,000**	70,000	70,000
Reserves	(t)	**2,735,080**	1,902,052	1,180,466
		3,860,330	3,027,052	2,092,159
Non-controlling interests		**9,217**	10,045	39,445
Total equity		**3,869,547**	3,037,097	2,131,604
Total equity and liabilities		**58,907,893**	47,594,594	38,990,361
Commitments and contingencies	(d)(ii)	**28,404,477**	18,848,467	20,596,415

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement 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	(u)	**2,143,277**	1,817,027
Net income derived from investment of shareholders' funds	(v)	**462,277**	390,223
Allowance made for impairment losses on financing, advances and other financing/loans	(w)	**(90,179)**	(151,366)
Allowance written back/(made) for impairment losses on other receivables		**217**	(2,753)
Total distributable income		**2,515,592**	2,053,131
Income attributable to depositors	(x)	**(916,211)**	(736,929)
Total net income		**1,599,381**	1,316,202
Personnel expenses	(y)	**(103,793)**	(85,196)
Other overheads and expenditures	(z)	**(422,936)**	(283,994)
Profit before allowances		**1,072,652**	947,012
Allowance (made)/written back for impairment losses		**(16)**	7
Profit before taxation		**1,072,636**	947,019
Taxation	(aa)	**(255,418)**	(233,420)
Profit after taxation		**817,218**	713,599
Profit attributable to:			
Owners of the Parent		**815,796**	713,931
Non-controlling interests		**1,422**	(332)
		817,218	713,599

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2012 RM'000	2011 RM'000
Net profit after taxation	**817,218**	713,599
Other comprehensive income:		
Revaluation reserve-financial investments available-for-sale	**17,630**	708
– Net gain from change in fair value	**27,000**	9,401
– Realised gain transferred to statement of income on disposal and impairment	**(6,815)**	(7,238)
– Income tax effects	**(2,555)**	(1,455)
Exchange fluctuation reserve	**(2,763)**	14,906
Other comprehensive income, net of tax	**14,867**	15,614
Total comprehensive income for the financial year	**832,085**	729,213
Total comprehensive income attributable to:		
Owners of the Parent	**834,335**	721,801
Non-controlling interests	**(2,250)**	7,412
	832,085	729,213
Income from Islamic Banking operations:		
Total net income	**1,599,381**	1,316,202
Add: Allowance made for impairment losses on financing, advances and other financing/loans	**90,179**	151,366
Less/add: Allowance (written back)/made for impairment losses on other receivables	**(217)**	2,753
	1,689,343	1,470,321

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of changes in equity for the financial year ended 31 December 2012

2012	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2012												
– as previously reported	1,000,000	70,000	55,000	471,090	5,027	8,919	59,113	16,499	1,337,456	3,023,104	10,045	3,033,149
– effect of adopting MFRS 1	–	–	–	–	3,948	(2,276)	–	–	2,276	3,948	–	3,948
As restated	1,000,000	70,000	55,000	471,090	8,975	6,643	59,113	16,499	1,339,732	3,027,052	10,045	3,037,097
Net profit for the financial year	–	–	–	–	–	–	–	–	815,796	815,796	1,422	817,218
Other comprehensive income (net of tax)	–	–	–	–	17,630	(513)	–	–	–	17,117	(2,250)	14,867
Financial investments available-for-sale	–	–	–	–	17,630	–	–	–	–	17,630	–	17,630
Currency translation difference	–	–	–	–	–	(513)	–	–	–	(513)	(2,250)	(2,763)
Total comprehensive income for the financial year	–	–	–	–	17,630	(513)	–	–	815,796	832,913	(828)	832,085
Expiry of Management Equity Scheme	–	–	–	–	–	–	–	(16,279)	16,279	–	–	–
Share-based payment expense	–	–	–	–	–	–	–	571	–	571	–	571
Transfer to statutory reserve	–	–	–	200,535	–	–	–	–	(200,535)	–	–	–
Transfer to regulatory reserve	–	–	–	–	–	–	183,511	–	(183,511)	–	–	–
Reclassified to conventional	–	–	–	–	–	–	–	–	–	–	–	–
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(456)	–	(456)	–	(456)
Issue of share capital during the year	–	–	250	–	–	–	–	–	–	250	–	250
At 31 December 2012	1,000,000	70,000	55,250	671,625	26,605	6,130	242,624	335	1,787,761	3,860,330	9,217	3,869,547

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statements of changes in equity for the financial year ended 31 December 2012 (Continued)

2011	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2011												
– as previously reported	750,000	70,000	91,693	303,343	4,523	2,276	7,405	15,534	843,539	2,088,313	39,445	2,127,758
– Effects of adopting MFRS 1	–	–	–	–	3,846	(2,276)	–	–	2,276	3,846	–	3,846
As restated	750,000	70,000	91,693	303,343	8,369	–	7,405	15,534	845,815	2,092,159	39,445	2,131,604
Net profit for the financial year	–	–	–	–	–	–	–	–	713,931	713,931	(332)	713,599
Other comprehensive income (net of tax)	–	–	–	417	810	6,643	–	–	–	7,870	7,744	15,614
Financial investments available-for-sale	–	–	–	–	810	–	–	–	–	810	(102)	708
Currency translation difference	–	–	–	417	–	6,643	–	–	–	7,060	7,846	14,906
Total comprehensive income for the financial year	–	–	–	417	810	6,643	–	–	713,931	721,801	7,412	729,213
Share-based payment expense	–	–	–	–	–	–	–	1,100	–	1,100	–	1,100
Transfer to statutory reserve	–	–	–	168,425	–	–	–	–	(168,306)	119	(119)	–
Transfer to regulatory reserve	–	–	–	–	–	–	51,708	–	(51,708)	–	–	–
Reclassified to conventional	–	–	(36,693)	(1,095)	(204)	–	–	–	–	(37,992)	(36,693)	(74,685)
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(135)	–	(135)	–	(135)
Issue of share capital during the year	250,000	–	–	–	–	–	–	–	–	250,000	–	250,000
At 31 December 2011	1,000,000	70,000	55,000	471,090	8,975	6,643	59,113	16,499	1,339,732	3,027,052	10,045	3,037,097

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for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2012 RM'000	2011 RM'000
Operating activities		
Profit before taxation	**1,072,636**	947,019
Add/(less) adjustments:		
Depreciation of property, plant and equipment	**3,691**	2,932
Written off property, plant and equipment	**116**	1
Amortisation of intangible assets	**2,811**	1,280
Net unrealised (gain)/loss on revaluation of financial assets held for trading	**(444)**	1,431
Net unrealised (gain)/loss on derivatives	**(9,842)**	35,237
Accretion of discount less amortisation of premium	**(42,479)**	(25,142)
Net gain from sale of financial investments available-for-sale	**(6,815)**	(7,237)
Net gain from sale of financial assets held for trading	**(21,939)**	(3,262)
Profit income from financial investments held-to-maturity	**(69,021)**	(35,776)
Profit income from financial investments available-for-sale	**(84,224)**	(40,167)
Profit expense on Subordinated Sukuk	**28,740**	23,307
Share-based payment expense	**571**	1,100
Net loss from hedging derivatives	**(2,002)**	(4,271)
Impairment losses on securities	**16**	(7)
Allowance for impairment losses on other receivables	**(217)**	2,753
Allowance for impairment losses on financing, advances and other financing/loans	**146,262**	191,304
	1,017,860	1,090,502
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**563,682**	(96,533)
Financial assets held for trading	**(3,271,182)**	(334,451)
Islamic derivative financial instruments	**(72,910)**	187,240
Financing, advances and other financing/loans	**(6,657,703)**	(6,343,170)
Statutory deposits with Bank Negara Malaysia	**(6,300)**	(954,391)
Other assets	**15,609**	232,855
Amount due from related company	**(1,053,455)**	(6,604)
Amount due from holding company	**(340,974)**	(154,316)
	(10,823,233)	(7,469,370)
Increase/(decrease) in operating liabilities		
Deposits from customers	**7,338,150**	6,641,821
Deposits and placements of banks and other financial institutions	**975,933**	208,445
Other liabilities	**1,442,365**	164,724
Amount due to ultimate holding company	**462,230**	217,968
Amount due to related companies	**2,664**	865
	10,221,342	7,233,823
Cash flows generated from operations	**415,969**	854,955
Taxation paid	**(146,361)**	(113,834)
Net cash flows generated from operating activities	**269,608**	741,121

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	Note	2012 RM'000	2011 RM'000
Investing activities			
Net proceeds from purchase of financial investments available-for-sale		**(1,813,170)**	(763,902)
Purchase of property, plant and equipment		**(5,499)**	(5,856)
Purchase of intangible assets		**(5,824)**	(689)
Net proceeds from sale/(purchase) of financial investments held-to-maturity		**322,391**	(167,806)
Profit income from financial investments held-to-maturity		**68,631**	35,127
Profit income from financial investments available-for-sale		**58,758**	37,089
Net cash flows used in investing activities		**(1,374,713)**	(866,037)
Financing activities			
Issuance of Subordinated Sukuk		**300,000**	250,000
Profit expense paid on Subordinated Sukuk		**(25,180)**	(21,293)
Reclassified to conventional		**–**	(74,403)
Issuance of share capital		**250**	250,000
Net cash flows generated from financing activities		**275,070**	404,304
Net (decrease)/increase in cash and cash equivalents		**(830,035)**	279,388
Cash and cash equivalents at beginning of financial year		**8,238,796**	7,934,045
Effect of exchange rate changes		**9,730**	25,363
Cash and cash equivalents at end of financial year		**7,418,491**	8,238,796
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	**7,418,491**	8,238,796

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

		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	**846,726**	220,994	133,640
	Money at call and deposit placements maturing within one month	**6,571,765**	8,017,802	7,800,405
		7,418,491	8,238,796	7,934,045
(b)	**Deposits and placements with banks and other financial institutions**			
	Licensed banks	**717,377**	1,208,093	790,924
	Licensed investment banks	**146,362**	229,364	–
	Other financial institutions	**10,036**	–	550,000
		873,775	1,437,457	1,340,924
(c)	**Financial assets held for trading**			
	Money market instruments:			
	Unquoted:			
	Government Investment Issues	**251,804**	95,456	194,227
	Malaysian Government Securities	**–**	20,163	–
	Malaysian Government treasury bills	**68,456**	9,734	–
	Bank Negara Malaysia Negotiable Notes	**3,540,897**	1,806,188	1,283,822
	Islamic accepted bills	**150,202**	146,891	98,364
	Other Government securities	**100,262**	122,356	96,185
	Islamic negotiable instruments of deposits	**1,656,985**	504,157	638,001
		5,768,606	2,704,945	2,310,599
	Unquoted securities:			
	In Malaysia			
	Private debt securities	**461,627**	170,480	133,479
	Outside Malaysia			
	Islamic debt securities	**22,711**	36,178	105,455
		484,338	206,658	238,934
		6,252,944	2,911,603	2,549,533

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at statements of financial position date, and do not represent amounts at risk. In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic derivative financial instruments" Assets and Liabilities respectively.

	31 December 2012		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**1,579,365**	33,775	(31,665)
– Less than 1 year	**858,428**	10,507	(17,666)
– 1 year to 3 years	**60,153**	1,167	(1,011)
– More than 3 years	**660,784**	22,101	(12,988)
Currency swaps	**2,803,898**	17,819	(8,780)
– Less than 1 year	**2,803,898**	17,819	(8,780)
Currency spots	**1,604**	1	(1)
– Less than 1 year	**1,604**	1	(1)
Currency options	**92,114**	297	(297)
– Less than 1 year	**92,114**	297	(297)
Cross currency profit rate swaps	**331,784**	17,994	(17,994)
– 1 year to 3 years	**91,384**	5,480	(5,480)
– More than 3 years	**240,400**	12,514	(12,514)
Profit rate derivatives			
Islamic profit rate swaps	**9,052,882**	166,345	(53,946)
– Less than 1 year	**1,370,107**	8,400	(193)
– 1 year to 3 years	**1,527,680**	9,391	(7,377)
– More than 3 years	**6,155,095**	148,554	(46,376)
Equity derivatives			
Equity options	**1,949,304**	16,024	(16,024)
– Less than 1 year	**925,607**	2,615	(2,615)
– 1 year to 3 years	**151,964**	2,556	(2,556)
– More than 3 years	**871,733**	10,853	(10,853)
Held for hedging derivatives			
Islamic profit rate swaps	**7,078,403**	9,374	(253,583)
– 1 year to 3 years	**7,078,403**	9,374	(253,583)
Total derivative assets/(liabilities)	**22,889,354**	261,629	(382,290)

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2011		
	Principal RM'000	**Asset RM'000**	**Liability RM'000**
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**463,003**	8,586	(1,641)
– Less than 1 year	**463,003**	8,586	(1,641)
Currency swaps	**1,788,566**	11,293	(13,542)
– Less than 1 year	**1,788,566**	11,293	(13,542)
Currency spots	**1,425**	2	–
– Less than 1 year	**1,425**	2	–
Currency options	**67,409**	714	(714)
– Less than 1 year	**67,409**	714	(714)
Cross currency profit rate swaps	**330,114**	15,939	(15,939)
– 1 year to 3 years	**89,714**	2,867	(2,867)
– More than 3 years	**240,400**	13,072	(13,072)
Profit rate derivatives			
Islamic profit rate swaps	**6,151,909**	192,831	(146,708)
– Less than 1 year	**1,391,479**	6,831	(618)
– 1 year to 3 years	**1,908,124**	31,513	(23,397)
– More than 3 years	**2,852,306**	154,487	(122,693)
Equity derivatives			
Equity options	**2,437,168**	11,609	(11,609)
– Less than 1 year	**208,568**	–	–
– 1 year to 3 years	**1,050,637**	351	(351)
– More than 3 years	**1,177,963**	11,258	(11,258)
Held for hedging derivatives			
Islamic profit rate swaps	**4,629,498**	8,195	(262,429)
– 1 year to 3 years	**4,629,498**	8,195	(262,429)
Total derivative assets/(liabilities)	**15,869,092**	249,169	(452,582)

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	1 January 2011		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**33,825**	42	(460)
– Less than 1 year	**33,825**	42	(460)
Currency swaps	**2,010,317**	15,448	(20,753)
– Less than 1 year	**2,010,317**	15,448	(20,753)
Currency spots	**245**	1	–
– Less than 1 year	**245**	1	–
Cross currency profit rate swaps	**88,549**	2,652	(2,652)
– 1 year to 3 years	**88,549**	2,652	(2,652)
Profit rate derivatives			
Islamic profit rate swaps	**7,214,997**	204,463	(130,672)
– Less than 1 year	**740,379**	6,481	–
– 1 year to 3 years	**4,708,718**	114,530	(15,490)
– More than 3 years	**1,765,900**	83,452	(115,182)
Equity derivatives			
Equity options	**3,086,897**	51,047	(51,047)
– Less than 1 year	**860,857**	11,475	(11,475)
– 1 year to 3 years	**1,377,773**	23,250	(23,250)
– More than 3 years	**848,267**	16,322	(16,322)
Held for hedging derivatives			
Islamic profit rate swaps	**4,400,000**	11,136	(60,141)
– 1 year to 3 years	**4,400,000**	11,136	(60,141)
Total derivative assets/(liabilities)	**16,834,830**	284,789	(265,725)

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Islamic derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

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

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

	31 December 2012 Principal RM'000	31 December 2011 Principal RM'000	1 January 2011 Principal RM'000
Credit related			
Direct credit substitutes	**195,449**	28,627	37,197
Certain transaction-related contingent items	**434,554**	345,460	374,102
Short-term self-liquidating trade-related contingencies	**85,180**	249,517	17,949
Irrevocable commitments to extend credit:			
– maturity less than one year	**3,852,873**	1,469,542	1,829,505
– maturity exceeding one year	**901,637**	857,762	1,411,601
Miscellaneous commitments and contingencies:			
– Shariah-compliant equity option	**45,430**	28,467	91,231
Total credit-related commitments and contingencies	**5,515,123**	2,979,375	3,761,585
Treasury related			
Foreign exchange related contracts:	**4,808,765**	2,650,517	2,132,936
– less than one year	**3,756,043**	2,320,403	2,044,387
– one year to less than five years	**157,015**	89,714	88,549
– five years and above	**895,707**	240,400	–
Profit rate related contracts:	**16,131,285**	10,781,407	11,614,997
– less than one year	**1,370,106**	1,391,478	740,379
– one year to less than five years	**4,615,834**	3,027,141	4,708,718
– five years and above	**10,145,345**	6,362,788	6,165,900
Equity related contracts:	**1,949,304**	2,437,168	3,086,897
– less than one year	**925,607**	208,568	860,857
– one year to less than five years	**345,162**	1,210,171	1,377,773
– five years and above	**678,535**	1,018,429	848,267
Total treasury-related commitments and contingencies	**22,889,354**	15,869,092	16,834,830
Total commitments and contingencies	**28,404,477**	18,848,467	20,596,415

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Financing investments available-for-sale

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments:			
Unquoted:			
Government Investment Issues	**1,140,378**	448,440	165,641
Islamic Cagamas bonds	**20,764**	35,857	35,423
Malaysian Government Securities	**99,200**	98,940	–
Khazanah bonds	**54,240**	–	–
	1,314,582	583,237	201,064
Quoted securities:			
Outside Malaysia			
Private debt securities	**8,142**	–	–
Government bonds	**71,494**	–	–
	79,636	–	–
Unquoted securities:			
In Malaysia			
Private debt securities	**1,547,118**	740,815	454,369
Placements with Islamic Banking and Finance Institute Malaysia	**575**	575	575
Outside Malaysia			
Private debt securities	**340,844**	103,738	3,161
Private equity funds	**13,695**	7,754	3
	1,902,232	852,882	458,108
	3,296,450	1,436,119	659,172

(f) Financing investments held-to-maturity

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Quoted securities:			
Outside Malaysia			
Islamic bonds	**18,519**	40,989	23,983
Medium term notes	**–**	3,527	3,426
Bank Indonesia Certificates	**89,356**	299,933	69,492
	107,875	344,449	96,901
Unquoted securities:			
In Malaysia			
Private debt securities	**778,948**	812,282	1,018,081
Outside Malaysia			
Private debt securities	**188,991**	240,198	114,850
	967,939	1,052,480	1,132,931
Amortisation of premium less accretion of discount	**(40)**	1,342	894
Less: Allowance for impairment loss	**(184)**	(673)	(275)
	1,075,590	1,397,598	1,230,451

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans

		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(i)	**By type:**			
	Cash line	**471,590**	373,056	322,529
	Term financing			
	– House financing	**8,647,391**	7,346,169	5,625,895
	– Syndicated financing	**422,285**	287,618	579,701
	– Hire purchase receivables	**7,651,197**	5,551,836	5,252,944
	– Other term financing	**16,727,879**	15,160,078	11,051,273
	Bills receivable	**3,766**	2,581	2,235
	Trust receipts	**80,151**	35,391	59,091
	Claims on customers under acceptance credits	**340,687**	233,479	191,657
	Staff financing	**3**	–	–
	Revolving credits	**1,575,218**	502,124	407,330
	Credit card receivables	**112,543**	111,886	90,472
	Share margin financing	**182,099**	167,485	92,962
	Other financing/loans	**72,641**	55,172	17,796
	Gross financing, advances and other financing/loans	**36,287,450**	29,826,875	23,693,885
	Fair value changes arising from fair value hedge	**222,909**	241,966	17,997
		36,510,359	30,068,841	23,711,882
	Less: Allowance for impairment losses			
	– Individual impairment allowance	**(127,290)**	(139,775)	(97,021)
	– Portfolio impairment allowance	**(380,259)**	(428,666)	(246,352)
		(507,549)	(568,441)	(343,373)
	Net financing, advances and other financing/loans	**36,002,810**	29,500,400	23,368,509

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

As at 31 December 2012, the gross exposures to RPSIA financing is RM988 million (31 December 2011: RM1,065 million and 1 January 2011: RM7,331 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM3.5 million (31 December 2011: RM3.7 million and 1 January 2011: RM154.8 million) is recognised in the Financial Statements of CIMB Bank. There was no individual impairment provided on this RPSIA financing.

(b) During the financial year, the Group has undertaken fair value hedges on RM6,500 million (31 December 2011: RM4,350 million and 1 January 2011: RM4,400 million) financing using Islamic profit rate swaps.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Gross financing hedged	**6,500,000**	4,350,000	4,400,000
Fair value changes from fair value hedges	**222,909**	241,966	17,997
	6,722,909	4,591,966	4,417,997

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 December 2012 was RM247 million (31 December 2011: RM262 million and 1 January 2011: RM49 million).

		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(ii)	**By contract:**			
	Bai' Bithaman Ajil (*deferred payment sale*)	**12,957,557**	11,569,606	10,320,341
	Murabahah (*Cost Plus Sale*)	**3,119,959**	1,470,041	1,147,289
	Ijarah Muntahia Bittamlik/AITAB (*Lease Ending with Ownership*)	**7,346,892**	6,319,905	5,979,854
	Bai' al-'inah (*Sale and repurchase*)	**12,455,612**	9,913,017	5,827,671
	Others	**407,430**	554,306	418,730
		36,287,450	29,826,875	23,693,885
(iii)	**By type of customers:**			
	Domestic non-bank financial institutions	**574,212**	357,211	213,028
	Domestic business enterprises			
	– small medium enterprises	**2,168,026**	2,084,187	1,750,873
	– others	**5,191,432**	3,146,764	3,131,681
	Government and statutory bodies	**6,747,294**	6,545,671	4,539,837
	Individuals	**20,766,552**	17,120,833	13,483,758
	Other domestic entities	**70,844**	90,017	34,246
	Foreign entities	**769,090**	482,192	540,462
		36,287,450	29,826,875	23,693,885
(iv)	**By profit sensitivity:**			
	Fixed rate			
	– House financing	**732,222**	614,443	511,823
	– Hire purchase receivables	**7,651,197**	5,551,836	5,252,944
	– Other fixed rate financing	**12,887,863**	12,499,271	8,416,119
	Variable rate			
	– House financing	**7,915,170**	6,731,726	5,114,072
	– Others	**7,100,998**	4,429,599	4,398,927
		36,287,450	29,826,875	23,693,885
(v)	**By economic purposes:**			
	Personal use	**3,250,913**	3,201,548	1,726,286
	Credit card	**112,543**	111,842	90,472
	Purchase of consumer durables	**11,584**	–	–
	Construction	**1,970,429**	1,014,686	759,803
	Residential property	**8,689,174**	7,375,048	5,673,643
	Non-residential property	**2,573,888**	1,926,886	1,651,458
	Purchase of fixed assets other than land and building	**360,709**	428,357	391,915
	Purchase of securities	**35,648**	10	20,606
	Purchase of transport vehicles	**7,668,152**	5,551,562	5,252,944
	Working capital	**7,936,945**	7,339,091	7,473,576
	Other purpose	**3,677,465**	2,877,845	653,182
		36,287,450	29,826,875	23,693,885

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(vi)	**By geographical distribution:**			
	Malaysia	**33,259,002**	28,353,137	22,739,752
	Indonesia	**2,451,441**	1,158,232	614,211
	Other countries	**577,007**	315,506	339,922
		36,287,450	29,826,875	23,693,885
(vii)	**Impaired financing, advances and other financing/loans by economic purposes:**			
	Personal use	**15,570**	19,240	17,165
	Credit cards	**419**	4,506	2,616
	Residential property	**108,014**	89,593	86,362
	Non-residential property	**35,148**	27,302	16,131
	Purchase of fixed assets other than land and building	**1,966**	1,154	1,738
	Construction	**894**	3,319	1,584
	Purchase of securities	**10**	3	19,364
	Purchase of transport vehicles	**87,913**	99,353	86,560
	Working capital	**186,303**	218,837	106,523
	Other purpose	**7,436**	9,325	4,130
		443,673	472,632	342,173
(viii)	**Impaired financing, advances and other financing/loans by geographical distribution:**			
	Malaysia	**304,128**	345,778	335,879
	Indonesia	**47,274**	31,301	6,294
	Other countries	**92,271**	95,553	–
		443,673	472,632	342,173
(ix)	**Movements in impaired financing, advances and other financing/loans:**			
	A1 1 January	**472,632**	342,173	
	Classified as impaired during the financial year	**411,956**	505,090	
	Reclassified as not impaired during the financial year	**(159,073)**	(127,965)	
	Reclassification from unwinding income	**10,109**	–	
	Amount recovered	**(73,013)**	(90,543)	
	Amount written off	**(211,891)**	(130,641)	
	Exchange fluatuation	**(7,047)**	(25,482)	
	At 31 December	**443,673**	472,632	
	Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**1.22%**	1.58%	

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other financing/loans (Continued)

		31 December 2012 RM'000	31 December 2011 RM'000
(x)	**Movements in allowance for impaired financing/bad and doubtful financing:**		
	Individual impairment allowance		
	At 1 January	**139,775**	97,021
	Allowance made during the financial year	**34,150**	48,229
	Amount written off	**(50,675)**	(8,135)
	Unwinding income	**4,090**	(1,477)
	Amount transferred from portfolio impairment allowance	**–**	3,001
	Exchange fluctuation	**(50)**	1,136
	At 31 December	**127,290**	139,775
	Portfolio impairment allowance		
	At 1 January	**428,666**	246,352
	Allowance made during the financial year	**112,112**	143,075
	Amount written off	**(162,602)**	(119,912)
	Unwinding income	**6,019**	(4,181)
	Amount transferred to individual impairment allowance	**–**	(3,001)
	Allowance transferred from/(to) intercompany	**–**	166,234
	Exchange fluctuation	**(3,936)**	99
	At 31 December	**380,259**	428,666
	Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**2.18%**	2.21%

(h) Deferred taxation

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Portfolio impairment allowance for bad and doubtful financing	**78**	27	–
Accelerated tax depreciation	**(2,234)**	(839)	(809)
Revaluation reserve financial investments available-for-sale	**(6,987)**	(4,432)	(2,976)
Other temporary differences	**20,213**	11,603	8,092
Deferred tax assets	**11,070**	6,359	4,307

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred taxation (Continued)

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

Deferred tax assets/(liabilities)	Note	Portfolio impairment allowance/ general allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
2012						
At 1 January						
– as previously reported		**27**	**(839)**	**(2,756)**	**11,603**	**8,035**
– Effect of adopting MFRS 1		**–**	**–**	**(1,676)**		**(1,676)**
As restated		**27**	**(839)**	**(4,432)**	**11,603**	**6,359**
Credited/(charged) to statement of income	(aa)	**51**	**(1,336)**	**–**	**8,893**	**7,608**
Under provision in prior year		**–**	**(59)**	**–**	**(283)**	**(342)**
Transferred to equity		**–**	**–**	**(2,555)**	**–**	**(2,555)**
At 31 December 2012		**78**	**(2,234)**	**(6,987)**	**20,213**	**11,070**
2011						
At 1 January						
– as previously reported		–	(809)	(1,694)	8,092	5,589
– Effect of adopting MFRS 1		–	–	(1,282)	–	(1,282)
As restated		–	(809)	(2,976)	8,092	4,307
Credited/(charged) to statement of income	(aa)	27	(8)	–	2,689	2,708
(Under)/over provision in prior year		–	(22)	–	822	800
Transferred to equity		–	–	(1,456)	–	(1,456)
At 31 December 2011		27	(839)	(4,432)	11,603	6,359

(i) Statutory deposits with Bank Negara Malaysia

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Property, plant and equipment

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2012					
Cost					
At 1 January		**15,079**	**2,589**	**7,063**	**24,731**
Additions		**3,561**	**1,157**	**781**	**5,499**
Reclassified to intangible assets	(m)	**(1,407)**	**–**	**–**	**(1,407)**
Written off		**(4,472)**	**(360)**	**(10)**	**(4,842)**
Exchange fluctuation		**(515)**	**(2)**	**(619)**	**(1,136)**
At 31 December		**12,246**	**3,384**	**7,215**	**22,845**
Accumulated depreciation					
At 1 January		**10,729**	**645**	**3,790**	**15,164**
Charge for the financial year		**1,878**	**571**	**1,242**	**3,691**
Reclassified to intangible assets	(m)	**(1,262)**	**–**	**–**	**(1,262)**
Written off		**(4,453)**	**(263)**	**(10)**	**(4,726)**
Exchange fluctuation		**(300)**	**(2)**	**(400)**	**(702)**
At 31 December		**6,592**	**951**	**4,622**	**12,165**
Net book value at 31 December		**5,654**	**2,433**	**2,593**	**10,680**
2011					
Cost					
At 1 January		14,955	1,017	4,569	20,541
Additions		3,007	1,597	1,252	5,856
Reclassifed to conventional banking		(854)	–	(470)	(1,324)
Reclassifed to intangible assets	(m)	(474)	–	–	(474)
Written off		(19)	(25)	–	(44)
Exchange fluctuation		(1,536)	–	1,712	176
At 31 December		15,079	2,589	7,063	24,731
Accumulated depreciation					
At 1 January		10,129	478	2,620	13,227
Charge for the financial year		1,619	190	1,123	2,932
Reclassifed to conventional banking		(577)	–	(465)	(1,042)
Written off		(19)	(24)	–	(43)
Exchange fluctuation		(423)	1	512	90
At 31 December		10,729	645	3,790	15,164
Net book value at 31 December		4,350	1,944	3,273	9,567
Net book value at 1 January 2011		4,826	539	1,949	7,314

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Other assets

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Deposits and prepayments	**100**	150	308
Clearing accounts	**170,309**	93,086	212,214
Collateral pledged for derivative transactions	**61,430**	52,090	68,470
Sundry debtors	**292,569**	399,873	483,117
	524,408	545,199	764,109

(l) Goodwill

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At 1 January/31 December	**136,000**	136,000	136,000

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

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2012 financial budgets approved by management, projected for 5 years based on the average to year historical Gross Domestic Product ('GDP') growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 5.00% (31 December 2011: 5.00% and 1 January 2011: 5.00%). The discount rate is 7.1% (31 December 2011: 8.72% and 1 January 2011: 8.89%) which reflects the specific risks relating to the CGU.

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

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) Intangible assets

	Note	31 December 2012 RM'000	31 December 2011 RM'000
Computer software			
Cost			
At 1 January		**17,142**	15,979
Additions		**5,824**	689
Reclassified from property, plant and equipment	(j)	**1,407**	474
At 31 December		**24,373**	17,142
Accumulated amortisation			
At 1 January		**12,972**	11,692
Charge for the financial year		**2,811**	1,280
Reclassified from property, plant and equipment		**1,262**	–
At 31 December		**17,045**	12,972
Net book value at 31 December		**7,328**	4,170
Net book value at 1 January 2011			4,287

The above intangible assets include computer software under construction at cost of RM247,000 (31 December 2011: RM77,000 and 1 January 2011: RM479,000).

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

Computer software	
– core and front-end systems	2 – 14 years
– others	3 years

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Deposits from customers

		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(i)	By type of deposits			
	Non-Mudharabah			
	Demand deposits	**3,646,340**	3,204,849	3,055,079
	Savings deposits	**1,527,782**	1,169,598	821,968
	General investment deposits	**965,933**	419,745	634,517
	Commodity Murabahah	**519**	440,600	69,379
	Fixed return investment account	**6,665,864**	5,564,248	5,127,333
	Islamic negotiable instruments of deposit	**2,370,187**	2,510,276	1,033,019
	Variable rate deposits	**80,223**	77,340	378,330
	Equity linked sukuk	**308,736**	286,629	219,600
	Short term money market deposit-i	**12,849,247**	3,994,930	–
	Others	**40,761**	37,489	25,192
		28,455,592	17,705,704	11,364,417
	Mudharabah			
	Demand deposits	**4,234,083**	2,550,795	1,497,380
	Savings deposits	**634,511**	478,449	328,971
	General investment deposits	**3,058,739**	2,086,941	1,806,223
	Special general investment deposits	**1,314,609**	6,987,965	7,574,239
	Specific investment deposits	**1,206,431**	1,755,961	2,352,764
		10,448,373	13,860,111	13,559,577
		38,903,965	31,565,815	24,923,994
(ii)	By type of customer			
	Government and statutory bodies	**6,547,784**	5,454,140	5,809,043
	Business enterprises	**14,616,989**	11,340,175	7,467,464
	Individuals	**6,225,821**	5,044,236	4,585,316
	Others	**11,513,371**	9,727,264	7,062,171
		38,903,965	31,565,815	24,923,994

(o) Deposits and placements of banks and other financial institutions

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	**10,037,011**	9,224,490	9,561,426
Licensed investment banks	**998,659**	853,083	571,200
Other financial institutions	**393,223**	375,387	111,889
	11,428,893	10,452,960	10,244,515

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) Provision for taxation and Zakat

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Taxation	**137,173**	109,157	79,730
Zakat	**1,395**	3,173	6,554
	138,568	112,330	86,284

(q) Other liabilities

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Clearing accounts	**1,828,337**	215,259	327,463
Due to brokers	**237**	1,900	128
Accruals and other payables	**624,006**	788,373	525,882
	2,452,580	1,005,532	853,473

(r) Subordinated Sukuk

The RM850 million subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

The second tranche of the Sukuk of RM250 million was issued at par on 21 April 2011 and is due on 21 April 2021. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

The third tranche of the Sukuk of RM850 million was issued at par on 18 September 2012 and is due on 18 September 2022, with optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

The RM850 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) Ordinary share capital and perpetual preference shares

	31 December 2012 RM'000	31 December 2011 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January	**1,500,000**	900,000
Created during the financial year	**–**	600,000
At 31 December	**1,500,000**	1,500,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	**1,000,000**	750,000
Issued during the financial year	**–**	250,000
At 31 December	**1,000,000**	1,000,000
Perpetual preference shares		
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**100,000**	100,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**70,000**	70,000

(t) Reserves

(a) The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividends.

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

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

(u) Income derived from investment of depositors' funds and others

	2012 RM'000	2011 RM'000
Income derived from investment of:		
(i) General investment deposits	**1,053,521**	798,533
(ii) Specific investment deposits	**97,510**	325,387
(iii) Other deposits	**992,246**	693,107
	2,143,277	1,817,027

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

		2012 RM'000	2011 RM'000
(i)	**Income derived from investment of general investment deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**871,374**	612,738
	– unwinding income*	**2,762**	2,198
	Financial assets held for trading	**14,514**	9,843
	Financial investments available-for-sale	**38,955**	17,897
	Financial investments held-to-maturity	**26,650**	10,290
	Money at call and deposit with financial institutions	**76,191**	73,498
		1,030,446	726,464
	Accretion of discount less amortisation of premium	**18,664**	12,174
		1,049,110	738,638
	Other operating income:		
	Net loss from foreign exchange transactions	**(26,199)**	(14,863)
	Net gain from sale of financial investments available-for-sale	**3,591**	3,098
	Net gain/(loss) from sale of financial investments held-to-maturity	**528**	(104)
	Net gain/(loss) from financial assets held for trading		
	– realised	**9,578**	2,332
	– unrealised	**558**	(1,233)
		(11,944)	(10,770)
	Fees and commission income:		
	Fee on financing and advances	**7,544**	13,673
	Guarantee fees	**2,785**	3,457
	Service charges and fees	**5,439**	3,450
		15,768	20,580
	Other income:		
	Sundry income	**587**	50,085
		1,053,521	798,533
(ii)	**Income derived from investment of specific investment deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**60,404**	233,922
	Money at call and deposit with banks and other financial institutions	**37,106**	64,135
	Financial investments held-to-maturity	**–**	27,330
		97,510	325,387

* *Unwinding income is income earned on impaired financial assets*

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

		2012 RM'000	2011 RM'000
(iii)	**Income derived from investment of other deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– income other than recoveries	**809,175**	573,767
	– unwinding income*	**2,641**	2,568
	Financial assets held for trading	**15,508**	8,325
	Financial investments available-for-sale	**37,861**	20,357
	Financial investments held-to-maturity	**22,613**	4,910
	Money at call and deposit with banks and other financial institutions	**83,449**	79,641
		971,247	689,568
	Accretion of discount less amortisation of premium	**21,919**	11,555
		993,166	701,123
	Other operating income:		
	Net gain from sale of financial investments available-for-sale	**2,967**	3,827
	Net (loss)/gain from financial assets held for trading		
	– realised	**11,397**	812
	– unrealised	**(112)**	(152)
	Net gain/(loss) from sale of financial investments held-to-maturity	**661**	(136)
	Net loss from foreign exchange transactions	**(19,222)**	(16,530)
		(4,309)	(12,179)
	Fees and commission income:		
	Guarantee fees	**3,389**	4,163
		992,246	693,107

* *Unwinding income is income earned on impaired financial assets*

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(v) Net income derived from investment of shareholders' funds

	2012 RM'000	2011 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– income other than recoveries	**84,161**	121,917
– unwinding income *	**229**	261
Financial investments available-for-sale	**7,408**	1,913
Financial assets held for trading	**1,361**	924
Financial investments held-to-maturity	**19,758**	20,576
Money at call and deposit with financial institutions	**49,833**	30,533
	162,750	176,124
Accretion of discount less amortisation of premium	**1,896**	1,413
	164,646	177,537
Other operating income:		
Net gain/(loss) from financial assets held for trading		
– realised	**964**	118
– unrealised	**(2)**	(46)
Net gain from sale of financial investments available-for-sale	**257**	312
Net gain/(loss) from sale of financial investments held-to-maturity	**56**	(10)
Net gain/(loss) from Islamic derivative financial instruments		
– realised	**47,187**	83,197
– unrealised	**9,842**	(35,237)
Net loss from foreign exchange transactions	**(1,840)**	(1,741)
Net gain from hedging derivatives	**2,002**	4,271
	58,466	50,864
Net fees and commission income:		
Advisory fees	**62**	15,239
Guarantee fees	**19,024**	33,279
Service charges and fees	**81,385**	63,026
Placement fees	**12,577**	37,028
Underwriting commission	**13**	4,299
Others	**114,931**	3,880
Fee and commission income	**227,992**	156,751
Fee and commission expense	**(1,909)**	(1,961)
Net fees and commission income	**226,083**	154,790
Sundry income	**13,082**	7,032
	462,277	390,223

* *Unwinding income is income earned on impaired financial assets*

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(w) Allowance for impairment losses on financing, advances and other financing/loans

	2012 RM'000	2011 RM'000
(i) Individual impairment allowance		
– made during the financial year	**34,150**	48,229
(ii) Portfolio impairment allowance		
– made during the financial year	**112,112**	143,075
Bad debts on financing:		
– recovered	**(56,102)**	(39,940)
– written-off	**19**	2
	90,179	151,366

(x) Income attributable to depositors

	2012 RM'000	2011 RM'000
Deposits from customers		
– Mudharabah	**238,407**	335,555
– Non-Mudharabah	**559,646**	275,695
Deposits and placements of banks and other financial institutions		
– Mudharabah	**61,290**	41,524
– Non-Mudharabah	**27,355**	10,025
Others	**29,513**	74,130
	916,211	736,929

(y) Personnel expenses

	2012 RM'000	2011 RM'000
– salaries, allowances and bonuses	**91,405**	64,349
– others	**12,388**	20,847
	103,793	85,196

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM802,070 (2011: RM772,766).

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(z) Other overheads and expenditures

	2012 RM'000	2011 RM'000
Establishment costs		
– rental	**3,361**	2,761
– depreciation of property, plant and equipment	**3,691**	2,932
– others	**16,995**	6,772
	24,047	12,465
Marketing expenses		
– advertisement and publicity	**9,725**	3,791
– others	**2,603**	2,893
	12,328	6,684
Administration and general expenses		
– legal and professional fees	**2,555**	2,215
– amortisation of intangible assets	**2,811**	1,280
– others	**33,360**	29,294
	38,726	32,789
Shared service cost		
Personnel expenses	**208,662**	133,949
Establishment	**95,478**	60,044
Promotion	**10,097**	8,496
General expenses	**33,598**	29,567
	347,835	232,056
	422,936	283,994

Notes to the Financial Statements

for the financial year ended 31 December 2012

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) Taxation

	Note	2012 RM'000	2011 RM'000
(i) Tax expense for the financial year			
Current year tax			
– Malaysian income tax		**262,684**	236,841
Deferred taxation	(h)	**(7,608)**	(2,708)
(Over)/under accrual in prior year		**342**	(713)
		255,418	233,420
(ii) Numerical reconciliation of income tax expense			
The explanation on the relationship between tax expense and profit before taxation is as follows:			
Profit before taxation		**1,072,636**	947,019
Tax calculated at tax rate of 25%		**268,159**	236,755
– effect of different tax rates		**1,829**	4,328
– income not subject to tax		**(16,076)**	(8,744)
– expenses not deductible for tax purposes		**1,164**	1,794
(Over)/under accrual in prior year		**342**	(713)
		255,418	233,420

55 CLIENT TRUST ACCOUNTS

As at 31 December 2012, cash held in trust for clients by the Group amounted to RM486,594,000 (31 December 2011: RM464,867,000, 1 January 2011: RM346,297,000). These amounts are not recognised in the financial statements as they are held by the Group in its fiduciary capacity.

56 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 12 March 2013.

57 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The marked-to-market gains and losses on derivative contracts and financial investments at fair value through profit or loss that remain outstanding in the financial statements of the Group as at 31 December 2012 and 31 December 2011 are deemed unrealised and should be read together as it reflects the nature of the transactions and financial positon of the Group. In addition, the unrealised retained earnings of the Group as disclosed above excludes the translation gains and losses on monetary items denominated in a currency other than the functional currency, as these gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

Notes to the Financial Statements

for the financial year ended 31 December 2012

57 REALISED AND UNREALISED PROFITS (CONTINUED)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Group and subsidiaries				
– Realised	**9,835,615**	8,555,184	**1,511,685**	1,264,347
– Unrealised	**340,878**	268,222	**9,925**	17,524
	10,176,493	8,823,406	**1,521,610**	1,281,871
Total share of retained earnings from associates				
– Realised	**322,064**	158,721	**–**	–
– Unrealised	**550**	26,503	**–**	–
Total share of retained earnings from jointly controlled entities				
– Realised	**46,633**	29,932	**–**	–
– Unrealised	**1**	677	**–**	–
	10,545,741	9,039,239	**1,521,610**	1,281,871
Consolidation adjustments	**680,779**	(488,376)	**–**	–
Total group retained earnings as per consolidated financial statements	**11,226,520**	8,550,863	**1,521,610**	1,281,871

CONTENTS

Basel II Pillar 3 Disclosure
for 2012

ABBREVIATIONS

A-IRB Approach	:	Advanced Internal Ratings Based Approach
BI	:	Banking Institutions
BNM	:	Bank Negara Malaysia
BRC	:	Board Risk Committee
BSMC	:	Balance Sheet Management Committee
CAFIB	:	Capital Adequacy Framework for Islamic Banks
CBCC	:	Consumer Bank Credit Committee
CBSM	:	Capital and Balance Sheet Management
CBTM	:	Corporate Banking, Treasury and Markets
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMB Islamic Bank Berhad, CIMBTH, CIMB Bank PLC (Cambodia) and CIMB Factorlease Berhad
CIMBIBG	:	Consist of CIMB Investment Bank Berhad and CIMB Futures Sdn Bhd
CIMBGH Group	:	Group of Companies under CIMB Group Holdings Berhad
CIMBTH	:	CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	:	CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the RWCAF and CAFIB (General Requirements and Capital Components) to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMB Islamic as described within this disclosure
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CRO	:	Group Chief Risk Officer
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EaR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings
GC	:	Group Credit
GRC	:	Group Risk Committee
GRD	:	Group Risk Division
GRM	:	Group Risk Management
GWBRC	:	Group Wholesale Bank Risk Committee
HPE	:	Hire Purchase Exposures
IRB Approach	:	Internal Ratings Based Approach
IRRBB	:	Interest Rate Risk in the Banking Book

ABBREVIATIONS (CONTINUED)

KRI	:	Key Risk Indicators
LGD	:	Loss Given Default
MARC	:	Malaysian Rating Corporation Berhad
MRM	:	Market Risk Management
MDBs	:	Multilateral Development Banks
MATs	:	Management Action Triggers
Moody's	:	Moody's Investors Service
MTM	:	Mark-to-Market and/or Mark-to-Model
ORC	:	Operational Risk Committee
ORM	:	Operational Risk Management
ORMD	:	Operational Risk Management Department
ORMF	:	Operational Risk Management Framework
OTC	:	Over the Counter
PD	:	Probability of Default
PSEs	:	Non-Federal Government Public Sector Entities
PSIA	:	Profit Sharing Investment Accounts
QRRE	:	Qualifying Revolving Retail Exposures
R&I	:	Rating and Investment Information, Inc
RAM	:	RAM Rating Services Berhad
RAROC	:	Risk Adjusted Return on Capital
RCC	:	Regional Credit Committee
RCM	:	Regional Credit Management
RCSA	:	Risk and Control Self Assessments
RLRC	:	Regional Liquidity Risk Committee
RMA	:	Risk Management & Analytics
RORBB	:	Rate of Return Risk in the Banking Book
RR	:	Regional Risk
RRE	:	Residential Real Estate
RWA	:	Risk Weighted Assets
RWCAF	:	Risk Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
RWCR	:	Risk Weighted Capital Ratio and, in some instances referred to as the Capital Adequacy Ratio
S&P	:	Standard & Poor's
SA	:	Standardised Approach
SBCC	:	Singapore Business Credit Committee
SCF	:	Shariah Compliance Framework
SMEs	:	Small and Medium Enterprises
VaR	:	Value at Risk

Basel II Pillar 3 Disclosure
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OVERVIEW OF BASEL II AND PILLAR 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMB Islamic ('CIMBBG'), apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMB IB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMB Islamic and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

Frequency of Disclosure

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

Medium and Location of Disclosure

These disclosures are also available on CIMBGH Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank and CIMB IB are also available at the CIMBGH Group's corporate website.

Basis of Disclosure

These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2012. The basis of consolidation for financial accounting purposes is described in the 2012 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements with the exception of subsidiaries engaged in non-financial activities which have been excluded from the regulatory consolidation and have been deducted from regulatory capital. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in this disclosure is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2012 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2012 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

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.

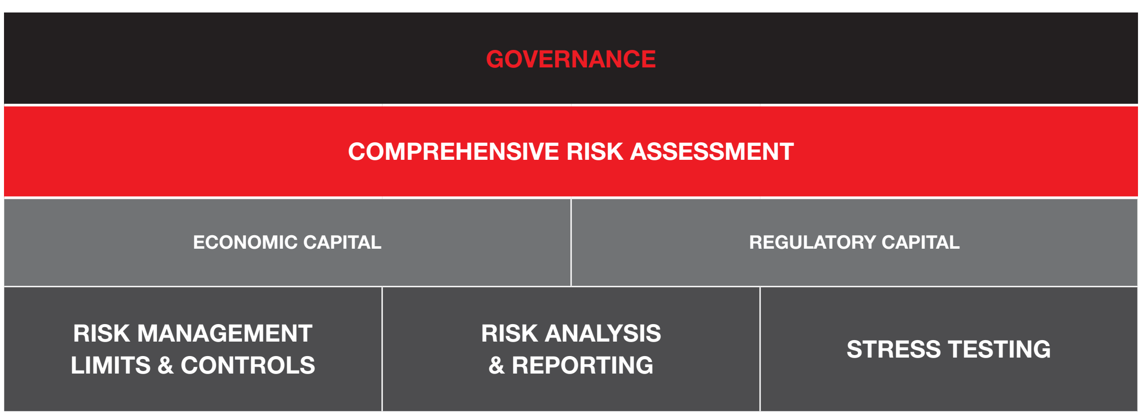
The objectives of CIMB Group's risk management activities are to:

- Identify the various risk exposures and 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 capital and facilitate development of new businesses.

Enterprise Wide Risk Management Framework

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:



The Group acknowledges that strong risk governance forms the backbone that holds the EWRM together. The Board of Directors through the 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 EWRM is supervised through several risk committees, with line management being primarily responsible for identifying and managing risks at the onset. GRD is principally tasked to assist the various risk committees and undertakes the performance of independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is also subjected to the independent assurance and assessment by Group Internal Audit Division.

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.

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RISK MANAGEMENT OVERVIEW (CONTINUED)

Enterprise Wide Risk Management Framework (continued)

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 (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 monitor and 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.

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.

Risk Governance

In accordance with the Group's risk management structure, the BRC assumes the ultimate responsibility on behalf of the Board 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 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 GWBRC, CBCC, RCC, SBCC, RLRC and ORC, with each committee set up to manage and control specific risk areas. In relation to IRRBB/RORBB, GRC is further assisted by the 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.

RISK MANAGEMENT OVERVIEW (CONTINUED)

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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, oversee utilisation of capital allocation and asset liability management processes across the Group

Group Wholesale Bank Risk Committee (GWBRC)

- Oversee Group's exposures to market risks
- Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments for the Group
- Credit approval authority for Malaysian centric credit exposures
- Assign and review the Malaysian sector exposures
- Review and approve Global Banking Institutions Limits for Malaysian centric banking groups

Consumer Bank Credit Committee (CBCC)

- Credit approval authority for Malaysian centric credit exposures
- Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures
- Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking

Regional Credit Committee (RCC)

- Review and approve or concur non-Malaysian credit exposures
- Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures
- Review and approve or concur all non-Malaysian Interbank Limit, Global Financial Institutions Counterparty Limits and Global Country Limit

Singapore Business Credit Committee (SBCC)

- Credit approval authority for primarily Singapore centric credit exposures
- Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures

Regional Liquidity Risk Committee (RLRC)

- Oversee the Group's overall liquidity management
- Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner

Operational Risk Committee (ORC)

- Oversee operational risk management in terms of best practices, policies and risk tolerance
- Review controls and action plans to address identified risks
- Oversight on all Business Continuity Management (BCM)/Disaster Recovery (DR) activities

Balance Sheet Management Committee (BSMC)

- Review balance sheet positions
- Recommend and executing balance sheet strategies and hedging
- Ensure risk profile is kept within the established risk appetite/limits/MAT

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RISK MANAGEMENT OVERVIEW (CONTINUED)

Risk Governance (continued)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

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 by taking appropriate actions to mitigate risk through effective controls. The second line of defence provides oversight functions, 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.

The Roles of CRO and Group Risk Division

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 GRM, GC, RCM and 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 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.

- **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 strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market as part of financial valuation.

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

  GRM adds value to business propositions by providing advice on market valuations, quantification of capital requirements 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.

RISK MANAGEMENT OVERVIEW (CONTINUED)

The Roles of CRO and Group Risk Division (continued)

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

- **Regional Credit Management**
  A regional credit platform was established with a primary objective of enhancing efficiency and effectiveness of the credit oversight as well as credit approval process for all non-Malaysian centric Corporate and Financial Institutions 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.

- **Regional Risk**
  RR was established with the objective of overseeing the risk management functions of the regional offices as well as the Group's unit trust and non-Malaysian securities businesses. RR also houses the validation team.

  For regional offices, the respective risk management team identifies, analyses, monitors, reviews, and reports the risk exposures of each individual country, including:

  i) Proprietary trading strategies, positions and activities against changes in the financial market on a daily basis.
  ii) Limit utilisation and adequacy, transaction prices and mark-to-market positions.
  iii) Credit reviews.
  iv) New product approval process.

  For the unit trust business, the risk management unit works with other departments in the areas of market, credit and operational risk. This risk management team reports into RR.

  Non-Malaysian securities businesses under the Group are consolidated under CIMB Securities International Pte Ltd. There is a risk management function set up within the entity to identify, analyse, monitor, review and report market, credit, operational and other principal risk exposures related to the securities businesses. This unit reports into RR.

  The Validation Team is independent from the risk taking units and model development team, and reports to RR. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on rating systems, estimates of the risk components, and the processes by which the internal ratings are obtained and used. The unit provides recommendations to the modelling team and the business users. The unit reports its findings and recommendations to GRC and BRC.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book.

SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking Division (GIBD). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Group Shariah Committee (with the exception of takaful products which are under the purview of CIMB Aviva Takaful Shariah Committee).

The Board of Directors of CIMB Group, CIMB IB, and CIMB Bank delegate and empower CIMB Islamic's Board of Directors to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates the Shariah governance functions to the Group Shariah Committee established under CIMB Islamic.

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SHARIAH GOVERNANCE DISCLOSURE (CONTINUED)

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the day-to-day running of Shariah management is performed by the Group Managing Director/Chief Executive Officer and Head of Group Islamic Banking.

Shariah Department which is basically a component of the Management serves as a coordinator and manager of the overall Shariah governance and compliance of the Islamic businesses in CIMB. In performing its role, the department is complemented by the roles of the Shariah Compliance Functions/Units consisting of Shariah Review, Shariah Audit, Shariah Risk Management and Shariah Research.

The Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

Monitoring of Shariah compliance and Shariah governance process is carried out through Shariah Review and Shariah Audit functions, supported by Shariah Risk Management control process and internal Shariah Research capacity. In CIMB Group, the Shariah Review, Shariah Audit and Shariah Risk Management functions reside in Group Compliance, GIAD and GRM respectively, supported by Shariah Department.

In summary, the ownership of the whole Shariah governance framework is under the purview of GIBD with the nexus of its oversight function residing under Shariah Department. The implementation of the various component of the Shariah governance framework therefore falls within the purview of GRM, GIAD, Group Compliance and Shariah Research (under Shariah Department) and it is looked at jointly and severally by the four divisions/departments.

Rectification process of non-Shariah compliant income occuring during the year

As at 31 December 2012, an amount of RM267,219.10 was recorded as non-Shariah compliant income for the year 2012. For the purpose of rectification, the stated amount will be channelled to the approved charitable bodies accordingly.

CAPITAL MANAGEMENT

Key Capital Management Principles

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

The Group sets an internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Bank considers many critical factors, including, amongst others, credit rating implication, current and future operating environment and peers comparisons. The capital management process is centrally supervised by the Group EXCO, GRC and BRC who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Quarterly updates on capital position of the CIMBGH Group and the Group are also provided to the Board of Directors.

On 28 November 2012, Bank Negara Malaysia (BNM) issued a new guideline on Basel III. The guideline outlines the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. It was developed based on the internationally-agreed standards on capital adequacy published by the Basel Committee on Banking Supervision. The guideline will be effective on 1 January 2013 and is applicable to all banking institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA) and all Islamic banks licensed under the Islamic Banking Act 1983 (IBA).

Capital Structure and Adequacy

The relevant entities under the Group issue various capital instruments pursuant to the respective regulatory guidelines, including Tier 2 subordinated debt, innovative and non-innovative tier 1 hybrid securities that qualify as capital pursuant to the RWCAF and CAFIB issued by BNM. Notes 26 to 28 in CIMBGH Financial Statement show the summary information of terms and conditions of the main features of capital instruments.

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

The tables below set out the summary of the sources of capital and the capital adequacy ratios for CIMBBG, CIMBIBG and CIMB Islamic as at 31 December 2012 and 31 December 2011 respectively:

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	2012	2011
Tier 1 Capital		
Paid-up share capital + Share Premium	**8,798,102**	8,798,102
Non-Innovative Tier 1 instruments	**1,200,000**	1,200,000
Innovative Tier 1 instruments	**1,611,800**	1,635,400
Statutory Reserve	**4,223,657**	4,835,694
Retained Earnings/Profits	**5,015,661**	3,518,523
General Reserve Fund	**23,337**	263,347
Interim Dividend	**–**	–
Minority Interest	**306,905**	266,211
Less: Deductions from Tier 1 Capital		
Goodwill	**4,891,433**	4,899,904
Eligible Tier 1 Capital	**16,288,029**	15,617,373
Tier 2 Capital		
Subordinated Debt Capital	**7,881,400**	5,813,057
Cumulative Preference Shares	**29,740**	29,740
General Provision	**1,451,589**	887,918
Surplus of EP over EL	**91,670**	255,860
Tier 2 Capital Subject to Limits	**9,454,399**	6,986,575
Less: Deductions from Tier 2 capital	**558,106**	553,301
Investment in subsidiaries	**158,742**	136,135
Investment in capital instruments of other BI	**333,743**	347,051
Other Deductions	**65,621**	70,116
Eligible Tier 2 Capital	**8,896,293**	6,433,273
Total Eligible Capital	**25,184,322**	22,050,646
RWA		
Credit	**126,983,208**	109,351,226
Credit RWA Absorbed by PSIA	**–**	–
Market	**14,568,174**	8,785,131
Operational	**13,560,253**	12,620,584
Large Exposure for Equity Holdings	**397,786**	400,148
Total RWA	**155,509,421**	131,157,089
Capital Adequacy Ratios		
Core Capital Ratio	**10.47%**	11.91%
RWCR	**16.19%**	16.81%
Proposed Dividends	**(959,000)**	(827,000)
Capital Adequacy Ratios After Dividends		
Core Capital Ratio	**9.86%**	11.28%
RWCR	**15.58%**	16.18%

The capital adequacy ratios of CIMBBG as at 31 December 2011 have been restated upon adoption of MFRS 1.

RWCR After Dividends decreased from 16.18% to 15.58% mostly due to the increase in Credit RWA following the change in Credit Conversion Factor (CCF) for the undrawn of committed facility effective 1 January 2012. For those under the IRB Approach, the CCF is changed from 20% to 75%. For those under the SA, the CCF is changed from 20% to 50%, if residual maturity is more than 1 year. Growth in the corporate portfolio also contributed to the increase in Credit RWA. The drop in RWCR is partially offset by the increase in capital base due to the new issuance of sub-debt by CIMB Bank and CIMB Islamic. The increase in Market RWA of RM5.8 billion between December 2011 and December 2012 was largely attributed to higher interest rate and equity risk, following larger exposure to bonds, interest rate and non-deliverable interest rate swaps as well as equities.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 1(b): Capital Position for CIMB Islamic

(RM'000)	CIMB Islamic 2012	CIMB Islamic 2011
Tier 1 Capital		
Paid-up share capital + Share Premium	**1,000,000**	1,000,000
Non-Innovative Tier 1 instruments	**70,000**	70,000
Innovative Tier 1 instruments	**–**	–
Statutory Reserve	**652,923**	452,388
Retained Earnings/Profits	**337,526**	311,492
General Reserve Fund	**335**	16,498
Interim Dividend	**–**	–
Minority Interest	**–**	–
Less: Deductions from Tier 1 Capital		
Goodwill	**136,000**	136,000
Eligible Tier 1 Capital	**1,924,784**	1,714,378
Tier 2 Capital		
Subordinated Debt Capital	**850,000**	550,000
Cumulative Preference Shares	**–**	–
General Provision	**287,881**	123,698
Surplus of EP over EL	**–**	–
Tier 2 Capital Subject to Limits	**1,137,881**	673,698
Less: Deductions from Tier 2 capital	**122,870**	18,719
Investment in subsidiaries	**–**	–
Investment in capital instruments of other BI	**–**	–
Other Deductions	**122,870**	18,719
Eligible Tier 2 Capital	**1,015,011**	654,979
Total Eligible Capital	**2,939,795**	2,369,357
RWA		
Credit	**19,964,986**	15,261,669
Credit RWA Absorbed by PSIA	**(410,675)**	(584,091)
Market	**913,826**	346,673
Operational	**1,678,915**	1,402,324
Large Exposure for Equity Holdings	**–**	–
Total RWA	**22,147,052**	16,426,575
Capital Adequacy Ratios		
Core Capital Ratio	**8.69%**	10.44%
RWCR	**13.27%**	14.42%
Proposed Dividends	**–**	–
Capital Adequacy Ratios After Dividends		
Core Capital Ratio	**8.69%**	10.44%
RWCR	**13.27%**	14.42%

RWCR After Dividends decreased from 14.42% to 13.27% mostly due to the increase in Credit RWA following the change in CCF for the undrawn of committed facility effective 1 January 2012. For those under the IRB Approach, the CCF is changed from 20% to 75%. For those under the SA, the CCF is changed from 20% to 50%, if residual maturity is more than 1 year. Growth in the corporate portfolio also contributed to the increase in Credit RWA. The drop in RWCR is partially offset by the increase in capital base due to the new issuance of sub-debt by CIMB Islamic. The increase in Market RWA of RM567 million between December 2011 and December 2012 was mainly due to increase exposure to bonds.

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 1(c): Capital Position for CIMBIBG

	CIMBIBG	
(RM'000)	**2012**	**2011**
Tier 1 Capital		
Paid-up share capital + Share Premium	**100,000**	100,000
Non-Innovative Tier 1 instruments	**–**	–
Innovative Tier 1 instruments	**–**	–
Statutory Reserve	**155,175**	155,175
Retained Earnings/Profits	**216,548**	152,377
General Reserve Fund	**18,598**	54,115
Interim Dividend	**–**	–
Minority Interest	**–**	–
Less: Deductions from Tier 1 Capital		
Goodwill	**–**	–
Eligible Tier 1 Capital	**490,321**	461,667
Tier 2 Capital		
Subordinated Debt Capital		–
Cumulative Preference Shares	**10**	10
General Provision	**1,115**	623
Surplus of EP over EL	**–**	–
Tier 2 Capital Subject to Limits	**1,125**	633
Less: Deductions from Tier 2 capital	**50**	50
Investment in subsidiaries	**50**	50
Investment in capital instruments of other BI	**–**	–
Other Deductions	**–**	–
Eligible Tier 2 Capital	**1,075**	583
Total Eligible Capital	**491,396**	462,250
RWA		
Credit	**1,387,711**	1,081,967
Credit RWA Absorbed by PSIA	**–**	–
Market	**126,634**	307,315
Operational	**823,010**	807,424
Large Exposure for Equity Holdings	**–**	–
Total RWA	**2,337,355**	2,196,706
Capital Adequacy Ratios		
Core Capital Ratio	**20.98%**	21.02%
RWCR	**21.02%**	21.04%
Proposed Dividends	**(56,000)**	(99,034)
Capital Adequacy Ratios After Dividends		
Core Capital Ratio	**18.58%**	16.51%
RWCR	**18.63%**	16.53%

RWCR After Dividends has improved as compared to December 2011. Total RWA increase mainly due to the increase in Credit RWA but offset by the decrease in Market RWA. The increase in Credit RWA was mainly due to increase in interbank placement. The decrease in Market RWA of RM181 million between December 2011 and December 2012 was mainly due to lower interest rate and equity risk, following lower exposure to bonds and equity underwriting.

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2012	CIMBBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/ EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	41,972,488	41,972,488	32,226	32,226	2,578
Public Sector Entities	1,641,480	1,559,107	386,790	386,790	30,943
Banks, DFIs & MDBs	1,291,895	871,439	240,962	240,962	19,277
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,488	2,484	1,242	1,242	99
Corporate	16,505,140	14,068,255	13,813,939	13,813,939	1,105,115
Regulatory Retail	33,223,424	25,866,278	20,138,993	20,138,993	1,611,119
Residential Mortgages/RRE Financing	5,736,745	5,736,745	2,117,986	2,117,986	169,439
Higher Risk Assets	1,200,956	1,200,956	1,801,434	1,801,434	144,115
Other Assets	6,928,071	6,928,071	3,562,947	3,562,947	285,036
Securitisation	787,605	787,605	151,339	151,339	12,107
Total for SA	109,290,293	98,993,427	42,247,860	42,247,860	3,379,829
Exposures under the IRB Approach					
Sovereign/Central Banks	875,586	875,586	209,095	209,095	16,728
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	20,986,172	20,986,172	4,927,490	4,927,490	394,199
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	77,296,942	77,296,942	43,140,692	43,140,692	3,451,255
Residential Mortgages/RRE Financing	40,889,486	40,889,486	15,074,936	15,074,936	1,205,995
Qualifying Revolving Retail	8,325,262	8,325,262	5,631,892	5,631,892	450,551
Hire Purchase	11,476,260	11,476,260	7,856,050	7,856,050	628,484
Other Retail	4,625,334	4,625,334	3,098,853	3,098,853	247,908
Securitisation	–	–	–	–	–
Total for IRB Approach	164,475,042	164,475,042	79,939,008	79,939,008	6,395,121
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	273,765,335	263,468,470	126,983,208	126,983,208	10,158,657
Large Exposure Risk Requirement	397,786	397,786	397,786	397,786	31,823
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			12,346,842	12,346,842	987,747
Foreign Currency Risk			535,315	535,315	42,825
Equity Risk			1,033,695	1,033,695	82,696
Commodity Risk			–	–	–
Options Risk			652,322	652,322	52,186
Total Market Risk			14,568,174	14,568,174	1,165,454
Operational Risk (BIA)			13,560,253	13,560,253	1,084,820
Total RWA and Capital Requirement			155,509,421	155,509,421	12,440,754

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (continued)

2011	CIMBBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/ EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	47,234,212	47,234,212	150,930	150,930	12,074
Public Sector Entities	397,756	397,756	216,702	216,702	17,336
Banks, DFIs & MDBs	1,383,614	1,350,084	325,081	325,081	26,007
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	81	81	40	40	3
Corporate	14,071,622	13,276,803	13,372,131	13,372,131	1,069,770
Regulatory Retail	26,315,110	21,657,731	16,659,594	16,659,594	1,332,767
Residential Mortgages/RRE Financing	5,036,365	5,036,365	1,838,728	1,838,728	147,098
Higher Risk Assets	1,231,512	1,231,512	1,847,268	1,847,268	147,781
Other Assets	5,770,276	5,770,276	2,995,310	2,995,310	239,625
Securitisation	786,438	786,438	156,982	156,982	12,559
Total for SA	102,226,986	96,741,257	37,562,765	37,562,765	3,005,021
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	18,834,192	18,834,192	5,432,134	5,432,134	434,571
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	60,604,067	60,604,067	31,789,147	31,789,147	2,543,132
Residential Mortgages/RRE Financing	37,196,895	37,196,895	13,956,194	13,956,194	1,116,496
Qualifying Revolving Retail	8,554,803	8,554,803	6,521,864	6,521,864	521,749
Hire Purchase	10,588,517	10,588,517	7,345,906	7,345,906	587,672
Other Retail	4,760,829	4,760,829	2,679,719	2,679,719	214,377
Securitisation	–	–	–	–	–
Total for IRB Approach	140,539,303	140,539,303	67,724,963	67,724,963	5,417,997
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	242,766,289	237,280,560	109,351,226	109,351,226	8,748,098
Large Exposure Risk Requirement	400,148	400,148	400,148	400,148	32,012
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			6,676,742	6,676,742	534,139
Foreign Currency Risk			873,080	873,080	69,846
Equity Risk			737,166	737,166	58,973
Commodity Risk			21,147	21,147	1,692
Options Risk			476,996	476,996	38,160
Total Market Risk			8,785,131	8,785,131	702,810
Operational Risk (BIA)			12,620,584	12,620,584	1,009,647
Total RWA and Capital Requirement			131,157,089	131,157,089	10,492,567

Note: *The term "Net Exposure before CRM (SA)" as presented in the previous disclosure has the same meaning as "Gross Exposure before CRM (SA)" as provided in the guidelines. It is net of specific impairment provisions and without taking into account the effects of netting and credit risk mitigation. For consistency purposes, the term has been changed to "Gross Exposure before CRM (SA)" as per the guidelines.*

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMB Islamic

2012	CIMB Islamic				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/ EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	14,764,799	14,764,799	6,852	6,852	548
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	53,158	53,158	10,632	10,632	851
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	223,660	215,316	175,209	175,209	14,017
Regulatory Retail	4,723,898	4,672,731	3,663,995	3,663,995	293,120
RRE Financing	–	–	–	–	–
Higher Risk Assets	575	575	863	863	69
Other Assets	78,783	78,783	78,783	78,783	6,303
Securitisation	20,764	20,764	4,153	4,153	332
Total for SA	19,865,637	19,806,127	3,940,487	3,940,487	315,239
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,810,891	1,810,891	354,342	354,342	28,347
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	11,352,546	11,352,546	7,155,038	6,767,609	541,409
RRE Financing	7,639,001	7,639,001	2,659,320	2,659,320	212,746
Qualifying Revolving Retail	170,397	170,397	143,572	143,572	11,486
Hire Purchase	6,380,307	6,380,307	4,221,765	4,221,765	337,741
Other Retail	1,054,062	1,054,062	583,414	583,414	46,673
Securitisation	–	–	–	–	–
Total for IRB Approach	28,407,204	28,407,204	15,117,452	14,730,022	1,178,402
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	48,272,841	48,213,331	19,964,986	19,554,311	1,564,345
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			830,033	830,033	66,403
Foreign Currency Risk			83,793	83,793	6,703
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			913,826	913,826	73,106
Operational Risk (BIA)			1,678,915	1,678,915	134,313
Total RWA and Capital Requirement			22,557,726	22,147,051	1,771,764

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMB Islamic (continued)

2011	CIMB Islamic				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/ EAD (IRB)	Net Exposure after CRM (SA)/ EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	15,289,967	15,289,967	6,739	6,739	539
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	32,040	32,040	6,408	6,408	513
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	330,015	329,383	328,608	328,608	26,289
Regulatory Retail	4,154,581	4,140,223	3,238,847	3,238,847	259,108
RRE Financing	–	–	–	–	–
Higher Risk Assets	575	575	863	863	69
Other Assets	96,151	96,151	96,151	96,151	7,692
Securitisation	35,857	35,857	7,171	7,171	574
Total for SA	19,939,185	19,924,196	3,684,786	3,684,786	294,783
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,047,323	2,047,323	427,565	427,565	34,205
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	6,157,684	6,157,684	3,923,587	3,372,557	269,805
RRE Financing	6,486,660	6,486,660	2,262,946	2,262,946	181,036
Qualifying Revolving Retail	171,747	171,747	164,232	164,232	13,139
Hire Purchase	5,286,837	5,286,837	3,465,614	3,465,614	277,249
Other Retail	1,151,298	1,151,298	677,643	677,643	54,211
Securitisation	–	–	–	–	–
Total for IRB Approach	21,301,549	21,301,549	10,921,587	10,370,558	829,645
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	41,240,734	41,225,745	15,261,669	14,677,578	1,174,206
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			304,847	304,847	24,388
Foreign Currency Risk			41,826	41,826	3,346
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			346,673	346,673	27,734
Operational Risk (BIA)			1,402,324	1,402,324	112,186
Total RWA and Capital Requirement			17,010,666	16,426,575	1,314,126

Note: *The term "Net Exposure before CRM (SA)" as presented in the previous disclosure has the same meaning as "Gross Exposure before CRM (SA)" as provided in the guidelines. It is net of specific impairment provisions and without taking into account the effects of netting and credit risk mitigation. For consistency purposes, the term has been changed to "Gross Exposure before CRM (SA)" as per the guidelines.*

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CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2012	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	151,798	151,798	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,699,115	2,699,115	853,982	853,982	68,319
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	42,760	42,760	42,760	42,760	3,421
Regulatory Retail	44,676	44,676	33,740	33,740	2,699
Residential Mortgages	19,474	19,474	7,352	7,352	588
Higher Risk Assets	2,946	2,946	4,418	4,418	353
Other Assets	445,507	445,507	445,459	445,459	35,637
Securitisation	–	–	–	–	–
Total Credit Risk	3,406,275	3,406,275	1,387,711	1,387,711	111,017
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			71,801	71,801	5,744
Foreign Currency Risk			54,325	54,325	4,346
Equity Risk			508	508	41
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			126,634	126,634	10,131
Operational Risk (BIA)			823,010	823,010	65,841
Total RWA and Capital Requirement			2,337,355	2,337,355	186,988

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (continued)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (continued)

2011	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	274,850	274,850	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,148,870	2,148,870	603,879	603,879	48,310
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	51,015	51,015	51,015	51,015	4,081
Regulatory Retail	3,306	3,306	2,576	2,576	206
Residential Mortgages	23,517	23,517	9,040	9,040	723
Higher Risk Assets	2,200	2,200	3,300	3,300	264
Other Assets	412,206	412,206	412,156	412,156	32,972
Securitisation	–	–	–	–	–
Total Credit Risk	2,915,963	2,915,963	1,081,967	1,081,967	86,557
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			142,170	142,170	11,374
Foreign Currency Risk			52,427	52,427	4,194
Equity Risk			124	124	10
Commodity Risk			–	–	–
Options Risk			112,594	112,594	9,008
Total Market Risk			307,315	307,315	24,585
Operational Risk (BIA)			807,424	807,424	64,594
Total RWA and Capital Requirement			2,196,706	2,196,706	175,736

Note: *The term "Net Exposure before CRM (SA)" as presented in the previous disclosure has the same meaning as "Gross Exposure before CRM (SA)" as provided in the guidelines. It is net of specific impairment provisions and without taking into account the effects of netting and credit risk mitigation. For consistency purposes, the term has been changed to "Gross Exposure before CRM (SA)" as per the guidelines.*

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CAPITAL MANAGEMENT (CONTINUED)

Internal Capital Adequacy Assessment Process (ICAAP)

CIMB Group has in place an EWRM Framework that incorporates ICAAP requirements to ensure that the Group maintains adequate capital on an ongoing basis to support its business operations.

The Group is still in the process of fully implementing ICAAP and will continuously enhance the process over the next few years, including deploying the process to the regional operations. The significant milestones achieved to-date are as follows:

i) Formalisation of the Risk Appetite Statement.

ii) Formalisation of a framework that integrates risk management to business planning, capital allocation and risk-based performance measurement.

iii) Comprehensive risk assessment where the bottom-up risk assessment by the business and support units are complemented by the top-down risk assessment by GRD.

iv) Formalisation of various frameworks to manage material risks inherent in the Group which are not quantifiable.

v) Quantification of non-Pillar 1 material risks which will be considered in the overall capital adequacy assessment.

vi) Ongoing validation of ICAAP by Group Internal Audit Division.

CREDIT RISK

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

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

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level to the various credit committees. The credit approving committees namely, SBCC, CBCC, RCC and GWBRC are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. The committees also ensure the overall loan/financing portfolio meets the guidelines of the regulatory authorities and adheres to the approved credit policies and procedures.

Credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

Adherence to established credit limits is monitored daily by GRM, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

CREDIT RISK (CONTINUED)

Credit Risk Management (continued)

Credit reviews and rating are conducted on the credit exposures on at least an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Summary of Credit Exposures

i) Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed. The following tables represent the Group's credit exposures by geographic region:

Table 3(a): Geographic Distribution of Credit Exposures for CIMBBG

2012	CIMBBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	**39,050,666**	**1,386,419**	**2,361,264**	**49,724**	**42,848,074**
Bank	**15,221,163**	**4,499,010**	**2,732,804**	**1,469,057**	**23,922,035**
Corporate	**70,789,128**	**11,182,256**	**10,631,103**	**1,199,596**	**93,802,083**
Mortgage/RRE Financing	**41,199,869**	**2,943,799**	**2,482,563**	**–**	**46,626,231**
HPE	**11,476,260**	**–**	**–**	**–**	**11,476,260**
QRRE	**8,325,262**	**–**	**–**	**–**	**8,325,262**
Other Retail	**31,424,826**	**3,208,150**	**3,172,755**	**43,027**	**37,848,759**
Other Exposures	**6,803,392**	**341,826**	**1,542,288**	**229,126**	**8,916,632**
Total Gross Credit Exposure	**224,290,567**	**23,561,460**	**22,922,777**	**2,990,531**	**273,765,335**

2011	CIMBBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	43,278,526	1,268,202	2,655,858	31,627	47,234,212
Bank	16,551,050	1,658,808	866,649	1,539,135	20,615,642
Corporate	55,994,262	8,137,703	9,464,366	1,079,359	74,675,689
Mortgage/RRE Financing	37,497,187	2,841,308	1,894,764	–	42,233,259
HPE	10,588,517	–	–	–	10,588,517
QRRE	8,554,803	–	–	–	8,554,803
Other Retail	25,789,050	2,350,339	2,917,719	18,831	31,075,939
Other Exposures	5,868,755	193,452	1,574,415	151,603	7,788,226
Total Gross Credit Exposure	204,122,151	16,449,812	19,373,771	2,820,555	242,766,289

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CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

i) Gross Credit Exposures by Geographic Distribution (continued)

Table 3(b): Geographic Distribution of Credit Exposures for CIMB Islamic

2012	CIMB Islamic				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	**14,764,799**	–	–	–	**14,764,799**
Bank	**1,864,048**	–	–	–	**1,864,048**
Corporate	**11,576,206**	–	–	–	**11,576,206**
RRE Financing	**7,639,001**	–	–	–	**7,639,001**
HPE	**6,380,307**	–	–	–	**6,380,307**
QRRE	**170,397**	–	–	–	**170,397**
Other Retail	**5,777,960**	–	–	–	**5,777,960**
Other Exposures	**100,122**	–	–	–	**100,122**
Total Gross Credit Exposure	**48,272,841**	–	–	–	**48,272,841**

2011	CIMB Islamic				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	15,289,967	–	–	–	15,289,967
Bank	2,079,363	–	–	–	2,079,363
Corporate	6,487,699	–	–	–	6,487,699
RRE Financing	6,486,660	–	–	–	6,486,660
HPE	5,286,837	–	–	–	5,286,837
QRRE	171,747	–	–	–	171,747
Other Retail	5,305,878	–	–	–	5,305,878
Other Exposures	132,582	–	–	–	132,582
Total Gross Credit Exposure	41,240,734	–	–	–	41,240,734

CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

i) Gross Credit Exposures by Geographic Distribution (continued)

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

2012	CIMBIBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	**151,798**	**–**	**–**	**–**	**151,798**
Bank	**2,699,115**	**–**	**–**	**–**	**2,699,115**
Corporate	**42,760**	**–**	**–**	**–**	**42,760**
Mortgage	**19,474**	**–**	**–**	**–**	**19,474**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**44,676**	**–**	**–**	**–**	**44,676**
Other Exposures	**448,452**	**–**	**–**	**–**	**448,452**
Total Gross Credit Exposure	**3,406,275**	**–**	**–**	**–**	**3,406,275**

2011	CIMBIBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	274,850	–	–	–	274,850
Bank	2,148,870	–	–	–	2,148,870
Corporate	51,015	–	–	–	51,015
Mortgage	23,517	–	–	–	23,517
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	3,306	–	–	–	3,306
Other Exposures	414,406	–	–	–	414,406
Total Gross Credit Exposure	2,915,963	–	–	–	2,915,963

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CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

ii) Gross Credit Exposures by Sector

The following tables represent the Group's credit exposure analysed by sector:

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

2012	CIMBBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	–	–	–	548,848	–	–	1,139,000	7,698,116	33,226,580	–	235,529	42,848,074
Bank	–	–	–	–	–	–	–	23,920,596	1,439	–	–	23,922,035
Corporate	3,673,876	2,786,316	12,304,940	4,297,874	8,877,530	10,131,588	10,879,473	25,138,241	4,666,265	–	11,045,979	93,802,083
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	46,626,231	–	46,626,231
HPE	–	–	–	–	–	–	–	–	–	11,476,260	–	11,476,260
QRRE	–	–	–	–	–	–	–	–	–	8,325,262	–	8,325,262
Other Retail	373,364	14,205	630,685	10,652	434,199	1,171,497	106,377	2,874,148	2,163,674	30,069,958	–	37,848,759
Other Exposures	–	–	–	1,491	–	1,122	–	6,566,157	–	–	2,347,862	8,916,632
Total Gross Credit Exposure	4,047,241	2,800,521	12,935,625	4,858,866	9,311,729	11,304,206	12,124,850	66,197,258	40,057,959	96,497,711	13,629,370	273,765,335

* *Others are exposures which are not elsewhere classified.*

2011	CIMBBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	–	–	–	755,901	–	–	637,735	28,852,317	16,988,259	–	–	47,234,212
Bank	–	–	–	–	–	–	–	20,587,248	28,394	–	–	20,615,642
Corporate	2,703,194	1,335,532	11,223,417	3,227,428	5,796,583	8,471,304	12,295,142	20,799,321	4,757,302	–	4,066,466	74,675,689
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	42,233,259	–	42,233,259
HPE	–	–	–	–	–	–	–	–	–	10,588,517	–	10,588,517
QRRE	–	–	–	–	–	–	–	–	–	8,554,803	–	8,554,803
Other Retail	281,461	12,441	588,019	9,191	363,108	1,132,994	110,253	2,057,588	1,829,572	24,691,311	–	31,075,939
Other Exposures	–	–	–	1,502	–	1,315	–	5,264,675	137,918	–	2,382,816	7,788,226
Total Gross Credit Exposure	2,984,655	1,347,973	11,811,436	3,994,023	6,159,690	9,605,613	13,043,130	77,561,148	23,741,446	86,067,891	6,449,282	242,766,289

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

ii) Gross Credit Exposures by Sector (continued)

Table 4(b): Distribution of Credit Exposures by Sector for CIMB Islamic

2012	CIMB Islamic											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Islamic Finance, Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	-	-	-	20,278	-	-	270,971	1,213,467	13,260,084	-	-	14,764,799
Bank	-	-	-	-	-	-	-	1,864,048	-	-	-	1,864,048
Corporate	649,502	34,114	1,133,036	273,078	3,158,658	522,318	1,712,733	3,044,357	739,402	-	309,008	11,576,206
RRE Financing	-	-	-	-	-	-	-	-	-	7,639,001	-	7,639,001
HPE	-	-	-	-	-	-	-	-	-	6,380,307	-	6,380,307
QRRE	-	-	-	-	-	-	-	-	-	170,397	-	170,397
Other Retail	9,279	2,552	16,750	48	39,216	59,328	3,450	93,728	25,738	5,527,871	-	5,777,960
Other Exposures	-	-	-	-	-	-	-	20,764	-	-	79,358	100,122
Total Gross Credit Exposure	658,781	36,666	1,149,785	293,403	3,197,874	581,647	1,987,154	6,236,364	14,025,224	19,717,576	388,367	48,272,841

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

2011	CIMB Islamic											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Islamic Finance, Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	–	–	–	–	–	–	218,459	12,544,005	2,491,996	–	35,507	15,289,967
Bank	–	–	–	–	–	–	–	2,079,363	–	–	–	2,079,363
Corporate	549,963	24,962	651,583	84,816	371,898	391,452	1,280,544	2,348,801	515,369	–	268,311	6,487,699
RRE Financing	–	–	–	–	–	–	–	–	–	6,486,660	–	6,486,660
HPE	–	–	–	–	–	–	–	–	–	5,286,837	–	5,286,837
QRRE	–	–	–	–	–	–	–	–	–	171,747	–	171,747
Other Retail	1,560	589	4,874	120	14,369	24,798	1,191	20,533	14,773	5,223,071	–	5,305,878
Other Exposures	–	–	–	–	–	–	–	35,857	–	–	96,726	132,582
Total Gross Credit Exposure	551,523	25,551	656,457	84,936	386,267	416,249	1,500,193	17,028,559	3,022,139	17,168,315	400,544	41,240,734

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

ii) Gross Credit Exposures by Sector (continued)

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

2012	CIMBIBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	-	-	-	-	-	-	-	1,176	150,622	-	-	151,798
Bank	-	-	-	-	-	-	-	2,699,115	-	-	-	2,699,115
Corporate	-	-	-	-	-	-	-	628	-	-	42,131	42,760
Mortgage	-	-	-	-	-	-	-	-	-	19,474	-	19,474
HPE	-	-	-	-	-	-	-	-	-	-	-	-
QRRE	-	-	-	-	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	-	-	-	-	-	44,676	-	44,676
Other Exposures	-	-	-	-	-	-	-	-	-	-	448,452	448,452
Total Gross Credit Exposure	-	-	-	-	-	-	-	2,700,920	150,622	64,151	490,583	3,406,275

* *Others are exposures which are not elsewhere classified.*

2011	CIMBIBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manu-facturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Commu-nication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	–	–	–	–	–	–	–	274,850	–	–	–	274,850
Bank	–	–	–	–	–	–	–	2,148,870	–	–	–	2,148,870
Corporate	–	–	–	–	112	–	–	6,595	–	–	44,308	51,015
Mortgage	–	–	–	–	–	–	–	–	–	23,517	–	23,517
HPE	–	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	3,306	–	3,306
Other Exposures	–	–	–	–	–	–	–	–	–	–	414,406	414,406
Total Gross Credit Exposure	–	–	–	–	112	–	–	2,430,315	–	26,823	458,714	2,915,963

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

iii) Gross Credit Exposures by Residual Contractual Maturity

The following tables represent the Group's credit exposure analysed by residual contractual maturity:

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

2012	CIMBBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	**16,080,841**	**7,174,237**	**19,592,995**	**42,848,074**
Bank	**15,931,154**	**6,730,953**	**1,259,928**	**23,922,035**
Corporate	**35,964,456**	**31,480,429**	**26,357,197**	**93,802,083**
Mortgage/RRE Financing	**22,800**	**522,170**	**46,081,261**	**46,626,231**
HPE	**157,114**	**3,524,582**	**7,794,564**	**11,476,260**
QRRE	**8,325,262**	**–**	**–**	**8,325,262**
Other Retail	**6,922,147**	**2,648,677**	**28,277,935**	**37,848,759**
Other Exposures	**15,702**	**638,410**	**8,262,520**	**8,916,632**
Total Gross Credit Exposure	**83,419,477**	**52,719,459**	**137,626,399**	**273,765,335**

2011	CIMBBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	21,313,336	10,351,847	15,569,029	47,234,212
Bank	11,805,820	6,028,657	2,781,165	20,615,642
Corporate	29,302,073	24,473,737	20,899,879	74,675,689
Mortgage/RRE Financing	27,862	2,338,601	39,866,797	42,233,259
HPE	146,774	3,462,190	6,979,554	10,588,517
QRRE	8,554,803	–	–	8,554,803
Other Retail	2,732,124	4,643,028	23,700,787	31,075,939
Other Exposures	487,703	372,714	6,927,808	7,788,226
Total Gross Credit Exposure	74,370,496	51,670,774	116,725,020	242,766,289

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CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

iii) Gross Credit Exposures by Residual Contractual Maturity (continued)

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMB Islamic

2012	CIMB Islamic			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	**5,586,060**	**669,406**	**8,509,334**	**14,764,799**
Bank	**1,366,870**	**423,694**	**73,485**	**1,864,048**
Corporate	**4,701,388**	**2,209,242**	**4,665,576**	**11,576,206**
RRE Financing	**1,689**	**36,021**	**7,601,291**	**7,639,001**
HPE	**26,785**	**1,401,630**	**4,951,892**	**6,380,307**
QRRE	**170,397**	**–**	**–**	**170,397**
Other Retail	**168,648**	**501,914**	**5,107,397**	**5,777,960**
Other Exposures	**–**	**20,764**	**79,358**	**100,122**
Total Gross Credit Exposure	**12,021,837**	**5,262,671**	**30,988,334**	**48,272,841**

2011	CIMB Islamic			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	7,013,663	457,847	7,818,457	15,289,967
Bank	1,708,188	72,214	298,962	2,079,363
Corporate	1,431,150	1,911,389	3,145,160	6,487,699
RRE Financing	738	32,768	6,453,155	6,486,660
HPE	35,203	1,091,726	4,159,907	5,286,837
QRRE	171,747	–	–	171,747
Other Retail	34,835	535,132	4,735,911	5,305,878
Other Exposures	15,064	–	117,518	132,582
Total Gross Credit Exposure	10,410,588	4,101,075	26,729,071	41,240,734

CREDIT RISK (CONTINUED)

Summary of Credit Exposures (continued)

iii) Gross Credit Exposures by Residual Contractual Maturity (continued)

Table 5(c): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBIBG

2012	CIMBIBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	150,622	–	1,176	151,798
Bank	2,424,912	12,245	261,959	2,699,115
Corporate	11	6,579	36,170	42,760
Mortgage	5	671	18,798	19,474
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	186	2,652	41,838	44,676
Other Exposures	305	–	448,147	448,452
Total Gross Credit Exposure	2,576,041	22,146	808,088	3,406,275

2011	CIMBIBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	273,257	–	1,592	274,850
Bank	2,131,909	15,358	1,604	2,148,870
Corporate	21	3,669	47,325	51,015
Mortgage	62	827	22,628	23,517
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	125	2,448	733	3,306
Other Exposures	3,967	–	410,439	414,406
Total Gross Credit Exposure	2,409,341	22,301	484,321	2,915,963

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing

i) Past Due But Not Impaired

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financings and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2012 and 31 December 2011 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	2012	2011
Primary Agriculture	**32,743**	13,729
Mining and Quarrying	**729**	966
Manufacturing	**170,891**	113,148
Electricity, Gas and Water Supply	**2,143**	3,629
Construction	**149,465**	102,526
Wholesale and Retail Trade, and Restaurants and Hotels	**193,533**	177,959
Transport, Storage and Communication	**71,478**	25,997
Finance, Insurance/Takaful, Real Estate and Business Activities	**392,515**	138,321
Education, Health and Others	**49,413**	51,998
Household	**11,368,787**	10,076,324
Others*	**313,553**	460,811
Total	**12,745,250**	11,165,408

* *Others are exposures which are not elsewhere classified.*

	CIMB Islamic	
(RM'000)	2012	2011
Primary Agriculture	**10,411**	3,449
Mining and Quarrying	**265**	–
Manufacturing	**10,703**	5,146
Electricity, Gas and Water Supply	**7**	2
Construction	**15,882**	4,496
Wholesale and Retail Trade, and Restaurants and Hotels	**24,471**	10,313
Transport, Storage and Communication	**581**	2,759
Islamic Finance, Takaful, Real Estate and Business Activities	**17,527**	12,064
Education, Health and Others	**11,885**	10,874
Household	**1,781,640**	1,232,379
Others*	**1,915**	117,787
Total	**1,875,287**	1,399,269

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

i) Past Due But Not Impaired (continued)

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector (continued)

	CIMBIBG	
(RM'000)	**2012**	**2011**
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Household	**–**	–
Others*	**–**	–
Total	**–**	–

* *Others are exposures which are not elsewhere classified.*

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

	CIMBBG	
(RM'000)	**2012**	**2011**
Malaysia	**12,110, 382**	10,517,404
Singapore	**44,075**	3,633
Thailand	**588,896**	644,371
Other Countries	**1,897**	–
Total	**12,745,250**	11,165,408

	CIMB Islamic	
(RM'000)	**2012**	**2011**
Malaysia	**1,875,287**	1,399,269
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**1,875,287**	1,399,269

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

i) Past Due But Not Impaired (continued)

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution (continued)

	CIMBIBG	
(RM'000)	2012	2011
Malaysia	–	–
Singapore	–	–
Thailand	–	–
Other Countries	–	–
Total	–	–

ii) Impaired Loans/Financings

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

Impairment losses are calculated on individual loans/financings and on loans/financings assessed collectively.

Losses for impaired loans/financings are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financings has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financings that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financings are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The following tables provide an analysis of the outstanding balances as at 31 December 2012 and 31 December 2011 which were impaired by sector and geographical respectively:

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)
Table 7(a): Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	2012	2011
Primary Agriculture	**34,894**	33,710
Mining and Quarrying	**33,327**	33,287
Manufacturing	**808,291**	685,505
Electricity, Gas and Water Supply	**767**	108
Construction	**338,688**	515,380
Wholesale and Retail Trade, and Restaurants and Hotels	**411,725**	524,677
Transport, Storage and Communication	**981,740**	823,856
Finance, Insurance/Takaful, Real Estate and Business Activities	**277,694**	330,642
Education, Health and Others	**60,865**	83,265
Household	**1,403,447**	1,583,150
Others*	**177,193**	485,300
Total	**4,528,631**	5,098,880

* *Others are exposures which are not elsewhere classified.*

	CIMB Islamic	
(RM'000)	2012	2011
Primary Agriculture	**5,384**	7,157
Mining and Quarrying	**–**	–
Manufacturing	**23,735**	12,319
Electricity, Gas and Water Supply	**–**	–
Construction	**52,687**	86,545
Wholesale and Retail Trade, and Restaurants and Hotels	**13,208**	14,267
Transport, Storage and Communication	**2,176**	4,545
Islamic Finance, Takaful, Real Estate and Business Activities	**9,424**	10,113
Education, Health and Others	**26,844**	32,751
Household	**170,000**	175,139
Others*	**670**	2,942
Total	**304,128**	345,778

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)

Table 7(a): Impaired Loans, Advances and Financing by Sector (continued)

(RM'000)	CIMBIBG 2012	CIMBIBG 2011
Primary Agriculture	–	–
Mining and Quarrying	–	–
Manufacturing	–	–
Electricity, Gas and Water Supply	–	–
Construction	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–
Transport, Storage and Communication	–	–
Finance, Insurance, Real Estate and Business Activities	–	–
Education, Health and Others	–	–
Household	**432**	891
Others*	–	–
Total	**432**	891

* *Others are exposures which are not elsewhere classified.*

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMBBG 2012	CIMBBG 2011
Malaysia	**4,008,279**	4,476,849
Singapore	**20,855**	42,661
Thailand	**499,497**	579,370
Other Countries	–	–
Total	**4,528,631**	5,098,880

(RM'000)	CIMB Islamic 2012	CIMB Islamic 2011
Malaysia	**304,128**	345,778
Singapore	–	–
Thailand	–	–
Other Countries	–	–
Total	**304,128**	345,778

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution (continued)

	CIMBIBG	
(RM'000)	2012	2011
Malaysia	**432**	891
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**432**	891

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**14,256**	**24,780**	14,548	24,919
Mining and Quarrying	**28,426**	**7,253**	29,158	4,035
Manufacturing	**557,043**	**112,140**	591,086	124,801
Electricity, Gas and Water Supply	**–**	**5,141**	4,420	8,940
Construction	**201,697**	**78,264**	265,531	86,977
Wholesale and Retail Trade, and Restaurants and Hotels	**177,703**	**197,438**	311,705	190,247
Transport, Storage and Communication	**636,492**	**38,486**	589,794	48,572
Finance, Insurance/Takaful, Real Estate and Business Activities	**110,659**	**94,828**	158,462	100,689
Education, Health and Others	**20,819**	**24,059**	22,889	29,142
Household	**27,501**	**1,172,305**	46,822	1,513,950
Others*	**125,697**	**86,531**	26,480	65,627
Total	**1,900,293**	**1,841,225**	2,060,895	2,197,899

* *Others are exposures which are not elsewhere classified.*

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)

Table 8(b): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**3,570**	**8,083**	4,503	8,277
Mining and Quarrying	**–**	**270**	–	192
Manufacturing	**16,163**	**8,461**	5,492	8,079
Electricity, Gas and Water Supply	**–**	**560**	–	545
Construction	**21,756**	**10,193**	71,054	9,534
Wholesale and Retail Trade, and Restaurants and Hotels	**7,525**	**13,361**	9,183	8,464
Transport, Storage and Communication	**1,671**	**3,832**	2,031	4,419
Islamic Finance, Takaful, Real Estate and Business Activities	**3,530**	**18,720**	4,501	16,178
Education, Health and Others	**767**	**3,706**	660	2,154
Household	**5,943**	**280,133**	5,832	358,360
Others*	**–**	**385**	–	1,542
Total	**60,925**	**347,704**	103,256	417,774

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

Table 8(c): Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBIBG

	CIMBIBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	**–**	**–**	–	–
Mining and Quarrying	**–**	**–**	–	–
Manufacturing	**–**	**–**	–	–
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**–**	**–**	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	**–**	–	–
Transport, Storage and Communication	**–**	**–**	–	–
Finance, Insurance, Real Estate and Business Activities	**–**	**–**	–	–
Education, Health and Others	**–**	**–**	–	–
Household	**432**	**1,115**	891	623
Others*	**–**	**–**	–	–
Total	**432**	**1,115**	891	623

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) **Impaired Loans/Financings (continued)**

Table 9(a): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**1,714,403**	**1,600,173**	1,782,595	1,996,861
Singapore	**16,087**	**16,415**	16,841	10,450
Thailand	**169,803**	**222,050**	261,459	189,242
Other Countries	**–**	**2,587**	–	1,346
Total	**1,900,293**	**1,841,225**	2,060,895	2,197,899

Table 9(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**60,925**	**347,704**	103,256	417,744
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**60,925**	**347,704**	103,256	417,744

Table 9(c): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBIBG

	CIMBIBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	**432**	**1,115**	891	623
Singapore	**–**	**–**	–	–
Thailand	**–**	**–**	–	–
Other Countries	**–**	**–**	–	–
Total	**432**	**1,115**	891	623

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)

Table 10(a): Charges for Individual Impairment Provision and Write Offs During the Year for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	**(1,072)**	**–**	4,661	56
Mining and Quarrying	**(129)**	**79**	22,907	–
Manufacturing	**61,382**	**86,472**	45,035	17,918
Electricity, Gas and Water Supply	**(5,313)**	**73**	(5,111)	–
Construction	**(26,880)**	**62,086**	25,143	7,230
Wholesale and Retail Trade, and Restaurants and Hotels	**28,751**	**104,139**	9,791	2,789
Transport, Storage and Communication	**12,644**	**1,564**	26,254	–
Finance, Insurance/Takaful, Real Estate and Business Activities	**10,607**	**49,746**	19,887	612
Education, Health and Others	**(1,715)**	**2,158**	(118)	–
Household	**(20,186)**	**4,297**	26,180	–
Others*	**93,883**	**19,615**	(2,971)	–
Total	**151,972**	**330,229**	171,658	28,605

* *Others are exposures which are not elsewhere classified.*

Table 10(b): Charges for Individual Impairment Provision and Write Offs During the Year for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	**(1,110)**	**–**	2,746	–
Mining and Quarrying	**–**	**–**	–	–
Manufacturing	**9,252**	**–**	5,993	4,342
Electricity, Gas and Water Supply	**–**	**–**	–	–
Construction	**(3,990)**	**47,593**	1,052	–
Wholesale and Retail Trade, and Restaurants and Hotels	**(1,639)**	**414**	925	–
Transport, Storage and Communication	**(406)**	**–**	2,100	–
Islamic Finance, Takaful, Real Estate and Business Activities	**(473)**	**–**	(2,371)	99
Education, Health and Others	**39**	**–**	180	–
Household	**(87)**	**–**	5,866	–
Others*	**–**	**–**	–	–
Total	**1,586**	**48,007**	16,491	4,441

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings (continued)

Table 10(c): Charges for Individual Impairment Provision and Write Offs During the Year for CIMBIBG

	CIMBIBG			
	2012		2011	
(RM'000)	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	–	–	–	–
Mining and Quarrying	–	–	–	–
Manufacturing	–	–	–	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–	–	–
Transport, Storage and Communication	–	–	–	–
Finance, Insurance, Real Estate and Business Activities	–	–	–	–
Education, Health and Others	–	–	–	–
Household	15	474	79	10
Others*	–	–	–	–
Total	**15**	**474**	79	10

* *Others are exposures which are not elsewhere classified.*

Table 11(a): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2012 and 31 December 2011 for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	2,060,895	2,197,899	1,958,573	2,282,616
Allowance (written back)/made during the financial period/year	161,836	316,497	171,890	504,947
Amount transferred to portfolio impairment allowance	9,598	(9,598)	(1,831)	1,831
Amount written back in respect of recoveries	(9,864)	–	(232)	–
Allowance made and charged to deferred assets	1,221	(1,510)	140	844
Allowance made in relation to jointly controlled entity	–	–	–	–
Amount written off	(330,229)	(723,895)	(28,605)	(566,248)
Transfer(to)/from intercompany	(56,608)	(1,553)	–	–
Disposal of subsidiary	(2,429)	–	–	–
Unwinding income	82,096	65,105	(44,973)	(23,388)
Exchange fluctuation	(16,223)	(1,719)	5,933	(2,703)
Total	**1,900,293**	**1,841,225**	2,060,895	2,197,899

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CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances & Financing (continued)

ii) **Impaired Loans/Financings (continued)**

Table 11(b): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2012 and 31 December 2011 for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**103,256**	**417,744**	92,683	240,490
Allowance (written back)/made during the financial period/year	**1,586**	**86,543**	16,491	135,113
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**–**	**–**	–	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Allowance made in relation to jointly controlled entity	**–**	**–**	–	–
Amount written off	**(48,007)**	**(162,603)**	(4,441)	(119,912)
Transfer(to)/from intercompany	**–**	**–**	–	166,234
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**4,090**	**6,020**	(1,477)	(4,181)
Exchange fluctuation	**–**	**–**	–	–
Total	**60,925**	**347,704**	103,256	417,744

Table 11(c): Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2012 and 31 December 2011 for CIMBIBG

	CIMBIBG			
	2012		2011	
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	**891**	**623**	822	650
Allowance (written back)/made during the financial period/year	**174**	**492**	214	(27)
Amount transferred to portfolio impairment allowance	**–**	**–**	–	–
Amount written back in respect of recoveries	**(159)**	**–**	(135)	–
Allowance made and charged to deferred assets	**–**	**–**	–	–
Allowance made in relation to jointly controlled entity	**–**	**–**	–	–
Amount written off	**(474)**	**–**	(10)	–
Transfer(to)/from intercompany	**–**	**–**	–	–
Disposal of subsidiary	**–**	**–**	–	–
Unwinding income	**–**	**–**	–	–
Exchange fluctuation	**–**	**–**	–	–
Total	**432**	**1,115**	891	623

CREDIT RISK (CONTINUED)

Capital Treatment for Credit Risk

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

Credit Risk – Disclosure for Portfolios under the SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG

2012	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	41,811,358	-	-	-	-	-	-	-	3,024,856	-	44,836,214	-
20%	161,130	1,418,048	734,079	-	140,130	965	-	-	425,334	719,459	3,599,146	719,829
35%	-	-	-	-	-	-	5,436,321	-	-	-	5,436,321	1,902,712
50%	-	75,756	86,975	2,484	494,537	1,565,021	94,943	-	-	-	2,319,716	1,159,858
75%	-	-	-	-	-	19,924,983	150,714	-	-	-	20,075,697	15,056,773
100%	-	65,302	49,836	-	13,223,476	4,300,821	54,767	-	3,477,880	-	21,172,083	21,172,083
150%	-	-	548	-	210,112	74,488	-	1,200,956	-	-	1,486,104	2,229,156
>150%	-	-	-	-	-	-	-	-	-	2,525	2,525	7,448
Total	41,972,488	1,559,107	871,439	2,484	14,068,255	25,866,278	5,736,745	1,200,956	6,928,071	787,605	98,993,427	42,247,859
Average Risk Weight	-	25%	28%	50%	98%	78%	37%	150%	51%	19%	43%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	65,621	-	

* *The total includes the portion which is deducted from Capital Base, if any.*

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG (continued)

2011	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	46,969,159	–	–	–	–	17,702	–	–	2,439,944	–	49,426,804	–
20%	158,047	25,780	1,250,144	–	64,429	1,387	–	–	418,779	713,799	2,632,365	526,473
35%	–	–	–	–	–	–	4,813,516	–	–	–	4,813,516	1,684,730
50%	1,360	320,860	49,775	81	40,257	1,223,512	77,131	–	–	–	1,712,976	856,488
75%	–	–	–	–	–	17,649,674	121,145	–	–	–	17,770,819	13,328,114
100%	79,659	51,116	50,165	–	12,838,119	2,675,759	24,573	–	2,911,554	–	18,630,945	18,630,945
150%	25,987	–	–	–	333,998	89,697	–	1,231,512	–	–	1,681,195	2,521,792
>150%	–	–	–	–	–	–	–	–	–	2,525	2,525	14,222
Total	47,234,212	397,756	1,350,084	81	13,276,803	21,657,731	5,036,365	1,231,512	5,770,276	786,438	96,741,258	37,562,765
Average Risk Weight	–	54%	24%	50%	101%	77%	37%	150%	52%	20%	39%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	70,116	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(b): Disclosure by Risk Weight under SA for CIMB Islamic

2012	CIMB Islamic											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	14,730,538	-	-	-	-	-	-	-	-	-	14,730,538	-
20%	34,262	-	53,158	-	-	-	-	-	-	20,764	108,183	21,637
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	80,283	1,513,745	-	-	-	-	1,594,028	797,014
75%	-	-	-	-	-	1,007,467	-	-	-	-	1,007,467	755,600
100%	-	-	-	-	134,964	2,151,512	-	-	78,783	-	2,365,260	2,365,260
150%	-	-	-	-	69	7	-	575	-	-	651	976
Total	14,764,799	-	53,158	-	215,316	4,672,731	-	575	78,783	20,764	19,806,127	3,940,487
Average Risk Weight	-	-	20%	-	81%	78%	-	150%	100%	20%	20%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

* *The total includes the portion which is deducted from Capital Base, if any.*

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 12(b): Disclosure by Risk Weight under SA for CIMB Islamic (continued)

2011	CIMB Islamic											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	15,256,271	–	–	–	–	–	–	–	–	–	15,256,271	–
20%	33,697	–	32,040	–	–	–	–	–	–	35,857	101,593	20,319
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	–	–	21,460	1,177,082	–	–	–	–	1,198,542	599,271
75%	–	–	–	–	–	1,251,746	–	–	–	–	1,251,746	938,809
100%	–	–	–	–	288,014	1,711,193	–	–	96,151	–	2,095,358	2,095,358
150%	–	–	–	–	19,909	202	–	575	–	–	20,686	31,029
Total	15,289,967	–	32,040	–	329,383	4,140,223	–	575	96,151	35,857	19,924,196	3,684,786
Average Risk Weight	–	–	20%	–	100%	78%	–	150%	100%	20%	18%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG

2012	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	151,798	-	-	-	-	-	-	-	48	-	151,846	-
20%	-	-	1,652,818	-	-	-	-	-	-	-	1,652,818	330,564
35%	-	-	-	-	-	-	17,320	-	-	-	17,320	6,062
50%	-	-	1,045,757	-	-	29	1,304	-	-	-	1,047,090	523,545
75%	-	-	-	-	-	43,687	850	-	-	-	44,537	33,403
100%	-	-	540	-	42,760	960	-	-	445,459	-	489,719	489,719
150%	-	-	-	-	-	-	-	2,946	-	-	2,946	4,418
Total	151,798	-	2,699,115	-	42,760	44,676	19,474	2,946	445,507	-	3,406,275	1,387,711
Average Risk Weight	-	-	32%	-	100%	76%	38%	150%	100%	-	41%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

* *The total includes the portion which is deducted from Capital Base, if any.*

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG (continued)

2011	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securiti-sation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	274,850	–	–	–	–	–	–	–	50	–	274,899	–
20%	–	–	1,569,478	–	–	–	–	–	–	–	1,569,478	313,896
35%	–	–	–	–	–	–	19,968	–	–	–	19,968	6,989
50%	–	–	578,817	–	–	20	2,440	–	–	–	581,276	290,638
75%	–	–	–	–	–	2,879	1,109	–	–	–	3,988	2,991
100%	–	–	575	–	51,015	407	–	–	412,156	–	464,153	464,153
150%	–	–	–	–	–	–	–	2,200	–	–	2,200	3,300
Total	274,850	–	2,148,870	–	51,015	3,306	23,517	2,200	412,206	–	2,915,963	1,081,967
Average Risk Weight	–	–	28%	–	100%	78%	38%	150%	100%	–	37%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

2012	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	1,572,493	–	68,987	1,641,480
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,488	–	–	2,488
Corporate	526,823	64,908	15,913,410	16,505,140
Sovereign/Central Banks	4,295,869	146,570	37,530,049	41,972,488
Banks, MDBs and DFIs	1,046,773	–	245,122	1,291,895
Total	7,444,445	211,479	53,757,568	61,413,491

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG (continued)

2011	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	346,047	–	51,709	397,756
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	81	–	–	81
Corporate	110,628	22,506	13,938,489	14,071,622
Sovereign/Central Banks	2,999,959	93,275	44,140,978	47,234,212
Banks, MDBs and DFIs	1,118,673	–	264,941	1,383,614
Total	4,575,387	115,781	58,396,118	63,087,285

Table 13(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMB Islamic

2012	CIMB Islamic			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**–**	**–**	**–**	**–**
Corporate	**–**	**–**	**223,660**	**223,660**
Sovereign/Central Banks	**1,057,660**	**–**	**13,707,140**	**14,764,799**
Banks, MDBs and DFIs	**53,158**	**–**	**–**	**53,158**
Total	**1,110,817**	**–**	**13,930,800**	**15,041,617**

2011	CIMB Islamic			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	330,015	330,015
Sovereign/Central Banks	348,556	–	14,941,411	15,289,967
Banks, MDBs and DFIs	32,040	–	–	32,040
Total	380,596	–	15,271,425	15,652,022

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 13(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

2012 (RM'000) Exposure Class	CIMBIBG Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	42,760	42,760
Sovereign/Central Banks	–	–	151,798	151,798
Banks, MDBs and DFIs	2,441,026	–	258,089	2,699,115
Total	2,441,026	–	452,646	2,893,673

2011 (RM'000) Exposure Class	CIMBIBG Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	–	–	51,015	51,015
Sovereign/Central Banks	–	–	274,850	274,850
Banks, MDBs and DFIs	2,146,942	575	1,352	2,148,870
Total	2,146,942	575	327,217	2,474,735

Table 14(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

2012 (RM'000) Exposure Class	CIMBBG Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	719,459	–	68,146	787,605

2011 (RM'000) Exposure Class	CIMBBG Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	713,799	–	72,639	786,438

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 14(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMB Islamic

2012	CIMB Islamic			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	**20,764**	**–**	**–**	**20,764**

2011	CIMB Islamic			
(RM'000) Exposure Class	Investment Grade	Non Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	35,857	–	–	35,857

As at 31 December 2012 and 31 December 2011, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

Credit Risk – Disclosure for Portfolios under the IRB Approach

CIMBBG and CIMB Islamic adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMB Islamic to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and limit management purposes.

For non-retail exposures, internal ratings are used to assist the approving committees in making informed decisions of the credit application. Product owners consult GRM for input on internal rating for consideration on pricing of product.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by GRM with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRC and subsequently BRC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures
Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred as program lending.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, personal financing and residential mortgages. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. The models deployed for retail portfolio include application and behavioural scorecards or application and behavioural models, PD, LGD and EAD segmentation.

PD, LGD and EAD Segmentation Models for Retail Exposures
The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB. However, in instances of insufficient historical data, the respective models risk estimate is developed based on expert judgment or aligned to available industry data with margins of conservatism applied.

<u>PD Calibration</u>

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as “Central Tendency”.

<u>EAD Estimation</u>

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio’s summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan’s/financing’s EAD estimation includes the estimated net additional drawings for loans/financings defaulting over the next 12 months.

<u>LGD Estimation</u>

- LGD is the estimated amount of loss expected if a loan defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  - (i) Regularisation of defaulted accounts.
  - (ii) Sale proceeds from physical collaterals.
  - (iii) Cash receipts from borrowers/customers.

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2012 and 31 December 2011:

Table 15(a): Retail Exposures under the IRB Approach by PD Band for CIMBBG

2012	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**52,788,638**	**10,654,445**	**1,873,259**	**65,316,342**
Residential Mortgage/RRE Financing	**36,044,249**	**3,716,506**	**1,128,731**	**40,889,486**
QRRE	**5,202,094**	**3,109,340**	**13,828**	**8,325,262**
Hire Purchase	**8,299,856**	**2,952,771**	**223,633**	**11,476,260**
Other Retail	**3,242,440**	**875,828**	**507,066**	**4,625,334**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**24%**	**25%**	**35%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**31%**	**58%**	
Other Retail	**29%**	**105%**	**69%**	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	**31%**	**87%**	**51%**	
QRRE	**32%**	**128%**	**3%**	
Hire Purchase	**54%**	**96%**	**250%**	
Other Retail	**31%**	**71%**	**289%**	

2011	CIMBBG			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	47,802,942	11,362,386	1,935,717	61,101,044
Residential Mortgage/RRE Financing	31,963,150	3,927,201	1,306,543	37,196,895
QRRE	4,724,572	3,736,844	93,388	8,554,803
Hire Purchase	7,666,730	2,633,505	288,282	10,588,517
Other Retail	3,448,489	1,064,836	247,504	4,760,829
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	25%	36%	
QRRE	90%	90%	90%	
Hire Purchase	51%	37%	58%	
Other Retail	28%	91%	71%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	31%	86%	40%	
QRRE	33%	130%	123%	
Hire Purchase	55%	99%	187%	
Other Retail	30%	70%	371%	

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)
Table 15(b): Retail Exposures under the IRB Approach by PD Band for CIMB Islamic

2012	CIMB Islamic			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**12,491,310**	**2,574,315**	**178,141**	**15,243,767**
RRE Financing	**7,053,489**	**509,159**	**76,353**	**7,639,001**
QRRE	**82,284**	**87,686**	**427**	**170,397**
Hire Purchase	**4,671,451**	**1,626,329**	**82,527**	**6,380,307**
Other Retail	**684,086**	**351,141**	**18,835**	**1,054,062**
Exposure Weighted Average LGD				
RRE Financing	**24%**	**26%**	**35%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**51%**	**53%**	**57%**	
Other Retail	**26%**	**68%**	**63%**	
Exposure Weighted Average Risk Weight				
RRE Financing	**31%**	**84%**	**45%**	
QRRE	**34%**	**131%**	**96%**	
Hire Purchase	**53%**	**93%**	**256%**	
Other Retail	**28%**	**101%**	**197%**	

2011	CIMB Islamic			
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	10,707,205	2,210,391	178,945	13,096,541
RRE Financing	5,895,872	523,355	67,433	6,486,660
QRRE	63,092	104,089	4,565	171,747
Hire Purchase	4,022,394	1,168,757	95,686	5,286,837
Other Retail	725,847	414,190	11,261	1,151,298
Exposure Weighted Average LGD				
RRE Financing	25%	26%	38%	
QRRE	90%	90%	90%	
Hire Purchase	51%	53%	57%	
Other Retail	27%	61%	78%	
Exposure Weighted Average Risk Weight				
RRE Financing	32%	74%	14%	
QRRE	35%	135%	40%	
Hire Purchase	54%	97%	185%	
Other Retail	28%	108%	211%	

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)
Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

2012	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure	**53,485,064**	**11,651,360**	**179,918**	**65,316,342**
Residential Mortgage/RRE Financing	**37,739,198**	**3,013,668**	**136,621**	**40,889,486**
QRRE	**3,767,358**	**4,557,904**	**–**	**8,325,262**
Hire Purchase	**8,188,318**	**3,283,268**	**4,674**	**11,476,260**
Other Retail	**3,790,191**	**796,520**	**38,624**	**4,625,334**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**24%**	**28%**	**40%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**51%**	**54%**	**53%**	
Other Retail	**31%**	**63%**	**73%**	

2011	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure	48,458,112	12,333,761	309,172	61,101,044
Residential Mortgage/RRE Financing	33,798,886	3,204,809	193,199	37,196,895
QRRE	3,117,053	5,437,751	–	8,554,803
Hire Purchase	7,472,838	3,023,649	92,030	10,588,517
Other Retail	4,069,335	667,552	23,942	4,760,829
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	24%	29%	39%	
QRRE	90%	90%	–	
Hire Purchase	51%	55%	58%	
Other Retail	28%	64%	79%	

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)
Table 16(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMB Islamic

2012	CIMB Islamic			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure	**12,805,148**	**2,428,589**	**10,030**	**15,243,767**
RRE Financing	**7,313,910**	**321,914**	**3,177**	**7,639,001**
QRRE	**45,218**	**125,180**	**–**	**170,397**
Hire Purchase	**4,647,778**	**1,730,962**	**1,567**	**6,380,307**
Other Retail	**798,242**	**250,533**	**5,287**	**1,054,062**
Exposure Weighted Average LGD				
RRE Financing	**24%**	**28%**	**41%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**51%**	**54%**	**51%**	
Other Retail	**27%**	**70%**	**64%**	

2011	CIMB Islamic			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure	11,109,331	1,935,030	52,181	13,096,541
RRE Financing	6,255,623	214,139	16,898	6,486,660
QRRE	34,702	137,044	–	171,747
Hire Purchase	3,973,470	1,282,829	30,538	5,286,837
Other Retail	845,536	301,018	4,744	1,151,298
Exposure Weighted Average LGD				
RRE Financing	25%	29%	44%	
QRRE	90%	90%	–	
Hire Purchase	51%	54%	56%	
Other Retail	27%	75%	80%	

Non-retail Exposures
Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification.

The process by which an internal rating is assigned to an obligor is governed by the Obligor Risk Rating framework. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

For sovereign exposures, the Group applies the shadow rating approach.

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures (continued)

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2012 and 31 December 2011:

Table 17(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

2012	CIMBBG					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	**868,805**	**160,518**	**516,979**	**–**	**1,075,950**	**2,622,253**
Object Finance	**19,161**	**10,744**	**275,661**	**56,839**	**–**	**362,405**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**880,127**	**1,330,181**	**1,162,769**	**7,053**	**42,116**	**3,422,247**
RWA	**1,153,024**	**1,218,486**	**2,248,722**	**159,730**	**–**	**4,779,961**

2011	CIMBBG					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	352,385	14,185	681,138	1,354	997,754	2,046,816
Object Finance	12,990	–	266,875	32,676	–	312,541
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	1,020,623	1,191,516	782,325	94,810	9,833	3,099,107
RWA	940,669	970,200	1,989,890	322,099	–	4,222,857

Table 17(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMB Islamic

2012	CIMB Islamic					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	**155,840**	**–**	**20,067**	**–**	**–**	**175,907**
Object Finance	**–**	**–**	**226,778**	**–**	**–**	**226,778**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**64,813**	**268,565**	**31,943**	**6,888**	**–**	**372,209**
RWA	**153,857**	**232,650**	**320,606**	**17,220**	**–**	**724,333**

2011	CIMB Islamic					
(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	155,768	–	6,210	–	–	161,978
Object Finance	–	–	266,875	–	–	266,875
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	16,132	236,883	24,232	14,904	–	292,151
RWA	118,507	189,664	341,915	37,259	–	687,345

CIMBBG and CIMB Islamic have no exposure to High Volatility Commercial Real Estate and Equities under the Simple Risk Weight Approach.

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CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures (continued)
Table 18(a): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBBG

2012	CIMBBG				
(RM'000) Internal Risk Grading	1-3	4-9	10-13	Default	Total
Total Non-Retail Exposure	**38,546,223**	**41,532,325**	**9,752,631**	**2,920,617**	**92,751,796**
Sovereign/Central Banks	**729,015**	**146,570**	**–**	**–**	**875,586**
Bank	**18,272,499**	**2,566,653**	**53,539**	**93,481**	**20,986,172**
Corporate (excluding Specialised Lending/Financing)	**19,544,709**	**38,819,102**	**9,699,092**	**2,827,136**	**70,890,038**
Exposure Weighted Average LGD					
Sovereign/Central Banks	**45%**	**45%**	**–**	**–**	
Bank	**44%**	**47%**	**45%**	**45%**	
Corporate (excluding Specialised Lending/Financing)	**45%**	**38%**	**32%**	**41%**	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	**14%**	**71%**	**–**	**–**	
Bank	**18%**	**61%**	**242%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**18%**	**61%**	**116%**	**–**	

2011	CIMBBG				
(RM'000) Internal Risk Grading	1-3	4-9	10-13	Default	Total
Total Non-Retail Exposure	35,276,283	26,741,322	8,007,300	3,954,891	73,979,796
Sovereign/Central Banks	–	–	–	–	–
Bank	15,957,852	2,158,519	557,685	160,136	18,834,192
Corporate (excluding Specialised Lending/Financing)	19,318,431	24,582,803	7,449,615	3,794,755	55,145,604
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	
Bank	46%	48%	45%	45%	
Corporate (excluding Specialised Lending/Financing)	44%	40%	32%	44%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	
Bank	17%	67%	224%	–	
Corporate (excluding Specialised Lending/Financing)	17%	63%	117%	–	

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures (continued)
Table 18(b): Non-Retail Exposures under IRB Approach by Risk Grades for CIMB Islamic

2012	CIMB Islamic				
(RM'000) Internal Risk Grading	1-3	4-9	10-13	Default	Total
Total Non-Retail Exposure	5,310,781	5,245,631	1,708,234	123,897	12,388,543
Bank	1,539,360	270,669	862	–	1,810,891
Corporate (excluding Specialised Financing)	3,771,421	4,974,962	1,707,372	123,897	10,577,652
Exposure Weighted Average LGD					
Bank	45%	45%	45%	–	
Corporate (excluding Specialised Financing)	45%	38%	40%	36%	
Exposure Weighted Average Risk Weight					
Bank	16%	41%	166%	–	
Corporate (excluding Specialised Financing)	17%	70%	136%	–	

2011	CIMB Islamic				
(RM'000) Internal Risk Grading	1-3	4-9	10-13	Default	Total
Total Non-Retail Exposure	3,124,079	3,405,994	813,121	140,810	7,484,003
Bank	1,842,509	204,814	–	–	2,047,323
Corporate (excluding Specialised Financing)	1,281,569	3,201,180	813,121	140,810	5,436,680
Exposure Weighted Average LGD					
Bank	45%	45%	–	–	
Corporate (excluding Specialised Financing)	44%	39%	37%	44%	
Exposure Weighted Average Risk Weight					
Bank	18%	51%	–	–	
Corporate (excluding Specialised Financing)	16%	61%	132%	–	

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for 2012

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Expected Losses versus Actual Losses by Portfolio Types
The following tables summarise the expected losses versus actual losses by portfolio type:

Table 19(a): Analysis of Expected Losses versus Actual Losses by Portfolio Types for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2011	Actual Losses for the year ended 31 December 2012	Regulatory Expected Losses as at 31 December 2010	Actual Losses for the year ended 31 December 2011
Sovereign	**–**	**–**	–	–
Bank	**117,598**	**(48,318)**	19,442	–
Corporate	**717,770**	**137,310**	599,851	137,609
Mortgage/RRE Financing	**168,112**	**30,887**	187,107	66,621
HPE	**361,050**	**157,079**	377,603	170,780
QRRE	**268,734**	**145,473**	366,228	243,725
Other Retail	**56,748**	**22,401**	73,758	30,214
Total	**1,690,011**	**444,833**	1,623,990	648,949

Table 19(b): Analysis of Expected Losses versus Actual Losses by Portfolio Types for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2011	Actual Losses for the year ended 31 December 2012	Regulatory Expected Losses as at 31 December 2010	Actual Losses for the year ended 31 December 2011
Sovereign	**–**	**–**	–	–
Bank	**1,884**	**–**	806	–
Corporate	**87,568**	**3,695**	47,020	13,459
RRE Financing	**21,119**	**122**	32,268	(99)
HPE	**115,304**	**50,448**	157,487	33,898
QRRE	**10,622**	**4,561**	9,751	10,901
Other Retail	**33,375**	**(702)**	39,866	7,956
Total	**269,871**	**58,125**	287,198	66,115

CREDIT RISK (CONTINUED)

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Expected Losses versus Actual Losses by Portfolio Types (continued)

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

Off-Balance Sheet Exposures and CCR

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB.

i) Credit Risk Mitigation
For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into 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.

ii) Treatment of Rating Downgrade
In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2012, the additional collateral to be posted is RM32,286,742. There was no requirement for additional collateral to be posted in 31 December 2011.

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

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2012 and 31 December 2011:

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CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2012	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,794,218		1,794,218	1,151,987
Transaction Related Contingent Items	4,525,681		2,262,841	1,161,068
Short Term Self Liquidating Trade Related Contingencies	2,681,817		536,363	170,567
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	303,004		303,004	601
Foreign Exchange Related Contracts				
One year or less	298,781	–	4,482	2,001
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	356,177,513	1,312,783	6,435,790	2,660,647
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	24,329,014		17,788,401	14,272,794
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,358,618		1,425,223	1,204,416
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	45,005,752		–	–
Unutilised credit card lines	16,774,775		5,678,457	3,004,295
Off-balance sheet items for securitisation exposures	5,050		2,525	7,448
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**457,254,223**	**1,312,783**	**36,231,304**	**23,635,822**

CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (continued)

2011	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,402,084		1,402,084	994,085
Transaction Related Contingent Items	4,267,717		2,133,859	1,285,635
Short Term Self Liquidating Trade Related Contingencies	2,654,423		530,885	136,353
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	145,000		72,500	15,893
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/ Commitments to buy back Islamic securities under Sales and Buy Back Agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	241,568	–	315	94
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	324,498,169	1,293,362	5,711,462	2,339,847
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	18,390,596		8,623,645	4,740,990
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,308,971		1,061,794	978,206
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	36,621,067		–	–
Unutilised credit card lines	15,400,845		5,525,365	3,151,046
Off-balance sheet items for securitisation exposures	5,046		2,523	14,222
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	408,935,487	1,293,362	25,064,432	13,656,370

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CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMB Islamic

2012	CIMB Islamic			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	229,419		229,419	192,990
Transaction Related Contingent Items	405,955		202,977	133,534
Short Term Self Liquidating Trade Related Contingencies	88,631		17,726	9,068
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	18,823,427	64,491	498,500	143,980
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,251,613		2,468,907	1,495,219
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	53,031		24,106	16,627
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	1,457,155		–	–
Unutilised credit card lines	162,113		72,491	39,937
Off-balance sheet items for securitisation exposures	–		–	–
Total	24,471,343	64,491	3,514,127	2,031,354

CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMB Islamic (continued)

2011	CIMB Islamic			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	28,627		28,627	18,047
Transaction Related Contingent Items	355,618		177,809	101,827
Short Term Self Liquidating Trade Related Contingencies	248,892		49,778	23,885
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	11,153,302	44,857	328,545	152,552
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,340,968		507,448	312,859
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	24,320		4,864	353
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	866,686		–	–
Unutilised credit card lines	145,395		67,588	44,699
Off-balance sheet items for securitisation exposures	–		–	–
Total	14,163,807	44,857	1,164,659	654,222

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for 2012

CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2012	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	616,553		616,553	308,276
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	547,535	–	38,334	32,212
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,533		2,767	7,939
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**1,169,621**	**–**	**657,654**	**348,427**

CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (continued)

2011	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	464,867		464,867	232,434
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	609,759	–	44,909	37,230
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	514		103	90
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	1,075,139	–	509,878	269,753

Note: *CIMBIBG and CIMB IB have applied the Financial Reporting Standards Implementation Committee Consensus 18 - "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad", retrospectively. Hence, for purposes of this disclosure, CIMBIBG has re-presented the disclosure for Off-Balance Sheet Exposures and CCR for the year ended 31 December 2011 (see the Financial Statements for more details).*

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CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 21(a): Disclosure on Credit Derivative Transactions for CIMBBG

	CIMBBG			
	2012		2011	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**1,140,746**	**1,625,094**	1,044,859	1,096,065
Client Intermediation Activities	**30,880**	**409,885**	121,220	423,770
Total	**1,171,626**	**2,034,979**	1,166,079	1,519,835
Credit Default Swaps	**1,140,746**	**1,625,094**	1,044,859	1,096,065
Total Return Swaps	**30,880**	**409,885**	121,220	423,770
Total	**1,171,626**	**2,034,979**	1,166,079	1,519,835

Table 21(b): Disclosure on Credit Derivative Transactions for CIMB Islamic

	CIMB Islamic			
	2012		2011	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**60,880**	–	121,220
Total	**–**	**60,880**	–	121,220
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**60,880**	–	121,220
Total	**–**	**60,880**	–	121,220

CREDIT RISK (CONTINUED)

Off-Balance Sheet Exposures and CCR (continued)

Table 21(c): Disclosure on Credit Derivative Transactions for CIMBIBG

	CIMBIBG			
	2012		2011	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	–	–	–	–
Client Intermediation Activities	–	170,150	–	182,150
Total	–	170,150	–	182,150
Credit Default Swaps	–	–	–	–
Total Return Swaps	–	170,150	–	182,150
Total	–	170,150	–	182,150

Credit Risk Mitigation

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

i) Collaterals/Securities
All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GWBRC/RCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management
The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

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

iv) Concentrations within risk mitigation
CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2012 and 31 December 2011:

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG

2012	CIMBBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**42,848,074**	**–**	**–**	**–**
Public Sector Entities	**1,641,480**	**–**	**82,374**	**–**
Banks, DFIs & MDBs	**22,184,586**	**–**	**1,477,159**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**2,488**	**–**	**3**	**–**
Corporate	**89,563,850**	**1,975,198**	**8,215,484**	**10,165,167**
Residential Mortgages/RRE Financing	**45,438,809**	**–**	**–**	**–**
Qualifying Revolving Retail	**8,311,434**	**–**	**–**	**–**
Hire Purchase	**11,252,626**	**–**	**–**	**–**
Other Retail	**37,177,485**	**965**	**7,350,478**	**–**
Securitisation	**721,984**	**–**	**–**	**–**
Higher Risk Assets	**1,200,956**	**–**	**–**	**–**
Other Assets	**6,928,071**	**–**	**–**	**–**
Defaulted Exposures	**2,714,044**	**29,960**	**158,720**	**554,130**
Total Exposures	**269,985,886**	**2,006,123**	**17,284,218**	**10,719,297**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG (continued)

2011	CIMBBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	47,234,212	–	–	–
Public Sector Entities	397,756	–	89,967	–
Banks, DFIs & MDBs	20,119,694	–	675,689	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	81	–	–	–
Corporate	69,894,639	1,375,533	4,917,257	6,214,854
Residential Mortgages/RRE Financing	40,884,785	–	–	–
Qualifying Revolving Retail	8,461,416	–	–	–
Hire Purchase	10,300,236	–	–	–
Other Retail	30,553,088	1,387	4,506,495	–
Securitisation	696,251	–	–	–
Higher Risk Assets	1,231,512	–	–	–
Other Assets	5,770,276	–	–	–
Defaulted Exposures	3,149,564	9,578	33,515	426,043
Total Exposures	238,693,509	1,386,498	10,222,922	6,640,897

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

Table 22(b): Disclosure on Credit Risk Mitigation for CIMB Islamic

2012	CIMB Islamic			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	14,764,799	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	1,864,048	–	–	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	11,645,293	215,799	172,940	1,819,257
RRE Financing	7,562,648	–	–	–
Qualifying Revolving Retail	169,970	–	–	–
Hire Purchase	6,297,780	–	–	–
Other Retail	5,756,698	–	49,699	–
Securitisation	20,764	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	78,783	–	–	–
Defaulted Exposures	160,554	4,240	9,103	72,359
Total Exposures	48,321,913	220,040	231,742	1,891,616

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

Table 22(b): Disclosure on Credit Risk Mitigation for CIMB Islamic (continued)

2011	CIMB Islamic			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	15,289,967	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,079,363	–	–	11,730
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–
Corporate	6,322,400	147,461	279,983	1,338,484
RRE Financing	6,419,227	–	–	–
Qualifying Revolving Retail	167,182	–	–	–
Hire Purchase	5,191,151	–	–	–
Other Retail	5,293,229	–	13,313	–
Securitisation	35,857	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	96,151	–	–	–
Defaulted Exposures	129,373	–	1,167	14,034
Total Exposures	41,024,475	147,461	294,464	1,364,248

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

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CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG

2012	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**151,798**	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	**2,699,115**	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	**42,760**	–	–	–
Residential Mortgages	**19,474**	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	**44,648**	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	**2,946**	–	–	–
Other Assets	**445,507**	–	–	–
Defaulted Exposures	**29**	–	–	–
Total Exposures	**3,406,275**	–	–	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK (CONTINUED)

Credit Risk Mitigation (continued)

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG (continued)

2011	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	274,850	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	2,148,870	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	51,015	–	–	–
Residential Mortgages	23,517	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	3,286	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	2,200	–	–	–
Other Assets	412,206	–	–	–
Defaulted Exposures	20	–	–	–
Total Exposures	2,915,963	–	–	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

SECURITISATION

The Role CIMB Plays in the Securitisation Process

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets, as well as securitisations of third party assets as part of its debt capital markets services for external clients.

The Group securitises its own assets in order to manage credit risk and its capital position and to generate term funding for the Group balance sheet.

CIMB Group adopts the following roles in the securitisation activities in which it is involved:

- Originator and servicer of securitised assets
- Executor of securitisation trades including bond marketing and syndication
- Provider of liquidity facilities to self-originated and third-party transactions
- Purchaser of third-party securitisations (where CIMB is not originator or sponsor)

As at 31 December 2012, CIMB Bank has securitised corporate bonds and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables. CIMB advises, arranges and executes securitisations for third-party clients through special purpose vehicles sponsored by each such client.

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SECURITISATION (CONTINUED)

CIMB's Involvement in Securitisation in 2012

In 2012, CIMB arranged and managed a securitisation issuance via Premium Commerce Berhad, a bankruptcy-remote special purpose vehicle established in 2005 pursuant to a securitisation programme arranged for the Tan Chong Group. CIMB Bank did not raise any funds for its own account via securitisation in 2012.

Every transaction involving securitisation of CIMB Bank's assets is tabled to the Board of Directors of CIMB Bank for deliberation and approval. Todate, CIMB Bank has not used credit risk mitigation to mitigate the risk retained from any securitisation of its own assets.

In securitisations of its own assets, CIMB Bank continues to administer the assets as servicer for the relevant special purpose vehicle and monitors the credit and market risk inherent in the underlying assets using the same mechanism in place for non-securitised assets.

Summary of Accounting Policies for Securitisation Activities

CIMB has sponsored special purpose vehicles (SPVs) pursuant to securitisation activities involving assets of the Group. Such SPVs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, inter alia, an assessment of the Group's exposure to the risks and rewards of the assets of the SPV.

Assets that have been transferred wholly or proportionately to an unconsolidated entity will also remain on the Group balance sheet, with a liability recognised for the proceeds received, unless (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

Other than (a) or (b) above, securitisations are treated as financing in the separate financial statements of these entities.

ECAIs Used For Securitisation Process

CIMB may employ external credit assessment institutions to provide ratings for its asset backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients.

For securitisations of CIMB-originated assets, RAM has rated a securitisation of corporate bonds, and MARC has rated a securitisation of auto-hire purchase receivables. Both RAM Ratings and MARC have rated a securitisation programme for a joint-venture of auto-hire purchase receivables.

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2012 and 31 December 2011:

Table 23: Disclosure on Securitisation for Trading and Banking Book

2012	CIMBBG			
(RM'000) Underlying Asset	Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the period
TRADITIONAL SECURITISATION (Banking Book) **Non-Originated by the Banking Institution** Hire Purchase Exposure	**81,310**	**18,414**	**3,264**	**(1,711)**
Originated by the Banking Institution Hire Purchase Exposure	**402,048**	**55,909**	**4,061**	**1,495**

SECURITISATION (CONTINUED)

ECAIs Used For Securitisation Process (continued)

Table 23: Disclosure on Securitisation for Trading and Banking Book (continued)

2011 (RM'000) Underlying Asset	CIMBBG Total Exposures Securitised	 Past Due	 Impaired	 Gains/Losses Recognised during the period
TRADITIONAL SECURITISATION (Banking Book) **Non-Originated by the Banking Institution** Hire Purchase Exposure	154,339	29,642	9,841	(924)
Originated by the Banking Institution Hire Purchase Exposure	686,949	65,192	78	(617)

There were no outstanding exposures securitised by CIMB Islamic and CIMBIBG as at 31 December 2012 and as at 31 December 2011.

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

2012	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	712,102	-	-	-	712,102	-	-	-			142,420
Mezzanine	7,357	-	-	-	7,357	-	-	-			1,471
First loss	-	-	-	-	-	-	-	-			-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-			-

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SECURITISATION (CONTINUED)

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (continued)

2012	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Originating Banking Institution											
On-Balance Sheet											
Most senior	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-			-
First loss	65,621	65,621	-	-	-	-	-	-			-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,525	-			-	-	-	-	>150%	2,525	7,448
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-			-
Total Exposures	**787,605**	**65,621**	**-**	**-**	**719,459**	**-**	**-**	**-**	**-**	**2,525**	**151,339**

SECURITISATION (CONTINUED)

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (continued)

2011	CIMBBG										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	669,519	–	–	–	669,519	–	–	–			133,904
Mezzanine	7,216	–	–	–	7,216	–	–	–			1,443
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Originating Banking Institution											
On-Balance Sheet											
Most senior	16,993	–	–	–	16,993	–	–	–			3,399
Mezzanine	20,071	–	–	–	20,071	–	–	–			4,014
First loss	70,116	70,116	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,523	–			–	–	–	–	>150%	2,523	14,222
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	786,438	70,116	–	–	713,799	–	–	–	–	2,523	156,982

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SECURITISATION (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic

2012	CIMB Islamic										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
<u>Non-originating Banking Institution</u>											
On-Balance Sheet											
Most senior	20,764	-	-	-	20,764	-	-	-			4,153
Mezzanine	-	-	-	-	-	-	-	-			-
First loss	-	-	-	-	-	-	-	-			-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-			-
<u>Originating Banking Institution</u>											
On-Balance Sheet											
Most senior	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-			-
First loss	-	-	-	-	-	-	-	-			-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-			-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-			-
Total Exposures	20,764	-	-	-	20,764	-	-	-	-	-	4,153

SECURITISATION (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMB Islamic (continued)

2011	CIMB Islamic										
			Distribution of Exposures after CRM according to Applicable Risk Weights								
			Rated Securitisation Exposures						Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	Weighted Average RW	Exposure Amount	Risk Weighted Assets
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	35,857	–	–	–	35,857	–	–	–			7,171
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Originating Banking Institution											
On-Balance Sheet											
Most senior	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–			–
Off-Balance Sheet											
Rated eligible liquidity facilities	–	–			–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–			–
Total Exposures	35,857	–	–	–	35,857	–	–	–	–	–	7,171

As at 31 December 2012 and 31 December 2011, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

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SECURITISATION (CONTINUED)

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 25(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

2012	CIMBBG				
(RM'000) Securitisation Exposure	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	**16,205**	**–**	**630**	**324**	**11,923**
Off-Balance Sheet	**–**	**–**	**–**	**–**	**–**
Sub-total	**16,205**	**–**	**630**	**324**	**11,923**
Originated by Banking Institution					
On Balance Sheet	**–**	**–**	**–**	**–**	**–**
Off-Balance Sheet	**–**	**–**	**–**	**–**	**–**
Sub-total	**–**	**–**	**–**	**–**	**–**
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	**–**	**–**	**–**	**–**	**–**
Off-Balance Sheet	**–**	**–**	**–**	**–**	**–**
Seller's interest					
On Balance Sheet	**–**	**–**	**–**	**–**	**–**
Off-Balance Sheet	**–**	**–**	**–**	**–**	**–**
Sub-total	**–**	**–**	**–**	**–**	**–**
TOTAL (TRADITIONAL SECURITISATION)	**16,205**	**–**	**630**	**324**	**11,923**

SECURITISATION (CONTINUED)

Table 25(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

2011	CIMBBG				
(RM'000) Securitisation Exposure	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	63,948	–	2,369	1,444	47,663
Off-Balance Sheet	–	–	–	–	–
Sub-total	63,948	–	2,369	1,444	47,663
Originated by Banking Institution					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	63,948	–	2,369	1,444	47,663

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SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBIBG

2012	CIMBIBG				
(RM'000) Securitisation Exposure	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	–	–	–	–	–

SECURITISATION (CONTINUED)

Table 25(b): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBIBG

2011	CIMBIBG				
(RM'000) Securitisation Exposure	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
Originated by Third Party					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On Balance Sheet	7,063	–	148	141	3,620
Off-Balance Sheet	–	–	–	–	–
Sub-total	7,063	–	148	141	3,620
Securitisation subject to Early Amortisation					
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Seller's interest					
On Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	7,063	–	148	141	3,620

As at 31 December 2012 and 31 December 2011, CIMB Islamic has no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

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.

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MARKET RISK (CONTINUED)

Market Risk Management

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 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.

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.

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.

MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

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

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Benchmark Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The definition includes legal risk but excludes strategic and reputation risks.

Operational Risk Management

CIMB Group recognises that cultivation of an organisational-wide discipline and risk management culture among its staff is the key determinant for a well-managed universal banking operation. Hence, the Group places high importance in having operational risk management where there are processes and tools to identify, assess, monitor and control the operational risk inherent in the Group.

Operational risks arise from inadequate or failed internal processes, people and systems or from external events. These risks are managed by CIMB Group through the following key measures:

i) Sound risk management practices in accordance with Basel II and regulatory guidelines;

ii) Board and senior management oversight;

iii) Well-defined responsibilities for all personnel concerned;

iv) Establishment of a risk management culture; and

v) ORM Tools implemented:
   - Loss Event Management;
   - RCSA; and
   - KRI.

In pursuit of managing and controlling operational risk, ORMD has revised the ORM framework and its main objectives are to:

i) Provide guidance to the management teams towards establishing a common platform and consistent approach to ORM across the Group;

ii) Ensure readiness and compliance to BNM as the home supervisor and other regulators' requirements, including preparation towards the Basel II implementation; and

iii) Assist in the integration of risk factors by providing a singular view of operational risk across the Group's business/support units/entities for effective and efficient ORM.

The ORMF is premised on a set of pillars of Operational Risk Standards and employs various tools including RCSA, risk event database management, KRI monitoring and process risk mapping as measures of supervision.

A key structure of the ORMF is the Corporate Governance that is founded on the 3 Levels of Defence approach which underlines the participation of members of the Board of Directors; Senior Management and supported by every employee of the Group as the first line of defence.

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OPERATIONAL RISK (CONTINUED)

Operational Risk Management (continued)

The philosophy of the governance structure in the ORMF recognises the following:

i) Ownership of the risk by the business/support areas (line management);

ii) Oversight by independent functions; and

iii) Independent review by Group Internal Audit Division.

CIMB Group has also strengthened its infrastructure and in March 2012, the ORM System project has been completed where Loss Event Database, RCSA, KRI and Scenario Analysis are available tools in the system. These tools are techniques for the administration of operational risks together with the use of rating matrices. Moreover, in line with best practices, incidents on loss events are tracked and captured for analytical risk profiling and to further enhance controls. These tools have been rolled out to Malaysia, Singapore and Thailand.

CIMB Group has developed and implemented an e-Learning module on operational risk in order to enhance awareness of ORM amongst its staff.

In addition, CIMB Group has progressively set the various foundations to move towards Basel II Standardised Approach and building its capabilities towards the Advanced Measurement Approach.

Escalation and reporting processes are well instituted through various management committees notably the ORC and GRC as well as the Board. The responsibilities of the committees and the Board include the following:

i) Oversight and implementation of the ORMF;

ii) Establish risk appetite and provide strategic and specific directions;

iii) Review operational risks reports and profiles regularly;

iv) Address operational risk issues; and

v) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit Division plays its role in ensuring an independent assurance of the implementation of the 'Framework' through their conduct of regular reviews and report to the Board.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on RWCAF (Basel II – Risk Weighted Assets Computation) and CAFIB.

However, the Group is now moving towards the Basel II Standardised Approach where the foundation pillars are in progress. Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG in Tables 2 (a), (b) and (c).

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as financial investments available-for-sale in the 2012 financial statements.

Details of the Group's and the CIMB Bank's investments in financial investments available-for-sale are also set out in the financial statements.

EQUITY EXPOSURES IN BANKING BOOK (CONTINUED)

Realised and unrealised gains or losses arising from sales and liquidations of equities for CIMBBG for the year ended 31 December 2012 and 31 December 2011 is as follows:

Table 26: Realised Gains/Losses from Sales and Liquidations of Equities for CIMBBG

	CIMBBG	
(RM'000)	2012	2011
Realised gains		
Shares, private equity funds and unit trusts	**5,376**	25,971
Unrealised gains		
Shares, private equity funds and unit trusts	**479,044**	406,873

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMB Islamic and CIMBIBG as at 31 December 2012 and 31 December 2011.

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2012 and 31 December 2011 for the Group:

Table 27(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

	CIMBBG			
	2012		2011	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**1,239,626**	**1,840,104**	1,277,774	1,893,730
Publicly traded	**273,216**	**60,016**	261,373	53,627
Total	**1,512,842**	**1,900,120**	1,539,286	1,947,357

Table 27(b): Analysis of Equity Investments by Grouping and RWA for CIMB Islamic

	CIMB Islamic			
	2012		2011	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**575**	**863**	575	863
Publicly traded	**–**	**–**	–	–
Total	**575**	**863**	575	863

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EQUITY EXPOSURES IN BANKING BOOK (CONTINUED)

Table 27(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

	CIMBIBG			
	2012		2011	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**2,946**	**4,418**	2,200	3,300
Publicly traded	**–**	**–**	–	–
Total	**2,946**	**4,418**	2,200	3,300

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/benchmark rates. In the context of Pillar 2, this risk is confined to the banking book positions, given that the interest rate risk/rate of return risk in the trading book is covered under the Pillar 1 market risk regulations.

The material sources of IRRBB/RORBB are repricing risk (which arises from timing differences in the maturity and repricing dates of cash flows), yield curve risk (which arises from the changes in both the overall interest rates/benchmark rates and the relative level of rates across the yield curve), basis risk (arises from imperfect correlation between changes in the rates earned and paid on banking book positions), and option risk (arises from interest rate/rate of return related options embedded in banking book products).

IRRBB/RORBB Management

IRRBB/RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the Board. GRC, supported by the Asset Liability Management function in GRM is responsible to oversee the asset liability management process including an independent review and monitoring of IRRBB/RORBB for the Group. The BSMC, with the support from CBSM, is responsible for the review of the balance sheet and recommends strategies, including hedging activities to manage the overall interest rate risk/rate of return risk. CBTM is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- Economic Value of Equity (EVE) sensitivity:
  EVE sensitivity measures the long term impact of sudden interest rate/benchmark rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/benchmark rates. Such measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

IRRBB/RORBB Management (continued)

- Economic Value of Equity (EVE) sensitivity (continued)
  The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from economic value perspective:

Table 28(a): IRRBB/RORBB – Impact on Economic Value for CIMBBG

	CIMBBG	
	2012	**2011**
(RM'000) Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(1,057,557)**	(962,129)
US Dollar	**74, 800**	40,537
Thai Baht	**(61,860)**	(72,440)
Singapore Dollar	**(98,372)**	(128,692)
Others	**(22,445)**	(39,777)
Total	**(1,165,434)**	(1,162,501)

Table 28(b): RORBB – Impact on Economic Value for CIMB Islamic

	CIMB Islamic	
	2012	**2011**
(RM'000) Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(305,076)**	(215,466)
US Dollar	**152**	(763)
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**1**	–
Total	**(304,923)**	(216,229)

Table 28(c): IRRBB – Impact on Economic Value for CIMBIBG

	CIMBIBG	
	2012	**2011**
(RM'000) Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**4,832**	9,635
US Dollar	**(6)**	4
Thai Baht	**–**	–
Singapore Dollar	**(5)**	(9)
Others	**(1)**	(8)
Total	**4,820**	9,622

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INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

IRRBB/RORBB Management (continued)

- Earnings at Risk (EaR):
  EaR measures the short term impact of sudden interest rate/benchmark rate movement on reported earnings over the next 12 months. It defines and quantifies interest rate risk/rate of return as the change in net interest income/net rate income caused by changes in interest rates/benchmark rates.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

  The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from the earnings perspective:

Table 29(a): IRRBB/RORBB – Impact on Earnings for CIMBBG

	CIMBBG	
	2012	2011
(RM'000) Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(83,557)**	(6,841)
US Dollar	**(29,442)**	(18,906)
Thai Baht	**(10,477)**	(13,761)
Singapore Dollar	**(59,177)**	(82,586)
Others	**(5,895)**	(9,915)
Total	**(188,548)**	(132,009)

Table 29(b): RORBB – Impact on Earnings for CIMB Islamic

	CIMB Islamic	
	2012	2011
(RM'000) Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(70,295)**	(44,144)
US Dollar	**(13,647)**	(7,166)
Thai Baht	**–**	–
Singapore Dollar	**(2)**	–
Others	**(4)**	–
Total	**(83,948)**	(51,310)

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

IRRBB/RORBB Management (continued)

- Earnings at Risk (EaR): (continued)

  Table 29(c): IRRBB – Impact on Earnings for CIMBIBG

	CIMBIBG	
	2012	2011
(RM'000) Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**2,756**	7,550
US Dollar	**140**	(97)
Thai Baht	**–**	–
Singapore Dollar	**115**	219
Others	**26**	195
Total	**3,037**	7,867

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