Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statement for the financial year ended 31 December 2013

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2013

Contents

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2013

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2013.

Principal activities

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

Financial results

	The Group	The Bank
	RM'000	RM'000
Net profit after taxation	69,215	68,819

Dividends

The dividends on ordinary shares and redeemable preference shares paid or declared by the Bank since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
Final single tier dividend of 56 sen per ordinary share was paid on 10 April 2013	56,000

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

Reserves, provisions and allowances

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

Directors' Report for the financial year ended 31 December 2013 (Continued)

Issuance of shares

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

Bad and doubtful debts, and financing

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

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

Directors' Report for the financial year ended 31 December 2013 (Continued)

Contingent and other liabilities (Continued)

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than disclosed in Note 42 and Note 46 to the Financial Statements; and

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

Directors

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

Dato' Hamzah bin Bakar
Dato' Zainal Abidin bin Putih
Zahardin bin Omardin
Habibah binti Abdul
Tengku Dato' Zafrul bin Tengku Abdul Aziz (appointed as Executive Director on 2 January 2014)
Dato' Charon Wardini bin Mokhzani (resigned on 4 November 2013)
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 31 December 2013)

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Cik Habibah binti Abdul retire from the Board at the forthcoming Annual General Meeting and being eligible, offer herself for re-election.

Dato' Hamzah bin Bakar retires pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his re-appointment as director under the provision of Section 129(2) of the said Act to hold office until the next Annual General Meeting of the Bank.

Directors' Report
for the financial year ended 31 December 2013 (Continued)

Directors' interests in shares and share options

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

	Number of ordinary shares of RM1 each				
	As at 1 January	Acquired/ granted		Disposed	As at 31 December
Ultimate holding company					
CIMB Group Holdings Berhad					
Zahardin bin Omardin	18,292	849	#	-	19,141
Dato' Zainal Abidin bin Putih***	110,000	1,857	#	-	111,857

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

	As at 1 January	Acquired/ granted		Disposed	As at 31 December
Datin Jasmine Binti Abdullah Heng	20,000	371	#	-	20,371
Mohamad Ari Zulkarnain bin Zainal Abidin	10,000	-		-	10,000

Shares acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

Directors' interests in shares and share options (Continued)

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

Directors' benefits

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

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the Management Equity Scheme and Equity Ownership Plan of the ultimate holding company (see Note 37 to the Financial Statements) as disclosed in this Report.

2013 Business Plan and Strategy

2013 was another solid year for CIMB, where we continued to create strong synergies across the enlarged Group's regional network and capabilities across Asia Pacific. Profit After Tax for 2013 stood at RM69.2 million, down from RM127.4 million in 2012, mainly due to a drop in Conventional and Islamic fee income compared to the previous year (RM150.6 million in 2013, compared to RM266.4 million in 2012). Correspondingly, overhead expenses decreased by 2.4% from RM274.3 million in 2012 to RM267.7 million in 2013, mainly due to decrease in personnel expenses and marketing expenses.

2013 Business Plan and Strategy (Continued)

CIMB clocked in one of its most successful years in Equity Capital Markets (ECM) and ranked No.1 on the Malaysian ECM league table, in addition to maintaining its top franchise position in Malaysia through the success of deals such as the UMW Oil & Gas IPO, Air Asia X IPO, Karex IPO, Sona Petroleum IPO, SapuraKencana Petroleum Placement, Bumi Armada Placement and Khazanah's Exchangeable Sukuk.

For M&A, CIMB also topped the Malaysian Bloomberg M&A league table in 2013, with a 23.6% market share. The Bank advised on a number of major M&As deals such as SapuraKencana Petroleum's acquisition of Newfield assets, Axiata Group's acquisition of Axis Telekom Indonesia and Felda Global Ventures Holdings' acquisition of the remaining 51% stake in Felda Holdings Berhad.

Equities Broking saw Bursa Malaysia turnover increase significantly, following on from the General Elections in May 2013. This boosted the Bank to record-high brokerage income (both Conventional and Islamic) of RM173.1 million, a year-on-year increase of 5.3%. The Bank continued to rank as the No. 1 equities broker in Malaysia, with transacted trading value almost double that of the closest competitor for the year ended December 2013.

The Bank continued to reap multiple banking and equity awards in 2013, such as Best Domestic Investment Bank (Malaysia) and Best Investment Bank (Malaysia) by The Asset, Euromoney and Alpha Southeast Asia; Best Equity House (Malaysia) by The Asset, Alpha Southeast Asia and Asiamoney; Best Institutional Broker (Malaysia) by Alpha Southeast Asia; Best IPO, Best Privatisation and Best Share Placement (Malaysia) by The Edge; and Best Malaysian Deal by Finance Asia. The Bank also delivered outstanding results in the Asiamoney polls, where our equity sales and research teams were ranked top in 12 categories.

Directors' Report
for the financial year ended 31 December 2013 (Continued)

Outlook for 2014

The Malaysian equity market is expected to weather the external headwinds relatively well, given the Government's efforts to address concerns over the possibility of twin deficits, as well as continued progress made on the Economic Transformation Programme. In addition, Malaysia's large domestic pension fund industry and strong liquidity is expected to offset selling pressure from foreign funds exiting due to the U.S. Federal Reserve's tapering. Sectors expected to perform strongly are beneficiaries of the ETP programme i.e. oil and gas, construction and property sectors. For financial year 2014, with CIMB's Asia Pacific network now fully in place, the Bank will strive to further strengthen its position as the leading investment bank in Malaysia and the region as a whole.

Ratings by External Rating Agencies

Details of the ratings of the Bank and its debt securities as at the date of this report are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
RAM Rating Services Berhad	October 2013	Long Term Financial Institution Rating Short Term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service, Inc	December 2013	Long term Rating : Bank Deposits - Foreign Currency Short term Rating : Bank Deposits - Foreign Currency Long term Rating : Bank Deposits - Domestic Currency Short term Rating : Bank Deposits - Domestic Currency	A3 P-2 A3 P-2	Stable
Standard & Poor's Ratings Services	December 2013	Long term Foreign rating Short term Foreign rating Long term local rating Short term local rating Long term local ASEAN rating Short term local ASEAN rating	A- A-2 A- A-2 axAA axA-1	Stable Stable

CIMB Investment Bank Berhad

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Directors' Report
for the financial year ended 31 December 2013 (Continued)

Board Shariah Committee

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

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Professor Dr. Mohammad Hashim Kamali
2. Sheikh Nedham Mohamed Saleh Yaqoobi
3. Sheikh Dr. Haji Mohd Na'im 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 operations of the Bank's Islamic banking and finance 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. This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

Directors' Report
for the financial year ended 31 December 2013 (Continued)

Board Shariah Committee (Continued)

Zakat obligations

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

Significant event during the financial year

On 1 May 2013, the Bank had applied to Autoriti Monetari Brunei Darussalam ("the Authority") to surrender its Brunei offshore licence upon its expiry on 13 June 2013, to realign business resources, marketing efforts and improve efficiency in Brunei.

The Authority had accepted the Bank's application on 4 October 2013.

Subsequent events after the financial year end

There are no significant events subsequent to the financial year ended 31 December 2013.

Statement of Director's Responsibility

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

It is the responsibility of the Directors to ensure that the financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2013 (Continued)

Statement of Director's Responsibility (Continued)

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 11 of the Directors' Report.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad, as the Bank's ultimate holding company.

Auditors

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

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

Dato' Hamzah bin Bakar
Director

Tengku Dato' Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
7 March 2014

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

We, Dato' Hamzah bin Bakar and Tengku Dato' Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 18 to 190 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2013 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Dato' Hamzah bin Bakar
Director

Tengku Dato' Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
7 March 2014

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

I, Kim Kenny, being the officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 18 to 190 are, to the best of my knowledge and belief, 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 7 March 2014

Commissioner for Oaths

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report

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

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

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

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

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

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

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

Board Shariah Committee's Report (Continued)

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

We continue to acknowledge that in 2013 the emplaced system of internal control in the Bank established in 2012 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 although significant progress has been made in the year. On balance, we are satisfied that the Management has put in place the appropriate level of control as required by us.

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

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2013 that were presented to us were done in compliance with Shariah;

2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and

3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

CIMB Investment Bank Berhad

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Board Shariah Committee's Report (Continued)

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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2013 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
7 March 2014

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 18 to 190, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 50.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of Financial Statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 Bank's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

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

PRICEWATERHOUSECOOPERS	SOO HOO KHOON YEAN
(No. AF: 1146)	(No. 2682/10/15 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
7 March 2014

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position
as at 31 December 2013

		The Group		The Bank	
	Note	**31 December 2013 RM'000**	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Assets					
Cash and short term funds	2	**1,382,773**	1,423,437	**1,344,509**	1,401,832
Reverse repurchase agreements		**200,251**	150,622	**200,251**	150,622
Deposits and placements with banks and other financial institutions	3	**131**	700,200	**102**	692,858
Financial assets held for trading	4	**2,155**	33,091	**2,155**	33,091
Derivative financial instruments	5	**23,319**	39,088	**23,319**	39,088
Financial investments available-for-sale	6	**2,824**	4,732	**745**	745
Loans, advances and financing	7	**131,067**	73,245	**131,067**	73,245
Other assets	8	**1,211,653**	1,104,536	**1,209,563**	1,102,208
Tax recoverable		**257**	7,996	**-**	7,996
Deferred tax assets	9	**48,914**	42,998	**48,754**	42,812
Amounts due from related companies	35	**14,705**	4,804	**14,836**	4,806
Statutory deposits with Bank Negara Malaysia	10	**2,451**	1,062	**2,451**	1,062
Investment in subsidiaries	11	**-**	-	**9,050**	9,050
Investment in associates	12	**6,386**	5,736	**-**	-
Property, plant and equipment	13	**199,115**	112,707	**199,782**	113,792
Goodwill	14	**964**	964	**-**	-
Total assets		**3,226,965**	3,705,218	**3,186,584**	3,673,207
Liabilities					
Deposits from customers	15	**351,123**	802,915	**351,123**	802,915
Deposits and placements of banks and other financial institutions	16	**1,145,641**	1,327,358	**1,145,641**	1,327,358
Derivative financial instruments	5	**9,383**	17,750	**9,383**	17,750
Other liabilities	17	**1,113,770**	978,207	**1,110,756**	976,014
Provision for taxation and Zakat	18	**20,339**	850	**20,337**	607
Amounts due to related companies	35	**2,281**	22,606	**2,281**	25,791
Subordinated loan	19	**15,000**	10,000	**-**	-
Total liabilities		**2,657,537**	3,159,686	**2,639,521**	3,150,435
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital	20	**100,000**	100,000	**100,000**	100,000
Redeemable preference shares	21	**10**	10	**10**	10
Reserves	22	**469,418**	445,522	**447,053**	422,762
Total equity		**569,428**	545,532	**547,063**	522,772
Total equity and liabilities		**3,226,965**	3,705,218	**3,186,584**	3,673,207
Commitments and contingencies	40	**767,637**	1,270,090	**767,637**	1,270,090

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Income
for the financial year ended 31 December 2013

		The Group		The Bank	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	23	36,890	47,669	31,927	44,969
Interest expense	24	(41,683)	(51,750)	(41,016)	(51,282)
Net interest expense		(4,793)	(4,081)	(9,089)	(6,313)
Income derived from investment of depositors' funds and others	48	14,957	17,547	14,957	17,547
Income derived from investment of shareholders' funds	48	60,659	151,375	60,659	151,375
Income attributable to the depositors	48	(13,958)	(27,953)	(13,958)	(27,953)
Income from Islamic Banking operations		61,658	140,969	61,658	140,969
Allowance for impairment losses on loans, advances and financing	25	(1,325)	(507)	(1,325)	(507)
Allowance for impairment losses on other receivables		(3,432)	(1,821)	(3,454)	(1,843)
Allowance for other impairment losses		(1,117)	-	-	-
Recoveries from investment management and securities services		11,932	-	11,932	-
		62,923	134,560	59,722	132,306
Fee and commission income	26	113,617	138,786	113,617	138,786
Dividend income	27	5	12	5	12
Net trading (loss)/income	28	(62)	506	(62)	506
Income from asset management and securities services		17,572	17,338	17,572	17,338
Brokerage income		165,730	162,481	160,188	157,833
Other non-interest income	29	9,914	4,736	13,027	4,741
Non-interest income		306,776	323,859	304,347	319,216
Net income		369,699	458,419	364,069	451,522
Overheads	30	(267,669)	(274,317)	(262,806)	(270,048)
		102,030	184,102	101,263	181,474
Share of profit of associates	12	650	729	-	-
Profit before taxation		102,680	184,831	101,263	181,474
Taxation	32	(33,465)	(57,457)	(32,444)	(56,778)
Profit after taxation		69,215	127,374	68,819	124,696
Earnings per share attributable to ordinary equity holders (sen) -basic	33	69.22	127.37	68.82	124.70

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Comprehensive Income
for the financial year ended 31 December 2013

	Note	The Group		The Bank	
		2013	2012	**2013**	2012
		RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year		**69,215**	127,374	**68,819**	124,696
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve-financial investments available-for-sale					
-(Loss)/gain from change in fair value		**(791)**	1,284	-	-
Other comprehensive (expense)/income for the financial year, net of tax		**(791)**	1,284	-	-
Total comprehensive income for the financial year		**68,424**	128,658	**68,819**	124,696

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2013

	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of Parent						
The Group								
At 1 January 2013		**100,000**	**10**	**155,805**	**1,283**	**18,598**	**269,836**	**545,532**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**69,215**	**69,215**
Other comprehensive income (net of tax)								
-financial investments available-for-sale		**-**	**-**	**-**	**(791)**	**-**	**-**	**(791)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(791)**	**-**	**69,215**	**68,424**
Share-based payment expense		**-**	**-**	**-**	**-**	**30,033**	**-**	**30,033**
Shares released under Equity Ownership Plan		**-**	**-**	**-**	**-**	**(18,561)**	**-**	**(18,561)**
Final dividend paid in respect of the financial year ended 31 December 2012	34	**-**	**-**	**-**	**-**	**-**	**(56,000)**	**(56,000)**
At 31 December 2013		**100,000**	**10**	**155,805**	**492**	**30,070**	**283,051**	**569,428**

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)

	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of Parent						
The Group								
At 1 January 2012		100,000	10	155,805	(1)	54,115	202,379	512,308
Net profit for the financial year		-	-	-	-	-	127,374	127,374
Other comprehensive income (net of tax)								
- financial investments available-for-sale		-	-	-	1,284	-	-	1,284
Total comprehensive income for the financial year		-	-	-	1,284	-	127,374	128,658
Share-based payment expense		-	-	-	-	31,169	-	31,169
Shares released under Equity Ownership Plan		-	-	-	-	(27,568)	-	(27,568)
Expiry of Management Equity Scheme		-	-	-	-	(39,118)	39,118	-
Interim dividend paid in respect of the financial year ended 31 December 2011	34	-	-	-	-	-	(99,035)	(99,035)
At 31 December 2012		100,000	10	155,805	1,283	18,598	269,836	545,532

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)

		Non-distributable						Distributable	
	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
The Bank									
At 1 January 2013		100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772
Net profit for the financial year		-	-	-	-	-	-	68,819	68,819
Total comprehensive income for the financial year		-	-	-	-	-	-	68,819	68,819
Share-based payment expense		-	-	-	-	30,033	-	-	30,033
Shares released under Equity Ownership Plan		-	-	-	-	(18,561)	-	-	(18,561)
Final dividend paid in respect of the financial year ended 31 December 2012	34	-	-	-	-	-	-	(56,000)	(56,000)
At 31 December 2013		100,000	10	155,805	(272,007)	30,070	271,377	261,808	547,063

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2013 (Continued)

		Non-distributable						Distributable	
	Note	**Share capital RM'000**	**Redeemable preference shares RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Share-based payment reserve RM'000**	**Capital reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
The Bank									
At 1 January 2012		100,000	10	155,805	(272,007)	54,115	271,377	184,210	493,510
Net profit for the financial year		-	-	-	-	-	-	124,696	124,696
Total comprehensive income for the financial year		-	-	-	-	-	-	124,696	124,696
Share-based payment expense		-	-	-	-	31,169	-	-	31,169
Shares released under Equity Ownership Plan		-	-	-	-	(27,568)	-	-	(27,568)
Expiry of Management Equity Scheme		-	-	-	-	(39,118)		39,118	-
Interim dividend paid in respect of the financial year ended 31 December 2011	34	-	-	-	-	-	-	(99,035)	(99,035)
At 31 December 2012		100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows for the financial year ended 31 December 2013

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Operating activities				
Profit before taxation	**102,680**	184,831	**101,263**	181,474
Add/(less) adjustments:				
Allowance for impairment losses on loans, advances and financing	**1,325**	507	**1,325**	507
Depreciation of property, plant and equipment	**13,550**	26,293	**13,515**	26,240
Allowance for other impairment losses	**1,117**	-	**-**	-
Allowance for impairment losses on other receivables	**3,432**	1,821	**3,454**	1,843
Accretion of discounts less amortisation of premium	**(46)**	(2,806)	**(46)**	(2,806)
Unrealised loss on financial assets held for trading	**4,678**	10,373	**4,678**	10,373
Unrealised loss on derivative financial instruments	**7,401**	11,996	**7,401**	11,996
Gain on disposal of property, plant and equipment	**(2,354)**	(2,778)	**(2,354)**	(2,778)
Gross dividends from financial assets held for trading	**(5)**	(12)	**(5)**	(12)
Unrealised foreign exchange (gain)/loss	**(3,689)**	577	**(3,659)**	577
Share of results of associates	**(650)**	(729)	**-**	-
Share-based payment expense	**30,033**	31,169	**30,033**	31,169
Fixed assets written off	**2,037**	38	**2,037**	38
Cash flow from operating profit before changes in operating assets and liabilities	**159,509**	261,280	**157,642**	258,621
Decrease/(Increase) in operating assets				
Reverse repurchase agreements	**(49,629)**	122,801	**(49,629)**	122,801
Deposits and placements with banks and other financial institutions	**700,069**	(448,100)	**692,756**	(442,025)
Financial assets held for trading	**26,305**	38,455	**26,305**	38,455
Derivative financial instruments	**1**	(66,414)	**1**	(66,414)
Loans, advances and financing	**(59,147)**	(32,796)	**(59,147)**	(32,796)
Other assets	**(125,421)**	77,217	**(125,711)**	78,384
Statutory deposits with Bank Negara Malaysia	**(1,389)**	458	**(1,389)**	458
Amounts due from related companies	**(9,712)**	289	**(9,712)**	289
Amounts due from immediate holding company	**-**	1,529	**-**	1,529
Amounts due from ultimate holding company	**(189)**	(1)	**(189)**	(1)
Amounts due from subsidiaries	**-**	-	**(129)**	1
	480,888	(306,562)	**473,156**	(299,319)

CIMB Investment Bank Berhad
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Statements of Cash Flows
for the financial year ended 31 December 2013 (Continued)

	Note	The Group		The Bank	
		2013	2012	**2013**	2012
		RM'000	RM'000	**RM'000**	RM'000
(Decrease)/increase in operating liabilities					
Deposits from customers		**(451,792)**	(26,218)	**(451,792)**	(26,218)
Deposits and placements of banks and other financial institutions		**(181,717)**	114,525	**(181,717)**	114,525
Other liabilities		**134,920**	(76,454)	**134,099**	(77,278)
Amounts due to ultimate holding company		**-**	(22)	**-**	(22)
Amounts due to related companies		**(20,325)**	13,124	**(20,325)**	13,126
Amount due to subsidiaries		**-**	-	**(3,185)**	-
Cash generated from/(used in) operating activities		**121,483**	(20,327)	**107,878**	(16,565)
Taxation paid		**(12,153)**	(41,521)	**(10,660)**	(41,008)
Net cash generated from/(used in) operating activities		**109,330**	(61,848)	**97,218**	(57,573)
Investing activities					
Dividends received from financial assets held for trading		**4**	9	**4**	9
Net purchase of financial investments available-for-sale		**-**	(745)	**-**	(745)
Purchase of property, plant and equipment		**(102,110)**	(36,468)	**(101,657)**	(36,309)
Proceeds from disposal of property, plant and equipment		**2,469**	5,828	**2,469**	5,827
Net cash used in investing activities		**(99,637)**	(31,376)	**(99,184)**	(31,218)
Financing activities					
Drawdown of subordinated loan		**5,000**	10,000	**-**	-
Dividends paid		**(56,000)**	(99,035)	**(56,000)**	(99,035)
Net cash used in financing activities		**(51,000)**	(89,035)	**(56,000)**	(99,035)
Net decrease in cash and cash equivalents during the financial year		**(41,307)**	(182,259)	**(57,966)**	(187,826)
Cash and cash equivalents at beginning of the financial year		**1,393,651**	1,575,910	**1,372,046**	1,559,872
Cash and cash equivalents at end of the financial year		**1,352,344**	1,393,651	**1,314,080**	1,372,046
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	**1,382,773**	1,423,437	**1,344,509**	1,401,832
Adjustment for monies held in trust:					
Remisiers' balances		**(30,429)**	(29,786)	**(30,429)**	(29,786)
Cash and cash equivalents		**1,352,344**	1,393,651	**1,314,080**	1,372,046

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2013

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

A Basis of preparation

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 45.

A Basis of preparation (Continued)

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

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2013 are as follows:

- MFRS 10 "Consolidated financial statements"
- MFRS 12 "Disclosures of interests in other entities"
- MFRS 13 "Fair value measurement"
- The revised MFRS 127 "Separate financial statements"
- The revised MFRS 128 "Investments in associates and joint ventures"
- MFRS 3 "Business Combinations" (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendment to MFRS 7 "Financial instruments: Disclosures – offsetting financial assets and financial liabilities"
- Amendment to MFRS 101 "Presentations of items of other comprehensive income"
- Amendment to MFRS 134 "Interim financial reporting"
- Amendment to MFRS 10, MFRS 11 and MFRS 12 "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance"
- Annual improvements 2009-2011 Cycle
  - MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" - Repeated application of MFRS 1 and borrowing costs
  - MFRS 101 "Presentation of Financial Statements" - Clarification of the requirements for comparative information
  - MFRS 116 "Property, Plant and Equipment" - Classification of servicing equipment
  - MFRS 132 "Financial Instruments: Presentation" - Tax effect of distribution to holders of equity instruments
  - MFRS 134 "Interim Financial Reporting" - Interim financial reporting and segment information for total assets and liabilities

The adoption of the new accounting standards, amendments and improvements to published standards did not have any material impact on the Financial Statements of the Group and the Bank except for enhanced disclosures as disclosed in Note 46.

A Basis of preparation (Continued)

(b) Amendment to published standard that is early adopted by the Group and the Bank

The Group and the Bank have early adopted the following amendments to published standard for the financial year beginning 1 January 2013:

The amendment to MFRS 136 "Recoverable amount disclosures for non-financial assets" (effective from 1 January 2014) clarifies that disclosure of recoverable amount is required for an asset or cash generating unit when an impairment loss has been recognised or reversed during the period. When the recoverable amount of impaired assets is based on fair value less costs of disposal, additional information about fair value measurement is required. This amendment removes the unintended requirement to disclose the recoverable amount for a cash-generating unit (containing goodwill or indefinite lived intangible assets) when no impairment loss has been recognised or reversed during the period. The amendment is not mandatory for the Group and the Bank until 1 January 2014, however the Group and the Bank has decided to early adopt the amendments as at 1 January 2013.

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

The Group and the Bank will apply these standards, amendments to published standards from:

(i) 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

A Basis of preparation (Continued)

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

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

(ii) Financial year beginning on/after 1 January 2017

MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Bank except for MFRS 9. The Group has initiated the assessment of the potential effect of adopting MFRS 9 but is awaiting finalisation of the outstanding phases of MFRS 9 before the assessment can be completed. The standard is expected to have pervasive impact on the Group's and the Bank's financial statements.

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair value on the date of acquisition.

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.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired 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 Accounting Policies for the financial year ended 31 December 2013 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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) Associates

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

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

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

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

B Economic entities in the Group (Continued)

(b) Associates (Continued)

For any of the associate's net assets changes, other than profit or loss or other comprehensive income and distributions received, the Group's policy is to account for such changes to the income statement.

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 results of associates' in the statement of income.

(c) Changes in ownership interest

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

(d) Interests in subsidiaries and associates

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

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

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 Shariah.

D Recognition of fees and other income

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

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

E Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

E Financial assets (Continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commit to purchase or sell the asset. Interbank placements are recognised on settlement date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statement of income.

(c) Subsequent measurement

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

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

E Financial assets (Continued)

(d) Reclassification of financial assets

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

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

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 Bank accounting policy on derivatives is detailed in Note N.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

F Financial liabilities (Continued)

(b) Financial liabilities at amortised cost

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

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 Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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

H Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

I Impairment of financial assets

(a) Assets carried at amortised cost

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

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default 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 Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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

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

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

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

J Sale and repurchase agreements

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

J Sale and repurchase agreements (Continued)

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.

K Property, plant and equipment

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

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

Leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Building on leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- 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:	
- servers and hardware	3 - 5 years
Motor vehicles	5 years

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

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

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

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

L Goodwill

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

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

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

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

M Assets purchased under lease

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

M Assets purchased under lease (Continued)

(b) Operating lease (Continued)

Others

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

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

N Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

O Currency translations

(a) Functional and presentation currency

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

O 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.

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

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

P 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 Accounting Policies for the financial year ended 31 December 2013 (Continued)

P Income and deferred taxes (Continued)

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

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

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the 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 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.

Q 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.

R Employee benefits

(a) Short term employee benefits

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

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

(b) Post employment benefits

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

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

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

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Bank's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Summary of Significant Accounting Policies for the financial year ended 31 December 2013 (Continued)

R Employee benefits (Continued)

(d) Share-based compensation benefits

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

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

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

Employee Ownership Plan ("EOP")

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

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

S Impairment of non-financial assets

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

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

T Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

U 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 Bank's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 – "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 – "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

V Cash and cash equivalents

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

W 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 Accounting Policies for the financial year ended 31 December 2013 (Continued)

X Contingent assets and contingent liabilities

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

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

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

Y Trust activities

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013

1 General information

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

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

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

The address of the registered office and the principal place of business of the Bank is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

2 Cash and short term funds

	The Group		**The Bank**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**35,487**	373,416	**34,642**	371,167
Money at call and deposit placements maturing within one month	**1,347,286**	1,050,021	**1,309,867**	1,030,665
	1,382,773	1,423,437	**1,344,509**	1,401,832

Included in cash and short term funds of the Group and the Bank are accounts maintained in trust for remisiers amounting to RM30,429,000 (31 December 2012: RM29,786,000) for the Group and the Bank respectively.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Licensed banks	**131**	699,183	**102**	692,858
Other financial institutions	**-**	1,017	**-**	-
	131	700,200	**102**	692,858

4 Financial assets held for trading

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Quoted securities:		
In Malaysia		
Shares	**1,119**	195
Unquoted securities:		
In Malaysia		
Private debt securities	**1,036**	32,896
	2,155	33,091

5 Derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at statement 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.

		Fair values	
The Group and the Bank	**Principal amount**	**Assets**	**Liabilities**
At 31 December 2013	**RM'000**	**RM'000**	**RM'000**
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	**486,600**	**23,319**	**(9,383)**
Equity derivatives			
Equity options	**267,752**	**-**	**-**
Total derivative assets/(liabilities)	**754,352**	**23,319**	**(9,383)**
At 31 December 2012			
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	787,210	38,920	(17,582)
Equity derivatives			
Equity options	477,798	168	(168)
Total derivative assets/(liabilities)	1,265,008	39,088	(17,750)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

6 Financial investments available-for-sale

	The Group		The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Unquoted securities:				
In Malaysia				
Shares	**2,200**	2,200	**-**	-
Outside Malaysia				
Shares	**8,072**	8,863	**7,076**	7,076
	10,272	11,063	**7,076**	7,076
Allowance for impairment losses:				
Unquoted shares in Malaysia	**(1,117)**	-	**-**	-
Unquoted shares outside Malaysia	**(6,331)**	(6,331)	**(6,331)**	(6,331)
	2,824	4,732	**745**	745

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

	The Group		The Bank	
	2013 RM'000	2012 RM'000	**2013 RM'000**	2012 RM'000
At 1 January	**6,331**	6,331	**6,331**	6,331
Allowance made during the financial year	**1,117**	-	**-**	-
At 31 December	**7,448**	6,331	**6,331**	6,331

7 Loans, advances and financing

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
(i) By type		
Staff loans *	**133,063**	74,360
Other loans	**883**	432
Gross loans, advances and financing	**133,946**	74,792
Less: allowance for impairment losses		
- Individual impairment allowance	**(883)**	(432)
- Portfolio impairment allowance	**(1,996)**	(1,115)
Total net loans, advances and financing	**131,067**	73,245

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

* Included in staff loans of the Group and the Bank are loans to directors amounting to RM Nil (31 December 2012: RM235,675).

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
(ii) By type of customers		
Individuals	**133,946**	74,792
(iii) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loan	**46,835**	47,628
Variable rate		
- Other variable rates	**87,111**	27,164
	133,946	74,792
(iv) By economic purpose:		
Personal use	**1,159**	161
Purchase of residential property (housing)	**118,782**	60,073
Purchase of securities	**1**	1
Purchase of transport vehicles	**14,004**	14,557
	133,946	74,792
(v) By geographical distribution		
Malaysia	**133,946**	74,792
(vi) By residual contractual maturity		
Within one year	**227**	389
One year to less than three years	**2,042**	1,620
Three years to less than five years	**7,298**	8,201
Five years and above	**124,379**	64,582
	133,946	74,792
(vii) Impaired loans, advances and financing by economic purpose		
Purchase of residential property (housing)	**786**	374
Purchase of transport vehicles	**97**	58
Gross impaired loans, advances and financing	**883**	432
(viii) Impaired loans, advances and financing by geographical distribution		
Malaysia	**883**	432

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
(ix) Movements in the impaired loans, advances and financing are as follows:		
At 1 January	**432**	891
Impaired during the financial year	**592**	174
Amount written back in respect of recoveries	**(141)**	(159)
Amounts written off/ transfer during the financial year	**-**	(474)
At 31 December	**883**	432
Ratio of gross impaired loans to total loans, advances and financing	**0.7%**	0.6%

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

	2013	2012
Individual impairment allowance		
At 1 January	**432**	891
Allowance made during the financial year	**592**	174
Amounts written back during the financial year	**(141)**	(159)
Amounts written off/transfer during the financial year	**-**	(474)
At 31 December	**883**	432
Portfolio impairment allowance		
At 1 January	**1,115**	623
Net allowance made during the financial year	**881**	492
At 31 December	**1,996**	1,115
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	**1.5%**	1.5%

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

8 Other assets

		The Group		The Bank	
		31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Due from brokers and clients net of allowance for impairment loss of RM6,884,000 (31 December 2012: RM9,103,000) for the Group , RM6,758,000 (31 December 2012: RM8,955,000) for the Bank	(a)	**918,027**	816,038	**916,957**	815,996
Collateral pledged for derivative transactions		**163,003**	170,953	**163,003**	170,953
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM19,723,000 (31 December 2012: RM14,817,000) for the Group and the Bank	(b)	**130,623**	117,545	**129,603**	115,259
		1,211,653	1,104,536	**1,209,563**	1,102,208

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

	The Group	The Bank
	RM'000	**RM'000**
At 1 January 2013	**9,103**	**8,955**
Net allowance made during the financial year	**(1,599)**	**(1,577)**
Bad debts recovered	**(620)**	**(620)**
At 31 December 2013	**6,884**	**6,758**

	The Group	The Bank
	RM'000	**RM'000**
At 1 January 2012	8,502	8,332
Net allowance made during the financial year	1,188	1,188
Bad debts recovered	(587)	(565)
At 31 December 2012	9,103	8,955

Allowance for impairment losses on amount due from brokers and clients are all of portfolio allowances.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

8 Other assets (Continued)

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

	The Group and the Bank		
	Individual impairment allowance	**Portfolio impairment allowance**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2013	**11,092**	**3,725**	**14,817**
Net allowance made during the financial year	**5,167**	**(261)**	**4,906**
At 31 December 2013	**16,259**	**3,464**	**19,723**

	The Group and the Bank		
	Individual impairment allowance	Portfolio impairment allowance	Total
	RM'000	RM'000	RM'000
At 1 January 2012	9,958	3,074	13,032
Net allowance made during the financial year	1,134	651	1,785
At 31 December 2012	11,092	3,725	14,817

9 Deferred taxation

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

	The Group		The Bank	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RM'000	RM'000	**RM'000**	RM'000
Deferred taxation asset (net)	**48,914**	42,998	**48,754**	42,812

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

9 Deferred taxation (Continued)

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

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**42,998**	40,460	**42,812**	40,274
Charged/(credited) to income statement				
- Loans, advances and financing	**220**	123	**220**	123
- Excess of capital allowance over depreciation	**(390)**	(473)	**(390)**	(473)
- Prepaid employee benefit	**2,849**	808	**2,849**	808
- Provisions for expenses	**3,459**	2,397	**3,459**	2,397
- Other temporary differences	**(52)**	(37)	**(52)**	(37)
- Over accrual in prior years	**(170)**	(280)	**(144)**	(280)
	5,916	2,538	**5,942**	2,538
At 31 December	**48,914**	42,998	**48,754**	42,812
Deferred tax assets (before offsetting)				
Loans, advances and financing	**499**	279	**499**	279
Prepaid employee benefit	**7,472**	4,557	**7,472**	4,557
Provision for expenses	**44,587**	41,352	**44,587**	41,352
Other temporary differences	**1,109**	1,185	**949**	999
	53,667	47,373	**53,507**	47,187
Offsetting	**(4,753)**	(4,375)	**(4,753)**	(4,375)
Deferred tax assets (after offsetting)	**48,914**	42,998	**48,754**	42,812
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(4,753)**	(4,375)	**(4,753)**	(4,375)
Offsetting	**4,753**	4,375	**4,753**	4,375
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

10 Statutory deposits with Bank Negara Malaysia

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

11 Investment in subsidiaries

	The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Unquoted shares, at cost	**9,050**	9,050

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

Name of subsidiaries	Principal activities	Percentage of equity held Directly by the Bank **31 December 2013 %**	31 December 2012 %
CIMB Holdings Sdn Bhd	Investment holding	**100**	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	**100**	100
CIMB EOP Management Sdn Bhd	Nominee services	**100**	100
CIMB Futures Sdn Bhd	Futures broking	**100**	100
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100
CIMB Nominees (Asing) Sdn Bhd	Nominee services	**100**	100
CIMB Discount House Berhad	Dormant	- *	100

* Struck off during the year.

12 Investment in associates

	The Group	
	2013	2012
	RM'000	RM'000
At 1 January	**5,736**	5,007
Share of profit for the financial year	**650**	729
At 31 December	**6,386**	5,736

	The Bank	
	31 December	31 December
	2013	2012
	RM'000	RM'000
Unquoted shares	**-**	-

(a) Information about associates :

The principal place of business and country of incorporation of the associates is in Malaysia unless stated otherwise. All associates are measured using the equity method. There are no available quoted market prices of the investments in associates.

The associates held through CIMB Holdings Sdn Bhd are:

		Percentage of equity held Through the Bank's subsidiary	
		31 December	31 December
Name of associates	**Principal activities**	**2013**	2012
		%	%
CIMB Islamic Trustee Berhad	Trustee services	**20**	20
CIMB Commerce Trustee Berhad	Trustee services	**20**	20

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

12 Investment in associates (Continued)

(b) The summarised financial information below represents amounts shown in the associate's Financial Statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

	CIMB Islamic Trustee Berhad	
	2013	2012
	RM'000	RM'000
Non-current assets	**510**	80
Current assets	**8,069**	8,065
Current liabilities	**(2,049)**	(1,997)
Net assets	**6,530**	6,148

	As at 31 December	
	2013	2012
	RM'000	RM'000
Income	**2,951**	4,460
Expenses	**(2,349)**	(2,673)
Profit before taxation	**602**	1,787
Taxation	**(220)**	(410)
Profit for the financial year	**382**	1,377

	CIMB Commerce Trustee Berhad	
	2013	2012
	RM'000	RM'000
Non-current assets	**397**	440
Current assets	**15,624**	11,555
Current liabilities	**(4,635)**	(3,478)
Net assets	**11,386**	8,517

	As at 31 December	
	2013	2012
	RM'000	RM'000
Income	**8,586**	8,270
Expenses	**(4,287)**	(5,242)
Profit before taxation	**4,299**	3,028
Taxation	**(1,430)**	(760)
Profit for the financial year	**2,869**	2,268

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

12 Investment in associates (Continued)

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements :

	CIMB Islamic Trustee Berhad		CIMB Commerce Trustee Berhad		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Net assets						
As at 1 January	**6,148**	4,771	**8,517**	6,249	**14,665**	11,020
Profit for the financial year	**382**	1,377	**2,869**	2,268	**3,251**	3,645
As at 31 December	**6,530**	6,148	**11,386**	8,517	**17,916**	14,665
Interest in associates (%)	**20**	20	**20**	20	**20**	20
Interest in associates (RM '000)	**1,306**	1,230	**2,277**	1,703	**3,583**	2,933
Goodwill (RM '000)	**2,803**	2,803	**-**	-	**2,803**	2,803
Carrying value (RM '000)	**4,109**	4,033	**2,277**	1,703	**6,386**	5,736

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

13 Property, plant and equipment

The Group	Leasehold land - 50 years or more RM'000	Building on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2013	**18,609**	**7,135**	**18,892**	**53,064**	**84,667**	**42,594**	**224,961**
Additions	**-**	**-**	**523**	**32,363**	**8,172**	**61,052**	**102,110**
Disposals/written off	**-**	**-**	**(112)**	**(371)**	**(10,473)**	**(330)**	**(11,286)**
At 31 December 2013	**18,609**	**7,135**	**19,303**	**85,056**	**82,366**	**103,316**	**315,785**
Accumulated depreciation							
At 1 January 2013	**3,846**	**1,477**	**15,678**	**39,197**	**37,160**	**14,896**	**112,254**
Charge for the financial year	**372**	**141**	**1,297**	**6,404**	**3,067**	**2,269**	**13,550**
Disposals/written off	**-**	**-**	**(112)**	**(370)**	**(8,322)**	**(330)**	**(9,134)**
At 31 December 2013	**4,218**	**1,618**	**16,863**	**45,231**	**31,905**	**16,835**	**116,670**
Net book value as at 31 December 2013	**14,391**	**5,517**	**2,440**	**39,825**	**50,461**	**86,481**	**199,115**
Cost							
At 1 January 2012	18,609	7,135	28,241	54,382	75,316	37,506	221,189
Additions	-	-	809	8,034	22,492	5,133	36,468
Disposals/written off	-	-	(10,158)	(9,352)	(13,141)	(45)	(32,696)
At 31 December 2012	18,609	7,135	18,892	53,064	84,667	42,594	224,961
Accumulated depreciation							
At 1 January 2012	3,472	1,334	24,174	41,258	33,583	11,748	115,569
Charge for the financial year	374	143	1,625	7,286	13,683	3,182	26,293
Disposals/written off	-	-	(10,121)	(9,347)	(10,106)	(34)	(29,608)
At 31 December 2012	3,846	1,477	15,678	39,197	37,160	14,896	112,254
Net book value as at 31 December 2012	14,763	5,658	3,214	13,867	47,507	27,698	112,707

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

13 Property, plant and equipment (Continued)

The Bank	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2013	**18,609**	**7,135**	**18,583**	**52,573**	**84,512**	**42,264**	**223,676**
Additions	**-**	**-**	**523**	**32,313**	**8,017**	**60,804**	**101,657**
Disposals/written off	**-**	**-**	**(31)**	**(84)**	**(10,473)**	**-**	**(10,588)**
At 31 December 2013	**18,609**	**7,135**	**19,075**	**84,802**	**82,056**	**103,068**	**314,745**
Accumulated depreciation							
At 1 January 2013	**3,846**	**1,476**	**15,373**	**38,717**	**35,906**	**14,566**	**109,884**
Charge for the financial year	**372**	**141**	**1,296**	**6,392**	**3,045**	**2,269**	**13,515**
Disposals/written off	**-**	**-**	**(30)**	**(84)**	**(8,322)**	**-**	**(8,436)**
At 31 December 2013	**4,218**	**1,617**	**16,639**	**45,025**	**30,629**	**16,835**	**114,963**
Net book value as at 31 December 2013	**14,391**	**5,518**	**2,436**	**39,777**	**51,427**	**86,233**	**199,782**
Cost							
At 1 January 2012	18,609	7,135	27,932	53,894	75,316	37,177	220,063
Additions	-	-	809	8,031	22,338	5,131	36,309
Disposals/written off	-	-	(10,158)	(9,352)	(13,142)	(44)	(32,696)
At 31 December 2012	18,609	7,135	18,583	52,573	84,512	42,264	223,676
Accumulated depreciation							
At 1 January 2012	3,472	1,333	23,871	40,800	32,357	11,420	113,253
Charge for the financial year	374	143	1,623	7,265	13,655	3,180	26,240
Disposals/written off	-	-	(10,121)	(9,348)	(10,106)	(34)	(29,609)
At 31 December 2012	3,846	1,476	15,373	38,717	35,906	14,566	109,884
Net book value as at 31 December 2012	14,763	5,659	3,210	13,856	48,606	27,698	113,792

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

14 Goodwill

	The Group	
	2013	2012
	RM'000	RM'000
At 1 January/31 December	**964**	964

Allocation of goodwill to cash-generating units

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

	The Group	
	31 December	31 December
	2013	2012
CGU	**RM'000**	RM'000
Stock-broking	**964**	964

Impairment test for goodwill

<u>Value-in-use</u>

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 2014 financial budgets approved by the Board of Directors, projected for five years based on the average to year historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 2.0% (31 December 2012: 5.0%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of the CGU is 11.6% (31 December 2012: 7.1%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

The is no impairment charge for the financial year ended 31 December 2013 (31 December 2012: RM Nil).

15 Deposits from customers

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
(i) By type of deposits		
Others	**351,123**	802,915
(ii) By type of customers		
- Local government and statutory	**54,400**	54,400
- Business enterprises	**196,023**	495,429
- Individuals	**96,950**	249,336
- Others	**3,750**	3,750
	351,123	802,915

16 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Licensed banks	**605,290**	1,039,722
Other financial institutions	**540,351**	287,636
	1,145,641	1,327,358

The maturity structure of deposits is as follows:

Due within six months	**1,145,641**	1,327,358

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

17 Other liabilities

	The Group		The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Due to brokers and clients	**876,517**	821,244	**876,517**	821,244
Others	**237,253**	156,963	**234,239**	154,770
	1,113,770	978,207	**1,110,756**	976,014

18 Provision for taxation and Zakat

	The Group		The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Taxation	**20,232**	243	**20,230**	-
Zakat	**107**	607	**107**	607
	20,339	850	**20,337**	607

19 Subordinated loan

	The Group		The Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Subordinated loan	**15,000**	10,000	**-**	-

On 26 January 2012, a subsidiary of the Bank had issued RM10,000,000 in aggregate principal amounts of unsecured subordinate loan ("the Loan") to the Bank's immediate holding company, CIMB Group Sdn Bhd. The debt bears interest at the rate of 5% per annum of which the maturity had been extended to 16 May 2020 in 2013 (2012: 16 May 2015). A further drawdown of RM5,000,000 was made on 6 May 2013, and will mature on 16 November 2019.

20 Share capital

	The Group and the Bank	
	2013 RM'000	2012 RM'000
Authorised ordinary shares of RM1 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January/31 December	**100,000**	100,000

21 Redeemable preference shares

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Authorised redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10
Issued and fully paid redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10

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

The main features of the RPS are as follows:

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

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

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

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

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

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

22 Reserves

(i) Included in the Group's and the Bank's reserves are statutory reserves of RM155,805,000 (31 December 2012: RM155,805,000), maintained in compliance with BNM guidelines. These statutory reserves are not distributable by way of dividends.

(ii) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). The Bank has moved to single tier system with effect from year of assessment 2011.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

22 Reserves (Continued)

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

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

(iv) Share-based payment reserve

Share-based payment reserve represents the Group's and the Bank's commitments for Management Equity Scheme and Employee Ownership Plan under share-based compensation benefits. The Management Equity Scheme lapsed in 2012.

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

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

23 Interest income

	The Group		**The Bank**	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**3,189**	1,899	**3,189**	1,899
Money at call and deposits placements with banks and other financial institutions	**26,502**	29,297	**21,539**	26,597
Reverse repurchase agreements	**5,031**	5,124	**5,031**	5,124
Financial assets held for trading	**321**	4,689	**321**	4,689
Others	**1,801**	3,854	**1,801**	3,854
	36,844	44,863	**31,881**	42,163
Accretion of discounts less amortisation of premium	**46**	2,806	**46**	2,806
	36,890	47,669	**31,927**	44,969

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

24 Interest expense

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**18,106**	18,545	**18,106**	18,544
Deposits from customers	**22,910**	32,738	**22,910**	32,738
Subordinated loans	**667**	467	**-**	-
	41,683	51,750	**41,016**	51,282

25 Allowance for impairment losses on loans, advances and financing

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Individual impairment allowance		
- made during the financial year	**592**	174
- written back during the financial year	**(141)**	(159)
Portfolio impairment allowance		
- made during the financial year	**881**	492
Bad debts on loans, advances and financing		
- recovered	**(7)**	-
	1,325	507

26 Fee and commission income

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Portfolio management fees	**8,307**	8,520
Advisory and arrangement fees	**61,301**	91,931
Underwriting commissions	**16,076**	2,563
Placement fees	**22,950**	22,371
Other fee income	**4,983**	13,401
	113,617	138,786

27 Dividend income

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Financial assets held for trading	**5**	12

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

28 Net trading (loss)/income

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Gain/(loss) arising from trading in financial assets held for trading		
- realised	**4,392**	10,294
- unrealised	**(4,678)**	(10,373)
Gain/(loss) arising from trading in derivative financial instruments		
- realised	**224**	(14)
- unrealised	**-**	599
	(62)	506

29 Other non-interest income

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Foreign exchange gain	**4,594**	492	**4,552**	497
Gain on disposal of property, plant and equipment	**2,354**	2,778	**2,354**	2,778
Other non-operating income	**2,966**	1,466	**6,121**	1,466
	9,914	4,736	**13,027**	4,741

30 Overheads

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
- Salaries, allowances and bonuses	**269,788**	260,712	**267,982**	258,897
- Pension cost (defined contribution plan)	**30,564**	29,081	**30,379**	28,892
- Management Separation Scheme	**8,552**	-	**8,552**	-
- Training fees	**7,145**	6,187	**7,117**	6,181
- Overtime, meal and transport claims	**2,142**	1,793	**2,142**	1,793
- Others	**18,080**	19,537	**17,941**	19,403
	336,271	317,310	**334,113**	315,166
Establishment costs				
- Depreciation of property, plant and equipment	**13,550**	26,293	**13,515**	26,240
- Rental	**22,312**	17,316	**21,342**	16,192
- Others	**38,256**	26,251	**38,013**	26,127
	74,118	69,860	**72,870**	68,559

30 Overheads (Continued)

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Marketing expenses				
- Advertisement	**10,874**	13,702	**10,835**	13,675
- Entertainment expenses	**6,847**	2,722	**6,605**	2,677
- Others	**5,031**	6,537	**5,178**	6,491
	22,752	22,961	**22,618**	22,843
Administration and general expenses				
- Legal and professional fees	**8,792**	8,519	**8,751**	8,484
- Communication	**7,373**	8,326	**7,305**	8,245
- Printing and stationery	**2,438**	2,460	**2,438**	2,460
- Licensing fee, exchange fee and levies	**16,004**	11,593	**16,004**	11,593
- Administrative vehicle, travelling and insurance expenses	**10,149**	10,836	**10,114**	10,800
- Others	**9,633**	12,964	**8,454**	12,410
	54,389	54,698	**53,066**	53,992
Shared services cost				
-Personnel cost	**(162,106)**	(138,356)	**(162,106)**	(138,356)
-Establishment cost	**(25,125)**	(21,961)	**(25,125)**	(21,961)
-Marketing expenses	**(14,025)**	(11,753)	**(14,025)**	(11,753)
-Administration and general expenses	**(18,605)**	(18,442)	**(18,605)**	(18,442)
	(219,861)	(190,512)	**(219,861)**	(190,512)
Total overhead expenses	**267,669**	274,317	**262,806**	270,048

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
The above expenditure includes the following disclosures:				
Directors' remuneration (Note 31)	**13,189**	13,542	**13,189**	13,542
Rental of premises	**15,672**	5,456	**15,562**	5,329
Hire of equipment	**6,640**	3,457	**5,780**	2,459
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	**283**	202	**245**	170
- Half year review	**40**	30	**40**	30
- Non-audit services	**41**	60	**37**	57

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM220 million (31 December 2012: RM191 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

31 Directors' remuneration

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

Non-Executive Directors
Dato' Hamzah bin Bakar
Dato' Zainal Abidin bin Putih
Zahardin bin Omardin
Habibah binti Abdul
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 31 December 2013)

Executive Director
Tengku Dato' Zafrul bin Tengku Abdul Aziz (appointed on 2 January 2014)
Dato' Charon Wardini bin Mokhzani (resigned on 4 November 2013)

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

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Executive Director and Group CEO				
- Salary and other remuneration	**3,789**	3,754	**3,789**	3,754
- Bonus	**8,763**	9,178	**8,763**	9,178
- Benefits-in-kind	**98**	117	**98**	117
Non-executive Directors				
- Fees and other remuneration	**539**	493	**539**	493
	13,189	13,542	**13,189**	13,542

The functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Dato' Sri Mohamed Nazir bin Abdul Razak. The salary, other remuneration, bonus (in respect of 2013 payable in 2014) and benefits-in-kind totalling RM9,000,000 (2012: RM10,000,000) for the CEO was paid by the Bank.

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

The Directors' bonus for the financial year 2013 will be paid in tranches, spread over financial year 2014. A similar condition is also imposed on the bonus for certain key personnel.

31 Directors' remuneration (Continued)

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

	2013 Non-executive Directors	**2013** Executive Directors	2012 Non-executive Directors	2012 Executive Directors
The Group				
RM50,001 to RM100,000	**3**	**-**	4	-
RM100,001 to RM500,000	**1**	**-**	1	-
RM3,000,001 to RM4,500,000	**-**	**1**	-	1
RM5,000,001 to RM5,500,000	**-**	**-**	-	-
RM8,500,001 to RM9,000,000	**1**	**-**	-	-
RM9,000,001 to RM10,000,000	**-**	**-**	1	-
The Bank				
RM50,001 to RM100,000	**3**	**-**	4	-
RM100,001 to RM500,000	**1**	**-**	1	-
RM3,000,001 to RM4,500,000	**-**	**1**	-	1
RM5,000,001 to RM5,500,000	**-**	**-**	-	-
RM8,500,001 to RM9,000,000	**1**	**-**	-	-
RM9,000,001 to RM10,000,000	**-**	**-**	1	-

32 Taxation

(i) Tax expense for the financial year

	The Group		**The Bank**	
	2013 **RM'000**	2012 RM'000	**2013** **RM'000**	2012 RM'000
Current tax				
- Malaysian income tax	**42,624**	59,994	**41,603**	59,315
- Foreign tax	**46**	1	**46**	1
- Over provision in prior years	**(3,289)**	-	**(3,263)**	-
Deferred tax	**(5,916)**	(2,538)	**(5,942)**	(2,538)
	33,465	57,457	**32,444**	56,778

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

32 Taxation (Continued)

(ii) Numerical reconciliation of income tax expense

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

	The Group		The Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**102,680**	184,831	**101,263**	181,474
Tax calculated at a tax rate of 25% (2012: 25%)	**25,670**	46,208	**25,316**	45,369
Income not subject to tax	**(348)**	(261)	**(348)**	(78)
Expenses not deductible for tax purposes	**11,386**	11,509	**10,693**	11,486
Over-accrual in prior years	**(3,289)**	-	**(3,263)**	-
Foreign witholding tax	**46**	1	**46**	1
Tax expense	**33,465**	57,457	**32,444**	56,778

33 Earnings per share

(a) Basic earnings per share

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Net profit for the financial year (RM' 000)	**69,215**	127,374	**68,819**	124,696
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000	**100,000**	100,000
Basic earnings per share (expressed in sen per share	**69.22**	127.37	**68.82**	124.70

(b) Diluted earnings per share

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

34 Dividends

	2013 RM'000	2012 RM'000
Final single tier dividend of 56 sen per ordinary share for financial year ended 31 December 2012 was paid on 10 April 2013	**56,000**	-
An interim single tier dividend of 61.86 sen per ordinary share and 3,717.10 sen per redeemable preference shares for financial year ended 31 December 2011 was paid on 19 March 2012	**-**	99,035
	56,000	99,035

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

	2013		2012	
	Gross/net per share Sen	**Amount of dividend net of tax RM'000**	Gross/net per share Sen	Amount of dividend net of tax RM'000
Final dividend paid on ordinary shares	**56.00**	**56,000**	-	-
Interim dividend paid on ordinary shares	**-**	**-**	61.86	61,864
Interim dividend paid on redeemable preference shares	**-**	**-**	3,717.10	37,171
	56.00	**56,000**	3,778.96	99,035

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

35 Amounts due from/(to) related companies

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

	The Group		**The Bank**	
	31 December 2013 RM'000	31 December 2012 RM'000	**31 December 2013 RM'000**	31 December 2012 RM'000
Amounts due from:				
- subsidiaries	**-**	-	**131**	2
- related companies	**14,515**	4,803	**14,515**	4,803
- ultimate holding company	**190**	1	**190**	1
	14,705	4,804	**14,836**	4,806
Amounts due to:				
- subsidiaries	**-**	-	**-**	(3,185)
- related companies	**(2,281)**	(22,606)	**(2,281)**	(22,606)
	(2,281)	(22,606)	**(2,281)**	(25,791)

36 Significant related party transactions and balances

(a) Related parties and relationship

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

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

36 Significant related party transactions and balances (Continued)

(b) Related party transactions

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

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

The Group and the Bank	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2013			
Income:			
Fee income	-	**9,539**	**74**
Interest income	-	**3,565**	-
Brokerage income	-	**6,775**	-
Income from Islamic Banking operations	-	**3,122**	-
	-	**23,001**	**74**
Expenditure:			
Interest expense	-	**17,317**	-
Brokerage expense	-	**11,748**	-
Rental expense	**1,426**	-	-
Printing and Stationery	-	**766**	-
Establishment - others	-	**1,441**	-
Administration and general expenses - others	-	**1,382**	-
Shared service cost	-	**(219,861)**	-
	1,426	**(187,207)**	-

The Group and the Bank	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2012			
Income:			
Fee income	-	8,425	142
Interest income	-	12,271	-
Brokerage income	-	3,519	-
Income from Islamic Banking operations	-	18,659	-
	-	42,874	142
Expenditure:			
Interest expense	-	18,309	1,455
Brokerage expense	-	7,530	-
Rental expense	1,742	-	-
Printing and Stationery	-	32	-
Establishment - others	-	1,392	-
Administration and general expenses - others	-	856	
Shared service cost	-	(190,512)	-
	1,742	(162,393)	1,455

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

36 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	2013	2012
	RM'000	RM'000
The Group and the Bank		
Salaries and other employee benefits	**99,757**	96,888
	Unit	Unit
Shares of ultimate holding company	**4,221,374**	3,303,114

Included in the above table is Directors' remuneration which are disclosed in Note 31. The share options or shares granted are on the same terms and condition as those offered to other employees of the Group and the Bank as disclosed in Note 37.

(d) Related party balances

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

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

The Group and the Bank	Other related companies RM'000
31 December 2013	
Amount due from:	
Cash and balances with banks and other financial institutions	**18,861**
Money at call and deposit placements maturing within one month	**61,765**
Deposits and placements with banks and other financial institutions	**100**
Amount due from brokers	**110,018**
	190,744

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

36 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

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

The Group and the Bank	**Other related companies**
31 December 2013	**RM'000**
Amount due to:	
Deposits and placements of banks and other financial institutions	**605,290**
Amount due to brokers	**131,790**
	737,080

The Group and the Bank	**Other related companies**	**Key management personnel**
31 December 2012	**RM'000**	**RM'000**
Amount due from:		
Cash and balances with banks and other financial institutions	344,071	-
Money at call and deposit placements maturing within one month	1,030,731	-
Deposits and placements with banks and other financial institutions	692,858	-
Loans, advances and financing	-	235,675
Derivative financial instruments	1,547	-
Amount due from brokers	63,530	-
	2,132,737	235,675

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

36 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

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

The Group and the Bank **31 December 2012**	**Other related companies RM'000**	**Key management personnel RM'000**
Amount due to:		
Deposits and placements of banks and other financial institutions	939,714	-
Deposits from customers	-	200,336
Amount due to brokers	29,725	-
	969,439	200,336
Principal		
Interest rate related contracts:		
Interest rate swaps	138,380	-
Equity related contracts:		
Equity options	238,899	-
	377,279	-

(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 2013 RM'000	31 December 2012 RM'000
Outstanding credit exposures with connected parties	**27,697**	50,685
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.2%**	2.2%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	**0.0%**	0.0%

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

36 Significant related party transactions and balances (Continued)

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 30% of the issued capital of the ultimate holding company (2012: 29%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 36 (a) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

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

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

37 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 Bank, 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 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 Bank. Entitlements of eligible members of senior management are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of the Bank administers the scheme on behalf of the substantial shareholder. The entitlements granted vest in proportions across various exercised periods.

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

37 Employee benefits (Continued)

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

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

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

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

The total share-based payment expenses recognised in relation to the Scheme for the Group and the Bank during the current financial year amounted RM Nil in the previous year. The shares were exercisable 2 years from the grant date.

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

	The Group and The Bank 2012 Unit '000
Share options	
At 1 January	1,850
Exercised	(1,850)
At 31 December	-

In the previous year, the weighted average share price at the time of exercise was RM7.46. There is no weighted average remaining contractual life as at 31 December 2012.

There was no entitlement granted during the previous financial year and number of entitlements that are exercisable at the previous financial year end was Nil.

37 Employee benefits (Continued)

(b) Equity Ownership Plan ("EOP")

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

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

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM30,033,000. (2012: RM 31,169,000)

The weighted average fair value of shares awarded under EOP was RM7.73 per ordinary share (2012: RM7.70 per ordinary share), based on market price during the period in which they were purchased.

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

	The Group and The Bank	
	2013	**2012**
	Unit	**Unit**
	'000	**'000**
Shares		
At 1 January	**1,378**	**1,371**
Awarded	**1,679**	**1,305**
Released	**(731)**	**(1,298)**
At 31 December	**2,326**	**1,378**

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

38 Capital commitments

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

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Authorised but not contracted for	**83,502**	78,831
The capital commitments are attributed to:		
- IT projects	**67,596**	52,448
- property, plant and equipment	**15,906**	26,383
	83,502	78,831

39 Lease commitments

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

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Not later than one year	**32,390**	19,599
Later than one year and not later than five years	**89,659**	144,473
Over five years	**306,938**	268,868
	428,987	432,940

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

40 Commitments and contingencies

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

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

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:

	The Group and the Bank	
	31 December 2013 Principal RM'000	31 December 2012 Principal RM'000
Credit-related		
Irrevocable commitments to extend credit:		
- Maturity exceeding one year	**13,285**	5,082
	13,285	5,082
Treasury-related		
Interest rate related contracts:		
- Less than one year	**-**	276,760
- Five years and above	**486,600**	510,450
Equity related contracts:		
- Less than one year	**-**	214,974
- Five years and above	**267,752**	262,824
	754,352	1,265,008
	767,637	1,270,090

41 Segment reporting

Business segment reporting

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

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

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

Definition of segments

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

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

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

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

41 Segment reporting (Continued)

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

The Group	**Financial advisory, underwriting and other fees RM'000**	**Debt / financing related RM'000**	**Equity related RM'000**	**Investments and securities services RM'000**	**Support and others RM'000**	**Total RM'000**
2013						
External net interest (expense)/income	-	(7,982)	-	-	3,189	(4,793)
Non interest income	75,657	4,353	179,052	36,076	11,638	306,776
Income from Islamic Banking operations	18,640	17,785	18,014	4,135	3,084	61,658
	94,297	14,156	197,066	40,211	17,911	363,641
Overheads	(80,626)	(8,253)	(146,589)	(32,201)	-	(267,669)
of which :						
Depreciation of property, plant and equipment	*(2,057)*	*(4,523)*	*(5,174)*	*(1,796)*	*-*	*(13,550)*
Profit before allowances	13,671	5,903	50,477	8,010	17,911	95,972
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,325)	(1,325)
Allowance for impairment losses on other receivables	(3,432)	-	-	-	-	(3,432)
Allowance for other impairment losses	-	-	(1,117)	-	-	(1,117)
Recoveries from investment management and securities services	-	-	-	11,932	-	11,932
Segment results	10,239	5,903	49,360	19,942	16,586	102,030
Share of results of associates						650
Profit before taxation						102,680
Taxation						(33,465)
Net profit for the financial year						69,215
Segment assets	52,352	1,706,314	1,042,186	41,980	332,977	3,175,809
Unallocated assets						51,156
Total assets						3,226,965
Segment liabilities	2,290	1,510,112	938,274	7,531	176,708	2,634,915
Unallocated liabilities						22,622
Total liabilities						2,657,537
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	15,499	34,086	38,991	13,534	-	102,110
Accretion of discount less amortisation of premium	-	46	-	-	-	46

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

41 Segment reporting (Continued)

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

The Group	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2012						
External net interest (expense)/income	-	(5,980)	-	-	1,899	(4,081)
Non interest income	109,498	7,279	175,493	29,196	2,393	323,859
Income from Islamic Banking operations	83,014	(116)	51,117	4,453	2,501	140,969
	192,512	1,183	226,610	33,649	6,793	460,747
Overheads	(75,990)	(11,549)	(153,673)	(33,105)	-	(274,317)
of which :						
Depreciation of property, plant and equipment	*(3,929)*	*(5,643)*	*(12,895)*	*(3,826)*	*-*	*(26,293)*
Profit/(loss) before allowances	116,522	(10,366)	72,937	544	6,793	186,430
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(507)	(507)
Allowance for impairment losses on other receivables	(1,821)	-	-	-	-	(1,821)
Segment results	114,701	(10,366)	72,937	544	6,286	184,102
Share of results of associates						729
Profit before taxation						184,831
Taxation						(57,457)
Net profit for the financial year						127,374
Segment assets	54,306	2,363,588	965,120	34,292	233,668	3,650,974
Unallocated assets						54,244
Total assets						3,705,218
Segment liabilities	2,789	2,151,140	872,452	7,416	102,400	3,136,197
Unallocated liabilities						23,489
Total liabilities						3,159,686
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	5,449	7,826	17,886	5,307	-	36,468
Accretion of discount less amortisation of premium	-	2,806	-	-	-	2,806

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

42 Significant events during the financial year

On 1 May 2013, the Bank had applied to Autoriti Monetari Brunei Darussalam ("the Authority") to surrender its Brunei offshore licence upon its expiry on 13 June 2013, to realign business resources, marketing efforts and improve efficiency in Brunei.

The Autoriti had accepted the Bank's application on 4 October 2013.

43 Significant event subsequent to the financial year end

There were no significant events subsequent to the financial year ended 31 December 2013.

44 Capital adequacy

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

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group EXCO who periodically assesses and reviews 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. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

For 2013, Bank Negara Malaysia (BNM) issued revised guidelines on the capital adequacy framework on 28 November 2012, of which took effect beginning 1 January 2013. The revised guidelines sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach. The comparative capital adequacy ratios as at 31 December 2012 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF) which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel II.

44 Capital adequacy (Continued)

(A) 31 December 2013

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

	The Group 31 December 2013	The Bank 31 December 2013
Common Equity Tier 1 ratio	25.300%	26.364%
Tier 1 ratio	25.300%	26.364%
Total capital ratio	25.300%	26.364%

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

	The Group 31 December 2013 RM’000	The Bank 31 December 2013 RM’000
Credit risk	1,208,453	1,053,268
Market risk	58,618	57,888
Operational risk	758,001	746,501
Total risk-weighted assets	2,025,072	1,857,657

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

	The Group 31 December 2013 RM’000	The Bank 31 December 2013 RM’000	
Common Equity Tier 1 capital			
Ordinary shares	100,000	100,000	
Other reserves	469,418	447,053	
Common Equity Tier 1 capital before regulatory adjustments	569,418	547,053	
Less : Regulatory adjustments			
Goodwill	(964)	-	
Deferred tax assets	(48,914)	(48,754)	
Deduction in excess of Tier 2 Capital	(6,921)	(8,539)	N1
Others	(271)	-	
Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital	512,348	489,760	
Tier II Capital			
Redeemable Preference Shares	9	9	
Portfolio impairment allowance	1,996	1,996	N2
Tier II capital before regulatory adjustments	2,005	2,005	
Less : Regulatory adjustments			
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(8,926)	(10,544)	
Total Tier II capital	-	-	N1
Total capital base	512,348	489,760	

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

N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM1,996,000

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

44 Capital adequacy (Continued)

(B) 31 December 2012

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

	The Group 31 December 2012	The Bank 31 December 2012
Before deducting proposed dividend		
Core capital ratio	20.978%	21.518%
Risk-weighted capital ratio	21.024%	21.518%
After deducting proposed dividend		
Core capital ratio	18.582%	18.965%
Risk-weighted capital ratio	18.628%	18.965%

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

	The Group 31 December 2012 RM'000	The Bank 31 December 2012 RM'000
Credit risk	1,387,711	1,253,889
Market risk	126,634	126,603
Operational risk	823,010	813,138
Total risk-weighted assets	2,337,355	2,193,630

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

	The Group 31 December 2012 RM'000	The Bank 31 December 2012 RM'000	
Tier I Capital			
Paid-up capital	100,000	100,000	
Retained profits	259,546	248,989	
Other reserves	173,773	173,773	
	533,319	522,762	
Less: Deferred tax assets	(42,998)	(42,812)	
Deduction in excess of Tier 2 Capital	-	(7,925)	N1
Total Tier I capital	490,321	472,025	
Tier II Capital			
Cumulative Preference Shares	10	10	
Portfolio impairment allowance	1,115	1,115	N2
Total Tier II capital	1,125	1,125	
Less:			
Investments in subsidiaries	(50)	(9,050)	
Total eligible Tier II capital	1,075	-	N1
Total capital base before proposed dividend	491,396	472,025	
Proposed dividend	(56,000)	(56,000)	
Total capital base after proposed dividend	435,396	416,025	

N1 The excess of Tier II capital was deducted under Tier I capital
N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM1,115,000

45 Critical accounting estimates and judgements in applying accounting policies

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

(a) Impairment losses on loans, advances and financing

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

(b) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 47.4.

46 Change in accounting policies

(a) Changes in accounting policies

(i) MFRS 12, 'Disclosures of Interests in Other Entities'

MFRS 12 sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11 'Joint Arrangements', 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.

The required disclosures under MFRS 12 are presented in Note 11 and 12

(ii) MFRS 13 "Fair value measurement"

MFRS 13 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 enhanced disclosures are shown in Note 47.

(iii) Amendment to MFRS 7 "Financial instruments: Disclosures"

Amendment to MFRS 7 requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The enhanced disclosures are shown in Note 47.

(iv) Amendment to MFRS 101 "Presentation of items of other comprehensive income"

Amendment to MFRS 101 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. The Statement of Comprehensive Income of the Group and the Bank for the financial year ended 31 December 2012 have been re-presented to conform to the current financial year presentation.

47 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.

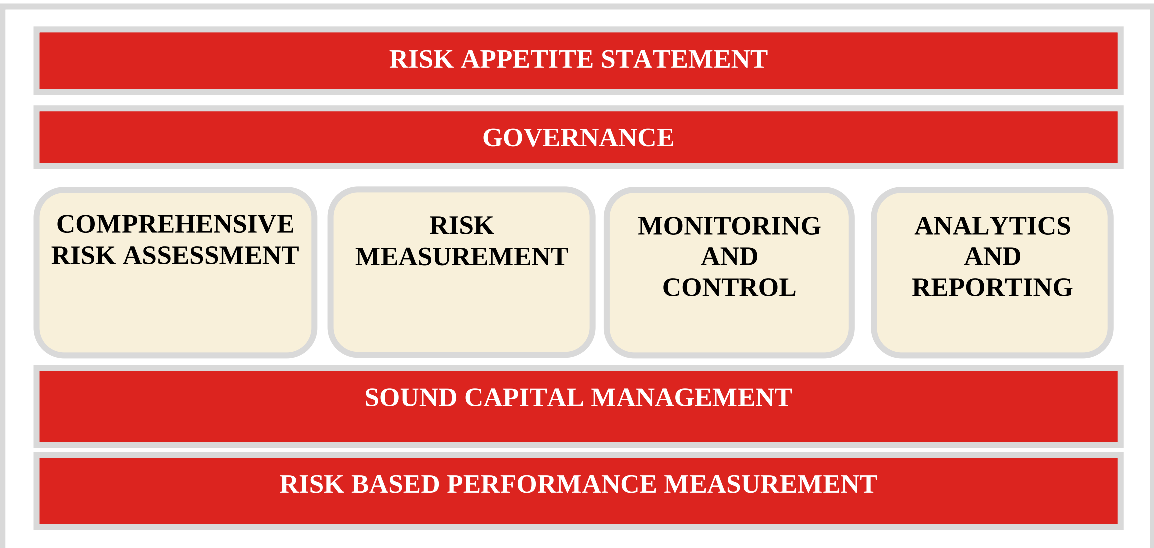
The objectives of the Group's risk management activities are to:

- 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 shareholder value through proper allocation of capital and facilitate development of new business.

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework as a standardised approach 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:



47 Financial Risk Management (Continued)

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

The design of the EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

a) Risk Appetite Statement

Risk appetite defines the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. In the Group, the risk appetite is linked to strategy development and business and capital management plans. It takes into account not only growth, revenue and commercial aspirations, but also the capital and liquidity positions and risk management capabilities and strengths, including risk systems, processes and people. Going forward, risk appetite statements will be formulated for key business units as well as incorporate stress testing.

The Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. Board Risk Committee (BRC) and Group Risk Committee (GRC) receive monthly reports on compliance with the risk appetite.

b) Governance

A strong risk governance structure is what binds the EWRM framework together. The Board of Directors is ultimately responsible for the Group's risk management activities, and provides strategic direction through the Risk Appetite Statement and relevant risk management frameworks for the Group.

The implementation and administration of the EWRM framework are effected through the three lines of defence model with oversight by the risk governance structure which consists of various risk committees, as described below. Group Risk Division (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.

c) Comprehensive Risk Assessment

Comprehensive Risk Assessment provides the process for the identification of the Group's material risks, from the perspectives of impact on the Group's financial standing and reputation. Apart from the annual comprehensive risk assessment exercise, the Group's material risks are identified on an on-going basis as well as part of the consideration for any strategic projects, including new product development.

47 Financial Risk Management (Continued)

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

d) Risk Measurement

Consistent and common methodologies of Risk Measurement allow for the Group to aggregate and compare risks across business units, geographies and risk types. Further, it provides a tool for the Board and Senior Management to assess the sufficiency of its liquidity surplus and reserves, and health of its capital position under various economic and financial situations.

e) Monitoring and Control

Various risk management tools are employed to Monitoring and Control the risk taking activities within the Group, these include limit monitoring, hedging strategies and clearly documented control processes. These controls are regularly monitored and reviewed in the face of changing business needs, market conditions and regulatory changes.

f) Analytics and Reporting

Timely reporting and meaningful analysis of risk positions are critical to enable the Board and Senior Management to exercise control over material exposures and make informed business decisions.

g) Sound Capital Management

The Group's capital resources are continuously assessed and managed to undertake its day-to-day business operations and risk-taking activities, including considerations for its business expansion and growth. Each year internal capital targets will be set and capital will be allocated to each business units based on the respective business plans, budgeted profit and targeted Risk Adjusted Return on Capital (RAROC).

h) Risk Based Performance Measurement

Business units' economic profitability will be measured having considered both its risks and capital consumption. The adoption of a risk-based performance measurement allows for performance and profitability of different business units to be compared on a common yardstick.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

(c) Risk Governance

In the year under review, the Board of Directors approved a revision to the Group's risk governance structure with the establishment of several risk committees and elevation of the existing Basel Steering Committee as a risk committee reporting to the GRC. The revised risk governance structure allows for thorough deliberations and clear accountability of each of the committees.

At the apex of the governance structure are the respective Boards, which decides on the entity's Risk Appetite corresponding to its business strategies. In accordance to the Group's risk management structure, the BRC reports directly into each Board and assumes responsibility on behalf of the Board for the supervision of risk management and control activities. The BRC determines the Group's risk strategies, policies and methodologies, keeping them aligned with the principles within the Risk Appetite Statement. The BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of the GRC.

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units.

The responsibility of the supervision of the risk management functions is delegated to the GRC, which reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The GRC is further supported by specialised risk committees, namely Group Credit Policy & Portfolio Risk Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Basel Steering Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The revised structure of the Group's Risk Committees and an overview of the respective committee's roles and responsibilities are as follows:

Board of Directors

Board Risk Committee

- Determine the Group's risk strategies, policies and methodologies
- Oversee implementation of the EWRM framework, provide strategic guidance and review the decisions of the GRC

Board Shariah Committee

- Oversee all Shariah matters of the Group

Group Risk Committee

- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved risk appetite
- Outline key risks and strategies to improve risk management across the Group

Group Operational Risk Committee

- Review key operational risks impacting or potentially impacting the Group
- Review the appropriateness of the framework to manage the risk
- Review on-going or planned remediation for known risks
- Review all events leading material non-compliance including Shariah non-compliance

Group Asset Liability Management Committee

- Oversee management of the Group's overall balance sheet, net interest income/margin, liquidity risk and interest rate risk in the banking book
- Ensure risk profile is kept within the established risk appetite/limits

- Ensure adherence to the Board approved credit risk appetite
- Ensure effectiveness of credit risk management
- Articulate key credit risk and its mitigating controls

Group Wholesale Bank Risk Committee

- Review and approve or concur primary and secondary market deals for debt and equity instruments for the Group
- Credit approving authority for primarily Malaysian centric customer groups exposures
- Review and approve Global Banking Institution Limits for Malaysian centric banking institutions

Regional Credit Committee

- Review and approve or concur with credit applications from non-Malaysian centric customer groups
- Ensure Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures
- Review and approve or concur with all non-Malaysian Inter-Bank Limits, Global Financial Institutions Counterparty Limits and Global Country Limits

Consumer Bank Credit Committee

- Credit approving authority for Malaysian and non-Malaysian centric customer groups exposures
- Ensure Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures

Group Market Risk Committee

- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved market risk appetite
- Articulate key market risks and the corresponding mitigating controls

Basel Steering Committee

- Oversee implementation of Basel regulations in the banking entities under the Group

47 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also 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 in 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 risks 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 units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

47 Financial Risk Management (Continued)

(c) Risk Governance (continued)

The Roles of Group Chief 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.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. GRD is headed by the CRO who is appointed by the Board to spearhead risk management functions and implementation of the Enterprise-Wide Risk Management. The CRO:

a) Actively engages the Board and senior management on risk management issues and initiatives.
b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk Centres of Excellence in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure Centre of Excellence

Risk Analytics & Infrastructure Centre of Excellence spearheads the Group's efforts towards Basel II implementation. In this regard, it develops and implements all internal rating and scoring models and closely monitors the performance of the rating and scoring models to ensure relevance to current market conditions and integrity of ratings. It also computes and aggregates the risk-weighted assets for credit risk for monthly regulatory reporting as well as projects the capital requirements for credit risk to support capital management planning and analysis. Risk Analytics & Infrastructure Centre of Excellence monitors the non-retail credit risk profile of risk-taking activities in terms of asset quality, rating distribution and credit concentrations. In addition, it initiates and/or proposes its risk policies, risk measurement methodologies and risk limits to the Board for approval.

47 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

b) Market Risk Centre of Excellence

In propagating and ensuring compliance to the market risk framework, the Market Risk Centre of Excellence reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market valuation. It also coordinates capital market product deployments.

c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology and process for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group.

d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and interest/benchmark rate risk as well as recommending policies and methodologies to manage the said risks.

e) Credit Risk Centre of Excellence

The Credit Risk Centre of Excellence is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach to:

- Credit Risk Policies and Procedures;
- Credit Risk Models;
- Credit Risk Methodologies; and
- Portfolio Analytics,

as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

f) Shariah Risk Centre of Excellence

The Shariah Risk Centre of Excellence formulates Shariah Risk Management Framework and provides guidance and training on the Shariah Risk Management to enable the first line of defence to identify, assess, monitor and control Shariah risk in their Islamic business operations and activities.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

(c) Risk Governance (continued)

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

In addition to the above Risk Centres of Excellence, Regional Risk 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. Regional Risk also houses the validation team.

The regional offices and the respective teams in risk management units within the unit trust business and Non-Malaysian securities businesses identify, analyse, monitor, review and report the relevant material risk exposures of each individual country and/or businesses.

The Validation Team is independent from the risk taking units and model development team, and reports to Regional Risk. 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 model development team and the business users. The unit reports its findings and recommendations to GRC and BRC.

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 department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 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.

47.1 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 traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support clients' obligations to third parties, i.e. guarantees or kafalah contracts. 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 or not 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.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the Risk-based Delegated Authority Framework. This Framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

47 Financial Risk Management (Continued)

47.1 Credit risk (Continued)

Credit Risk Management (continued)

The Framework encompasses the introduction of Joint Delegated Authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals. Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees 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. Credit applications are independently evaluated by the Credit Risk Centre of Excellence team prior to submission to the relevant committees for approval.

The Group Credit Policy & Portfolio Risk Committee with the support of Group Wholesale Bank Risk Committee, Regional Credit Committee, Consumer Bank Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

Approaches or mitigating controls adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual include adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral.

Adherence to established credit limits is monitored daily by GRD, 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.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 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 Group Credit Policy & Portfolio Risk Committee, 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 credit concentration risk. 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.

Credit Risk Mitigation

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

Netting

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit risk (Continued)

Off-Balance Sheet Exposures and Counterparty Credit Risk ("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 CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

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 Credit Support Annex (CSA) with counterparties. The net credit exposure with each counterparty is monitored and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency of 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 2013, there was 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.

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.1 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 credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

31 December 2013	**The Group**	**The Bank**
	RM'000	**RM'000**
Credit related commitments and contingencies	**13,285**	**13,285**

31 December 2012	**The Group**	**The Bank**
	RM'000	**RM'000**
Credit related commitments and contingencies	5,082	5,082

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 100% (2012: 100%). The financial effects of collateral held for the remaining on balance sheet financial assets are insignificant.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position	Net amounts of financial assets presented in the Statements of Financial Position	Financial instruments	Financial collateral	Net amount
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets						
Derivative financial instruments	**23,319**	**-**	**23,319**	**(15,751)**	**(7,568)**	**-**
Reverse repurchase agreements	**200,251**	**-**	**200,251**	**-**	**(197,489)**	**2,762**
Total	**223,570**	**-**	**223,570**	**(15,751)**	**(205,057)**	**2,762**
31 December 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets						
Derivative financial instruments	39,088	-	39,088	(21,750)	(15,791)	1,547
Reverse repurchase agreements	150,622	-	150,622	-	(150,622)	-
Total	189,710	-	189,710	(21,750)	(166,413)	1,547

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the Statements of Financial Position	Net amounts of financial liabilities presented in the Statements of Financial Position	Financial instruments	Financial collateral	Net amount
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities						
Derivative financial instruments	**9,383**	**-**	**9,383**	**(9,383)**	**-**	**-**
Total	**9,383**	**-**	**9,383**	**(9,383)**	**-**	**-**
31 December 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities						
Derivative financial instruments	17,750	-	17,750	(17,574)	-	176
Total	17,750	-	17,750	(17,574)	-	176

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.3 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2013 and 31 December 2012 are as follows:

The Group

31 December 2013	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,375,000	-	-	6,002	1,722	1,382,724
Reverse repurchase agreements	200,251	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	131	-	-	-	-	131
Financial assets held for trading						
-Unquoted securities	1,036	-	-	-	-	1,036
Derivative financial instruments						
-Trading derivatives	23,319	-	-	-	-	23,319
Loans, advances and financing	131,067	-	-	-	-	131,067
Other assets	977,069	1,116	751	96,650	70,519	1,146,105
Amount due from related companies	14,479	36	-	-	-	14,515
Amount due from ultimate holding company	190	-	-	-	-	190
Credit related commitments and contingencies	13,285	-	-	-	-	13,285
Total credit exposures	2,735,827	1,152	751	102,652	72,241	2,912,623

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2013 and 31 December 2012 are as follows: (Continued)

The Group

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

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2013 and 31 December 2012 are as follows: (Continued)

The Bank

31 December 2013	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,337,477	-	-	5,262	1,722	1,344,461
Reverse repurchase agreements	200,251	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	102	-	-	-	-	102
Financial assets held for trading						
-Unquoted securities	1,036	-	-	-	-	1,036
Derivatives financial instruments						
-Trading derivatives	23,319	-	-	-	-	23,319
Loans, advances and financing	131,067	-	-	-	-	131,067
Other assets	975,045	1,116	751	96,650	70,519	1,144,081
Amount due from subsidiaries	131	-	-	-	-	131
Amount due from related companies	14,479	36	-	-	-	14,515
Amount due from ultimate holding company	190	-	-	-	-	190
Credit related commitments and contingencies	13,285	-	-	-	-	13,285
Total credit exposures	2,696,382	1,152	751	101,912	72,241	2,872,438

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2013 and 31 December 2012 are as follows: (Continued)

The Bank

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

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2013 and 31 December 2012, based on the industry sectors of the counterparty are as follows:

The Group

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading Unquoted securities	Derivative financial instruments Trading derivatives	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Mining and quarrying	-	-	-	-	-	-	38	-	38
Manufacturing	-	-	-	-	-	-	467	-	467
Electricity, gas and water	-	-	-	-	-	-	7,606	-	7,606
Construction	-	-	-	-	-	-	937	-	937
Real estate	-	-	-	-	-	-	421	-	421
Purchase of landed property -Residential	-	-	-	-	-	-	52	-	52
General commerce	-	-	-	-	-	-	462	-	462
Transport, storage and communications	-	-	-	-	-	-	957	-	957
Finance, insurance and business services	133,476	-	131	1,036	-	-	230,147	-	364,790
Government and government agencies	1,249,247	200,251	-	-	-	-	1,289	-	1,450,787
Purchase of securities	-	-	-	-	-	-	916,974	-	916,974
Consumption credit	-	-	-	-	-	-	-	13,285	13,285
Others	1	-	-	-	23,319	131,067	1,460	-	155,847
	1,382,724	200,251	131	1,036	23,319	131,067	1,160,810	13,285	2,912,623

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

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2013 and 31 December 2012, based on the industry sectors of the counterparty are as follows: (Continued)

The Group

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2013 and 31 December 2012, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
				Unquoted securities	Trading derivatives				
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Mining and quarrying	-	-	-	-	-	-	38	-	38
Manufacturing	-	-	-	-	-	-	467	-	467
Electricity, gas and water	-	-	-	-	-	-	7,606	-	7,606
Construction	-	-	-	-	-	-	937	-	937
Real estate	-	-	-	-	-	-	421	-	421
Purchase of landed property -Residential	-	-	-	-	-	-	52	-	52
General commerce	-	-	-	-	-	-	462	-	462
Transport, storage and communications	-	-	-	-	-	-	957	-	957
Finance, insurance and business services	96,250	-	102	1,036	-	-	229,165	-	326,553
Government and government agencies	1,248,211	200,251	-	-	-	-	1,189	-	1,449,651
Purchase of securities	-	-	-	-	-	-	916,974	-	916,974
Consumption credit	-	-	-	-	-	-	-	13,285	13,285
Others	-	-	-	-	23,319	131,067	649	-	155,035
	1,344,461	200,251	102	1,036	23,319	131,067	1,158,917	13,285	2,872,438

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

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2013 and 31 December 2012, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank

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

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

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets

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

(a) Loans, advances and financing

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

	The Group and the Bank 31 December 2013		
	Neither past due nor impaired (i) RM'000	**Impaired (ii) RM'000**	**Total RM'000**
Term loans	**133,063**	**-**	**133,063**
Other loans	**-**	**883**	**883**
Total	**133,063**	**883**	**133,946**
Less: Impairment allowances			**(2,879)**
Total net amount			**131,067**

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

There were no loans, advances and financing that are "past due but not impaired" as at 31 December 2013 and 31 December 2012.

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

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

	The Group and the Bank 31 December 2013 No rating RM'000
Term loans	**133,063**
Total	**133,063**

	The Group and the Bank 31 December 2012 No rating RM'000
Term loans	74,360
Total	74,360

Financial statement descriptions can be summarised as follows:

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

(ii) "Impaired" loans, advances and financing

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

(b) Financial assets held for trading

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

	The Group and the Bank					
	31 December 2013			31 December 2012		
	Neither past due nor impaired	**Impaired**	**Total**	Neither past due nor impaired	Impaired	Total
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Financial assets held for trading						
- Unquoted securities	**1,036**	**8,000**	**9,036**	32,896	8,000	40,896
Total	**1,036**	**8,000**	**9,036**	32,896	8,000	40,896
Less: Impairment allowance			**(8,000) ***			(8,000) *
			1,036			32,896

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

There were no financial assets held for trading that are "past due but not impaired" as at 31 December 2013 and 31 December 2012.

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

(b) Financial assets held for trading (Continued)

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

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

	The Group and the Bank	
	31 December 2013	31 December 2012
	Investment grade	Investment grade
	(AAA to BBB-)	(AAA to BBB-)
	RM'000	RM'000
Financial assets held for trading		
- Unquoted securities	**1,036**	32,896
Total	**1,036**	32,896

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets

Other financial assets of the Group as at 31 December 2013 and 31 December 2012 are summarised as follows :

	The Group			
31 December 2013	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Cash and short term funds	**1,382,724**	-	-	**1,382,724**
Reverse repurchase agreements	**200,251**	-	-	**200,251**
Deposits and placements with banks and other financial institutions	**131**	-	-	**131**
Derivative financial instruments	**23,319**	-	-	**23,319**
Other financial assets	**1,142,439**	**14,003**	**30,975**	**1,187,417**
Total	**2,748,864**	**14,003**	**30,975**	**2,793,842**
Less: Impairment allowances				**(26,607)**
Total net amount				**2,767,235**

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

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

Other financial assets of the Bank as at 31 December 2013 and 31 December 2012 are summarised as follows :

	The Bank			
31 December 2013	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	**1,344,461**	-	-	**1,344,461**
Reverse repurchase agreements	**200,251**	-	-	**200,251**
Deposits and placements with banks and other financial institutions	**102**	-	-	**102**
Derivative financial instruments	**23,319**	-	-	**23,319**
Other financial assets	**1,140,420**	**14,003**	**30,975**	**1,185,398**
Total	**2,708,553**	**14,003**	**30,975**	**2,753,531**
Less: Impairment allowances				**(26,481)**
Total net amount				**2,727,050**

31 December 2012	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	1,401,786	-	-	1,401,786
Reverse repurchase agreements	150,622	-	-	150,622
Deposits and placements with banks and other financial institutions	692,858	-	-	692,858
Derivative financial instruments	39,088	-	-	39,088
Other financial assets	1,033,459	18,141	28,846	1,080,446
Total	3,317,813	18,141	28,846	3,364,800
Less: Impairment allowances				(23,772)
Total net amount				3,341,028

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

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

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2013 and 31 December 2012:

	31 December 2013				31 December 2012			
The Group	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**
Cash and short term funds	**1,249,247**	**133,477**	**-**	**1,382,724**	179	1,423,210	-	1,423,389
Reverse repurchase agreements	**200,251**	**-**	**-**	**200,251**	150,622	-	-	150,622
Deposits and placements with banks and other financial institutions	**-**	**131**	**-**	**131**	1,017	699,183	-	700,200
Derivative financial instruments	**-**	**-**	**23,319**	**23,319**	-	1,547	37,541	39,088
Other financial assets	**2,528**	**97,942**	**1,041,969**	**1,142,439**	1,862	91,633	942,162	1,035,657
Total	**1,452,026**	**231,550**	**1,065,288**	**2,748,864**	153,680	2,215,573	979,703	3,348,956

There were no collateral repossessed by the Group as at 31 December 2013 and 31 December 2012.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

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

(ii) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2013 and 31 December 2012:

	31 December 2013				31 December 2012			
The Bank	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**	**Sovereign (no rating) RM'000**	**Investment grade (AAA to BBB-) RM'000**	**Others (no rating) RM'000**	**Total RM'000**
Cash and short term funds	**1,248,210**	**96,251**	**-**	**1,344,461**	114	1,401,672	-	1,401,786
Reverse repurchase agreements	**200,251**	**-**	**-**	**200,251**	150,622	-	-	150,622
Deposits and placements with banks and other financial institutions	**-**	**102**	**-**	**102**	-	692,858	-	692,858
Derivative financial instruments	**-**	**-**	**23,319**	**23,319**	-	1,547	37,541	39,088
Other financial assets	**1,189**	**97,942**	**1,041,289**	**1,140,420**	473	91,633	941,353	1,033,459
Total	**1,449,650**	**194,295**	**1,064,608**	**2,708,553**	151,209	2,187,710	978,894	3,317,813

There were no collateral repossessed by the Bank as at 31 December 2013 and 31 December 2012 .

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.1 Credit Risk (Continued)

47.1.4 Credit quality of financial assets (Continued)

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

(iii) An ageing analysis of other financial assets of the Group and the Bank that are "past due but not impaired" as at 31 December 2013 and 31 December 2012 are set out as below:

	The Group and the Bank 31 December 2013 Past due but not impaired		
	Up to 1 month RM'000	**>1 to 3 months RM'000**	**Total RM'000**
Other financial assets	**9,021**	**4,982**	**14,003**

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

47 Financial Risk Management (Continued)

47.2 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 with the support of Group Market Risk Committee ensures that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC and Group Market Risk Committee supported by the Market Risk Centre of Excellence in GRD 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 at 99% confidence level for 1-day holding period.

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

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

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee , 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 Group Market Risk Committee and GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

In addition to the above, Market Risk Centre of Excellence 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.

The Market Risk Centre of Excellence 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 Market Risk Centre of Excellence 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 Capital Adequacy Framework (CAF) (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk Weighted Assets).

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2013 and 31 December 2012 are as follows:

	The Group	
	31 December 2013 RM'000	31 December 2012 RM'000
VaR		
Foreign exchange risk	**281**	541
Interest rate risk	**25**	85
Equity risk	**5**	7
Total	**311**	633
Total shareholders fund	**569,428**	545,532
Percentage of shareholders funds	**0.05%**	0.12%

	The Bank	
	31 December 2013	31 December 2012
VaR	**RM'000**	**RM'000**
Foreign exchange risk		
Interest rate risk	**274**	540
Equity risk	**25**	85
Total	**5**	7
	304	632
Total shareholders fund	**547,063**	522,772
Percentage of shareholders funds	**0.06%**	0.12%

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk

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

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates.

The Group

	Non-trading book								
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,381,793	-	-	-	-	-	980	-	1,382,773
Reverse repurchase agreements	-	199,695	-	-	-	-	556	-	200,251
Deposits and placements with banks and other financial institutions	-	28	-	100	-	-	3	-	131
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	1,119	1,119
- Unquoted securities	-	-	-	-	-	-	-	1,036	1,036
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	23,319	23,319
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	2,824	-	2,824
Loans, advances and financing	2	109	36	63	9,145	121,712	-	-	131,067
Other assets	-	-	-	-	-	-	1,146,105	-	1,146,105
Amounts due from ultimate holding company	-	-	-	-	-	-	190	-	190
Amounts due from related companies	-	-	-	-	-	-	14,515	-	14,515
Total financial assets	1,381,795	199,832	36	163	9,145	121,712	1,165,173	25,474	2,903,330

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates.(Continued)

The Group

	Non-trading book								
31 December 2013	**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	178,071	10,686	-	-	-	162,200	166	-	351,123
Deposits and placements of banks and other financial institutions	1,043,445	100,000	-	-	-	-	2,196	-	1,145,641
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	9,383	9,383
Other liabilities	121	195	-	-	-	-	1,107,776	-	1,108,092
Amounts due to related companies	-	-	-	-	-	-	2,281	-	2,281
Subordinated loan	-	-	-	-	-	15,000	-	-	15,000
Total financial liabilities	1,221,637	110,881	-	-	-	177,200	1,112,419	9,383	2,631,520
Net interest rate sensitivity gap	160,158	88,951	36	163	9,145	(55,488)		16,091	
Credit related commitments and contingencies	-	-	-	-	-	-	13,285		

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)
47.2.2 Interest rate risk (Continued)

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group

	Non-trading book								
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	1,419,784	-	-	-	-	-	3,653	-	1,423,437
Reverse repurchase agreements	99,936	49,980	-	-	-	-	706	-	150,622
Deposits and placements with banks and other financial institutions	-	697,327	-	100	-	-	2,773	-	700,200
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	195	195
- Unquoted securities	-	-	-	-	-	-	-	32,896	32,896
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	39,088	39,088
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	4,732	-	4,732
Loans, advances and financing	30	145	52	169	9,636	63,213	-	-	73,245
Other assets	-	-	-	-	-	-	1,054,068	-	1,054,068
Amounts due from immediate holding	-	-	-	-	-	-	1	-	1
Amounts due from related companies	-	-	-	-	-	-	4,803	-	4,803
Total financial assets	1,519,750	747,452	52	269	9,636	63,213	1,070,736	72,179	3,483,287

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group

	Non-trading book								
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	456,927	36,926	138,380	-	-	170,150	532	-	802,915
Deposits and placements of banks and other financial institutions	929,056	396,000	-	-	-	-	2,302	-	1,327,358
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	17,750	17,750
Other liabilities	110	148	-	-	-	-	972,099	-	972,357
Amounts due to related companies	-	-	-	-	-	-	22,606	-	22,606
Subordinated loan	-	-	-	-	10,000	-	-	-	10,000
Total financial liabilities	1,386,093	433,074	138,380	-	10,000	170,150	997,539	17,750	3,152,986
Net interest rate sensitivity gap	133,657	314,378	(138,328)	269	(364)	(106,937)		54,429	
Credit related commitments and contingencies	-	-	-	-	-	-	5,082		

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates.

The Bank

	Non-trading book								
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	**1,344,353**	**-**	**-**	**-**	**-**	**-**	**156**	**-**	**1,344,509**
Reverse repurchase agreements	**-**	**199,695**	**-**	**-**	**-**	**-**	**556**	**-**	**200,251**
Deposits and placements with banks and other financial institutions	**-**	**-**	**-**	**100**	**-**	**-**	**2**	**-**	**102**
Financial assets held for trading									
- Quoted securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,119**	**1,119**
- Unquoted securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,036**	**1,036**
Derivative financial instruments									
- Trading derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,319**	**23,319**
Financial investments available-for-sale									
- Unquoted securities	**-**	**-**	**-**	**-**	**-**	**-**	**745**	**-**	**745**
Loans, advances and financing	**2**	**109**	**36**	**63**	**9,145**	**121,712**	**-**	**-**	**131,067**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,144,081**	**-**	**1,144,081**
Amounts due from subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**131**	**-**	**131**
Amounts due from related companies	**-**	**-**	**-**	**-**	**-**	**-**	**14,515**	**-**	**14,515**
Amounts due from ultimate holding company	**-**	**-**	**-**	**-**	**-**	**-**	**190**	**-**	**190**
Total financial assets	**1,344,355**	**199,804**	**36**	**163**	**9,145**	**121,712**	**1,160,376**	**25,474**	**2,861,065**

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Non-trading book								
	Up to 1 month	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities									
Deposits from customers	**178,071**	**10,686**	**-**	**-**	**-**	**162,200**	**166**	**-**	**351,123**
Deposits and placements of banks and other financial institutions	**1,043,445**	**100,000**	**-**	**-**	**-**	**-**	**2,196**	**-**	**1,145,641**
Derivative financial instruments									
- Trading derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,383**	**9,383**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**1,105,078**	**-**	**1,105,078**
Amounts due to related companies	**-**	**-**	**-**	**-**	**-**	**-**	**2,281**	**-**	**2,281**
Total financial liabilities	**1,221,516**	**110,686**	**-**	**-**	**-**	**162,200**	**1,109,721**	**9,383**	**2,613,506**
Net interest rate sensitivity gap	**122,839**	**89,118**	**36**	**163**	**9,145**	**(40,488)**		**16,091**	
Credit related commitments and contingencies	**-**	**-**	**-**	**-**	**-**	**-**	**13,285**		

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Non-trading book								
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	1,400,364	-	-	-	-	-	1,468	-	1,401,832
Reverse repurchase agreements	99,936	49,980	-	-	-	-	706	-	150,622
Deposits and placements with banks and other financial institutions	-	690,000	-	100	-	-	2,758	-	692,858
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	195	195
- Unquoted securities	-	-	-	-	-	-	-	32,896	32,896
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	745	-	745
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	39,088	39,088
Loans, advances and financing	30	145	52	169	9,636	63,213	-	-	73,245
Other assets	-	-	-	-	-	-	1,051,868	-	1,051,868
Amounts due from subsidiaries	-	-	-	-	-	-	2	-	2
Amounts due from related companies	-	-	-	-	-	-	4,803	-	4,803
Amounts due from ultimate holding company	-	-	-	-	-	-	1	-	1
Total financial assets	1,500,330	740,125	52	269	9,636	63,213	1,062,351	72,179	3,448,155

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2013 and 31 December 2012, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

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

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.2 Interest rate risk (Continued)

(c) Sensitivity of profit

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

The Group

	31 December 2013		31 December 2012	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**1,535**	**(1,535)**	2,086	(2,086)

The Bank

	31 December 2013		31 December 2012	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**1,305**	**(1,305)**	1,918	(1,918)

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.

47.2.3 Foreign exchange risk

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

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.3 Foreign exchange risk (Continued)

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

The Group									
31 December 2013	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,343,610	-	216	12,791	17,835	2,116	6,205	39,163	1,382,773
Reverse repurchase agreements	200,251	-	-	-	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	131	-	-	-	-	-	-	-	131
Financial assets held for trading									
- Quoted securities	1,054	5	5	4	-	51	-	65	1,119
- Unquoted securities	1,036	-	-	-	-	-	-	-	1,036
Derivative financial instruments									
- Trading derivatives	23,319	-	-	-	-	-	-	-	23,319
Financial investments available-for-sale									
- Unquoted securities	2,079	-	-	-	745	-	-	745	2,824
Loans, advances and financing	131,067	-	-	-	-	-	-	-	131,067
Other assets	1,077,095	837	1,496	7,890	9,270	29,110	20,407	69,010	1,146,105
Amounts due from ultimate holding company	190	-	-	-	-	-	-	-	190
Amounts due from related companies	13,922	36	-	-	557	-	-	593	14,515
	2,793,754	878	1,717	20,685	28,407	31,277	26,612	109,576	2,903,330
Financial liabilities									
Deposits from customers	351,123	-	-	-	-	-	-	-	351,123
Deposits and placements of banks and other financial institutions	1,145,189	-	-	-	-	-	452	452	1,145,641
Derivatives financial instruments									
- Trading derivatives	9,383	-	-	-	-	-	-	-	9,383
Subordinated loan	15,000	-	-	-	-	-	-	-	15,000
Other liabilities	1,038,500	824	1,484	7,838	9,139	29,270	21,037	69,592	1,108,092
Amounts due to related companies	1,267	-	-	1,014	-	-	-	1,014	2,281
	2,560,462	824	1,484	8,852	9,139	29,270	21,489	71,058	2,631,520
Credit related commitments and contingencies	13,285	-	-	-	-	-	-	-	13,285
	13,285	-	-	-	-	-	-	-	13,285

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.3 Foreign exchange risk (Continued)

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

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.3 Foreign exchange risk (Continued)

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

	The Bank								
31 December 2013	**MYR RM'000**	**IDR RM'000**	**THB RM'000**	**SGD RM'000**	**USD RM'000**	**AUD RM'000**	**Others RM'000**	**Total non-MYR RM'000**	**Grand total RM'000**
Financial assets									
Cash and short term funds	1,306,085	-	216	12,780	17,284	2,107	6,037	38,424	1,344,509
Reverse repurchase agreements	200,251	-	-	-	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	102	-	-	-	-	-	-	-	102
Financial assets held for trading									
- Quoted securities	1,054	5	5	4	-	51	-	65	1,119
- Unquoted securities	1,036	-	-	-	-	-	-	-	1,036
Derivative financial instruments									
- Trading derivatives	23,319	-	-	-	-	-	-	-	23,319
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	745	-	-	745	745
Loans, advances and financing	131,067	-	-	-	-	-	-	-	131,067
Other assets	1,075,071	837	1,496	7,890	9,270	29,110	20,407	69,010	1,144,081
Amounts due from ultimate holding company	190	-	-	-	-	-	-	-	190
Amounts due from subsidiaries	131	-	-	-	-	-	-	-	131
Amounts due from related companies	13,922	36	-	-	557	-	-	593	14,515
	2,752,228	878	1,717	20,674	27,856	31,268	26,444	108,837	2,861,065
Financial liabilities									
Deposits from customers	351,123	-	-	-	-	-	-	-	351,123
Deposits and placements of banks and other financial institutions	1,145,189	-	-	-	-	-	452	452	1,145,641
Derivatives financial instruments									
- Trading derivatives	9,383	-	-	-	-	-	-	-	9,383
Other liabilities	1,035,486	824	1,484	7,838	9,139	29,270	21,037	69,592	1,105,078
Amounts due to related companies	1,267	-	-	1,014	-	-	-	1,014	2,281
	2,542,448	824	1,484	8,852	9,139	29,270	21,489	71,058	2,613,506
Credit related commitments and contingencies	13,285	-	-	-	-	-	-	-	13,285
	13,285	-	-	-	-	-	-	-	13,285

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.3 Foreign exchange risk (Continued)

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

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

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.2 Market Risk (Continued)

47.2.3 Foreign exchange risk (Continued)

(a) Sensitivity of profit

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

	The Group and the Bank			
	31 December 2013		**31 December 2012**	
	+1% appreciation RM'000	**-1% appreciation RM'000**	**+1% appreciation RM'000**	**-1% appreciation RM'000**
Impact to profit (after tax)	**204**	**(204)**	379	(379)

The projection assumes that foreign exchange rates 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.

47.3 Liquidity Risk

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

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

47 Financial Risk Management (Continued)

47.3 Liquidity Risk (Continued)

The day-to-day responsibility for liquidity risk management and control is delegated to the Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group Treasury and Investments in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. 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 liquidity risk appetite and tolerance levels. Management action triggers have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is subjected to annual review while the assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis for compliance with internal risk thresholds and regulatory requirements for liquidity risk. The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group. Consolidated stress test, including liquidity stress test, is performed on a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modeled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities are documented and the test results are submitted to Group ALCOs, the Group Risk Committee, and the Board Risk Committees / Board of Directors 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.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities

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

	The Group							
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,382,773	-	-	-	-	-	-	1,382,773
Reverse repurchase agreements	556	199,695	-	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	3	28	-	100	-	-	-	131
Financial assets held for trading	12	-	-	-	-	1,024	1,119	2,155
Derivative financial instruments	-	-	-	-	-	23,319	-	23,319
Financial investments available-for-sale	-	-	-	-	-	-	2,824	2,824
Loans, advances and financing	2	109	36	63	9,145	121,712	-	131,067
Other assets	1,211,653	-	-	-	-	-	-	1,211,653
Deferred tax assets	-	-	-	-	-	-	48,914	48,914
Tax recoverable	257	-	-	-	-	-	-	257
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,451	2,451
Investment in associates	-	-	-	-	-	-	6,386	6,386
Property, plant and equipment	-	-	-	-	-	-	199,115	199,115
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	14,515	-	-	-	-	-	-	14,515
Amounts due from ultimate holding company	190	-	-	-	-	-	-	190
Total assets	**2,609,961**	**199,832**	**36**	**163**	**9,145**	**146,055**	**261,773**	**3,226,965**

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Group							
	Up to 1 month	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**No-specific maturity**	**Total**
31 December 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities								
Deposits from customers	**178,237**	**10,686**	**-**	**-**	**-**	**162,200**	**-**	**351,123**
Deposits and placements of banks and other financial institutions	**1,045,641**	**100,000**	**-**	**-**	**-**	**-**	**-**	**1,145,641**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**9,383**	**-**	**9,383**
Other liabilities	**1,113,575**	**195**	**-**	**-**	**-**	**-**	**-**	**1,113,770**
Provision for taxation and Zakat	**20,339**	**-**	**-**	**-**	**-**	**-**	**-**	**20,339**
Subordinated loan	**-**	**-**	**-**	**-**	**-**	**15,000**	**-**	**15,000**
Amounts due to related companies	**2,281**	**-**	**-**	**-**	**-**	**-**	**-**	**2,281**
Total liabilities	**2,360,073**	**110,881**	**-**	**-**	**-**	**186,583**	**-**	**2,657,537**
Net liquidity gap	**249,888**	**88,951**	**36**	**163**	**9,145**	**(40,528)**	**261,773**	

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

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	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	1,423,437	-	-	-	-	-	-	1,423,437
Reverse repurchase agreements	100,642	49,980	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	-	700,100	-	100	-	-	-	700,200
Financial assets held for trading	-	-	-	-	28,015	4,881	195	33,091
Derivative financial instruments	-	-	3,389	-	-	35,699	-	39,088
Financial investments available-for-sale	-	-	-	-	-	-	4,732	4,732
Loans, advances and financing	30	145	52	169	9,636	63,213	-	73,245
Other assets	1,104,536	-	-	-	-	-	-	1,104,536
Deferred tax assets	-	-	-	-	-	-	42,998	42,998
Tax recoverable	7,996	-	-	-	-	-	-	7,996
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,062	1,062
Investment in associates	-	-	-	-	-	-	5,736	5,736
Property, plant and equipment	-	-	-	-	-	-	112,707	112,707
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	4,803	-	-	-	-	-	-	4,803
Amount due from ultimate holding company	1	-	-	-	-	-	-	1
Total assets	2,641,445	750,225	3,441	269	37,651	103,793	168,394	3,705,218

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	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**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	457,459	36,926	138,380	-	-	170,150	-	802,915
Deposits and placements of banks and other financial institutions	931,358	396,000	-	-	-	-	-	1,327,358
Derivative financial instruments	-	-	-	-	-	17,750	-	17,750
Other liabilities	978,059	148	-	-	-	-	-	978,207
Provision for taxation and Zakat	850	-	-	-	-	-	-	850
Subordinated loans	-	-	-	-	10,000	-	-	10,000
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Total liabilities	2,390,332	433,074	138,380	-	10,000	187,900	-	3,159,686
Net liquidity gap	251,113	317,151	(134,939)	269	27,651	(84,107)	168,394	

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank							
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,344,509	-	-	-	-	-	-	1,344,509
Reverse repurchase agreements	556	199,695	-	-	-	-	-	200,251
Deposits and placements with banks and other financial institutions	2	-	-	100	-	-	-	102
Financial assets held for trading	12	-	-	-	-	1,024	1,119	2,155
Financial investments available-for-sale	-	-	-	-	-	-	745	745
Derivative financial instruments	-	-	-	-	-	23,319	-	23,319
Loans, advances and financing	2	109	36	63	9,145	121,712	-	131,067
Other assets	1,209,563	-	-	-	-	-	-	1,209,563
Deferred tax asset	-	-	-	-	-	-	48,754	48,754
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,451	2,451
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amounts due from ultimate holding company	190	-	-	-	-	-	-	190
Amounts due from subsidiaries	131	-	-	-	-	-	-	131
Amounts due from related companies	14,515	-	-	-	-	-	-	14,515
Property, plant and equipment	-	-	-	-	-	-	199,782	199,782
Total assets	2,569,480	199,804	36	163	9,145	146,055	261,901	3,186,584

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank							
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	**178,237**	**10,686**	**-**	**-**	**-**	**162,200**	**-**	**351,123**
Deposits and placements of banks and other financial institutions	**1,045,641**	**100,000**	**-**	**-**	**-**	**-**	**-**	**1,145,641**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**9,383**	**-**	**9,383**
Other liabilities	**1,110,756**	**-**	**-**	**-**	**-**	**-**	**-**	**1,110,756**
Provision for taxation and Zakat	**20,337**	**-**	**-**	**-**	**-**	**-**	**-**	**20,337**
Amounts due to related companies	**2,281**	**-**	**-**	**-**	**-**	**-**	**-**	**2,281**
Total liabilities	**2,357,252**	**110,686**	**-**	**-**	**-**	**171,583**	**-**	**2,639,521**
Net liquidity gap	**212,228**	**89,118**	**36**	**163**	**9,145**	**(25,528)**	**261,901**	

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Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank							
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**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,401,832	-	-	-	-	-	-	1,401,832
Reverse repurchase agreements	100,642	49,980	-	-	-	-	-	150,622
Deposits and placements with banks and other financial institutions	-	692,758	-	100	-	-	-	692,858
Financial assets held for trading	-	-	-	-	28,015	4,881	195	33,091
Financial investments available-for-sale	-	-	-	-	-	-	745	745
Derivative financial instruments	-	-	3,389	-	-	35,699	-	39,088
Loans, advances and financing	30	145	52	169	9,636	63,213	-	73,245
Other assets	1,102,208	-	-	-	-	-	-	1,102,208
Deferred tax asset	-	-	-	-	-	-	42,812	42,812
Tax recoverable	7,996	-	-	-	-	-	-	7,996
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,062	1,062
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amount due from ultimate holding company	1	-	-	-	-	-	-	1
Amounts due from subsidiaries	2	-	-	-	-	-	-	2
Amounts due from related companies	4,803	-	-	-	-	-	-	4,803
Property, plant and equipment	-	-	-	-	-	-	113,792	113,792
Total assets	2,617,514	742,883	3,441	269	37,651	103,793	167,656	3,673,207

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank							
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**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	457,459	36,926	138,380	-	-	170,150	-	802,915
Deposits and placements of banks and other financial institutions	931,358	396,000	-	-	-	-	-	1,327,358
Derivative financial instruments	-	-	-	-	-	17,750	-	17,750
Other liabilities	976,014	-	-	-	-	-	-	976,014
Provision for taxation and Zakat	607	-	-	-	-	-	-	607
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Total liabilities	2,391,229	432,926	138,380	-	-	187,900	-	3,150,435
Net liquidity gap	226,285	309,957	(134,939)	269	37,651	(84,107)	167,656	

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

47.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

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

	The Group							
31 December 2013	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	178,503	10,761	-	-	-	162,218	-	351,482
Deposits and placements of banks and other financial institutions	1,046,659	100,331	-	-	-	-	-	1,146,990
Other liabilities	1,107,897	195	-	-	-	-	-	1,108,092
Amounts due to related companies	2,281	-	-	-	-	-	-	2,281
Subordinated loans	-	-	-	750	3,000	15,909	-	19,659
	2,335,340	111,287	-	750	3,000	178,127	-	2,628,504
Commitments and contingencies								
Credit related commitments and contingencies	-	-	8	-	47	13,230	-	13,285
	-	-	8	-	47	13,230	-	13,285

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	The Group							
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**	**No-specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	457,952	37,171	140,152	-	-	170,170	-	805,445
Deposits and placements of banks and other financial institutions	932,492	397,820	-	-	-	-	-	1,330,312
Other liabilities	983,909	148	-	-	-	-	-	984,057
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Subordinated loans	-	-	-	500	10,686	-	-	11,186
	2,396,959	435,139	140,152	500	10,686	170,170	-	3,153,606
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	-	5,082	-	5,082
	-	-	-	-	-	5,082	-	5,082

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	The Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	178,503	10,761	-	-	-	162,218	-	351,482
Deposits and placements of banks and other financial institutions	1,046,659	100,331	-	-	-	-	-	1,146,990
Other liabilities	1,105,078	-	-	-	-	-	-	1,105,078
Amounts due to related companies	2,281	-	-	-	-	-	-	2,281
	2,332,521	111,092	-	-	-	162,218	-	2,605,831
Commitments and contingencies								
Credit related commitments and contingencies	-	-	8	-	47	13,230	-	13,285
	-	-	8	-	47	13,230	-	13,285

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

	The Bank							
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**	**No-specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	457,952	37,171	140,152	-	-	170,170	-	805,445
Deposits and placements of banks and other financial institutions	932,492	397,820	-	-	-	-	-	1,330,312
Other liabilities	981,864	-	-	-	-	-	-	981,864
Amounts due to related companies	22,606	-	-	-	-	-	-	22,606
Amounts due to subsidiaries	3,185	-	-	-	-	-	-	3,185
	2,398,099	434,991	140,152	-	-	170,170	-	3,143,412
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	-	5,082	-	5,082
	-	-	-	-	-	5,082	-	5,082

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

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

Derivative financial liabilities

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

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

	The Group and the Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Derivative held for trading								
- Interest rate derivatives	9,383	-	-	-	-	-	-	9,383
	9,383	-	-	-	-	-	-	9,383

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

All net settled trading derivatives are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. (Continued)

	The Group and the Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Derivative financial liabilities								
Derivative held for trading								
- Interest rate derivatives	17,582	-	-	-	-	-	-	17,582
- Equity related derivatives	168	-	-	-	-	-	-	168
	17,750	-	-	-	-	-	-	17,750

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

47.4.1 Determination of fair value and fair value hierarchy

Valuation model review and approval

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation. The validation includes an assessment of the stability of models in terms of performance over a variety of conditions and back-testing of the model outputs.

- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee and Board for approval;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;

- Any material uncertainty arising from the modelling and market inputs shall be disclosed to the Group Risk Committee;

- Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Chief Risk Officer or / and Group Risk Committee;

- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodology. Group Risk Management Quantitative Analysts shall perform model verification at least once a year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value; and

- Back testing of valuation models to assess the accuracy of the models is to be carried out for a period of one year or where 250 data points have been collected, whichever is later.

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

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

The fair value hierarchy has the following levels:

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include:
- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.1 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 hierarchy :

	The Group					The Bank				
		Fair Value					Fair Value			
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2013										
Financial assets										
Financial assets held for trading	2,155	1,119	1,036	-	2,155	2,155	1,119	1,036	-	2,155
Financial investments available-for-sale	2,824	-	-	2,824	2,824	745	-	-	745	745
Derivative financial instruments	23,319	-	23,319	-	23,319	23,319	-	23,319	-	23,319
Total	28,298	1,119	24,355	2,824	28,298	26,219	1,119	24,355	745	26,219
Financial liabilities										
Derivative financial instruments	9,383	-	9,383	-	9,383	9,383	-	9,383	-	9,383
Total	9,383	-	9,383	-	9,383	9,383	-	9,383	-	9,383

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.1 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 hierarchy (Continued):

	The Group					The Bank				
		Fair Value					Fair Value			
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2012										
Financial assets										
Financial assets held for trading	33,091	195	32,896	-	33,091	33,091	195	32,896	-	33,091
Financial investments available-for-sale	4,732	-	-	4,732	4,732	745	-	-	745	745
Derivative financial instruments	39,088	-	39,088	-	39,088	39,088	-	39,088	-	39,088
Total	76,911	195	71,984	4,732	76,911	72,924	195	71,984	745	72,924
Financial liabilities										
Derivative financial instruments	17,750	-	17,750	-	17,750	17,750	-	17,750	-	17,750
Total	17,750	-	17,750	-	17,750	17,750	-	17,750	-	17,750

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.1 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 2013 and 31 December 2012 for the Group and the Bank.

	The Group Financial Assets Financial investments available-for-sale RM'000	Total RM'000
2013		
At 1 January	**4,732**	**4,732**
Total loss recognised in statement of income	**(1,117)**	**(1,117)**
Total loss recognised in other comprehensive income	**(791)**	**(791)**
At 31 December	**2,824**	**2,824**
Total loss recognised in profit or loss relating to assets held on 31 December 2013	**(1,117)**	**(1,117)**
Total loss recognised in other comprehensive income relating to assets held on 31 December 2013	**(791)**	**(791)**
2012		
At 1 January	2,703	2,703
Total gains recognised in statement of income	1,284	1,284
New issuances	745	745
At 31 December	4,732	4,732
Total gain recognised in other comprehensive income relating to assets held on 31 December 2012	1,284	1,284

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.1 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 2013 and 31 December 2012 for the Group and the Bank. (Continued)

	The Bank Financial Assets Financial investments available-for-sale RM'000	**Total RM'000**
2013		
At 1 January / 31 December	**745**	**745**
2012		
At 1 January	-	-
Purchases	745	745
At 31 December	745	745

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Certain credit derivatives products where market rate inputs are unobservable are valued using simulation approach comprising statistical models that interact with each other. These models describe the default process and other market random variables like interest rates and foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These statistical models are the usual market standard when it comes to modeling rates, FX and credit. Credit derivatives inputs include:

- Observable credit default swap ("CDS") spreads
- Loss given default or loss severity
- Credit correlation between the underlying debt instruments (models are structured on a transaction basis and calibrated to liquid benchmark indices)
- Correlation between Credit and FX
- Credit spread and FX volatility
- Actual transactions, where available, are used to regularly recalibrate unobservable parameters

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation –

1. Long correlation positions will be shocked with lower correlation
2. Short correlation positions will be shocked with higher correlation

- Credit & FX correlation –

1. Short Quanto CDS position shocked with larger negative correlation
2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility -

1. Long volatility shocked with lower volatility
2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations. These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

The Group

Description	Fair value assets (RM' 000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	2,824	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

The Bank

Description	Fair value assets (RM' 000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	745	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed.

		The Group		
		Fair Value		
31 December 2013	Carrying value RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Total RM'000
Financial assets				
Cash and short-term funds	1,382,773	1,382,773	-	1,382,773
Reverse repurchase agreements	200,251	-	200,251	200,251
Deposits and placement with banks and other financial institutions	131	-	131	131
Loans, advances and financing	131,067	-	95,066	95,066
Other assets	1,211,653	-	1,211,653	1,211,653
Amounts due from related companies	14,515	-	14,515	14,515
Amounts due from ultimate holding company	190	-	190	190
Statutory deposits with Bank Negara Malaysia	2,451	2,451	-	2,451
Total	2,943,031	1,385,224	1,521,806	2,907,030
Financial liabilities				
Deposits from customers	351,123	-	350,361	350,361
Deposits and placements of banks and other financial institutions	1,145,641	-	1,145,641	1,145,641
Other liabilities	1,113,770	-	1,113,770	1,113,770
Amounts due to related companies	2,281	-	2,281	2,281
Subordinated loan	15,000	-	14,821	14,821
Total	2,627,815	-	2,626,874	2,626,874

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed. (Continued)

		The Bank		
		Fair Value		
	Carrying value	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
31 December 2013	RM'000	RM'000	RM'000	RM'000
Financial assets				
Cash and short-term funds	1,344,509	1,344,509	-	1,344,509
Reverse repurchase agreements	200,251	-	200,251	200,251
Deposits and placement with banks and other financial institutions	102	-	102	102
Loans, advances and financing	131,067	-	95,066	95,066
Other assets	1,209,563	-	1,209,563	1,209,563
Amounts due from subsidiaries	131	-	131	131
Amounts due from related companies	14,515	-	14,515	14,515
Amounts due from ultimate holding company	190	-	190	190
Statutory deposits with Bank Negara Malaysia	2,451	2,451	-	2,451
Total	2,902,779	1,346,960	1,519,818	2,866,778
Financial liabilities				
Deposits from customers	351,123	-	350,361	350,361
Deposits and placements of banks and other financial institutions	1,145,641	-	1,145,641	1,145,641
Other liabilities	1,110,756	-	1,110,756	1,110,756
Amounts due to related companies	2,281	-	2,281	2,281
Total	2,609,801	-	2,609,039	2,609,039

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The total fair value of each financial assets and liabilities presented on the statements of financial position as at 31 December 2012 of the Group and the Bank approximates the total carrying value as at the reporting date, except for the following:

	The Group		The Bank	
31 December 2012	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loans, advances and financing	73,245	57,344	73,245	57,344
Financial liabilities				
Deposits from customers	802,915	802,179	802,915	802,179
Subordinated loan	10,000	10,165	-	-

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (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 and reverse repurchase agreements 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.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Loans, advances and financing

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

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

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

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions: (Continued)

Amounts due (to)/from subsidiaries and related companies

The estimated fair values of the amounts 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.

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

The estimated fair value of the amounts due (to)/from holding company approximates the carrying value as the balances are recallable on demand.

Deposits from customers

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

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.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

47 Financial Risk Management (Continued)

47.4 Fair value estimation (Continued)

47.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions: (Continued)

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Due from brokers and clients and corporate finance debtors

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

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2013

		The Group and the Bank	
		31 December 2013	31 December 2012
	Note	**RM'000**	RM'000
Assets			
Cash and short term funds	**(a)**	**538,321**	256,745
Deposits and placements with banks and other financial institutions	**(b)**	**-**	692,756
Islamic derivative financial instruments	**(c)**	**23,319**	40,879
Other assets	**(d)**	**164,118**	173,455
Property, plant and equipment	**(e)**	**66**	22
Amounts due from related companies	**(f)**	**109**	-
Total assets		**725,933**	1,163,857
Liabilities and Islamic Banking capital funds			
Deposits from customers	**(g)**	**162,200**	308,736
Deposits and placements of banks and other financial institutions	**(h)**	**132,143**	263,831
Islamic derivative financial instruments	**(c)**	**9,383**	17,750
Provision for taxation and Zakat	**(i)**	**2,667**	134,557
Other liabilities	**(j)**	**8,494**	804
Amounts due to related companies	**(f)**	**274**	222
Total liabilities		**315,161**	725,900
Islamic Banking capital funds		**55,250**	55,250
Reserves		**355,522**	382,707
Total Islamic Banking capital funds		**410,772**	437,957
Total liabilities and Islamic Banking capital funds		**725,933**	1,163,857

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

Statements of Income for the financial year ended 31 December 2013

		The Group and the Bank	
		2013	2012
	Note	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	**(k)**	**14,957**	17,547
Income derived from investment of shareholders' funds	**(l)**	**60,659**	151,375
(Allowance for)/writeback of impairment losses on other receivables		**(147)**	9
Total attributable income		**75,469**	168,931
Income attributable to the depositors	**(m)**	**(13,958)**	(27,953)
Total net income		**61,511**	140,978
Personnel expenses	**(n)**	**(515)**	(589)
Other overheads and expenditures	**(o)**	**(21,861)**	(1,530)
Profit before taxation		**39,135**	138,859
Taxation	**(p)**	**(10,320)**	(34,830)
Profit after taxation/total comprehensive income for the financial year		**28,815**	104,029

Total net income	**61,511**	140,978
Add : allowance for/(writeback of) impairment losses on other receivables	**147**	(9)
	61,658	140,969

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2013

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
The Group and the Bank				
At 1 January 2013	**55,250**	**1,336**	**381,371**	**437,957**
Net profit for the financial year	**-**	**-**	**28,815**	**28,815**
Total comprehensive income for the financial year	**-**	**-**	**28,815**	**28,815**
Final dividend paid in respect of the financial year ended 31 December 2012	**-**	**-**	**(56,000)**	**(56,000)**
At 31 December 2013	**55,250**	**1,336**	**354,186**	**410,772**
At 1 January 2012	55,000	1,336	277,342	333,678
Net profit for the financial year	-	-	104,029	104,029
Total comprehensive income for the financial year	-	-	104,029	104,029
Issue of capital funds	250	-	-	250
At 31 December 2012	55,250	1,336	381,371	437,957

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

Statements of Cash Flows for the financial year ended 31 December 2013

		The Group and the Bank	
		2013	**2012**
	Note	**RM'000**	**RM'000**
Cash flows from operating activities			
Profit before taxation		**39,135**	138,859
Add/(less) adjustments:			
Unrealised foreign exchange gain		**(1)**	(26)
Allowance for/(writeback of) impairment losses on other receivables		**147**	(9)
Net unrealised loss on revaluation of Islamic derivative financial instruments		**7,401**	12,595
Depreciation of property, plant and equipment		**7**	8
Cash flow from operating profit before changes in operating assets and liabilities		**46,689**	151,427
Operating assets			
Deposits and placements with banks and other financial		**692,756**	(442,028)
Islamic derivative financial instruments		**1,792**	(66,415)
Other assets		**9,191**	12,468
Amounts due from related companies		**(109)**	171
Operating liabilities			
Deposits from customers		**(146,536)**	49,246
Deposits and placements of banks and other financial institutions		**(131,688)**	(48,644)
Other liabilities		**(126,260)**	(1,356)
Amounts due to related companies		**52**	(739)
Cash flow used in operating activities		**345,887**	(345,870)
Taxation paid		**(8,260)**	-
Net cash generated from/(used in) operating activities		**337,627**	(345,870)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(51)**	(27)
Issue of capital funds		**-**	250
Net cash (used in)/generated from financing activities		**(51)**	223
Cash flows from financing activities			
Dividends paid		**(56,000)**	-
		(56,000)	-
Net increase/(decrease) in cash and cash equivalents during the financial year		**281,576**	(345,647)
Cash and cash equivalents at beginning of the financial year		**256,745**	602,392
Cash and cash equivalents at end of the financial year	**(a)**	**538,321**	256,745

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
(a) Cash and short term funds		
Cash and balances with banks and other financial institutions	**48**	66
Money at call and deposit placements maturing within one month	**538,273**	256,679
	538,321	256,745
(b) Deposits and placements with banks and other financial institutions:		
General investment funds:		
Licensed banks	**-**	692,756

(c) Islamic derivative financial instruments

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

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

	The Group and the Bank		
	Principal amount	Fair values	
	amount RM'000	**Assets RM'000**	**Liabilities RM'000**
At 31 December 2013			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	**486,600**	**23,319**	**(9,383)**
Equity derivatives			
Equity options	**267,752**	**-**	**-**
Total derivative assets / (liabilities)	**754,352**	**23,319**	**(9,383)**

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

(c) Islamic derivative financial instruments (Continued)

	The Group and the Bank		
	Principal amount	Fair values	
		Assets	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2012			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	787,210	40,711	(17,582)
Equity derivatives			
Equity options	477,798	168	(168)
Total derivative assets/ (liabilities)	1,265,008	40,879	(17,750)

	The Group and the Bank	
	31 December 2013	31 December 2012
	RM'000	RM'000
(d) Other assets		
Due from brokers and clients net of allowance for impairment loss of RM Nil (31 December 2012: RM Nil)	**905**	60
Other debtors, deposits and prepayments	**163,213**	173,395
	164,118	173,455

48 The operations of Islamic Banking (Continued)

(e) Property, plant and equipment

The Group and the Bank	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
31 December 2013					
Cost					
At 1 January	**325**	**127**	**119**	**693**	**1,264**
Additions	**7**	**24**	**-**	**20**	**51**
At 31 December	**332**	**151**	**119**	**713**	**1,315**
Accumulated depreciation					
At 1 January	**317**	**113**	**119**	**693**	**1,242**
Charge for the financial year	**3**	**2**	**-**	**2**	**7**
At 31 December	**320**	**115**	**119**	**695**	**1,249**
Net book value as at 31 December 2013	**12**	**36**	**-**	**18**	**66**
31 December 2012					
Cost					
At 1 January	316	109	119	693	1,237
Additions	9	18	-	-	27
At 31 December	325	127	119	693	1,264
Accumulated depreciation					
At 1 January	315	109	119	691	1,234
Charge for the financial year	2	4	-	2	8
At 31 December	317	113	119	693	1,242
Net book value as at 31 December 2012	8	14	-	-	22

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		31 December 2013 RM'000	31 December 2012 RM'000
(f)	**Amounts due from/(to) related companies**		
	(i) Amounts due from:		
	- Related companies	**109**	-
	(ii) Amounts due to:		
	- Related companies	**(274)**	(222)
(g)	**Deposits from customers**		
	(i) By type of deposits:		
	Term deposits		
	Specific investment account		
	Mudharabah	**162,200**	308,736
	(ii) The deposits are sourced from the following customers:		
	- Government and statutory bodies	**54,400**	54,400
	- Business enterprises	**7,100**	1,250
	- Individuals	**96,950**	249,336
	- Others	**3,750**	3,750
		162,200	308,736
	(iii) Maturity structure of term deposits :		
	- Due within six months	**-**	138,585
	- More than five years	**162,200**	170,151
		162,200	308,736
(h)	**Deposits and placements of banks and other financial institutions**		
	Mudharabah fund:		
	Licensed Islamic bank	**132,143**	263,831
	(ii) The maturity structure of deposits is as follows:		
	Due within six months	**132,143**	263,831
(i)	**Provision for taxation and Zakat**		
	Taxation	**2,560**	133,950
	Zakat	**107**	607
		2,667	134,557
(j)	**Other liabilities**		
	Due to brokers and clients	**6,446**	237
	Other liabilities	**2,048**	567
		8,494	804

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2013	2012
		RM'000	RM'000
(k)	**Income derived from investment of depositors' funds**		
	Income derived from investment of:		
	(i) General investment deposits	**14,957**	17,547
	Income derived from investment of general investment deposits :		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**14,957**	17,547
(l)	**Income derived from investment of shareholders' funds**		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**14,839**	10,859
	Other trading income:		
	Unrealised loss on revaluation of derivatives	**(7,401)**	(12,595)
	Net realised gain on derivatives	**7,960**	13,607
		559	1,012
	Fee and commission income:		
	Advisory fees	**2,583**	62
	Placement fees	**20,385**	110,859
	Brokerage fees	**7,408**	5,492
	Underwriting commission	**3,147**	12,577
	Others	**10,872**	4,080
		44,395	133,070
	Other income:		
	Foreign exchange gain	**-**	26
	Others	**866**	6,408
		866	6,434
		60,659	151,375
(m)	**Income attributable to depositors**		
	Deposits from customers		
	- Mudharabah Fund	**1,727**	17,965
	Deposits and placements of banks and other financial institutions		
	- Mudharabah Fund	**12,231**	9,988
		13,958	27,953

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2013	2012
		RM'000	RM'000
(n)	**Personnel expenses**		
	- Salaries, allowances and bonuses	**441**	497
	- EPF	**38**	47
	- Others	**36**	45
		515	589
(o)	**Other overheads and expenditure**		
	Establishment expenses		
	- Depreciation of property, plant and equipment	**7**	8
	- Rental	**231**	303
	- Others	**145**	84
		383	395
	Marketing expenses		
	- Advertisement	**-**	827
	- Others	**91**	97
		91	924
	Administration and general expenses		
	- Legal and professional fees	**6**	6
	- Others	**102**	205
		108	211
	-Personnel cost	**14,190**	-
	-Establishment cost	**4,064**	-
	-Marketing expenses	**770**	-
	-Administration and general expenses	**2,255**	-
	Shared services cost	**21,279**	-
		21,861	1,530

Included in overheads are fees paid to the Shariah Committee members amounting to RM307,184 (2012: RM397,670).

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
(p) Taxation		
(i) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	**10,320**	34,830

(ii) Numerical reconciliation of income tax expense

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

	The Group and the Bank	
	2013	2012
	RM'000	RM'000
Profit before taxation	**39,135**	138,859
Tax calculated at tax rate of 25% (2012: 25%)	**9,784**	34,715
Expenses not deductable for tax purposes	**536**	115
Tax expense	**10,320**	34,830

48 The operations of Islamic Banking (Continued)

(q) Related party transactions and balances

(i) Related parties and relationships

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

(ii) Significant related party transactions and balances

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

	31 December 2013 Other related companies RM'000	31 December 2012 Other related companies RM'000
The Group and the Bank		
Income:		
Net realised (loss)/gain on derivatives	**(12,789)**	825
Dividend income	**28,309**	-
	15,520	825

	31 December 2013 Other related companies RM'000	31 December 2012 Other related companies RM'000
The Group and the Bank		
Amounts due from:		
Cash and short term funds	**230**	-
Deposits and placements with banks and other financial institutions	**-**	256,745
Islamic derivative financial instruments	**-**	1,547
	230	258,292
Amounts due to:		
Deposits and placements of banks and other financial institutions	**132,143**	692,756
Principal		
Profit rate related contracts:		
Islamic profit rate swaps	**-**	138,380
Equity related contracts:		
Equity options	**-**	238,899
	-	377,279

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

(r) Capital adequacy ratio

(A) 31 December 2013 - Basel III

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

	The Group and the Bank 31 December 2013
Common Equity Tier 1 Ratio	**110.483%**
Tier 1 ratio	**110.483%**
Total capital ratio	**110.483%**

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

	The Group and the Bank 31 December 2013 RM'000
Credit risk	**181,076**
Market risk	**17,359**
Operational risk	**173,362**
Total risk-weighted assets	**371,797**

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

	The Group and the Bank 31 December 2013 RM'000
Common Equity Tier I capital	
Ordinary shares	**55,250**
Other reserves	**355,522**
Common Equity Tier I capital / total Tier I Capital	**410,772**
Total capital base	**410,772**

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

48 The operations of Islamic Banking (Continued)

(r) Capital adequacy ratio (Continued)

(B) 31 December 2012 - Basel II

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

	The Group and the Bank 31 December 2012
Before deducting proposed dividend	
Core capital ratio	95.713%
Risk-weighted capital ratio	95.713%
After deducting proposed dividend	
Core capital ratio	83.474%
Risk-weighted capital ratio	83.474%

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

	The Group and the Bank 31 December 2012 RM'000
Credit risk	222,096
Market risk	23,008
Operational risk	212,470
	457,574

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

	The Group and the Bank 31 December 2012 RM'000
Tier I Capital	
Paid-up capital	55,250
Retained profits	381,371
Other reserves	1,336
	437,957
Total Tier I capital	437,957
Total capital base before proposed dividend	437,957
Proposed dividend	(56,000)
Total capital base	381,957

Notes to the Financial Statements for the financial year ended 31 December 2013 (Continued)

49 Client trust accounts

As at 31 December 2013, cash held in trust for clients by the Group and the Bank amounted to RM962,855,000 and RM696,454,000 respectively (31 December 2012: RM486,594,000, and 31 December 2012: RM386,737,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

50 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 7 March 2014.