Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

Company No: 671380-H

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

Contents

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2012

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

Principal activities

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. There was no significant change in the nature of these activities during the financial year.

Financial results

	RM'000
Net profit after taxation	401,070

Dividends

No dividends have been paid or declared by the Bank since the financial year ended 31 December 2011.

The Directors do not recommend the payment of any dividend for the current financial year.

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 2012 (Continued)

Bad and doubtful financing

Before the Financial Statements 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 financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing.

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

Current assets

Before the Financial Statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business, were shown in the accounting records of the Bank at the amount which they might be expected 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 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 Bank misleading or inappropriate.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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

Contingent and other liabilities

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

(a) any charge on the assets of 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 Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability 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 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 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 Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; 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 Bank for the financial year in which this Report is made.

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

Directors

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

Directors
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Raja Shaharul Niza bin Raja Abdul Aziz
Professor Dr. Mohammad Hashim Kamali
Badlisyah bin Abdul Ghani
Habibah Abdul (appointed on 19 January 2012)
Dato' Sulaiman bin Mohd Tahir (appointed on 28 May 2012)
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 6 March 2012)
Dato' Anwar bin Haji @ Aji (resigned on 8 March 2012)
Dr. Achmad Riawan Amin (resigned on 5 April 2012)

In accordance with Article 83 of the Bank's Articles of Association, Raja Shaharul Niza bin Raja Abdul Aziz and Badlisyah bin Abdul Ghani shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 84 of the Bank's Articles of Association, Dato' Sulaiman bin Mohd Tahir will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

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 of the ultimate holding company during the financial year are as follows:

	Number of ordinary shares of RM1 each			
	As at 1 January/Date of appointment	Acquired/ Granted	Disposed	As at 31 December
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad				
Direct interest				
Badlisyah bin Abdul Ghani	26,910	63,124 **	-	90,034
Dato' Sulaiman bin Mohd Tahir	116,225 **	-	-	116,225

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

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interests in shares and options over shares of the Bank, the immediate holding company, the ultimate holding company and the Bank's related companies during the financial year.

CIMB Islamic Bank Berhad

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

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 30 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the 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 Management Equity Scheme and Equity Ownership Plan of the ultimate holding company (see Note 29 (d) and (e) of the Financial Statements).

2012 Business Plan And Strategy

The Bank's Business Plan and Strategy for 2012 reflects the second year of the implementation of the 3rd phase of the Group's Islamic banking and finance business Management Roadmap instituted in 2002, which covers the period between 2011-2015, where we aim to enhance and entrench our ASEAN platform using the our Group's footprint, resources and insfrastructure.

Our medium to long-term aspirations up to 2015 recognises that the pursuit of our various strategic priorities will have resource implications driven by the complexity and the number of projects that we undertake to optimize our business in Malaysia and regionally. This includes planned growth of regulatory dialogue activities to ensure a conducive operating environment for our business and having an integrated and regionalised approach to business development and operations.

The Bank is preparing to enhance its operations and to become more active in providing clear Islamic financial value propositions to its stakeholders. This brings about the opportunity for the Bank to apply the 10 years of experience it has built up in the industry in Malaysia, regionally and globally to provide better product and service delivery to consumers so as to increase wallet share from consumers, especially Muslim consumers that the has been a low lying fruit for the Bank.

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

2012 Business Plan And Strategy (Continued)

The recent global economic slowdown with weak leading indicator data and a degradation of the external environment resulting from the ongoing sovereign debt crisis in the Eurozone as well as various regulatory changes for the industry that would lead to margin compression and higher operational risk, all pointed to weaker growth rates in 2012. The heightened uncertainty posed by the upcoming national general election that could happen anytime in 2012 up to early 2013 did not help the expectations in 2012. Within this vague, dynamic and complex operational environment, taking account of the transitional challenges of automating the business with a new core banking system and business trends, the operational objectives of the Bank for 2012 are to:

- maintain strong focus on quality product and service delivery;
- achieve rapid operational start of the new Shariah governance framework introduced by Bank Negara Malaysia sometime in 2011;
- strengthen portfolio management capacity to handle growing balance sheet;
- be prepared to respond to shifting challenges and potential game-changing crisis events anticipated in the year;
- promote client focus across the organisation and dynamic business development; and
- building on strengthened matrix management and the dual banking leveraged model to ensure efficient resource allocation across business segments.

Outlook for 2013

The Bank expects competitions to continue to intensify in 2013. The Bank will continue to focus in enhancing our understanding of our customer base so that we can focus on the right Islamic financial value propositions to all stakeholders. All these will be achieved by leveraging on the Group's strengths and reach especially across the Asean regions and now the Asia-Pacific regions. Although Malaysia will continue to dominate in terms of business and revenue contributions, the Bank expects ex-Malaysia contributions to increase gradually in the medium term predominantly in advisory and fee based activities. Greater emphasis in growing the Indonesia and Singapore operations will be put in 2013 to take advantage of greater regulatory facilitations coupled with a steady increase in the consumer awareness of the value propositions offered by Islamic retail products and services.

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

Outlook for 2013 (Continued)

The Islamic investment banking segment particularly Islamic bond or sukuk will continue to offer substantial opportunities to the Bank due to sustainable and increasingly more visible demands across Asia Pacific including in Malaysia where sukuk has entrenched itself as one of the most popular choices of fund raising. The Bank is also in the process of expanding its wholesale banking product offerings to differentiate itself from its competitors. In the Middle East, the Bank will continue to focus on providing specific services covering asset management, treasury and advisory to select group of clientele and help bridge the gap between the Middle East and Asia Pacific.

The Bank will also be focusing on various implementation plans involving the IT infrastructures, risk, services and operational platforms in our effort to strengthen the overall support and governance structures. The Bank will take advantage on the growth momentum. which has been made possible due to our highly innovative and proven business model which focuses on the economies of scale and complete infrastructure available within the Group.

We anticipate the business to continuously be impacted by regulatory changes as well as well legislative changes in 2013, which will cause the operating environment to be tough and risky. We do not see any significant difficulty in managing those changes and we have taken the necessary steps to ensure business and revenue growth are not affected.

Rating by External Rating Agencies

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

Rating Agency	Rating Classification	Definition
Malaysian Rating Corporation Berhad ('MARC') Date accorded: December 2012	Long Term Financial Institution Rating: AAA Short Term Financial Institution Rating: MARC-1 Tier 2 Junior Sukuk Programme: AA+IS Long Term Ratings Outlook: Stable	Indicates an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. Typically possess a strong balance sheet and superior earnings record
RAM Rating Services Berhad ('RAM') Date accorded: August 2012	Long Term Financial Institution Rating/Outlook: AAA/Stable Short Term Financial Institution Rating: P1	Indicates a superior capacity to meet its financial obligations

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

Board Shariah Committee

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and now as enshrined in the recently approved Islamic Financial Services Act 2013, the Board of Directors (the "Board'') is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank's operation. 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 the Bank.

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

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

The members of the Board Shariah Committee are as follows:

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

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

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

Zakat obligations

The obligation and responsibility for payment of Zakat lies with the Muslim shareholders (if any) of the Bank, the Bank's Immediate Holding Company 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 its Muslim customers only. 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 Bank is reflective of this.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 40 to the Financial Statements.

Subsequent events after the financial year

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

Statement of Directors' 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 Bank present a true and fair view of the state of affairs of the Bank as at 31 December 2012 and of the results and cash flows 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.

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

Statement of Directors' Responsibility (Continued)

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of 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 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 12 of the Financial Statements.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the 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.

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Director

Badlisyah bin Abdul Ghani
Director

Kuala Lumpur
12 March 2013

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

We, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Badlisyah bin Abdul Ghani, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 18 to 186 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2012 and of the results and cash flows of 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.

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Director

Badlisyah bin Abdul Ghani
Director

Kuala Lumpur
12 March 2013

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

I, Kim Kenny, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 18 to 186 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Kim Kenny

Subscribed and solemnly declared by the above named Kim Kenny at Kuala Lumpur before me, on

Commissioner for Oaths

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

Our main responsibilities and accountabilities is to assist the Board in ensuring that the Bank's business 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 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 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 balance sheets 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 operations on a scheduled and periodic basis.

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

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

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2012 that were presented to us were done in compliance with Shariah;

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

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

CIMB Islamic 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 year ended 31 December 2012 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee.

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
12 March 2013

Independent Auditors' Report to the member of CIMB Islamic Bank Berhad

Company No: 671380-H
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Report on the Financial Statements

We have audited the Financial Statements of CIMB Islamic Bank Berhad on pages 18 to 186, which comprise the statement of financial position as at 31 December 2012 of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 41.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report to the member of CIMB Islamic Bank Berhad (Continued)

Company No: 671380-H
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Opinion

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur

CIMB Islamic Bank Berhad

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Statement of Financial Position as at 31 December 2012

	Note	**31 December 2012 RM'000**	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	2	**6,296,329**	7,554,885	7,744,407
Deposits and placements with banks and other financial institutions	3	**601,335**	1,090,383	950,000
Financial assets held for trading	4	**6,117,048**	2,753,069	2,347,894
Financial investments available-for-sale	5	**2,797,337**	1,243,668	656,008
Financial investments held-to-maturity	6	**652,390**	690,066	898,714
Islamic derivative financial instruments	7	**168,360**	147,608	150,688
Financing, advances and other financing/loans	8	**33,073,282**	28,074,104	22,424,577
Other assets	9	**254,882**	299,017	334,228
Deferred taxation	10	**10,731**	6,359	4,307
Amount due from holding company	11	**-**	-	245,034
Amount due from related companies	11	**431**	1,760	828
Statutory deposits with Bank Negara Malaysia	12	**1,104,097**	1,097,797	143,406
Property, plant and equipment	13	**5,490**	3,899	1,862
Intangible assets	14	**7,328**	4,170	4,287
Goodwill	15	**136,000**	136,000	136,000
Total assets		**51,225,040**	43,102,785	36,042,240
Liabilities				
Deposits from customers	16	**35,267,899**	29,238,470	22,677,955
Deposits and placements of banks and other financial institutions	17	**11,660,728**	10,250,833	11,125,028
Subordinated Sukuk	18	**863,557**	564,679	300,000
Other liabilities	19	**397,107**	308,946	384,556
Islamic derivative financial instruments	7	**380,529**	395,854	199,199
Provision for tax and zakat		**9,870**	16,614	12,989
Amount due to holding company	11	**298,352**	393,673	-
Amount due to related companies	11	**3,554**	139	-
Total liabilities		**48,881,596**	41,169,208	34,699,727
Capital and reserves attributable to equity holder of the Bank				
Perpetual preference shares	20	**70,000**	70,000	70,000
Ordinary share capital	21	**1,000,000**	1,000,000	750,000
Reserves	22	**1,273,444**	863,577	522,513
Total equity		**2,343,444**	1,933,577	1,342,513
Total equity and liabilities		**51,225,040**	43,102,785	36,042,240
Commitments and contingencies	7	**26,964,137**	16,924,373	17,877,382
Capital adequacy				
Core capital ratio	35	**8.69%**	10.44%	13.22%
Risk-weighted capital ratio	35	**13.27%**	14.42%	17.19%

CIMB Islamic Bank Berhad

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Statement of Income
for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	23	**1,913,804**	1,621,433
Income derived from investment of shareholder's funds	24	**239,934**	203,493
Allowances for losses on financing, advances and other financing/loans	25	**(32,045)**	(113,831)
Allowances for impairment losses on other receivables		**(93)**	(21)
Total distributable income		**2,121,600**	1,711,074
Income attributable to depositors	26	**(1,113,512)**	(941,315)
Total net income		**1,008,088**	769,759
Personnel expenses	27	**(83,024)**	(68,082)
Other overheads and expenditures	28	**(389,572)**	(254,561)
Profit before taxation		**535,492**	447,116
Taxation	31	**(134,422)**	(111,384)
Profit after taxation		**401,070**	335,732
Earnings per share (sen)			
- basic	32	**40.11**	37.39

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

	2012 RM'000	2011 RM'000
Profit for the financial year	**401,070**	335,732
Other comprehensive income :		
Revaluation reserve of financial investments available-for-sale		
- Net gain from change in fair value	**17,178**	12,504
- Realised gain transferred to statement of income on disposal	**(5,602)**	(6,681)
- Income tax effects	**(2,894)**	(1,456)
Total other comprehensive income	**8,682**	4,367
Total comprehensive income for the financial year	**409,752**	340,099

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statement of Changes in Equity
for the financial year ended 31 December 2012

		←			Non-distributable				→		
	Note	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012											
- as previously reported		1,000,000	70,000	454,387	8,268	(2,457)	458	59,113	16,499	322,282	1,928,550
- effect of adopting MFRS 1	39	-	-	-	5,027	-	-	-	-	-	5,027
As restated		1,000,000	70,000	454,387	13,295	(2,457)	458	59,113	16,499	322,282	1,933,577
Net profit for the financial year		-	-	-	-	-	-	-	-	401,070	401,070
Other comprehensive income (net of tax)											
- Financial investments available-for-sale		-	-	-	8,682	-	-	-		-	8,682
Total comprehensive income for the financial year		-	-	-	8,682	-	-	-	-	401,070	409,752
Expiry of Management Equity Scheme		-	-	-	-	-	-	-	(16,279)	16,279	-
Share-based payment expense		-	-	-	-	-	-	-	572	-	572
Transfer to statutory reserve		-	-	200,535	-	-	-	-	-	(200,535)	-
Transfer to regulatory reserve		-	-	-	-	-	-	183,511	-	(183,511)	-
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	(457)	-	(457)
As at 31 December 2012		1,000,000	70,000	654,922	21,977	(2,457)	458	242,624	335	355,585	2,343,444

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

		←			Non-distributable				→		
	Note	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained profits RM'000	Total RM'000
At 1 January 2011											
- as previously reported		750,000	70,000	286,521	5,082	(2,457)	458	7,405	15,534	206,124	1,338,667
- effect of adopting MFRS 1	39	-	-	-	3,846	-	-	-	-	-	3,846
As restated		750,000	70,000	286,521	8,928	(2,457)	458	7,405	15,534	206,124	1,342,513
Net profit for the financial year		-	-	-	-	-	-	-	-	335,732	335,732
Other comprehensive income (net of tax)											
- Financial investments available-for-sale		-	-	-	4,367	-	-	-		-	4,367
Total comprehensive income for the financial year		-	-	-	4,367	-	-	-	-	335,732	340,099
Share-based payment expense		-	-	-	-	-	-	-	1,100	-	1,100
Transfer to statutory reserve		-	-	167,866	-	-	-	-	-	(167,866)	-
Transfer to regulatory reserve		-	-	-	-	-	-	51,708	-	(51,708)	-
Issuance of shares		250,000	-	-	-	-	-	-	-	-	250,000
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	(135)	-	(135)
As at 31 December 2011		1,000,000	70,000	454,387	13,295	(2,457)	458	59,113	16,499	322,282	1,933,577

CIMB Islamic Bank Berhad
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Statement of Cash Flows for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Profit before taxation	**535,492**	447,116
Adjustments for:		
Depreciation of property, plant and equipment	**1,660**	1,039
Amortisation of intangible assets	**2,811**	1,280
Profit income from financial investments available-for-sale	**(73,042)**	(38,305)
Profit income from financial investments held-to-maturity	**(44,085)**	(38,521)
Profit expense on subordinated Sukuk	**29,617**	23,307
Gain from disposal of financial investments available-for-sale	**(5,602)**	(6,681)
Property, plant and equipment written off	**117**	-
Net (gain)/loss from hedging derivatives	**(4,682)**	7,959
Unrealised (gain)/loss on foreign exchange	**(61,557)**	31,935
Unrealised loss from revaluation of financial assets held for trading	**260**	753
Accretion of discount less amortisation of premium	**(42,947)**	(25,294)
Unrealised (gain)/loss from revaluation of Islamic profit rate swap	**(22,437)**	10,599
Allowances for losses on financing, advances and other financing/loans	**88,129**	151,604
Provision for other receivables	**93**	21
Share-based payment expense	**572**	1,100
	404,399	567,912
(Increase)/decrease in operating assets		
Financing, advances and other financing/loans	**(5,087,308)**	(5,801,131)
Other assets	**43,587**	35,054
Statutory deposits with Bank Negara Malaysia	**(6,300)**	(954,391)
Deposits and placements with banks and other financial institutions	**489,048**	(140,383)
Financial assets held for trading	**(3,321,260)**	(380,140)
Amount due from holding company	**-**	245,034
Amount due from related company	**1,330**	(932)
Increase/(decrease) in operating liabilities		
Deposits from customers	**6,029,429**	6,560,515
Deposits and placements from banks and other financial institutions	**1,409,895**	(874,195)
Islamic derivative financial instruments	**(13,641)**	189,136
Amount due to holding company	**(95,321)**	393,673
Amount due to related companies	**3,415**	139
Other liabilities	**147,645**	(102,837)
	4,918	(262,546)
Taxation paid	**(146,361)**	(111,268)
Net cash flows used in operating activities	**(141,443)**	(373,814)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statement of Cash Flows
for the financial year ended 31 December 2012 (Continued)

	Note	2012 RM'000	2011 RM'000
Cash flows from investing activities			
Net proceeds from sale/(purchase) of financial investmens held-to-maturity		**37,997**	(82,369)
Net proceeds from purchase of financial investments available-for-sale		**(1,512,570)**	(280,622)
Profit income received from financial investments available-for-sale		**49,082**	23,488
Profit income received from financial investments held-to-maturity		**43,772**	49,327
Purchase of property, plant and equipment		**(3,513)**	(3,550)
Purchase of intangible assets		**(5,824)**	(689)
Net cash flows used in investing activities		**(1,391,056)**	(294,415)
Cash flow from financing activities			
Issuance of ordinary shares		**-**	250,000
Profit expense on subordinated Sukuk		**(26,057)**	(21,293)
Proceeds from issuance of subordinated Sukuk		**300,000**	250,000
Net cash flows generated from financing activities		**273,943**	478,707
Net decrease in cash and cash equivalents		**(1,258,556)**	(189,522)
Cash and cash equivalents at beginning of the financial year		**7,554,885**	7,744,407
Cash and cash equivalents at end of the financial year	**2**	**6,296,329**	7,554,885

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

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

A Basis of preparation and Transition from FRS to MFRS

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

The Financial Statements of the Bank for the financial year ended 31 December 2012 are the first set of Financial Statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), including MFRS 1 "First-time Adoption of MFRS". Subject to certain transition elections disclosed in Note 39, the Bank has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these Financial Statements have been restated to give effect to these changes. Note 39 discloses the impact of the transition to MFRS on the Bank's reported financial position, financial performance and cash flows.

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

The preparation of Financial Statements in conformity with 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 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 37.

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

A Basis of preparation and Transition from FRS to MFRS (Continued)

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

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

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

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income" (effective from 1 July 2012) requires entities to separate items presented in "other comprehensive income" in the statement of comprehensive income ("OCI") 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 Bank will apply these standards from financial years beginning on or after 1 January 2013.

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

A Basis of preparation and Transition from FRS to MFRS (Continued)

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

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

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

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

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

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

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

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

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Bank except for MFRS 9 and MFRS 119. The financial effects of the adoption of MFRS 9 and MFRS 119 are still being assessed by the Bank.

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

B Recognition of profit income and profit expense

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

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit 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 profit rate, the Bank 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 profit rate, but not future credit losses.

Profit on impaired financial assets is recognised using the rate of profit 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.

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

C Recognition of fees and other income

Financing arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for financing, advances and other financing/loans that are likely to be disbursed are deferred (together with direct cost) and income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit on the financial instrument.

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

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

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

D Financial assets

(a) Classification

The Bank allocates its financial assets into the following categories: financial assets at fair value through profit or loss, financing 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 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.

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

D Financial assets (Continued)

(a) Classification (Continued)

(ii) Financing and receivables

Financing 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 Bank's management has the positive intent and ability to hold to maturity. If the Bank sell 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 profit rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, financing and receivables and financial investments held-to-maturity.

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

D Financial assets (Continued)

(c) Subsequent measurement (Continued)

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

Profit 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 profit 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.

Financing and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the financing including the transaction costs, and measured subsequently at amortised cost using the effective profit rate method. Profit on financing 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 financing and recognised in the statement of income.

(d) Reclassification of financial assets

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 Bank may choose to reclassify financial assets that would meet the definition of financing and receivables out of the held for trading or available-for-sale categories if 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 profit 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 profit rates.

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

E 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 Bank accounting policy on derivatives is detailed in Note H.

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

(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, subordinated sukuk, sundry creditors, amount due to related companies and amount due to holding company.

F De-recognition of financial assets and financial liabilities

Financial assets are de-recognised 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 de-recognised when they have been redeemed or otherwise extinguished.

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

G Impairment of financial assets

a) Assets carried at amortised cost

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

The criteria the Bank use to determine that there is objective evidence of impairment loss include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in outstanding 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 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 Bank 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 profit 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 financing or financial investments held-to-maturity has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

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

G Impairment of financial assets (Continued)

a) Assets carried at amortised cost (Continued)

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

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

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

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

(b) Assets classified as available-for-sale

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

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

G Impairment of financial assets (Continued)

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

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an 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 equity 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.

H Derivative financial instruments and hedge accounting

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

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

H Derivative financial instruments and hedge accounting (Continued)

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

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

(a) Fair value hedge

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

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

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

H Derivative financial instruments and hedge accounting (Continued)

(b) Cash flow hedge

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

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

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

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

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

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:

Renovations	5 years or over the period of the tenancy, whichever is shorter
Office equipment	3 - 5 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Computer equipment:	
- servers	3 - 5 years
- other hardware	3 - 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 other operating income.

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

J Intangible assets

(a) Goodwill

Goodwill arises on business combinations when the cost of acquisition exceeds the fair value of the Bank's share of the identifiable assets, liabilities and contingent liabilities acquired. 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 CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment. The Bank allocates goodwill to each business unit (Note 15 to these Financial Statements).

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.

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(b) Other intangible assets

Other intangible assets include computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Computer software are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives as follows:

Computer software	3 – 15 years

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

K 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 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 leases and the related rentals are charged to the statement of income.

(b) Operating lease

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 compensation (ta'widh) is recognised as an expense in the period in which termination takes place.

L Assets sold under lease

(a) Finance lease

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

(b) Operating lease

Assets leased out under operating leases are treated as the Bank's assets and included in the property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight-line basis over the lease term.

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

M Currency translations

(a) Functional and presentation currency

The Financial Statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

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

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

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

N 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 Malaysia 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 for taxable profit or loss.

N Income and deferred taxes (Continued)

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

Deferred tax related to fair value re-measurement of available-for-sale securities, which are 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 at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

O Employee benefits

(a) Short-term employee benefits

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

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

(b) Post employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays 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 Bank’s contributions to a defined contribution plan are charged to the statement of income in the period to which they relate. Once the contributions have been paid, the Bank has 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.

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

O Employee benefits (Continued)

(c) Other long-term employee benefits

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

(d) Termination benefits

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

(e) Share-based compensation benefits

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

The Bank has an equity-settled, share-based compensation plan of the equities in the ultimate holding company, CIMB Group Holdings Berhad ("CIMB Group") which is settled by a substantial shareholder of CIMB Group. 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 the end of each reporting period, 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.

O Employee benefits (Continued)

(e) Share-based compensation benefits (Continued)

Employee Ownership Plan ("EOP")

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

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

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

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

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

Q Provisions

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

(i) the Bank has 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 an expense.

R 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 customer fails to make payments when due, in accordance with the terms of an instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure financing 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 judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

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

S Cash and cash equivalents

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

T 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 Bank 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.

U 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 Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in 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 Bank; 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.

V Restricted Profit Sharing Investment Accounts ("RPSIA")

These deposits are used to fund specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by depositors.

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

W 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 to shareholder's of the Bank

Dividends on cumulative redeemable preference shares are recognised as a liability and expressed on an accrual basis. Dividends on ordinary shares are recognised as a liability when the shareholder's right to receive the dividend is established.

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

1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Banking Act, 1983 done in accordance with Shariah.

The immediate holding company of the Bank is CIMB Bank Berhad, a licensed bank incorporated in Malaysia and the Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

The Bank is a licensed Islamic Bank under the Islamic Banking Act, 1983, incorporated and domiciled in Malaysia.

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

The address of the Bank's principal place of business is 34th Floor, Menara Bumiputra- Commerce, 11 Jalan Raja Laut, 50350 Kuala Lumpur.

2 Cash and short-term funds

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with banks and other financial institutions	**128,732**	142,823	73,353
Money at call and deposit placements maturing within one month	**6,167,597**	7,412,062	7,671,054
	6,296,329	7,554,885	7,744,407

3 Deposits and placements with banks and other financial institutions

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	**444,936**	861,019	400,000
Licensed investment banks	**146,362**	229,364	-
Other financial institutions	**10,037**	-	550,000
	601,335	1,090,383	950,000

4 Financial assets held for trading

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments			
Unquoted:			
In Malaysia			
Malaysian Government treasury bills	**68,456**	9,734	-
Bank Negara negotiable notes	**3,540,897**	1,806,188	1,283,823
Islamic accepted bills	**150,202**	146,891	98,364
Islamic negotiable instruments of deposits	**1,656,985**	504,157	638,001
Malaysian Government Securities	**-**	20,163	-
Government Investment Issues	**251,804**	95,456	194,227
	5,668,344	2,582,589	2,214,415
Unquoted securities:			
In Malaysia			
Private debt securities	**448,704**	170,480	133,479
	6,117,048	2,753,069	2,347,894

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

5 Financial investments available-for-sale

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Money market instruments			
Unquoted:			
In Malaysia			
Government Investment Issues	**1,140,378**	448,440	165,641
Islamic Cagamas bonds	**20,764**	35,857	35,423
Malaysian Government Securities	**34,262**	33,697	-
Khazanah bonds	**54,240**	-	-
	1,249,644	517,994	201,064
Unquoted securities:			
In Malaysia			
Private debt securities	**1,547,118**	725,099	454,369
Placement with Islamic Banking and Finance Institute Malaysia	**575**	575	575
	2,797,337	1,243,668	656,008

On 1 January 2012, the Bank designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and carrying amount of the financial statements held-to-maturity of the Bank at the date of designation (in RM'000) is RM 493,994 (1 January 2011: RM200,048) and RM 487,291 (1 January 2011: RM194,921) respectively.

6 Financial investments held-to-maturity

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted securities:			
In Malaysia			
Private debt securities	**652,430**	688,724	897,820
Amortisation of premium less accretion of discount	**(40)**	1,342	894
	652,390	690,066	898,714

Private debt securities amounting to (in RM'000) RM Nil (31 December 2011: RM Nil; 1 January 2011: RM864,907) are funded by a RPSIA depositor, as part of an arrangement with CIMB Bank Berhad.

7 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

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

	31 December 2012	**Fair values**		31 December 2011	Fair values		1 January 2011	Fair values	
	Principal amount RM'000	**Assets RM'000**	**Liabilities RM'000**	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives									
Currency forwards	**1,579,364**	**33,775**	**(31,664)**	463,003	8,586	(1,641)	33,825	42	(460)
Currency swaps	**2,628,568**	**15,854**	**(8,780)**	1,266,140	10,986	(8,785)	1,621,195	8,235	(20,753)
Currency spot	**1,604**	**1**	**(1)**	1,425	2	-	245	1	-
Currency option	**92,114**	**297**	**(297)**	67,409	714	(714)	-	-	-
Cross currency profit rate swaps	**331,784**	**17,994**	**(17,994)**	330,114	15,938	(15,939)	88,549	2,653	(2,653)
	4,633,434	**67,921**	**(58,736)**	2,128,091	36,226	(27,079)	1,743,814	10,931	(23,866)
Profit rate derivatives									
Islamic profit rate swaps	**8,265,671**	**75,209**	**(52,354)**	5,290,799	92,632	(95,791)	5,799,537	122,279	(108,850)
Equity related derivatives									
Equity options	**1,471,506**	**15,856**	**(15,856)**	1,896,611	10,555	(10,555)	2,219,544	6,342	(6,342)
Held for hedging purpose									
Islamic profit rate swaps	**7,078,403**	**9,374**	**(253,583)**	4,629,498	8,195	(262,429)	4,400,000	11,136	(60,141)
Total derivative assets/(liabilities)	**21,449,014**	**168,360**	**(380,529)**	13,944,999	147,608	(395,854)	14,162,895	150,688	(199,199)

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

7 Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

Fair value hedge

Fair value hedges are used by the Bank to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market rates. The Bank uses Islamic profit rate swaps to hedge against profit rate risk of financing. For designated and qualifying fair value hedges, the changes in fair value of derivative and item in relation to the hedged risk are recognised in the statement of income. If the hedge relationship is terminated, the cumulative adjustment to the carrying amount of the hedged item is amortised in the statement of income based on recalculated effective profit rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the statement of income immediately.

Included in the net income (Note 24) is the net gains and losses arising from fair value hedges during the year as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Gain/(loss) on hedging instruments	**12,895**	(217,591)	(6,643)
Gain/(loss) on the hedged items attributable to the hedged risk	**(13,562)**	216,290	8,522

(ii) Commitments and contingencies

In the normal course of business, the Bank enters 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.

7 Islamic derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies (Continued)

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

	31 December 2012 Principal amount RM'000	31 December 2011 Principal amount RM'000	1 January 2011 Principal amount RM'000
Credit related			
Direct credit substitutes	**195,449**	28,627	37,197
Certain transaction-related contingent items	**434,554**	345,460	374,102
Short-term self-liquidating trade-related contingencies	**85,180**	249,517	17,949
Irrevocable commitments to extend credit:			
- maturity not exceeding one year	**3,852,873**	1,469,541	1,782,407
- maturity exceeding one year	**901,637**	857,762	1,411,601
Miscellaneous commitments and contingencies	**45,430**	28,467	91,231
Total credit-related commitments and contingencies	**5,515,123**	2,979,374	3,714,487

	31 December 2012 Principal amount RM'000	31 December 2011 Principal amount RM'000	1 January 2011 Principal amount RM'000
Treasury related			
Foreign exchange related contracts:			
- less than one year	**3,580,714**	1,797,977	1,655,265
- one year to less than five years	**157,015**	89,714	88,549
- over five years	**895,706**	240,400	-
Profit rate related contracts:			
- less than one year	**1,093,345**	1,391,478	377,279
- one year to less than five years	**4,615,834**	2,712,481	4,315,158
- over five years	**9,634,894**	5,816,338	5,507,100
Equity related contracts:			
- less than one year	**710,632**	208,568	637,740
- one year to less than five years	**345,162**	962,110	1,075,479
- above 5 years	**415,712**	725,933	506,325
Total treasury-related commitments and contingencies	**21,449,014**	13,944,999	14,162,895
	26,964,137	16,924,373	17,877,382

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

8 Financing, advances and other financing/loans

(i) By type:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash line	**471,590**	373,056	322,529
Term financing			
- House financing	**8,231,990**	7,134,214	5,532,014
- Syndicated term financing	**330,015**	192,065	380,986
- Hire purchase receivables	**6,495,487**	5,410,652	5,234,598
- Other term financing	**15,766,461**	14,444,297	10,518,830
Credit card receivables	**97,882**	104,078	90,472
Bills receivable	**3,766**	2,581	2,235
Islamic trust receipts	**35,707**	35,391	59,091
Claims on customer under Islamic accepted bills	**340,687**	233,479	191,657
Revolving credits	**1,450,191**	423,325	407,330
Share purchase financing	**35,226**	-	-
Other loans	**-**	-	11
Gross financing, advances and other financing/loans^	**33,259,002**	28,353,138	22,739,753
Fair value changes arising from fair value hedges	**222,909**	241,966	17,997
	33,481,911	28,595,104	22,757,750
Less: Allowance for impairment loss			
- Individual impairment allowance	**(60,925)**	(103,256)	(92,683)
- Portfolio impairment allowance	**(347,704)**	(417,744)	(240,490)
	33,073,282	28,074,104	22,424,577

^Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts (“RPSIA”), as part of an arrangement between CIMB Islamic Bank Berhad and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 31 December 2012, the gross exposures to RPSIA financing is RM 988 million (31 December 2011: RM1,065 million; 1 January 2011 : RM7,331 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM3.5 million (31 December 2011: RM3.7 million; 1 January 2011: RM154.8 million) is recognised in the Financial Statements of CIMB Bank Berhad. There was no individual impairment provided on this RPSIA financing.

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

8 Financing, advances and other financing/loans (Continued)

(i) By type: (Continued)

The Bank has undertaken fair value hedge on the profit rate risk of RM6,500 million (31 December 2011: RM4,350 million; 1 January 2011 : RM4,400 million) financing using Islamic profit rate swaps.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Gross financing hedged	**6,500,000**	4,350,000	4,400,000
Fair value changes arising from fair value hedges	**222,909**	241,966	17,997
	6,722,909	4,591,966	4,417,997

The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 December 2012 is RM247 million (31 December 2011 : RM262 million; 1 January 2011: RM49 million).

(ii) By contract:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bai' Bithaman Ajil *(deferred payment sale)*	**12,957,557**	11,569,606	10,320,341
Ijarah Muntahiyyah Bittamlik/AITAB *(Lease Ending with Ownership)*	**7,330,211**	6,299,331	5,979,854
Murabahah (*Cost Plus Sale*)	**325,682**	226,767	303,903
Bai' al-'inah (*Sale and repruchase*)	**12,455,612**	9,913,017	5,827,671
Others	**189,940**	344,417	307,984
	33,259,002	28,353,138	22,739,753

(iii) By type of customer:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Domestic non-bank financial institutions	**574,212**	357,211	213,028
Domestic business enterprises			
- Small medium enterprises	**1,360,257**	1,332,710	1,267,220
- Others	**5,191,432**	3,146,765	3,131,681
Government and statutory bodies	**6,747,294**	6,545,671	4,539,837
Individuals	**19,122,879**	16,714,078	13,353,200
Other domestic entities	**16,981**	12,445	5,467
Foreign entities	**245,947**	244,258	229,320
	33,259,002	28,353,138	22,739,753

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

8 Financing, advances and other financing/loans (Continued)

(iv) By profit rate sensitivity:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate			
- house financing	**316,820**	402,488	417,942
- hire purchase receivables	**6,495,487**	5,410,652	5,234,598
- others	**12,112,954**	11,924,643	8,024,882
Variable rate			
- house financing	**7,915,170**	6,731,726	5,114,072
- others	**6,418,571**	3,883,629	3,948,259
	33,259,002	28,353,138	22,739,753

(v) By residual contractual maturity:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Within one year	**2,674,004**	651,916	1,754,853
One year to less than three years	**914,279**	638,507	860,224
Three years to less than five years	**3,051,647**	1,514,944	1,770,618
Five years and more	**26,619,072**	25,547,771	18,354,058
	33,259,002	28,353,138	22,739,753

(vi) By economic purpose:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Personal use	**3,233,098**	3,179,054	1,710,557
Credit card	**97,882**	104,078	90,472
Construction	**1,970,429**	1,014,686	759,803
Residential property	**8,273,772**	7,163,093	5,579,762
Non-residential property	**2,573,888**	1,926,886	1,651,458
Purchase of fixed assets other than land and building	**360,709**	428,357	391,915
Purchase of securities	**35,648**	10	20,606
Purchase of transport vehicles	**6,512,442**	5,410,377	5,234,598
Working capital	**7,289,268**	6,641,897	7,039,034
Merger and acquisition	**20,290**	34,787	-
Other purpose	**2,891,576**	2,449,913	261,548
	33,259,002	28,353,138	22,739,753

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

8 Financing, advances and other financing/loans (Continued)

(vii) Impaired financing by economic purpose:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Personal use	**15,570**	19,240	17,165
Credit cards	**419**	4,506	2,616
Construction	**894**	3,319	1,584
Residential property	**91,240**	85,570	85,002
Non-residential property	**35,148**	27,302	16,131
Purchase of fixed assets other than land and building	**1,966**	1,154	1,738
Purchase of securities	**10**	3	19,364
Purchase of transport vehicles	**87,912**	99,353	86,560
Working capital	**63,532**	96,005	101,590
Other purpose	**7,437**	9,326	4,129
	304,128	345,778	335,879

(viii) Movements in impaired financing, advances and other financing/loans are as follows:

	2012 RM'000	2011 RM'000
At 1 January	**345,778**	335,879
Classified as impaired during the financial year	**383,095**	349,997
Reclassification from unwinding income	**10,109**	-
Reclassified as non-impaired during the financial year	**(152,618)**	(122,608)
Amount written back in respect of recoveries	**(73,013)**	(90,543)
Amount written off	**(209,223)**	(126,947)
At 31 December	**304,128**	345,778
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	**0.91%**	1.22%

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

8 Financing, advances and other financing/loans (Continued)

(ix) Movements in impairment allowance:

	2012 RM'000	2011 RM'000
Individual impairment allowance		
At 1 January	**103,256**	92,683
Allowance made during the financial year	**1,586**	16,491
Unwinding income	**4,090**	(1,477)
Amount written off	**(48,007)**	(4,441)
At 31 December	**60,925**	103,256

	2012 RM'000	2011 RM'000
Portfolio impairment allowance		
At 1 January	**417,744**	240,490
Allowance made during the financial year	**86,543**	135,113
Transfer from CIMB Bank	**-**	166,234
Unwinding income	**6,019**	(4,181)
Amount written off	**(162,602)**	(119,912)
At 31 December	**347,704**	417,744
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	**2.30%**	2.31%

9 Other assets

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Deposits and prepayments	**100**	150	308
Sundry debtors	**36,369**	153,626	53,235
Credit Support Annex for derivative transactions	**61,430**	52,090	68,470
Clearing accounts	**156,983**	93,151	212,215
	254,882	299,017	334,228

10 Deferred taxation

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Porftfolio impairment allowance for bad and doubtful financing	**78**	27	-
Accelerated tax depreciation	**(2,234)**	(839)	(809)
Financial investments available-for-sale	**(7,326)**	(4,432)	(2,976)
Provision for expenses	**20,213**	11,603	8,092
Deferred tax assets	**10,731**	6,359	4,307

10 Deferred taxation (Continued)

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

Deferred tax assets/(liabilities)	Porftolio impairment allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Provision for expenses RM'000	Total RM'000
At 1 January 2012					
- as previously reported	**27**	**(839)**	**(2,756)**	**11,603**	**8,035**
- effect of adoption of MFRS 1		**-**	**(1,676)**	**-**	**(1,676)**
As restated	**27**	**(839)**	**(4,432)**	**11,603**	**6,359**
Credited/(charged) to statement of income (Note 31)	**51**	**(1,336)**	**-**	**8,893**	**7,608**
Over provision in prior year	**-**	**(59)**	**-**	**(283)**	**(342)**
Transferred to equity	**-**	**-**	**(2,894)**	**-**	**(2,894)**
At 31 December 2012	**78**	**(2,234)**	**(7,326)**	**20,213**	**10,731**
At 1 January 2011					
- as previously reported	-	(809)	(1,694)	8,092	5,589
- effect of adoption of MFRS 1	-	-	(1,282)	-	(1,282)
As restated	-	(809)	(2,976)	8,092	4,307
Credited/(charged) to statement of income (Note 31)	27	(8)	-	2,689	2,708
Under/(over) provision in prior year	-	(22)	-	822	800
Transferred to equity	-	-	(1,456)	-	(1,456)
At 31 December 2011	27	(839)	(4,432)	11,603	6,359

11 Amount due from/(to) related companies and holding company

The amount due from/(to) related companies and holding company are unsecured and payable on demand.

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

12 Statutory deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are 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.

13 Property, plant and equipment

2012		Renovations, office equipment, furniture and fixtures RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
Cost					
At 1 January		8,293	2,450	13	10,756
Additions		2,356	1,157	-	3,513
Written off		(4,472)	(360)	(10)	(4,842)
Reclassified to intangible assets	14	(1,407)	-	-	(1,407)
At 31 December		4,770	3,247	3	8,020
Accumulated depreciation					
At 1 January		6,338	506	13	6,857
Charge for the financial year		1,089	571	-	1,660
Written off		(4,452)	(263)	(10)	(4,725)
Reclassified to intangible assets		(1,262)	-	-	(1,262)
At 31 December		1,713	814	3	2,530
Net book value at 31 December		3,057	2,433	-	5,490

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

13 Property, plant and equipment (Continued)

2011		Renovations, office equipment, furniture and fixtures RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
Cost					
At 1 January		6,833	853	13	7,699
Additions		1,953	1,597	-	3,550
Written off		(19)	-	-	(19)
Reclassified to intangible assets	14	(474)	-	-	(474)
At 31 December		8,293	2,450	13	10,756
Accumulated depreciation					
At 1 January		5,498	326	13	5,837
Charge for the financial year		859	180	-	1,039
Written off		(19)	-	-	(19)
At 31 December		6,338	506	13	6,857
Net book value at 31 December		1,955	1,944	-	3,899
Net book value at 1 January 2011		1,335	527	-	1,862

14 Intangible assets

		2012 RM'000	2011 RM'000
Computer software			
Cost			
At 1 January		**17,142**	15,979
Additions		**5,824**	689
Reclassified from property, plant and equipment	13	**1,407**	474
At 31 December		**24,373**	17,142
Amortisation			
At 1 January		**12,972**	11,692
Amortisation for the financial year		**2,811**	1,280
Reclassified to property, plant and equipment		**1,262**	-
At 31 December		**17,045**	12,972
Net book value at 31 December		**7,328**	4,170
Net book value at 1 January 2011			4,287

The above intangible assets include computer software under construction at cost of RM247,000 (31 December 2011: RM 77,000; 1 January 2011: RM 479,000).

15 Goodwill

	2012 RM'000	2011 RM'000	2012 RM'000
Cost			
At 1 January/At 31 December	**136,000**	136,000	136,000

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

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2013 financial budgets approved by management, projected for 5 years based on the average to year historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (31 December 2011: 5.00% ; 1 January 2011: 5.00%). The discount rate is 7.10% (31 December 2011: 8.72% ; 1 January 2011: 8.89%) which reflects the specific risks relating to the CGU.

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

16 Deposits from customers

(i) By type of deposits

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-Mudharabah			
Demand deposits	**3,524,606**	3,028,707	2,941,557
Savings deposits	**1,181,904**	932,787	701,147
Fixed return investment accounts	**6,665,864**	5,564,248	5,126,454
Islamic negotiable instruments of deposits	**2,370,187**	2,510,276	1,033,019
Commodity Murabahah	**519**	440,600	69,379
Short-term money market deposit-i	**12,849,247**	3,994,930	-
Others	**40,762**	36,595	25,191
	26,633,089	16,508,143	9,896,747
Mudharabah			
Demand deposits	**4,234,083**	2,550,795	1,497,390
Savings deposits	**524,422**	397,201	289,034
General investment deposits (inclusive of Special General investment deposits in (RM'000) RM1,314,609 (31 December 2011:RM6,987,965; 1 January 2011:RM7,561,472))	**2,669,874**	8,026,370	8,642,020
Specific investment deposits	**1,206,431**	1,755,961	2,352,764
	8,634,810	12,730,327	12,781,208
	35,267,899	29,238,470	22,677,955

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

16 Deposits from customers (Continued)

(i) By type of deposits (Continued)

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
One year or less (short-term)	**24,912,546**	21,120,979	15,118,639
More than one year (medium/long-term)	**849,576**	1,171,406	2,104,997
	25,762,122	22,292,385	17,223,636

(ii) By type of customers

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Government and statutory bodies	**6,493,384**	5,322,304	5,685,744
Business enterprises	**13,353,094**	10,355,115	6,893,132
Individuals	**4,566,521**	4,122,166	3,573,972
Others	**10,854,900**	9,438,885	6,525,107
	35,267,899	29,238,470	22,677,955

17 Deposits and placements of banks and other financial institutions

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed Islamic banks	**1,315,473**	317,074	394,625
Licensed investment banks	**998,659**	853,083	571,200
Licensed banks	**9,075,733**	9,072,329	10,108,954
Other financial institutions	**270,863**	8,347	50,249
	11,660,728	10,250,833	11,125,028

Included in the deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM 984 million (31 December 2011: RM1,063 million; 1 January 2011: RM8,460 million) for tenures between 1 month to 4 months at indicative profit rates from 3.42% to 3.61% per annum (31 December 2011 : 3.39% to 3.76% ; 1 January 2011: 2.81% to 4.18%). These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

18 Subordinated Sukuk

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subordinated Sukuk-RM850 million	**863,557**	564,679	300,000

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

a) The Sukuk of RM300 million under the first issuance was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

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

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

The Bank has undertaken fair value hedge on the profit rate risk of the RM250 million subordinated Sukuk using Islamic profit rate swaps.

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

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

18 Subordinated Sukuk (Continued)

The Bank has undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

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

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

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

19 Other liabilities

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Accruals and other payables	**74,304**	78,679	25,099
Clearing accounts	**291,125**	215,259	327,463
Others	**31,678**	15,008	31,994
	397,107	308,946	384,556

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

20 Perpetual preference shares

	2012 RM'000	2011 RM'000
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**100,000**	100,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	**70,000**	70,000

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

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

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

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

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

21 Ordinary share capital

	2012 RM'000	2011 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January	**1,500,000**	900,000
Issued during the financial year	**-**	600,000
At 31 December	**1,500,000**	1,500,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	**1,000,000**	750,000
Issued during the financial year	**-**	250,000
At 31 December	**1,000,000**	1,000,000

22 Reserves

(a) The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividend.

(b) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.

(c) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.

(d) Regulatory reserves are maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of FRS 139 beginning 1 January 2010.

(e) Movement of the revaluation reserve of financial investments available-for-sale is as follows :

	2012	2011
	RM'000	RM'000
At 1 January		
- as previously reported	**8,268**	5,082
- effect of adopting MFRS 1	**5,027**	3,846
As restated	**13,295**	8,928
Net gain from change in fair value	**17,178**	12,504
Realised gain transferred to sattement of income on disposal	**(5,602)**	(6,681)
Deferred taxation	**(2,894)**	(1,456)
Net change in available-for-sale securities	**8,682**	4,367
At 31 December	**21,977**	13,295

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

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

23 Income derived from investment of depositors' funds and others

	Note	2012 RM'000	2011 RM'000
Income derived from investment of:			
- General investment deposits	(i)	**823,547**	602,357
- Specific investment deposits	(ii)	**97,510**	325,387
- Other deposits	(iii)	**992,747**	693,689
		1,913,804	1,621,433

(i) Income derived from investment of general investment deposits

	2012 RM'000	2011 RM'000
Financing, advances and other financing/loans:		
- Income other than recoveries	**672,697**	497,878
- Unwinding income*	**2,185**	2,198
Financial assets held for trading	**13,092**	7,616
Financial investments available-for-sale	**31,887**	16,035
Financial investments held-to-maturity	**18,976**	5,098
Money at call and deposit with financial institutions	**69,516**	69,786
	808,353	598,611
Accretion of discount less amortisation of premium	**19,132**	12,326
Total finance income and hibah	**827,485**	610,937
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**8,918**	678
- unrealised	**(136)**	(291)
Net gain from sale of financial investments available-for-sale	**2,378**	2,542
Net gain/(loss) on maturity of financial investments held-to-maturity	**528**	(104)
Net loss from foreign exchange transactions	**(18,411)**	(14,862)
	(6,723)	(12,037)
Fee and commission income	**2,785**	3,457
	823,547	602,357

**Unwinding income is income earned on impaired financial assets*

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

23 Income derived from investment of depositors' fund and others (Continued)

(ii) Income derived from specific investment deposits

	2012 RM'000	2011 RM'000
Financing, advances and other financing/loans:		
- Income other than recoveries	**60,404**	233,922
Money at call and deposit with financial institutions	**37,106**	64,135
Financial investments held-to-maturity	**-**	27,330
	97,510	325,387

(iii) Income derived from investment of other deposits

	2012 RM'000	2011 RM'000
Financing, advances and other financing/loans:		
- Income other than recoveries	**809,176**	573,766
- Unwinding income*	**2,641**	2,568
Financial assets held for trading	**15,508**	8,325
Financial investments available-for-sale	**37,861**	20,357
Financial investments held-to-maturity	**23,113**	5,493
Money at call and deposit with financial institutions	**83,449**	79,641
	971,748	690,150
Accretion of discount less amortisation of premium	**21,919**	11,555
Total finance income and hibah	**993,667**	701,705
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**11,397**	812
- unrealised	**(112)**	(152)
Net gain from sale of financial investments available-for-sale	**2,967**	3,827
Net gain/(loss) on maturity of financial investments held-to-maturity	**661**	(136)
Net loss from foreign exchange transactions	**(19,222)**	(16,530)
	(4,309)	(12,179)
Fees and commission income	**3,389**	4,163
	992,747	693,689

**Unwinding income is income earned on impaired financial assets*

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

24 Income derived from investment of shareholder's fund

	2012 RM'000	2011 RM'000
Financing, advances and other financing/loans:		
- Income other than recoveries	**70,204**	58,995
- Unwinding income*	**229**	261
Financial assets held for trading	**1,348**	890
Financial investments available-for-sale	**3,294**	1,912
Financial investments held-to-maturity	**1,996**	600
Money at call and deposits with financial institutions	**7,269**	8,216
	84,340	70,874
Accretion of discount less amortisation of premium	**1,896**	1,413
Total finance income and hibah	**86,236**	72,287
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	**970**	82
- unrealised	**(12)**	(310)
Net gain from sale of financial investments available-for-sale	**257**	312
Net gain/(loss) on maturity of financial investments held-to-maturity	**56**	(10)
Net loss from foreign exchange transactions	**(1,839)**	(1,757)
Net loss from hedging derivatives	**(662)**	(1,301)
Net gain/(loss) from derivative financial instruments:		
- realised	**33,580**	57,130
- unrealised	**22,437**	(10,599)
	54,787	43,547
Fees and commission income	**94,918**	83,829
Less : Fee and commission expense	**(1,909)**	(1,961)
Net fees and commision income	**93,009**	81,868
Other income:		
- Sundry income	**5,902**	5,791
	239,934	203,493

**Unwinding income is income earned on impaired financial assets*

25 Allowances for losses on financing, advances and other financing/loans

	2012	2011
	RM'000	RM'000
Individual impairment allowance:		
- made during the financial year	**1,586**	16,491
Portfolio impairment allowance:		
- net allowance made during the financial year	**86,543**	135,113
Bad debts on financing:		
- recovered	**(56,103)**	(37,775)
- written off	**19**	2
	32,045	113,831

26 Income attributable to depositors

	2012 RM'000	2011 RM'000
Deposits from customers:		
- Mudharabah	**155,634**	285,278
- Non-Mudharabah	**530,931**	259,011
Deposits and placements of banks and other financial institutions:		
- Mudharabah	**91,125**	200,155
- Non-Mudharabah	**306,205**	173,564
Others	**29,617**	23,307
	1,113,512	941,315

27 Personnel expenses

	2012 RM'000	2011 RM'000
Wages and salaries	**16,850**	13,859
Allowances and bonuses	**60,766**	38,474
Staff incentive	**1,045**	8,528
Other staff related costs	**4,363**	7,221
	83,024	68,082

28 Other overheads and expenditures

	2012 RM'000	2011 RM'000
Establishment		
Rental	**1,573**	1,189
Depreciation of property, plant equipment	**1,660**	1,039
Outsourcing expenses	**7,167**	2,737
Repairs and maintenance	**2,027**	(2,658)
Others	**3,483**	1,051
Promotion		
Advertisement and publicity	**6,338**	960
Others	**2,506**	2,605
General expenses		
Professional fees	**2,398**	2,041
Amortisation of intangible assets	**2,811**	1,280
Communication	**586**	791
Incidental expenses on banking operations	**1,359**	1,203
Others	**10,723**	10,311
	42,631	22,549
Shared services costs paid/payable to CIMB Bank/CIMB Investment Bank		
Personnel expenses	**208,662**	133,949
Establishment	**95,478**	60,044
Promotion	**10,097**	8,496
General expenses	**32,704**	29,523
	346,941	232,012
	389,572	254,561

The personnel expenses and other overhead and expenditures include the following statutory disclosures:

	2012 RM'000	2011 RM'000
Directors remuneration (excluding benefits-in-kind) (Note 30)	**1,900**	1,818
Auditors' remuneration :		
PwC Malaysia (audit):		
- statutory audit	**108**	105
- limited review	**40**	40
- other audit related	**60**	60
PwC Malaysia (non-audit):		
- tax and taxation services	**33**	13

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

29 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 Bank, are as follows:

Related parties	**Relationship**
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn Bhd	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn Bhd as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Key management personnel	See below

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all the Directors of the Bank and its employees 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 2012 (Continued)

29 Significant related party transactions and balances (Continued)

(b) Related party transactions

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

	Immediate and ultimate holding	**Other related companies**	**Key management personnel**
	RM'000	**RM'000**	**RM'000**
2012			
Income			
Profit income on deposits and placement with banks and other financial institutions	**1,556**	**9,942**	**-**
Profit income on financial investments held-to-maturity	**1,010**	**-**	**-**
Profit income on financing, advances and other financing/loans	**-**	**-**	**-**
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	**333,081**	**29,406**	**-**
Profit expense on deposits from customers	**1,018**	**2,023**	**1,479**
Profit expense on subordinated sukuk	**29,408**	**209**	**-**
Shared service costs	**281,520**	**65,421**	**-**
Security services	**-**	**32**	**-**
Process cost	**-**	**49**	**-**

	Immediate and ultimate holding company	Other related companies	Key management personnel
	RM'000	RM'000	RM'000
2011			
Income			
Profit income on deposits and placement with banks and other financial institutions	715	4,920	-
Profit income on financial investments held-to-maturity	1,010	-	-
Profit income on financing, advances and other financing/loans	-	-	3
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	338,001	23,062	-
Profit expense on deposits from customers	11	2,276	2,471
Profit expense on subordinated sukuk	23,249	59	-
Shared service costs	205,540	26,472	-
Security services	-	33	-

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

29 Significant related party transactions and balances (Continued)

(b) Related party transactions (Continued)

Key management compensation

	2012	2011
	RM'000	RM'000
Salaries and other short-term employee benefits	**16,946**	12,441

	2012	2011
	Unit	Unit
Share options balance of ultimate holding company	**-**	4,760,000
Shares of the ultimate holding company	**531,945**	505,163

Included in the above is the Executive Directors' compensation which is disclosed in Note 30. The share options are granted on the same terms and condition as those offered to other employees of the Bank.

There were no financing, advances and other financing/loans granted to the Directors of the Bank. Financing made to other key management personnel of the Bank are on similar terms and conditions generally available to other employees within the Bank. No individual impairment allowances/specific allowances were required in 2011 and 2010 for financing, advances and other financing/loans made to the key management personnel.

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

29 Significant related party transactions and balances (Continued)

(c) Related party balances

	Immediate and ultimate holding company RM'000	**Other related companies RM'000**	**Key management personnel RM'000**
2012			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	**351,831**	**262,600**	**-**
Profit income on deposits and placements with banks and other financial institutions	**759**	**1,179**	**-**
Financial investments held-to-maturity	**20,105**	**-**	**-**
Profit income on financial investments held-to-maturity	**89**	**-**	**-**
Financing, advances and other financing/loans	**-**	**-**	**-**
Amounts due to			
Deposit from customers	**41,736**	**344,867**	**38,733**
Deposits and placements of banks and other financial institutions	**8,423,985**	**1,392,896**	**-**
Profit expense on deposits from customers	**51**	**211**	**-**
Profit expense on deposits and placements of banks and other financial institutions	**208,025**	**4,173**	**-**
Subordinated sukuk	**844,000**	**6,000**	**-**
Profit expense on subordinated sukuk	**10,206**	**74**	**-**
Shared service costs	**28,513**	**5,321**	**-**

	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2011			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	285,930	311,600	-
Profit income on deposits and placements with banks and other financial institutions	350	876	-
Financial investments held-to-maturity	20,132	-	-
Profit income on financial investments held-to-maturity	89	-	-
Financing, advances and other financing/loans	-	-	1
Amounts due to			
Deposit from customers	12,145	125,548	14,133
Deposits and placements of banks and other financial institutions	8,934,915	848,270	-
Profit expense on deposits from customers	8	51	-
Profit expense on deposits and placements of banks and other financial institutions	137,413	4,813	-
Subordinated sukuk	549,000	1,000	-
Profit expense on subordinated sukuk	6,704	16	-
Shared service costs	15,501	1,441	-

29 Significant related party transactions and balances (Continued)

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

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

The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of CIMB Group. Entitlements of eligible members of senior management are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of CIMB Group administers the scheme on behalf of the substantial shareholder. The 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 the transaction as equity settled in accordance with MFRS 2.

29 Significant related party transactions and balances (Continued)

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

The weighted average fair value of the entitlements granted, determined using the Binomial Valuation Model was RM7.06 each . The significant inputs into the model were as follows:

Valuation assumptions	
- Expected volatility	30.6%
- Expected dividend yield	1.5%
- Expected option life	-
- Weighted average share price at grant date	RM10.46
- Weighted average risk-free profit rate	3.6%

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

The total share-based payment expenses recognised in relation to the Scheme for the Bank during the current financial year is NIL (2011: RM745,379). The shares were exercisable 2 years from the grant date.

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

29 Significant related party transactions and balances (Continued)

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

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

	2012 Unit '000	2011 Unit '000
Share options :		
At 1 January	**800**	1,679
- Granted during the financial year	**-**	-
- Bonus issue	-	-
- Exercised	**(800)**	(877)
- Forfeited	**-**	(2)
- As at 31 December	-	800

Grant date	Exercise price per share (RM)	Options (unit)	Expiry date
22.3.2007	3.48	916,433	31.5.2012
31.5.2007	3.48	275,200	31.5.2012
27.3.2008	3.48	360,780	31.5.2012
31.3.2009	3.48	302,812	31.5.2012
6.8.2009	3.48	9,164	31.5.2012
1.10.2009	3.48	36,657	31.5.2012
8.3.2010	3.48	363,531	31.5.2012
30.3.2010	3.48	1,833	31.5.2012

The weighted average share price at the time of exercise was RM7.44 (2011:RM8.23). The is no weighted average remaining contractual life as at 31 December 2012 (2011: 0.16 year).

The total entitlement granted during 2012 and 2011 was nil and the number of entitlements that are exercisable at the financial year end is 799,990 units (2011: 877,238 units).

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

29 Significant related party transactions and balances (Continued)

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

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

The total share-based payment expense recognised in statement of income for the Bank during the financial year amounted to RM 571,914 (2011:RM354,755)

The weighted average fair value of shares awarded under EOP was RM7.70 per ordinary share (2011:RM8.27 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:

	2012 Unit '000	2011 Unit '000
Shares :		
At 1 January	**238**	-
- Awarded	**461**	330
- Released	**(275)**	(92)
- At 31 December	**424**	238

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

29 Significant related party transactions and balances (Continued)

(f) Credit transactions and exposures with connected parties

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Outstanding credit exposures with connected parties	**497,862**	624,736	681,773
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**0.9%**	1.5%	1.9%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%	0.0%

(g) Transactions with shareholders and Government

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

Apart from the individually significant transactions as disclosed in Note 29(d) to the Financial Statements, the Bank has 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
- Financing to government-related entities
- Deposit placing with and deposit taking from government-related entities

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

30 CEO, Directors and Shariah Committee Members remuneration

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

Non-Executive Directors

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Raja Shaharul Niza bin Raja Abdul Aziz
Professor Dr. Mohammad Hashim Kamali
Habibah Abdul (appointed on 19 January 2012)
Dato' Sulaiman bin Mohd Tahir (appointed on 28 May 2012)
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 6 March 2012)
Dato' Anwar bin Haji @ Aji (resigned on 8 March 2012)
Dr. Achmad Riawan Amin (resigned on 5 April 2012)

Executive Director

Badlisyah bin Abdul Ghani

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

	2012	2011
	RM'000	RM'000
CEO and Executive Director		
- Salary and other remuneration, including meeting allowance	**974**	905
- Bonus	**926**	1,095
- Benefits-in-kind	**17**	23
	1,917	2,023
Non-Executive Directors		
- Fees	**547**	475
- Benefits-in-kind	**25**	16
	572	491
Shariah Committee members	**404**	383
	2,893	2,897

* The CEO's salary, other remuneration, including meeting allowances and bonus were paid by a related company and has been charged back to the Bank.

30 CEO, Directors and Shariah Committee Members remuneration (Continued)

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

The number of Directors of the Bank whose total remuneration during the financial year falls within the following bands is analysed below:

	2012	2011
Executive Director		
RM1,900,001 – RM2,150,000	**1**	1
Non-Executive Directors		
RM50,000 and below	**2**	2
RM50,001 to RM100,000	**3**	4
RM100,001 to RM150,000	**-**	-
RM150,001 to RM250,000	**1**	1

31 Taxation

	2012 RM'000	2011 RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**141,688**	114,805
Deferred taxation (Note 10)	**(7,608)**	(2,708)
Under/(over) accrual in prior year	**342**	(713)
	134,422	111,384
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation	**535,492**	447,116
Tax calculated at a rate of 25% (2011: 25%)	**133,873**	111,779
Tax effects:		
- income not subject to tax	**(842)**	(381)
- expenses not deductible for tax purposes	**1,049**	699
Under/(over) accrual in prior year	**342**	(713)
Tax expense	**134,422**	111,384

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

32 Earnings per share

a) Basic earnings per share

The basic earnings per ordinary share is calculated based on the net profit for the financial year of RM401,070,000 (2011: RM335,732,000) divided by the weighted average number of ordinary shares of 1,000,000,000 (2011: 897,945,000) in issue during the financial year.

b) Diluted earnings per share

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.

33 Lease commitments

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Within one year	**560**	560	560
One year to five years	**2,238**	2,238	2,238
Five years and more	**233**	793	1,912

34 Capital commitments

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Capital expenditure:			
- authorised and contracted for	**480**	1,261	1,184
- authorised but not contracted for	**1,000**	4,606	3,553

These capital commitments are for acquisition of property, plant and equipment

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

35 Capital adequacy

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

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

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia Guidelines on Risk Weighted Capital Adequacy Framework: Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based ("AIRB") is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

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

35 Capital adequacy (Continued)

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Bank as at 31 December 2012. The Bank issue various capital instruments pursuant to the respective regulatory guidelines, including tier 2 subordinated sukuk that qualify as capital pursuant to the Capital Adequacy Framework for Islamic Banks ("CAFIB") issued by BNM.

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Tier I capital	**1,924,786**	1,714,378	1,182,897
Eligible Tier II capital	**1,015,011**	654,979	355,874
Capital base	**2,939,797**	2,369,357	1,538,771
Core capital ratio	**8.69%**	10.44%	13.22%
Risk-weighted capital ratio	**13.27%**	14.42%	17.19%

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Tier I capital			
Paid-up share capital	**1,000,000**	1,000,000	750,000
Perpetual preference shares	**70,000**	70,000	70,000
Other reserves	**1,008,843**	791,169	506,180
	2,078,843	1,861,169	1,326,180
Less: Deferred tax	**(18,057)**	(10,791)	(7,283)
Less: Goodwill	**(136,000)**	(136,000)	(136,000)
	1,924,786	1,714,378	1,182,897
Tier II capital			
Subordinated Sukuk	**850,000**	550,000	300,000
Regulatory reserve	**242,624**	59,113	7,405
Portfolio impairment allowance^	**45,257**	64,585	30,892
Surplus of total eligible provision over expected loss	**-**	-	17,577
Excess of total expected loss over total eligible provision	**(122,870)**	(18,719)	-
Total Tier II capital	**1,015,011**	654,979	355,874
Total capital base	**2,939,797**	2,369,357	1,538,771

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

35 Capital adequacy (Continued)

Capital Structure and Adequacy (Continued)

(c) Breakdown of risk-weighted assets in the various categories of risk-weights as at 31 December :

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Credit risk	**19,554,311**	14,677,578	7,623,657
Market risk	**913,826**	346,673	285,115
Operational risk	**1,678,915**	1,402,324	1,041,278
	22,147,052	16,426,575	8,950,050

^ The capital base of the Bank as at 31 December 2012 has excluded portfolio impairment allowance on impaired financing restricted from Tier II capital of RM16,481,812 (31 December 2011: RM21,373,892; 1 January 2011: RM19,709,506).

In accordance with BNM's guidelines on the recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from the risk weighted capital ("RWCR") calculation.

As at 31 December 2012, RPSIA assets excluded from the RWCR calculation amounted to RM 988 million (31 December 2011: RM1,065 million ; 1 January 2011: RM6,217 million).

36 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.

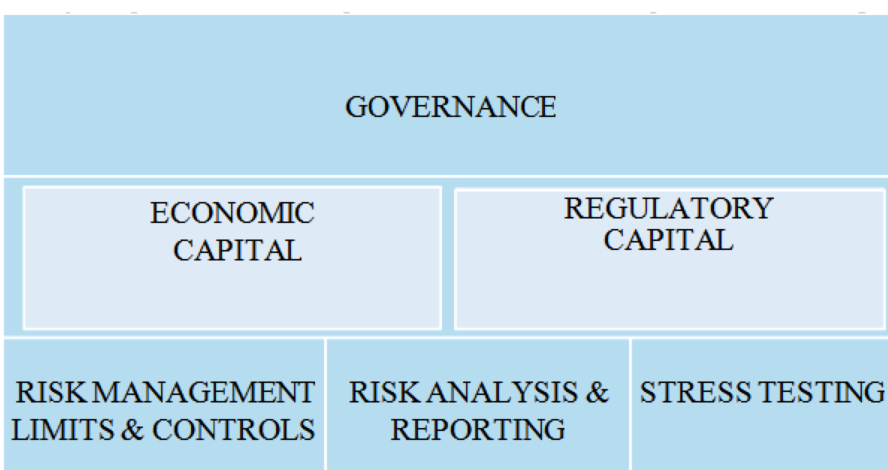
The objectives of the Group's risk management activities are to:

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

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration 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:



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

36 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

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

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

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

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

36 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

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

(c) Risk Governance

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

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

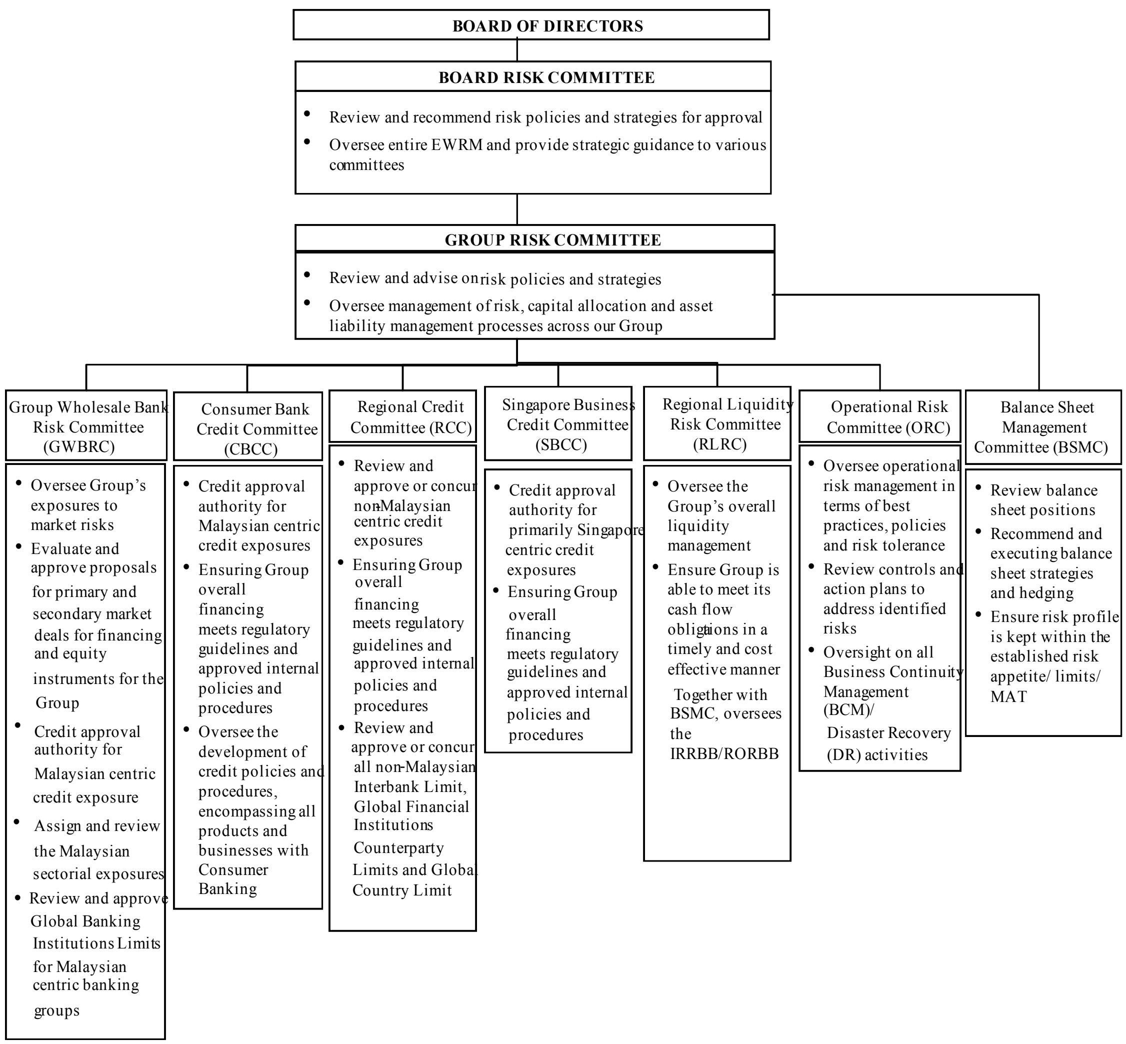
The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units. BRC reviews the composition of these committees except for BSMC, to reflect a balance of experienced independent and non-independent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

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

36 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



36 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

Three-Lines of Defence

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

The Roles of Group 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. GRD comprises Group Risk Management (GRM), Group Credit (GC), Regional Credit Management (RCM) and Regional Risk (RR) and its key responsibilities are analyse, monitor and report the material risks to which the Group is exposed. GRD is headed by the CRO who is appointed by the Board to spearhead the risk management functions and the implementation of the EWRM. The CRO actively engages the Board and senior management on risk management issues and initiatives. The CRO also maintains an oversight on risk management functions across all entities within the Group.

36 Financial Risk Management (Continued)

The Roles of CRO and Group Risk Division (continued)

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

(d) Group Risk Management

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

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

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

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

36 Financial Risk Management (Continued)

The Roles of CRO and Group Risk Division (continued)

(e) Group Credit

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

(f) Regional Credit Management

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

(g) Regional Risk

RR was established with the objective of overseeing the risk management functions of the regional offices in Singapore, Cambodia and Indonesia as well as the CIMB Group's unit trust business under CIMB Principal Asset Management Berhad.

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

36 Financial Risk Management (Continued)

The Roles of CRO and Group Risk Division (continued)

For the regional offices, the respective risk management team identifies, analyses, monitors, reviews, and reports the risk exposures of each individual country, including:

i) Proprietary trading strategies, positions and activities against changes in the financial market on a daily basis.
ii) Limit utilisation and adequacy, transaction prices and mark-to-market positions.
iii) Credit reviews.
iv) New product approval process.

The Validation Team is independent from the risk taking units and model development team, and reports to RR. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on the credit rating systems, estimates of the risk components, and the processes by which the internal ratings are obtained and used. The unit provides recommendations to the modelling team and the business users. The unit reports its findings and recommendations to GRC and BRC.

(h) Strategies and Processes for Various Risk Management

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

36.1 Credit Risk

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

36 Financial Risk Management (Continued)

36.1 Credit Risk (Continued)

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risk.

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning various delegated authorities and various credit committees. The credit committees namely, SBCC, CBCC, RCC and GWBRC are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the Group's business units. The Committees also ensure the overall financing portfolio meets the guidelines of the regulatory authorities and adheres to the approved credit policies and procedures.

All credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

Adherence to established credit limits is monitored daily by GRM, which combines all exposures for each counterparty or group, including off-balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty.

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to pay their obligations, 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.

36 Financial Risk Management (Continued)

36.1 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 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 Value at Risk (VaR) to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Credit Risk Mitigation

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

Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GWBRC/RCC is empowered to approve any inclusion of new acceptable collaterals/securities.

36 Financial Risk Management (Continued)

36.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

Collaterals/Securities(Continued)

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral include land and buildings and vehicles. Guarantors accepted are in line with BNM's Risk Weighted Capital Adequacy Framework ("RWCAF") (Basel II – Risk Weighted Assets Computation) and Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

Netting

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

36 Financial Risk Management (Continued)

36.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

Concentrations within risk mitigation

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

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

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

Credit Risk Mitigation

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

Treatment of Rating Downgrade

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

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

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

For financial guarantees and similar contract granted, the exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities. For all other financial assets, the exposure to credit risk equals their carrying amount in the statement of financial position.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Financial guarantees	**195,060**	28,489	36,420
Credit related commitments and contingencies	**4,885,509**	2,605,425	3,303,964
	5,080,569	2,633,914	3,340,384

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Bank is 71.5% (31 December 2011: 84.7%; 1 January 2011: 86.8%) while the financial effect of collateral for derivatives for the Bank is 57.4% (31 December 2011: 67.3%; 1 January 2011: 99.4%). 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 2012 (Continued)

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.2 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty are as follows:

31 December 2012	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	6,274,730	509	-	19,412	-	-	1,678	6,296,329
Deposits and placements with banks and other financial institutions	601,335	-	-	-	-	-	-	601,335
Financial assets held for trading								
- Money market instruments	5,668,344	-	-	-	-	-	-	5,668,344
- Unquoted securities	448,704	-	-	-	-	-	-	448,704
Financial investments available-for-sale								
- Money market instruments	1,249,644	-	-	-	-	-	-	1,249,644
- Unquoted securities	1,531,539	-	-	-	-	-	15,579	1,547,118
Financial investments held-to-maturity								
- Unquoted securities	652,390	-	-	-	-	-	-	652,390
Islamic derivative financial instruments								
- Trading derivatives	158,933	-	-	-	-	-	53	158,986
- Hedging derivatives	9,374	-	-	-	-	-	-	9,374
Financing, advances and other financing/loans								
- Cashline	447,035	-	-	-	-	-	-	447,035
- Term financing	30,686,880	-	-	-	-	-	-	30,686,880
- Bills receivable	3,764	-	-	-	-	-	-	3,764
- Islamic trust receipts	33,021	-	-	-	-	-	-	33,021
- Claim on customers under Islamic accepted bills	326,677	-	-	-	-	-	-	326,677
- Share purchase financing	35,057	-	-	-	-	-		35,057
- Credit card receivables	96,311	-	-	-	-	-	-	96,311
- Revolving credits	1,444,537	-	-	-	-	-	-	1,444,537
Other assets	86,720	-	-	-	-	-	-	86,720
Amount due from related companies	431	-	-	-	-	-	-	431
Financial guarantees	195,002	-	-	-	-	-	58	195,060
Credit related commitments and contingencies	4,885,509	-	-	-	-	-	-	4,885,509
Total credit exposures	54,835,937	509	-	19,412	-	-	17,368	54,873,226

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

31 December 2011	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	7,474,241	149	-	16,900	-	63,559	36	7,554,885
Deposits and placements with banks and other financial institutions	1,090,383	-	-	-	-	-	-	1,090,383
Financial assets held for trading								
- Money market instruments	2,582,589	-	-	-	-	-	-	2,582,589
- Unquoted securities	170,480	-	-	-	-	-	-	170,480
Financial investments available-for-sale								
- Money market instruments	517,994	-	-	-	-	-	-	517,994
- Unquoted securities	725,099	-	-	-	-	-	-	725,099
Financial investments held-to-maturity								
- Unquoted securities	690,066	-	-	-	-	-	-	690,066
Islamic derivative financial instruments								
- Trading derivatives	139,295	-	-	-	-	-	118	139,413
- Hedging derivatives	8,195	-	-	-	-	-	-	8,195
Financing, advances and other financing/loans								
- Cashline	358,854	-	-	-	-	-	-	358,854
- Term financing	26,945,758	-	-	-	-	-	-	26,945,758
- Bills receivable	2,581	-	-	-	-	-	-	2,581
- Islamic trust receipts	33,772	-	-	-	-	-	-	33,772
- Claim on customers under Islamic accepted bills	218,370	-	-	-	-	-	-	218,370
- Credit card receivables	96,626	-	-	-	-	-	-	96,626
- Revolving credits	418,143	-	-	-	-	-	-	418,143
Other assets	202,495	-	-	-	-	-	-	202,495
Amount due from related companies	1,671	-	-	-	-	-	89	1,760
Financial guarantees	28,489	-	-	-	-	-	-	28,489
Credit related commitments and contingencies	2,605,425	-	-	-	-	-	-	2,605,425
Total credit exposures	44,310,526	149	-	16,900	-	63,559	243	44,391,377

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

1 January 2011	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Cash and short-term funds	7,473,635	-	77,088	17,924	61,670	114,090	-	7,744,407
Deposits and placements with banks and other financial institutions	950,000	-	-	-	-	-	-	950,000
Financial assets held for trading								
- Money market instruments	2,214,415	-	-	-	-	-	-	2,214,415
- Unquoted securities	133,479	-	-	-	-	-	-	133,479
Financial investments available-for-sale		-						
- Money market instruments	201,064	-	-	-	-	-	-	201,064
- Unquoted securities	454,369	-	-	-	-	-	-	454,369
Financial investments held-to-maturity								
- Unquoted securities	898,714	-	-	-	-	-	-	898,714
Islamic derivative financial instruments								
- Trading derivatives	139,552	-	-	-	-	-	-	139,552
- Hedging derivatives	11,136	-	-	-	-	-	-	11,136
Financing, advances and other financing/loans								
- Cashline	310,925	-	-	-	-	-	-	310,925
- Term financing	21,395,426	-	-	-	-	-	-	21,395,426
- Bills receivable	2,235	-	-	-	-	-	-	2,235
- Islamic trust receipts	54,886	-	-	-	-	-	-	54,886
- Claim on customers under Islamic accepted bills	176,123	-	-	-	-	-	-	176,123
- Credit card receivables	86,591	-	-	-	-	-	-	86,591
- Revolving credits	398,391	-	-	-	-	-	-	398,391
Other assets	121,182	-	-	-	-	-	-	121,182
Amount due from holding company	245,034	-	-	-	-	-	-	245,034
Amount due from related companies	828	-	-	-	-	-	-	828
Financial guarantees	36,420	-	-	-	-	-	-	36,420
Credit related commitments and contingencies	3,303,964	-	-	-	-	-	-	3,303,964
Total credit exposures	38,608,369	-	77,088	17,924	61,670	114,090	-	38,879,141

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors

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

31 December 2012	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading (i)	Financial investments available-for-sale (i)	Financial investments held-to-maturity (i)	Islamic derivative financial instruments Trading derivatives	Islamic derivative financial instruments Hedging derivatives	Other financial assets *	Financing, advances and other financing/ loans (ii)	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	-	-	-		706,398	706,398
Mining and quarrying	-	-	-	-	-	-	-	-	23,262	23,262
Manufacturing	-	-	-	-	-	222	-	-	767,139	767,361
Electricity, gas and water	-	-	-	122,550	-	30,356	-	-	156,138	309,044
Construction	-	-	121,134	204,963	-	-	-	-	1,335,640	1,661,737
Transport, storage and communications	-	-	161,542	183,025	508,904	15	-	-	860,066	1,713,552
Finance, takaful, real estate and business services										
Finance, takaful and business services	6,296,329	601,335	1,872,615	683,320	143,486	82,004	9,374	87,151	2,485,906	12,261,520
Real estate	-	-		25,687	-	-	-	-	-	25,687
Others										
Purchase of landed property										
- Residential	-	-	-	-	-	-	-	-	8,141,424	8,141,424
Government and government agencies	-	-	3,931,541	1,551,734	-	13,172	-	-	6,744,478	12,240,925
Purchase of transport vehicles	-	-	-	-	-	-	-	-	6,345,776	6,345,776
Consumption credit	-	-	-	-	-	-	-	-	3,250,098	3,250,098
Education and health	-	-	-	-	-	-	-	-	1,648,601	1,648,601
Others	-	-	30,216	25,483	-	33,217	-	-	608,356	697,272
	6,296,329	601,335	6,117,048	2,796,762	652,390	158,986	9,374	87,151	33,073,282	49,792,657

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

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

31 December 2011	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading (i)	Financial investments available-for-sale (i)	Financial investments held-to-maturity (i)	Islamic derivative financial instruments: Trading derivatives	Islamic derivative financial instruments: Hedging derivatives	Other financial assets *	Financing, advances and other financing/ loans (ii)	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	15,116	-	-	-	-	735,164	750,280
Mining and quarrying	-	-	-	-	-	-	-	-	15,023	15,023
Manufacturing	-	-	-	-	-	3,368	-	-	431,573	434,941
Electricity, gas and water	-	-	-	114,723	55	-	-	-	155,228	270,006
Construction	-	-	81,700	155,192	9,284	-	-	-	229,408	475,584
Transport, storage and communications	-	-	-	139,229	404,246	-	-	-	818,907	1,362,382
Finance, takaful, real estate and business services										
Finance, takaful and business services	7,554,885	1,090,383	651,048	94,615	272,289	131,137	8,195	204,255	2,044,909	12,051,716
Real estate	-	-	-	35,342	384	-	-	-	-	35,726
Others										
Purchase of landed property										
- Residential	-	-	-	-	-	-	-	-	6,986,835	6,986,835
Government and government agencies	-	-	2,010,181	668,490	3,808	4,741	-	-	6,544,997	9,232,217
Purchase of transport vehicles	-	-	-	-	-	-	-	-	5,250,195	5,250,195
Consumption credit	-	-	-	-	-	-	-	-	3,215,772	3,215,772
Education and health	-	-	-	-	-	-	-	-	1,218,882	1,218,882
Others	-	-	10,140	20,386	-	167	-	-	427,211	457,904
	7,554,885	1,090,383	2,753,069	1,243,093	690,066	139,413	8,195	204,255	28,074,104	41,757,463

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

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

1 January 2011	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading (i)	Financial investments available-for-sale (i)	Financial investments held-to-maturity (i)	Islamic derivative financial instruments		Other financial assets *	Financing, advances and other financing/loans (ii)	Total credit exposures
						Trading derivatives	Hedging derivatives			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	15,107	-	-	-	86	814,791	829,984
Mining and quarrying	-	-	-	-	-	-	-	-	4,823	4,823
Manufacturing	-	-	-	-	-	-	-	-	563,825	563,825
Electricity, gas and water	-	-	5,145	33,108	-	-	-	726	236,480	275,459
Construction	-	-	10,143	67,498	8,826	-	-	576	251,485	338,528
Transport, storage and communications	-	-	-	114,450	400,000	-	-	4,257	740,303	1,259,010
Finance, takaful, real estate and business services										
Finance, takaful and business services	879,297	950,000	736,365	95,873	489,888	139,552	11,136	352,931	1,454,075	5,109,117
Real estate	-	-	-	10,129	-	-	-	52	-	10,181
Others										
Purchase of landed property										
- Residential	-	-	-	-	-	-	-	-	5,410,723	5,410,723
General commerce	-	-	-	31,142	-	-	-	400	380,715	412,257
Government and government agencies	6,865,110	-	1,596,241	277,340	-	-	-	7,145	4,538,302	13,284,138
Purchase of transport vehicles	-	-	-	-	-	-	-	-	5,234,598	5,234,598
Consumption credit	-	-	-	-	-	-	-	-	1,776,563	1,776,563
Education and health	-	-	-	-	-	-	-	-	644,240	644,240
Others	-	-	-	10,786	-	-	-	871	373,654	385,311
	7,744,407	950,000	2,347,894	655,433	898,714	139,552	11,136	367,044	22,424,577	35,538,757

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

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

31 December 2012	Financial assets held for trading		Financial investments available-for-sale		Financial investments held-to-maturity	
	Money market instruments	Unquoted securities	Money market instruments	Unquoted securities	Unquoted securities	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-		-	-
Electricity, gas and water	-	-	-	122,550	-	122,550
Construction	-	121,134	-	204,963	-	326,097
Transport, storage and communications	-	161,542	-	183,025	508,904	853,471
Finance, takaful, real estate and business services						
Finance, takaful and business services	1,807,186	65,427	20,764	662,556	143,486	2,699,419
Real estate	-	-	-	25,687	-	25,687
Others						
Government and government agencies	3,861,158	70,385	1,228,880	322,854	-	5,483,277
Others	-	30,216	-	25,483	-	55,699
	5,668,344	448,704	1,249,644	1,547,118	652,390	9,566,200

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

31 December 2011	Financial assets held for trading		Financial investments available-for-sale		Financial investments held-to-maturity	
	Money market instruments	Unquoted securities	Money market instruments	Unquoted securities	Unquoted securities	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	15,116	-	15,116
Electricity, gas and water	-	-	-	114,723	86	114,809
Construction	-	81,700	-	155,191	9,284	246,175
Transport, storage and communications	-	-	-	139,229	407,047	546,276
<u>*Finance, takaful, real estate and business services*</u>						
Finance, takaful and business services	651,048	-	35,857	58,759	273,649	1,019,313
Real estate	-	-	-	35,343	-	35,343
<u>*Others*</u>						
Government and government agencies	1,931,541	78,640	482,137	186,352	-	2,678,670
Others	-	10,140	-	20,386	-	30,526
	2,582,589	170,480	517,994	725,099	690,066	4,686,228

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

1 January 2011	Financial assets held for trading		Financial investments available-for-sale		Financial investments held-to-maturity	
	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Total credit exposures RM'000
Agriculture	-	-	-	15,107	-	15,107
Electricity, gas and water	-	5,145	-	33,108	-	38,253
Construction	-	10,143	-	67,498	8,826	86,467
Transport, storage and communications	-	-	-	114,450	400,000	514,450
<u>Finance, takaful, real estate and business services</u>						
Finance, takaful and business services	736,365	-	35,423	60,450	489,888	1,322,126
Real estate	-	-	-	10,129	-	10,129
<u>Others</u>						
General commerce	-	-	-	31,142	-	31,142
Government and government agencies	1,478,050	118,191	165,641	111,699	-	1,873,581
Others	-	-	-	10,786	-	10,786
	2,214,415	133,479	201,064	454,369	898,714	3,902,041

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows:

31 December 2012	**Cashline**	**Term financing**	**Bills receivable**	**Islamic trust receipts**	**Claim on customers under Islamic accepted bills**	**Credit card receivables**	**Share purchase financing**	**Revolving credits**	**Total credit exposures**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture	**58,771**	**581,480**	**-**	**-**	**5,497**	**-**	**-**	**60,650**	**706,398**
Mining and quarrying	**15,544**	**7,718**	**-**	**-**	**-**	**-**	**-**	**-**	**23,262**
Manufacturing	**34,301**	**407,700**	**873**	**21,041**	**151,773**	**-**	**-**	**151,451**	**767,139**
Electricity, gas and water	**299**	**155,840**	**-**	**-**	**-**	**-**	**-**	**-**	**156,139**
Construction	**68,933**	**426,492**	**-**	**4,237**	**27,701**	**-**	**-**	**808,277**	**1,335,640**
Transport, storage and communications	**11,106**	**839,895**	**-**	**502**	**87**	**-**	**-**	**8,477**	**860,067**
Finance, takaful, real estate and business services									
Finance, takaful and business services	**90,872**	**2,132,544**	**-**	**66**	**283**	**-**	**-**	**262,139**	**2,485,904**
Others									
Purchase of landed property									**-**
- Residential	**-**	**8,141,424**	**-**	**-**	**-**	**-**	**-**	**-**	**8,141,424**
Government and government agencies	**-**	**6,744,478**	**-**	**-**	**-**	**-**	**-**	**-**	**6,744,478**
Purchase of securities	**-**	**-**	**-**	**-**	**-**	**-**	**35,057**	**-**	**35,057**
Purchase of transport vehicles	**-**	**6,345,776**	**-**	**-**	**-**	**-**	**-**	**-**	**6,345,776**
Consumption credit	**-**	**3,153,787**	**-**	**-**	**-**	**96,311**	**-**	**-**	**3,250,098**
Education and health	**42,390**	**1,552,162**	**-**	**-**	**889**	**-**	**-**	**53,161**	**1,648,602**
Trade and hospitality	**118,245**	**193,869**	**2,891**	**7,175**	**140,447**	**-**	**-**	**100,382**	**563,009**
Others	**6,574**	**3,715**	**-**	**-**	**-**	**-**	**-**	**-**	**10,289**
	447,035	**30,686,880**	**3,764**	**33,021**	**326,677**	**96,311**	**35,057**	**1,444,537**	**33,073,282**

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows (Continued):

31 December 2011	Cashline	Term financing	Bills receivable	Islamic trust receipts	Claim on customers under Islamic accepted bills	Credit card receivables	Revolving credits	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	37,828	649,545	-	-	5,560	-	42,232	735,165
Mining and quarrying	9,122	5,902	-	-	-	-	-	15,024
Manufacturing	36,509	214,919	2,581	19,890	117,556	-	40,119	431,574
Electricity, gas and water	-	155,228	-	-	-	-	-	155,228
Construction	60,317	153,677	-	3,131	3,156	-	9,127	229,408
Transport, storage and communications	10,963	802,168	-	111	1,487	-	4,178	818,907
Finance, takaful, real estate and business services								
Finance, takaful and business services	67,965	1,798,256	-	-	1,117	-	177,570	2,044,908
Others								
Purchase of landed property								
- Residential	-	6,986,835	-	-	-	-	-	6,986,835
Government and government agencies	-	6,544,997	-	-	-	-	-	6,544,997
Purchase of transport vehicles	-	5,250,195	-	-	-	-	-	5,250,195
Consumption credit	-	3,119,147	-	-	-	96,626	-	3,215,773
Education and health	43,210	1,131,596	-	-	883	-	43,193	1,218,882
Trade and hospitality	92,940	124,712	-	10,640	88,611	-	101,724	418,627
Others	-	8,581	-	-	-	-	-	8,581
	358,854	26,945,758	2,581	33,772	218,370	96,626	418,143	28,074,104

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows (Continued):

1 January 2011	Cashline	Term financing	Bills receivable	Islamic trust receipts	Claim on customers under Islamic accepted bills	Credit card receivables	Revolving credits	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	15,209	737,100	-	-	4,599	-	57,883	814,791
Mining and quarrying	2,782	2,041	-	-	-	-	-	4,823
Manufacturing	22,817	385,323	-	15,156	102,905	-	37,624	563,825
Electricity, gas and water	-	236,480	-	-	-	-	-	236,480
Construction	56,453	180,680	-	5,068	4,220	-	5,064	251,485
Transport, storage and communications	14,431	717,947	-	724	1,356	-	5,845	740,303
Finance, takaful, real estate and business services								
Finance, takaful and business services	82,021	1,195,286	-	-	914	-	175,854	1,454,075
Others								
Purchase of landed property								
- Residential	-	5,410,723	-	-	-	-	-	5,410,723
Government and government agencies	-	4,538,302	-	-	-	-	-	4,538,302
General commerce	70,576	108,917	2,235	33,938	62,113	-	102,935	380,714
Purchase of transport vehicles	-	5,234,598	-	-	-	-	-	5,234,598
Consumption credit	-	1,689,972	-	-	-	86,591	-	1,776,563
Others	46,636	958,057	-	-	16	-	13,186	1,017,895
	310,925	21,395,426	2,235	54,886	176,123	86,591	398,391	22,424,577

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancement) for items recognised in the statement of financial position, based on the industry sectors of the counterparty are as follows:

31 December 2012	**Financial guarantees**	**Credit related commitments and contingencies**
	RM'000	**RM'000**
Agriculture	**20**	**151,406**
Mining and quarrying	**-**	**1,061**
Manufacturing	**28,812**	**489,370**
Electricity, gas and water	**50,674**	**81,889**
Construction	**100,131**	**2,311,032**
Transport, storage and communications	**3,797**	**295,364**
Finance, takaful, real estate and business services		
Finance, takaful and business services	**3,557**	**468,252**
General commerce	**6,214**	**303,301**
Others	**1,855**	**783,834**
	195,060	**4,885,509**

31 December 2011	Financial guarantees	Credit related commitments and contingencies
	RM'000	RM'000
Agriculture	-	82,500
Mining and quarrying	-	3,579
Manufacturing	12,997	620,074
Electricity, gas and water	90	22,053
Construction	250	101,296
Transport, storage and communications	5,549	290,001
Finance, takaful, real estate and business services		
Finance, takaful and business services	1,516	534,310
General commerce	395	145,786
Others	7,692	805,826
	28,489	2,605,425

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancement) for items recognised in the statement of financial position, based on the industry sectors of the counterparty are as follows (Continued):

1 January 2011	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	247,387
Mining and quarrying	-	602
Manufacturing	11,004	156,645
Electricity, gas and water	-	655,274
Construction	17,922	208,417
Transport, storage and communications	2,144	243,987
Finance, takaful, real estate and business services		
Finance, takaful and business services	2,252	929,943
General commerce	2,938	242,012
Others	160	619,697
	36,420	3,303,964

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets

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

(i) Financing, advances and other financing/loans

Financing, advances and other financing/loans are summarised as follows:

31 December 2012	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	415,327	32,908	23,355	471,590
Term financing	28,951,579	1,833,567	261,715	31,046,861
Bills receivable	2,972	-	794	3,766
Islamic trust receipts	32,648	-	3,059	35,707
Claim on customers under Islamic accepted bills	322,637	4,937	13,114	340,688
Share purchase financing	35,216	-	10	35,226
Credit card receivables	93,588	3,875	419	97,882
Revolving credits	1,448,529	-	1,662	1,450,191
Total	31,302,496	1,875,287	304,128	33,481,911
Less: Impairment allowances				(408,629)
Total net amount				33,073,282

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

31 December 2011	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	322,556	38,850	11,650	373,056
Term financing	25,762,140	1,352,749	308,305	27,423,194
Bills receivable	2,581	-	-	2,581
Islamic trust receipts	33,693	154	1,544	35,391
Claim on customers under Islamic accepted bills	215,791	1,689	15,999	233,479
Credit card receivables	93,703	5,828	4,547	104,078
Revolving credits	419,592	-	3,733	423,325
Total	26,850,056	1,399,270	345,778	28,595,104
Less: Impairment allowances				(521,000)
Total net amount				28,074,104

1 January 2011	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Total
	RM'000	RM'000	RM'000	RM'000
Cashline	260,934	50,485	11,110	322,529
Term financing	20,236,089	1,162,759	285,588	21,684,436
Bills receivable	2,235	-	-	2,235
Islamic trust receipts	53,578	2,028	3,485	59,091
Claim on customers under Islamic accepted bills	168,882	8,835	13,940	191,657
Credit card receivables	83,975	4,073	2,424	90,472
Revolving credits	383,900	4,098	19,332	407,330
Total	21,189,593	1,232,278	335,879	22,757,750
Less: Impairment allowances				(333,173)
Total net amount				22,424,577

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment.

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(a) Financing, advances and other financing/loans that are "neither past due nor impaired"

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

31 December 2012	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Cashline	316,495	32,091	66,741	415,327
Term financing				
- House financing	-	-	7,535,745	7,535,745
- Syndicated term financing	330,015	-	-	330,015
- Other term financing	8,875,820	399,239	6,156,106	15,431,165
- Hire purchase receivables	-	-	5,654,654	5,654,654
Bills receivable	-	-	2,972	2,972
Islamic trust receipts	30,198	1,578	872	32,648
Claim on customers under Islamic accepted bills	312,718	5,232	4,687	322,637
Share purchase financing	-	-	35,216	35,216
Credit card receivables	-	-	93,588	93,588
Revolving credits	1,448,029	500	-	1,448,529
Total	11,313,275	438,640	19,550,581	31,302,496

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(a) Financing, advances and other financing/loans that are "neither past due nor impaired"

31 December 2011	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Cashline	238,398	40,668	43,490	322,556
Term financing	3,447,290	237,426	22,077,424	25,762,140
Bills receivable	2,581	-	-	2,581
Islamic trust receipts	27,006	4,650	2,037	33,693
Claim on customers under Islamic accepted bills	208,867	1,041	5,883	215,791
Credit card receivables	-	-	93,703	93,703
Revolving credits	381,138	-	38,454	419,592
Total	4,305,280	283,785	22,260,991	26,850,056

1 January 2011	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Cashline	189,770	20,184	50,980	260,934
Term financing	3,379,135	168,539	16,688,415	20,236,089
Bills receivable	2,235	-	-	2,235
Islamic trust receipts	53,578	-	-	53,578
Claim on customers under Islamic accepted bills	168,882	-	-	168,882
Credit card receivables	-	-	83,975	83,975
Revolving credits	282,985	710	100,205	383,900
Total	4,076,585	189,433	16,923,575	21,189,593

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(a) Financing, advances and other financing/loans that are "neither past due nor impaired" (Continued)

Credit quality descriptions can be summarised as follows:

Good - There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Bank.

Satisfactory - There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

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

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(b) Financing, advances and other financing/loans that are "past due but not impaired"

The Bank considers an asset is past due when any payment due under strict contractual terms is received late or missed. However, financing, advances and other financing/loans which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of financing, advances and other financing/loans that are "past due but not impaired" are set out below:

31 December 2012	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	27,584	5,324	32,908
Term financing	1,297,990	535,577	1,833,567
Claim on customers under Islamic accepted bills	2,619	2,318	4,937
Credit card receivables	2,573	1,302	3,875
Total	1,330,766	544,521	1,875,287

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(b) Financing, advances and other financing/loans that are "past due but not impaired" (Continued)

31 December 2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	27,185	11,665	38,850
Term financing	956,716	396,033	1,352,749
Islamic trust receipts	154	-	154
Claim on customers under Islamic accepted bills	572	1,117	1,689
Credit card receivables	3,033	2,795	5,828
Total	987,660	411,610	1,399,270

1 January 2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	48,092	2,393	50,485
Term financing	808,905	353,854	1,162,759
Islamic trust receipts	764	1,264	2,028
Claim on customers under Islamic accepted bills	6,019	2,816	8,835
Credit card receivables	2,375	1,698	4,073
Revolving credits	-	4,098	4,098
Total	866,155	366,123	1,232,278

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(i) Financing, advances and other financing/loans (Continued)

(c) Impaired financing, advances and other financing/loans

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Total gross impaired financing, advances and other financing/loans	**304,128**	345,778	335,879
Less: Impairment allowances	**(162,524)**	(261,936)	(190,168)
Total net impaired financing, advances and other financing/loans	**141,604**	83,842	145,711

Refer to Note 8(vi) for analysis of “impaired” financing, advances and other financing/loans by economic purpose.

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Financial assets held for trading			
- Money market instruments	**5,668,344**	2,582,589	2,214,415
- Unquoted securities	**448,704**	170,480	133,479
Financial investments available-for-sale			
- Money market instruments	**1,249,644**	517,994	201,064
- Unquoted securities	**1,547,118**	725,099	454,369
Financial investments held-to-maturity			
- Unquoted securities	**652,390**	690,066	898,714
Total	**9,566,200**	4,686,228	3,902,041

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired or impaired” for the Bank.

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments (Continued)

(a) Financial assets held for trading and financial investments that are "neither past due nor impaired"

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

31 December 2012	**Sovereign (no rating)**	**Investment grade (AAA to BBB-)**	**Others (no rating)**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets held for trading				
- Money market instruments	**3,861,157**	**1,807,187**	**-**	**5,668,344**
- Unquoted securities	**70,384**	**378,320**	**-**	**448,704**
Financial investments available-for-sale				
- Money market instruments	**1,140,378**	**109,266**	**-**	**1,249,644**
- Unquoted securities	**354,525**	**1,092,529**	**100,064**	**1,547,118**
Financial investments held-to-maturity				
- Unquoted securities	**-**	**25,103**	**627,287**	**652,390**
Total	**5,426,444**	**3,412,405**	**727,351**	**9,566,200**

31 December 2011	Sovereign (no rating)	Investment grade (AAA to BBB-)	Others (no rating)	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading				
- Money market instruments	1,931,541	651,048	-	2,582,589
- Unquoted securities	78,640	91,840	-	170,480
Financial investments available-for-sale				
- Money market instruments	448,441	69,553	-	517,994
- Unquoted securities	186,352	409,457	129,290	725,099
Financial investments held-to-maturity				
- Unquoted securities	-	126,236	563,830	690,066
Total	2,644,974	1,348,134	693,120	4,686,228

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(ii) Financial assets held for trading and financial investments (Continued)

(a) Financial assets held for trading and financial investments that are "neither past due nor impaired" (Continued)

1 January 2011	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
Financial assets held for trading				
- Money market instruments	1,916,630	297,785	-	2,214,415
- Unquoted securities	-	59,809	73,670	133,479
Financial investments available-for-sale				
- Money market instruments	201,064	-	-	201,064
- Unquoted securities	21,351	338,170	94,848	454,369
Financial investments held-to-maturity				
- Unquoted securities	464,906	38,496	395,312	898,714
Total	2,603,951	734,260	563,830	3,902,041

Securities of the Bank with no rating mainly consist of Islamic private debt securities.

(iii) Other credit risk financial assets

An analysis of the credit quality of the Bank's other credit risk financial assets that are "neither past due nor impaired" are set out below:

31 December 2012	**Sovereign (no rating) RM'000**	**Investment Grade (AAA to BBB-) RM'000**	**Non Investment Grade (BB+ and below) RM'000**	**Others (no rating) RM'000**	**Total RM'000**
Cash and short-term funds	**5,558,472**	**737,857**	**-**	**-**	**6,296,329**
Deposits and placements with banks and other financial institutions	**90,313**	**511,022**	**-**	**-**	**601,335**
Other assets	**-**	**-**	**-**	**86,720**	**86,720**
Islamic derivative financial instruments	**532**	**87,378**	**1,237**	**79,213**	**168,360**
Amount due from related companies	**-**	**-**	**-**	**431**	**431**
Total	**5,649,317**	**1,336,257**	**1,237**	**166,364**	**7,153,175**

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.3 Credit quality of financial assets (Continued)

(iii) Other credit risk financial assets (Continued)

	Sovereign (no rating)	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	6,907,693	631,221	-	15,971	7,554,885
Deposits and placements with banks and other financial institutions	-	1,090,383	-	-	1,090,383
Other assets	-	-	-	202,495	202,495
Islamic derivative financial instruments	4,867	84,617	5,291	52,833	147,608
Amount due from related companies	-	-	-	1,760	1,760
Total	6,912,560	1,806,221	5,291	273,059	8,997,131

	Sovereign (no rating)	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	Total
1 January 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	6,965,110	779,297	-	-	7,744,407
Deposits and placements with banks and other financial institutions	550,000	400,000	-	-	950,000
Other assets	11,462	10,370	-	99,350	121,182
Islamic derivative financial instruments	-	53,938	816	95,934	150,688
Amount due from holding company	-	245,034	-	-	245,034
Amount due from related companies	-	-	-	828	828
Total	7,526,572	1,488,639	816	196,112	9,212,139

There were no other financial assets that are “past due but not impaired” or “impaired” for the Bank.

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

36 Financial Risk Management (Continued)

36.1 Credit risk (Continued)

36.1.4 Renegotiated financial instruments

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. During the financial year, total carrying amount of financing, advances and other financing/loans of the Bank that would otherwise be past due or impaired whose terms have been renegotiated amounted to RM38,211,293 (2011: RM52,777,000, 2010: RM27,343,000).

36.1.5 Repossessed collateral

The Bank has not taken possession of any collateral held as security.

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

36 Financial Risk Management (Continued)

36.2 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 profit rates/benchmark rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

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

Market Risk Management (MRM)

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

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

Broadly, the Group is exposed to four major types of market risk namely equity risk, 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.

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

Market Risk Management (Continued)

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to GRC and BRC for its perusal. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2012 is shown in Note 36.2.1.

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

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

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

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

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

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

Market Risk Management (Continued)

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

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

Capital Treatment for Market Risk

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

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Bank's trading exposures are set out below:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
VaR			
Foreign exchange risk	**759**	485	319
Profit rate risk	**1,323**	964	1,216
Total	**2,082**	1,449	1,535
Total shareholder's funds	**2,343,444**	1,933,577	1,342,513
Percentage over shareholder's funds	**0.09%**	0.07%	0.11%

36.2.2 Profit rate risk

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

(a) Profit rate risk

The tables below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

31 December 2012	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	Non-trading book								
	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	6,163,666	-	-	-	-	-	132,663	-	6,296,329
Deposits and placements with banks and other financial institutions	-	353,000	93,000	152,950	-	-	2,385	-	601,335
Financial assets held for trading	-	-	-	-	-	-	11,383	6,105,665	6,117,048
Financial investments available-for-sale	-	-		113,434	881,123	1,771,969	30,236	-	2,796,762
Financial investments held-to-maturity	-	118,383	20,016	-	4,947	500,000	9,044	-	652,390
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	158,986	158,986
- Hedging derivatives	-	-	-	-	5,990	3,384	-	-	9,374
Financing, advances and other financing/loans	21,540,463	1,376,829	196,909	45,991	1,917,875	7,995,215	-	-	33,073,282
Other assets	-	-	-	-	-	-	86,720	-	86,720
Amount due from related companies	-	-	-	-	-	-	431	-	431
Total financial assets	27,704,129	1,848,212	309,925	312,375	2,809,935	10,270,568	272,862	6,264,651	49,792,657

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

31 December 2012	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	28,280,731	4,099,140	1,135,821	815,545	609,354	237,161	90,147	-	35,267,899
Deposits and placements of banks and other financial institutions	2,638,319	3,167,274	181,929	171,482	5,287,238	-	214,486	-	11,660,728
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	126,946	126,946
- Hedging derivatives	-	-	-	-	2,714	250,869	-	-	253,583
Other liabilities	-	-	-	-	-	-	19,113	-	19,113
Amount due to holding company	-	-	-	-	-	-	298,352	-	298,352
Amount due to related company	-	-	-	-	-	-	3,554	-	3,554
Subordinated sukuk	-	-	-	-	250,000	600,000	13,557	-	863,557
Total financial liabilities	30,919,050	7,266,414	1,317,750	987,027	6,149,306	1,088,030	639,209	126,946	48,493,732
Net profit sensitivity gap	(3,214,921)	(5,418,202)	(1,007,825)	(674,652)	(3,339,371)	9,182,538		6,137,705	
Financial guarantees	-	-	-	-	-	-	195,060	-	195,060
Credit related commitments and contingencies	3,894,665	59,227	23,019	932	59,049	848,617	-	-	4,885,509
Treasury related commitments and contingencies	-	-	-	-	564,286	6,514,117	-	-	7,078,403
	3,894,665	59,227	23,019	932	623,335	7,362,734	195,060	-	12,158,972

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

31 December 2011	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	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	7,423,075	-	-	-	-	-	131,810	-	7,554,885
Deposits and placements with banks and other financial institutions	-	892,930	192,000	-	-	-	5,453	-	1,090,383
Financial assets held for trading	-	-	-	-	-	-	-	2,753,069	2,753,069
Financial investments available-for-sale	-	-	130,038	15,122	644,097	447,562	6,274	-	1,243,093
Financial investments held-to-maturity	-	-	-	-	481,334	200,000	8,732	-	690,066
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	139,413	139,413
- Hedging derivatives	-	-	-	-	8,195	-	-	-	8,195
Financing, advances and other financing/loans	11,860,972	1,920,010	5,232,835	62,300	1,602,834	7,395,153	-	-	28,074,104
Other assets	-	-	-	-	-	-	202,495	-	202,495
Amount due from related companies	-	-	-	-	-	-	1,760	-	1,760
Total financial assets	19,284,047	2,812,940	5,554,873	77,422	2,736,460	8,042,715	356,524	2,892,482	41,757,463

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

	Non-trading book								
31 December 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	19,921,925	5,973,812	1,414,405	669,216	577,151	590,743	91,218	-	29,238,470
Deposits and placements of banks and other financial institutions	2,195,610	2,576,861	47,708	-	5,287,238	-	143,416	-	10,250,833
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	133,425	133,425
- Hedging derivatives	-	-	-	-	159	262,270	-	-	262,429
Other liabilities	-	-	-	-	-	-	48,609	-	48,609
Amount due to ultimate holding company	-	-	-	-	-	-	393,673	-	393,673
Amount due to related company	-	-	-	-	-	-	139	-	139
Subordinated sukuk	-	-	-	-	250,000	300,000	14,679	-	564,679
Total financial liabilities	22,117,535	8,550,673	1,462,113	669,216	6,114,548	1,153,013	691,734	133,425	40,892,257
Net profit sensitivity gap	(2,833,488)	(5,737,733)	4,092,759	(591,794)	(3,378,088)	6,889,702		2,759,057	
Financial guarantees	-	-	-	-	-	-	-	28,489	28,489
Credit related commitments and contingencies	1,494,493	30,699	1,144	36,349	189,002	853,738	-	-	2,605,425
Treasury related commitments and contingencies	-	-	-	-	264,837	4,364,661	-	-	4,629,498
	1,494,493	30,699	1,144	36,349	453,839	5,218,399	-	28,489	7,263,412

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

1 January 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	← Non-trading book					→			
	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	7,689,306	-	-	-	-	-	55,101	-	7,744,407
Deposits and placements with banks and other financial institutions	-	800,000	150,000	-	-	-	-	-	950,000
Financial assets held for trading	-	-	-	-	-	-	-	2,347,894	2,347,894
Financial investments available-for-sale	-	5,034	9,858	10,069	276,361	354,111	-	-	655,433
Financial investments held-to-maturity	-	-	-	464,908	233,806	200,000	-	-	898,714
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	139,552	139,552
- Hedging derivatives	-	-	-	-	-	11,136	-	-	11,136
Financing, advances and other financing/loans:	8,953,173	1,781,804	3,462,540	279,115	1,568,979	6,378,955	11	-	22,424,577
Other assets	-	-	-	-	-	-	121,182	-	121,182
Amount due from holding company	-	-	-	-	-	-	245,034	-	245,034
Amount due from related companies	-	-	-	-	-	-	828	-	828
Total financial assets	16,642,479	2,586,838	3,622,398	754,092	2,079,146	6,944,202	422,156	2,487,446	35,538,757

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

	Non-trading book								
1 January 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	15,065,443	4,637,984	312,880	377,081	1,576,731	528,266	179,570	-	22,677,955
Deposits and placements of banks and other financial institutions	2,470,971	2,927,735	480,108	-	5,246,214	-	-	-	11,125,028
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	139,058	139,058
- Hedging derivatives	-	-	-	-	-	60,141	-	-	60,141
Other liabilities	-	-	-	-	-	-	23,055	-	23,055
Subordinated sukuk	-	-	-	-	-	300,000	-	-	300,000
Total financial liabilities	17,536,414	7,565,719	792,988	377,081	6,822,945	888,407	202,625	139,058	34,325,237
Net profit sensitivity gap	(893,935)	(4,978,881)	2,829,410	377,011	(4,743,799)	6,055,795		2,348,388	
Financial guarantees	-	-	-	-	-	-	36,420	-	36,420
Credit related commitments and contingencies	-	-	-	-	-	-	3,303,964	-	3,303,964
Treasury related commitments and contingencies	-	-	-	-	-	4,400,000	-	-	4,400,000
	-	-	-	-	-	4,400,000	3,340,384	-	7,740,384

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

The profit rate risk for financial investments available-for-sale, financial investments held-to-maturity and financing, advances and other financing/loans of the Bank are further analysed by classes of financial assets as follows:

	Non-trading book							
31 December 2012	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale:								
- Money market instruments	-	-	-	100,114	569,717	568,280	11,533	1,249,644
- Unquoted securities	-	-	-	13,321	311,406	1,203,689	18,702	1,547,118
Financial investments held-to-maturity:								
- Unquoted securities	-	118,383	20,016	-	4,947	500,000	9,044	652,390
Financing, advances and other financing/loans:								
- Cashline	447,035	-	-	-	-	-	-	447,035
- Term financing	20,370,105	276,062	11,633	45,991	1,947,875	8,035,214	-	30,686,880
- Bills receivable	3,764	-	-	-	-	-	-	3,764
- Trust receipts	10,162	11,789	11,070	-	-	-	-	33,021
- Claim on customers under Islamic accepted bills	113,583	173,938	39,156	-	-	-	-	326,677
- Share purchase financing	35,057	-	-	-	-	-	-	35,057
- Credit card receivables	96,311	-	-	-	-	-	-	96,311
- Revolving credits	344,447	965,039	135,051	-	-	-	-	1,444,537
Total	21,420,464	1,545,211	216,926	159,426	2,833,945	10,307,183	39,279	36,522,434

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

31 December 2011	Non-trading book							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale								
- Money market instruments	-	-	115,007	-	327,876	73,282	1,829	517,994
- Unquoted securities	-	-	15,030	15,122	321,566	368,936	4,445	725,099
Financial investments held-to-maturity								
- Unquoted securities	-	-	-	-	476,609	208,534	4,923	690,066
Financing, advances and other financing/loans								
- Cashline	358,854	-	-	-	-	-	-	358,854
- Term financing	11,130,835	1,598,786	5,190,747	27,402	1,602,834	7,395,154	-	26,945,758
- Bills receivable	801	1,780	-	-	-	-	-	2,581
- Trust receipts	4,392	22,523	6,857	-	-	-	-	33,772
- Claim on customers under Islamic accepted bills	75,915	121,711	20,744	-	-	-	-	218,370
- Credit card receivables	96,626	-	-	-	-	-	-	96,626
- Revolving credits	193,547	175,211	14,487	34,898	-	-	-	418,143
Total	11,860,970	1,920,011	5,362,872	77,422	2,728,885	8,045,906	11,197	30,007,263

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(a) Profit rate risk (Continued)

1 January 2011	Non-trading book Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale								
- Money market instruments	-	-	-	5,044	145,840	50,180	-	201,064
- Unquoted securities	-	5,034	9,858	5,024	130,521	303,932	-	454,369
Financial investments held-to-maturity								
- Unquoted securities	-	-	-	464,907	233,807	200,000	-	898,714
Financing, advances and other financing/loans:								
- Cashline	310,925	-	-	-	-	-	-	310,925
- Term financing	8,301,615	1,509,240	3,359,175	277,450	1,568,979	6,378,956	11	21,395,426
- Bills receivable	2,235	-	-	-	-	-	-	2,235
- Trust receipts	29,865	15,412	9,609	-	-	-	-	54,886
- Claim on customers under Islamic accepted bills	54,388	103,232	18,503	-	-	-	-	176,123
- Credit card receivables	86,591	-	-	-	-	-	-	86,591
- Revolving credits	167,554	153,920	75,253	1,664	-	-	-	398,391
Total	8,953,173	1,786,838	3,472,398	754,089	2,079,147	6,933,068	11	23,978,724

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves

(i) Sensitivity of profit

The table below shows the sensitivity of the Bank's banking book to movement in profit rates:

	Year	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**31 December 2012**	**(34,225)**	**34,225**
Impact to profit (after tax)	31 December 2011	(27,176)	27,176

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 profit 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.

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves (Continued)

(ii) Sensitivity of reserves

The table below shows the sensitivity of the Bank's banking book to movement in profit rates:

	Year	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to reserves	**31 December 2012**	**(177,575)**	**177,575**
Impact to reserves	31 December 2011	(52,931)	52,931

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 changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities do not take into account the effects of hedging and do not incorporate actions that the Bank would take to mitigate the impact of this profit rate risk. In practice, the Bank proactively seeks to mitigate the effect of prospective profit movements.

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk

The Bank is 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 Bank takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

(a) Foreign exchange risk

The table below summarises the financial assets, financial liabilities and net open position by currency of the Bank which are mainly in Ringgit Malaysia, United States Dollars, and others.

31 December 2012	MYR RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	6,150,265	127,683	18,381	146,064	6,296,329
Deposits and placements with banks and other financial institutions	447,628	153,707	-	153,707	601,335
Financial assets held for trading:					
- Money market instruments	5,668,344	-	-	-	5,668,344
- Unquoted securities	448,704	-	-	-	448,704
Financial investments available-for-sale:					
- Money market instruments	1,215,382	34,262	-	34,262	1,249,644
- Unquoted securities	1,526,804	20,314	-	20,314	1,547,118
Financial investments held-to-maturity:					
- Unquoted securities	652,390	-	-	-	652,390
Islamic derivative financial instruments:					
- Trading derivatives	139,922	10,196	8,868	19,064	158,986
- Hedging derivatives	9,374	-	-	-	9,374
Financing, advances and other financing/loans:					
- Cashline	447,035	-	-	-	447,035
- Term financing	30,686,880	-	-	-	30,686,880
- Bills receivable	3,764	-	-	-	3,764
- Islamic trust receipts	33,021	-	-	-	33,021
- Claim on customers under Islamic accepted bills	326,677	-	-	-	326,677
- Share purchase financing	35,057		-	-	35,057
- Credit card receivables	96,311	-	-	-	96,311
- Revolving credit	1,444,537	-	-	-	1,444,537
Other assets	86,720	-	-	-	86,720
Amount due from related companies	431	-	-	-	431
	49,419,246	346,162	27,249	373,411	49,792,657

CIMB Islamic Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2012 (Continued)

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(a) Foreign exchange risk (Continued)

31 December 2012	MYR RM'000	SGD RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	34,651,870	167	615,400	462	616,029	35,267,899
Deposits and placements of banks and other financial institutions	10,417,642	-	1,243,086	-	1,243,086	11,660,728
Islamic derivative financial instruments:						
- Trading derivatives	107,965	-	10,113	8,868	18,981	126,946
- Hedging derivatives	252,307	-	1,276	-	1,276	253,583
Amount due to holding company	298,352	-	-	-	-	298,352
Amount due to related companies	3,554	-	-	-	-	3,554
Other liabilities	19,113	-	-	-	-	19,113
Subordinated sukuk	863,557	-	-	-	-	863,557
	46,614,360	167	1,869,875	9,330	1,879,372	48,493,732
Financial guarantees	195,060	-	-	-	-	195,060
Credit related commitments and contingencies	4,762,991	14	104,129	18,375	122,518	4,885,509
	4,958,051	14	104,129	18,375	122,518	5,080,569

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(a) Foreign exchange risk (Continued)

31 December 2011	MYR RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	7,457,961	96,394	530	96,924	7,554,885
Deposits and placements with banks and other financial institutions	804,103	286,280	-	286,280	1,090,383
Financial assets held for trading:					
- Money market instruments	2,582,589	-	-	-	2,582,589
- Unquoted securities	170,480	-	-	-	170,480
Financial investments available-for-sale:					
- Money market instruments	484,297	33,697	-	33,697	517,994
- Unquoted securities	720,181	4,918	-	4,918	725,099
Financial investments held-to-maturity:					
- Unquoted securities	690,066	-	-	-	690,066
Islamic derivative financial instruments:					
- Trading derivatives	115,249	20,910	3,254	24,164	139,413
- Hedging derivatives	8,195	-	-	-	8,195
Financing, advances and other financing/loans:					
- Cashline	358,854	-	-	-	358,854
- Term financing	26,945,758	-	-	-	26,945,758
- Bills receivable	2,581	-	-	-	2,581
- Islamic trust receipts	33,772	-	-	-	33,772
- Claim on customers under Islamic accepted bills	218,370	-	-	-	218,370
- Credit card receivables	96,626	-	-	-	96,626
- Revolving credit	418,143	-	-	-	418,143
Other assets	202,495	-	-	-	202,495
Amount due from related companies	1,760	-	-	-	1,760
	41,311,480	442,199	3,784	445,983	41,757,463

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(a) Foreign exchange risk (Continued)

31 December 2011	MYR RM'000	SGD RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	28,798,187	-	440,283	-	440,283	29,238,470
Deposits and placements of banks and other financial institutions	9,541,245	-	709,588	-	709,588	10,250,833
Islamic derivative financial instruments						
- Trading derivatives	131,148	-	421	1,856	2,277	133,425
- Hedging derivatives	262,009	-	420	-	420	262,429
Amount due to holding company	393,673	-	-	-	-	393,673
Amount due to related companies	139	-	-	-	-	139
Other liabilities	48,609	-	-	-	-	48,609
Subordinated sukuk	564,679	-	-	-	-	564,679
	39,739,689	-	1,150,712	1,856	1,152,568	40,892,257
Financial guarantees	28,489	-	-	-	-	28,489
Credit related commitments and contingencies	2,335,912	11	221,115	48,387	269,513	2,605,425
	2,364,401	11	221,115	48,387	269,513	2,633,914

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(a) Foreign exchange risk (Continued)

1 January 2011	MYR RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	7,276,964	467,443	-	467,443	7,744,407
Deposits and placements with banks and other financial institutions	950,000	-	-	-	950,000
Financial assets held for trading:					
- Money market instruments	2,214,415	-	-	-	2,214,415
- Unquoted securities	133,479	-	-	-	133,479
Financial investments available-for-sale:					
- Money market instruments	201,064	-	-	-	201,064
- Unquoted securities	454,369	-	-	-	454,369
Financial investments held-to-maturity:					
- Unquoted securities	898,714	-	-	-	898,714
Islamic derivative financial instruments:					
- Trading derivatives	127,366	8,796	3,390	12,186	139,552
- Hedging derivatives	11,136	-	-	-	11,136
Financing, advances and other financing/loans:					
- Cashline	310,925	-	-	-	310,925
- Term financing	21,395,426	-	-	-	21,395,426
- Bills receivable	2,235	-	-	-	2,235
- Islamic trust receipts	54,886	-	-	-	54,886
- Claim on customers under Islamic accepted bills	176,123	-	-	-	176,123
- Credit card receivables	86,591	-	-	-	86,591
- Revolving credit	398,391	-	-	-	398,391
Other assets	120,808	374	-	374	121,182
Amount due from holding company	245,034	-	-	-	245,034
Amount due from related companies	828	-	-	-	828
	35,058,754	476,613	3,390	480,003	35,538,757

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

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(a) Foreign exchange risk (Continued)

1 January 2011	MYR RM'000	SGD RM'000	USD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	22,551,470	-	126,485	-	126,485	22,677,955
Deposits and placements of banks and other financial institutions	10,071,078	-	1,053,950	-	1,053,950	11,125,028
Islamic derivative financial instruments						
- Trading derivatives	126,886	-	8,782	3,390	12,172	139,058
- Hedging derivatives	60,141	-	-	-	-	60,141
Other liabilities	22,187	-	868	-	868	23,055
Subordinated sukuk	300,000	-	-	-	-	300,000
	33,131,762	-	1,190,085	3,390	1,193,475	34,325,237
Financial guarantees	36,372	-	48	-	48	36,420
Credit related commitments and contingencies	3,200,750	299	96,378	6,537	103,214	3,303,964
	3,237,122	299	96,426	6,537	103,262	3,340,384

36 Financial Risk Management (Continued)

36.2 Market risk (Continued)

36.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

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

	Year	1% appreciation RM'000	1% depreciation RM'000
Impact to profit (after tax)	**31 December 2012**	**629**	**(629)**
Impact to profit (after tax)	31 December 2011	1	(1)

The impact on profit arises from transactional exposures from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit 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.

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

36 Financial Risk Management (Continued)

36.3 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 term deposits. This provides the Bank a stable large funding base.

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

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

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

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

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity dates in accordance with the requirements of BNM GP8i:

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	6,296,329	-	-	-	-	-	-	6,296,329
Deposits and placements with banks and other financial institutions	-	354,532	93,096	153,707	-	-	-	601,335
Financial assets held for trading	1,809,637	1,946,861	1,301,768	445,000	360,869	252,913	-	6,117,048
Financial investments available-for-sale	-	-		115,057	892,267	1,789,438	575	2,797,337
Financial investments held-to-maturity	-	118,383	20,105	-	4,998	508,904	-	652,390
Islamic derivative financial instruments	8,262	19,578	2,928	3,514	54,247	79,831	-	168,360
Financing , advances and other financing/loans	924,741	1,113,411	247,020	275,667	4,104,316	26,408,127	-	33,073,282
Other assets	254,882	-	-	-	-	-	-	254,882
Deferred taxation	-	-	-	-	-	-	10,731	10,731
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,104,097	1,104,097
Amount due from related companies	431	-	-	-	-	-	-	431
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	7,328	7,328
Property, plant and equipment	-	-	-	-	-	-	5,490	5,490
Total assets	9,294,282	3,552,765	1,664,917	992,945	5,416,697	29,039,213	1,264,221	51,225,040

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities (Continued)

31 December 2012	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	28,345,944	4,108,537	1,142,559	821,283	611,943	237,633	-	35,267,899
Deposits and placements of banks and other financial institutions	2,645,834	3,175,306	182,082	172,271	5,485,235	-	-	11,660,728
Islamic derivative financial instruments	9,163	17,470	1,861	1,166	47,849	303,020	-	380,529
Amount due to holding company	298,352	-	-	-	-	-	-	298,352
Amount due to related companies	3,554	-	-	-	-	-	-	3,554
Other liabilities	397,107	-	-	-	-	-	-	397,107
Provision for taxation and zakat	9,870	-	-	-	-	-	-	9,870
Subordinated sukuk	-	-	-	-	558,880	304,677	-	863,557
Total liabilities	31,709,824	7,301,313	1,326,502	994,720	6,703,907	845,330	-	48,881,596
Total liquidity gap	(22,415,542)	(3,748,548)	338,415	(1,775)	(1,287,210)	28,193,883	1,264,221	

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities (Continued)

31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,554,885	-	-	-	-	-	-	7,554,885
Deposits and placements with banks and other financial institutions	-	898,287	192,096	-	-	-	-	1,090,383
Financial assets held for trading	855,608	813,862	807,929	88,374	171,837	15,459	-	2,753,069
Financial investments available-for-sale	-	-	130,038	15,122	644,097	453,836	575	1,243,668
Financial investments held-to-maturity	-	-	-	-	481,335	208,731	-	690,066
Islamic derivative financial instruments	4,272	17,443	3,264	3,800	51,190	67,639	-	147,608
Financing , advances and other financing/loans	470,008	363,959	60,372	248,829	2,794,796	24,136,140	-	28,074,104
Other assets	299,017	-	-	-	-	-	-	299,017
Deferred taxation	-	-	-	-	-	-	6,359	6,359
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,097,797	1,097,797
Amount due from related companies	1,760	-	-	-	-	-	-	1,760
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	4,170	4,170
Property, plant and equipment	-	-	-	-	-	-	3,899	3,899
Total assets	9,185,550	2,093,551	1,193,699	356,125	4,143,255	24,881,805	1,248,800	43,102,785

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities (Continued)

31 December 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	19,982,138	5,990,035	1,420,559	674,332	578,433	592,973	-	29,238,470
Deposits and placements of banks and other financial institutions	2,204,176	2,581,421	47,816	-	5,417,420	-	-	10,250,833
Islamic derivative financial instruments	1,769	9,600	479	856	17,917	365,233	-	395,854
Amount due to ultimate holding company	393,673	-	-	-	-	-	-	393,673
Amount due to related companies	139	-	-	-	-	-	-	139
Other liabilities	308,946	-	-	-	-	-	-	308,946
Provision for taxation and zakat	16,614	-	-	-	-	-	-	16,614
Subordinated sukuk	-	-	-	-	260,002	304,677	-	564,679
Total liabilities	22,907,455	8,581,056	1,468,854	675,188	6,273,772	1,262,883	-	41,169,208
Total liquidity gap	(13,721,905)	(6,487,505)	(275,155)	(319,063)	(2,130,517)	23,618,922	1,248,800	

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities (Continued)

1 January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,744,407	-	-	-	-	-	-	7,744,407
Deposits and placements with banks and other financial institutions	-	800,000	150,000	-	-	-	-	950,000
Financial assets held for trading	719,040	1,139,500	216,357	50,370	222,627	-	-	2,347,894
Financial investments available-for-sale	-	5,034	9,858	10,069	276,361	354,111	575	656,008
Financial investments held-to-maturity	-	-	-	464,907	233,807	200,000	-	898,714
Islamic derivative financial instruments	311	1,851	3,468	6,975	96,268	41,815	-	150,688
Financing , advances and other financing/loans	660,568	283,502	507,131	430,971	2,386,124	18,156,281	-	22,424,577
Other assets	334,228	-	-	-	-	-	-	334,228
Deferred taxation	-	-	-	-	-	-	4,307	4,307
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	143,406	143,406
Amount due from holding company	245,034	-	-	-	-	-	-	245,034
Amount due from related companies	828	-	-	-	-	-	-	828
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	4,287	4,287
Property, plant and equipment	-	-	-	-	-	-	1,862	1,862
Total assets	9,704,416	2,229,887	886,814	963,292	3,215,187	18,752,207	290,437	36,042,240

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.1 Contractual maturity of assets and liabilities (Continued)

1 January 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	15,245,012	4,637,984	312,880	377,082	1,576,731	528,266	-	22,677,955
Deposits and placements of banks and other financial institutions	2,470,970	2,927,735	480,108	-	5,246,215	-	-	11,125,028
Islamic derivative financial instruments	6,212	7,794	3,105	6,039	20,625	155,424	-	199,199
Other liabilities	384,556	-	-	-	-	-	-	384,556
Provision for taxation and zakat	12,989	-	-	-	-	-	-	12,989
Subordinated sukuk	-	-	-	-	-	300,000	-	300,000
Total liabilities	18,119,739	7,573,513	796,093	383,121	6,843,571	983,690	-	34,699,727
Total liquidity gap	(8,415,323)	(5,343,626)	90,721	580,171	(3,628,384)	17,768,517	290,437	

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

31 December 2012	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	28,355,060	4,119,255	1,149,842	837,689	621,120	240,153	35,323,119
Deposits and placements of banks and other financial institutions	2,647,779	3,188,098	182,679	173,551	6,240,290	-	12,432,397
Amount due to holding company	298,352	-	-	-	-	-	298,352
Amount due to related companies	3,554	-	-	-	-	-	3,554
Other liabilities	15,389	-	-	-	-	-	15,389
Subordinated sukuk	-	14,775	5,250	20,025	710,200	519,600	1,269,850
	31,320,134	7,322,128	1,337,771	1,031,265	7,571,610	759,753	49,342,661
Financial guarantees	195,060	-	-	-	-	-	195,060
Credit related commitments and contingencies	3,894,665	59,227	23,019	932	59,049	848,617	4,885,509
	4,089,725	59,227	23,019	932	59,049	848,617	5,080,569

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

36.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities (Continued)

31 December 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	19,996,847	6,020,293	1,437,696	689,446	608,788	686,077	29,439,147
Deposits and placements of banks and other financial institutions	2,207,477	2,594,052	48,032	-	6,394,087	-	11,243,648
Amount due to holding company	393,673	-	-	-	-	-	393,673
Amount due to related companies	139	-	-	-	-	-	139
Other liabilities	48,609	-	-	-	-	-	48,609
Subordinated sukuk	-	8,775	5,250	14,025	362,200	487,650	877,900
	22,646,745	8,623,120	1,490,978	703,471	7,365,075	1,173,727	42,003,116
Financial guarantees	28,489	-	-	-	-	-	28,489
Credit related commitments and contingencies	1,494,493	30,699	1,144	36,349	189,002	853,738	2,605,425
	1,522,982	30,699	1,144	36,349	189,002	853,738	2,633,914

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

1 January 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	15,273,845	4,671,354	320,329	387,603	1,807,865	581,939	23,042,935
Deposits and placements of banks and other financial institutions	2,473,997	2,941,467	484,035	-	6,229,122	-	12,128,621
Other liabilities	23,055	-	-	-	-	-	23,055
Subordinated sukuk	-	8,775	-	8,775	70,200	457,950	545,700
	17,770,897	7,621,596	804,364	396,378	8,107,187	1,039,889	35,740,311
Financial guarantees	36,420	-	-	-	-	-	36,420
Credit related commitments and contingencies	1,698,569	5,894	1,182	186,718	564,674	846,927	3,303,964
	1,734,989	5,894	1,182	186,718	564,674	846,927	3,340,384

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Derivative liabilities

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

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The comparatives were not restated as allowed by the transitional provision arising from the adoption of Amendment to MFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments". As such, the prior year disclosure analyses the trading derivatives based on the remaining contractual maturities and whether it was net or gross settled.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Derivative liabilities (Continued)

31 December 2012	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Derivative financial liabilities							
Derivatives held for trading:							
- Profit rate derivatives	**52,354**	-	-	-	-	-	**52,354**
- Equity related derivatives	**15,856**	-	-	-	-	-	**15,856**
Hedging derivatives:							
- Profit rate derivatives	**714**	**(28,982)**	**60,977**	**34,753**	**270,779**	**154,590**	**492,831**
	68,924	**(28,982)**	**60,977**	**34,753**	**270,779**	**154,590**	**561,041**

31 December 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Derivative financial liabilities							
Derivatives held for trading:							
- Profit rate derivatives	95,791	-	-	-	-	-	95,791
- Equity related derivatives	10,555	-	-	-	-	-	10,555
Hedging derivatives:							
- Profit rate derivatives	5,531	(22,654)	47,066	31,341	239,613	199,741	500,638
	111,877	(22,654)	47,066	31,341	239,613	199,741	606,984

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Derivative liabilities (Continued)

1 January 2011	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Derivative financial liabilities							
Derivatives held for trading:							
- Profit rate derivatives	96,593	-	-	-	-	-	96,593
- Equity related derivatives	6,342	-	-	-	-	-	6,342
Hedging derivatives:							
- Profit rate derivatives	11,894	(11,517)	22,479	22,623	207,855	171,623	424,957
	114,829	(11,517)	22,479	22,623	207,855	171,623	527,892

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Derivative liabilities (Continued)

The Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency profit rate swaps.

The table below analyses the cash flows payable by the Bank in relation to the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2012	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Total	No-specific maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Derivatives held for trading								
Foreign exchange derivatives:	58,736	-	-	-	-	-	58,736	-
	58,736	-	-	-	-	-	58,736	-

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

36 Financial Risk Management (Continued)

36.3 Liquidity risk (Continued)

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

Derivative liabilities (Continued)

31 December 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Total	No-specific maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Derivatives held for trading								
Foreign exchange derivatives:	27,079	-	-	-	-	-	27,079	-
	27,079	-	-	-	-	-	27,079	-

1 January 2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Total	No-specific maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Derivatives held for trading								
Foreign exchange derivatives:	23,866	-	-	-	-	-	23,866	-
	23,866	-	-	-	-	-	23,866	-

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and items not recognised in the statement of financial position. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

36.4.1 Determination of fair value and fair value hierarchy

With effective from 1 January 2011, the Bank adopted the Amendments to FRS 7 which requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Other techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly; and
Level 3 - Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs)

Comparative figures for the Bank are not presented for 1 January 2011 as allowed by the transitional provision arising from the adoption of Amendment to MFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments".

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

		Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2012					
Financial assets					
Financial assets held for trading:					
-Money market instruments	5,668,344	-	5,668,344	-	5,668,344
-Unquoted securities	448,704	-	448,704	-	448,704
Financial investments available-for-sale:					
-Money market instruments	1,249,644	-	1,249,644	-	1,249,644
-Unquoted securities	1,547,118	-	1,547,118	-	1,547,118
Derivative financial instruments:					
-Trading derivatives	158,986	-	158,986	-	158,986
-Hedging derivatives	9,374	-	9,374	-	9,374
Total	9,082,170	-	9,082,170	-	9,082,170
Financial liabilities					
Derivative financial instruments:					
Trading derivatives	126,946	-	126,946	-	126,946
Hedging derivatives	253,583	-	253,583	-	253,583
Total	380,529	-	380,529	-	380,529

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

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

		Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2011					
Financial assets					
Financial assets held for trading:					
-Money market instruments	2,582,589	-	2,582,589	-	2,582,589
-Unquoted securities	170,480	-	91,840	78,640	170,480
Financial investments available-for-sale:					
-Money market instruments	517,994	-	517,994	-	517,994
-Unquoted securities	725,099	-	725,099	-	725,099
Derivative financial instruments:					
-Trading derivatives	139,413	-	139,413	-	139,413
-Hedging derivatives	8,195	-	8,195	-	8,195
Total	4,143,770	-	4,065,130	78,640	4,143,770
Financial liabilities					
Derivative financial instruments:					
Trading derivatives	133,425	-	133,425	-	133,425
Hedging derivatives	262,429	-	262,429	-	262,429
Total	395,854	-	395,854	-	395,854

		Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1 January 2011					
Financial assets					
Financial assets held for trading:					
-Money market instruments	2,214,415	-	2,214,415	-	2,214,415
-Unquoted securities	133,479	-	59,809	73,670	133,479
Financial investments available-for-sale:					
-Money market instruments	201,064	-	201,064	-	201,064
-Unquoted securities	454,369	-	454,369	-	454,369
Derivative financial instruments:					
-Trading derivatives	139,552	-	139,552	-	139,552
-Hedging derivatives	11,136	-	11,136	-	11,136
Total	3,154,015	-	3,080,345	73,670	3,154,015
Financial liabilities					
Derivative financial instruments:					
Trading derivatives	139,058	-	139,058	-	139,058
Hedging derivatives	60,141	-	60,141	-	60,141
Total	199,199	-	199,199	-	199,199

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

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

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds/sukuks, government bonds, corporate debt securities, repurchase and reverse purchase agreements, financing, derivatives, certain issued notes and the Bank's over the counter ("OTC") derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds/sukuks.

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

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

The following represents the changes in Level 3 instruments for the Bank.

Financial assets held-for-trading	**31 December 2012 Unquoted securities RM'000**	31 December 2011 Unquoted securities RM'000
At 1 January	**78,640**	73,670
Total gains recognised in statement of income	**1,376**	4,970
Settlements	**(80,016)**	-
At 31 December	**-**	78,640

36.4.2 Financial instruments not measured at fair value

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

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

36.4.2 Financial instruments not measured at fair value (Continued)

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing 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 financing with similar credit risks and maturities.

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

Amount due (to)/from subsidiaries and related companies

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

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

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are payable 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 profit rates for deposits and placements with similar remaining period to maturities.

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

36.4.2 Financial instruments not measured at fair value (Continued)

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptances payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for bills and acceptance payable with similar remaining period to maturity

Sukuk, subordinated obligations and others

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

The estimated fair values of other financings with maturities of less than six months or with variable rates approximate the carrying values. For other financing with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturity.

Redeemable preference shares

The estimated fair value of redeemable cumulative preference shares ("RCPS") approximates the carrying value based on Directors' estimate as the effective profit rate of the RCPS is a fair reflection of the current rate for such similar instrument.

Derivative financial instruments

The fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

Credit related commitment and contingencies

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

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

36.4.2 Financial instruments not measured at fair value (Continued)

Credit related commitment and contingencies (Continued)

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.

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

31 December 2012	Carrying amount RM'000	Fair value RM'000
Financial assets		
Deposits and placements with banks and other financial institutions	**601,335**	**601,736**
Financial investments held-to-maturity	**652,390**	**682,508**
Financing, advances and other financing/loans	**33,073,282**	**35,185,908**
Financial liabilities		
Deposits from customers	**35,267,899**	**35,236,046**
Subordinated sukuk	**863,557**	**924,614**
Deposits and placements of banks and other financial institutions	**11,660,728**	**11,816,569**

31 December 2011	Carrying amount RM'000	Fair value RM'000
Financial assets		
Financial investments held-to-maturity	690,066	711,065
Financing, advances and other financing/loans	28,074,104	30,028,814
Financial liabilities		
Deposits from customers	29,238,470	29,203,915
Deposits and placements of banks and other financial institutions	10,250,833	10,467,699
Subordinated sukuk	564,679	621,525

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

36 Financial Risk Management (Continued)

36.4 Fair value of financial instruments (Continued)

36.4.2 Financial instruments not measured at fair value (Continued)

1 January 2011	Carrying amount RM'000	Fair value RM'000
Financial assets		
Financial investments held-to-maturity	898,714	928,786
Financing, advances and other financing/loans	22,424,577	23,412,463
Financial liabilities		
Deposits from customers	22,677,955	22,536,032
Subordinated sukuk	300,000	324,326

The carrying amount of the financial assets at the statement of financial position data were not reduced to their estimated fair value as the Directors are of the opinion that the amounts will be recoverable in full on maturity.

37 Critical accounting estimates and judgements in applying accounting policies

The Bank makes 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 Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

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

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

(b) Impairment losses on financing, advances and other financing/loans

The Bank makes allowance for losses on financing, advances and other financing/loans 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 financing, advances and other financing/loans. Among the factors considered are the Bank's aggregate exposure to the customers, 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 their obligations and the aggregate amount and ranking of all other creditor claims.

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

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

(c) Goodwill impairment

The Bank tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note J(a) of the Summary of Significant Accounting Policies.

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

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

(d) Fair value of financial instruments

The majority of 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, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 36.4.

38 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 Bank has determined the Group Management Committee as its chief operating decision-maker.

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

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

Business segment reporting

Definition of segments

As a result of an internal reorganisation, there is a change in business segment reporting. The Bank has been reorganised into the following five major operating divisions. The divisions form the basis on which the Bank reports its segment information.

Consumer Banking

Consumer Banking provides full-fledged financial services to individual and commercial customer. The divisions which make up the Consumer Banking are Retail Financial Services and Commercial Banking.

Retail Financial Services and Cards focuses on innovative products and services to individual customers. It offers products such as financing facilities (residential properties, personal financing, share financing, credit card and hire purchase), remittance services, deposit collection and wealth management.

Commercial Banking is responsible for offering products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products include financing facilities (financing, accepted bills, revolving credit, ijarah, factoring, hire purchase), remittance services and deposit collection.

38 Segment reporting (Continued)

Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises Investment Banking and Corporate Banking, Treasury and Markets.

Corporate Banking, Treasury and Markets (CBTM) is responsible for corporate financing and deposit taking, transaction banking, treasury and markets activities. Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Investments

Investments focus on Group Strategy and Strategic Investments (GSSI) including funding operations for the Group. GSSI consists of Group Strategy, Private Equity and Strategic Investments which focuses in defining and formulating strategies at the corporate and business unit levels, oversee the Bank's strategic and private equity fund management businesses. It also invests in the Bank's proprietary capital.

Support and others

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

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

38 Segment reporting (Continued)

Business segment reporting (Continued)

31 December 2012	Consumer Banking		Wholesale Banking				
	Commercial Banking	Retail Financial Services and Cards	Corporate Banking, Treasury and Markets	Investment Banking	Investment	Support and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:							
- external	41,044	1,050,989	(211,314)	2,027	8,639	-	891,385
- inter-segment	73,047	(523,597)	409,703	(989)	41,836	-	-
	114,091	527,392	198,389	1,038	50,475	-	891,385
Other income	9,873	62,110	72,845	507	3,506	-	148,841
Operating income	123,964	589,502	271,234	1,545	53,981	-	1,040,226
Overhead expenses	(60,356)	(329,921)	(51,742)	(34)	(1,263)	(29,280)	(472,596)
Consist of :							
Depreciation of property, plant and equipment	(231)	(796)	(631)	(1)	(1)	-	(1,660)
Amortisation of intangible assets	(231)	(1,214)	(1,365)	-	(1)	-	(2,811)
Profit/(loss) before allowances	63,608	259,581	219,492	1,511	52,718	(29,280)	567,630
Impairment allowance on financing, advances and other financing/loans	(10,046)	(19,654)	(2,203)	(166)	24	-	(32,045)
Impairment loss on other receivables	-	-	(29)	-	-	(64)	(93)
Segment results	53,562	239,927	217,260	1,345	52,742	(29,344)	535,492
Taxation							(134,422)
Net profit for the financial year							401,070
Segment assets	2,828,146	19,006,976	27,844,166	26,793	-	-	49,706,081
Unallocated assets							1,518,959
Total assets							51,225,040
Segment liabilities	4,964,819	4,290,709	38,917,092	93	-	-	48,172,713
Unallocated liabilities							708,883
Total liabilities							48,881,596
Other segment items							
Capital expenditure	2,051	6,683	598	-	5	-	9,337

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

38 Segment reporting (Continued)

Business segment reporting (Continued)

31 December 2011	Consumer Banking: Commercial Banking	Consumer Banking: Retail Financial Services and Cards	Wholesale Banking: Corporate Banking, Treasury and Markets	Wholesale Banking: Investment Banking	Investment	Support and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:							
- external	37,427	941,068	(163,029)	(1)	(46,463)	-	769,002
- inter-segment	52,065	(459,751)	341,593	3	66,090	-	-
	89,492	481,317	178,564	2	19,627	-	769,002
Other income	7,295	64,910	37,264	4	5,136	-	114,609
Operating income	96,787	546,227	215,828	6	24,763	-	883,611
Overhead expenses	(37,370)	(222,717)	(37,269)	(553)	(1,067)	(23,667)	(322,643)
Consist of :							
Depreciation of property, plant and equipment	(120)	(845)	(70)	(4)	-	-	(1,039)
Amortisation of intangible assets	(124)	(1,069)	(87)	-	-	-	(1,280)
Profit/(loss) before allowances	59,417	323,510	178,559	(547)	23,696	(23,667)	560,968
Impairment allowance on financing, advances and other financing/loans	6,724	(128,945)	8,398	-	14	(22)	(113,831)
Impairment loss on other receivables	-	-	(1)	-	-	(20)	(21)
Segment results	66,141	194,565	186,956	(547)	23,710	(23,709)	447,116
Taxation							(111,384)
Net profit for the financial year							335,732
Segment assets	2,298,003	16,535,454	22,720,326	-	-	-	41,553,783
Unallocated assets							1,549,002
Total assets							43,102,785
Segment liabilities	4,188,653	3,459,816	32,801,131	237	-	-	40,449,837
Unallocated liabilities							719,371
Total liabilities							41,169,208
Other segment items							
Capital expenditure	504	3,462	271	-	2	-	4,239

38 Segment reporting (Continued)

Business segment reporting (Continued)

1 January 2011	Consumer Banking: Commercial Banking RM'000	Consumer Banking: Retail Financial Services and Cards RM'000	Wholesale Banking: Corporate Banking, Treasury and Markets RM'000	Wholesale Banking: Investment Banking RM'000	Investment RM'000	Support and others RM'000	Total RM'000
Segment assets	1,743,593	13,373,426	20,055,269	-	-	-	35,172,288
Unallocated assets							869,952
Total assets							36,042,240
Segment liabilities	4,224,971	2,452,704	27,624,507	-	-	-	34,302,182
Unallocated liabilities							397,545
Total liabilities							34,699,727
Other segment items							
Capital expenditure	478	3,280	257	-	2	-	4,017

Basis of pricing for inter-segment transfers:

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

39 Change in comparatives

(A) Adoption of the MFRS 1 mandatory exceptions and exemption options

(i) <u>MFRS 1 mandatory exceptions</u>

(a) Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 'Financial Instruments: Recognition and Measurement' ("MFRS 139") at that date. Hedging relationships cannot be designated retrospectively.

(ii) <u>MFRS 1 exemption options</u>

Designation of previously recognised financial instruments

MFRS 1 "First-time Adoption of MFRS" allows an entity to designate a previously recognised financial instrument as available-for-sale or fair value through profit or loss on the transition date, provided the criteria in MFRS 139 "Financial Investment: Recognition and Measurement" are met. Consequently, the Bank has designated previously recognised financial investments held-to-maturity with carrying amount of RM194,921,000 and fair value of RM200,048,000 as available-for-sale at transition date.

(iii) <u>Segment reporting</u>

As a result of an internal reorganisation, there is a change in business segment reporting, and the comparatives for segment reporting have been restated to reflect this new group structure. Refer to Note 38.

39 Change in comparatives (Continued)

(A) Adoption of the MFRS 1 mandatory exceptions and exemption options (Continued)

The adoption of MFRS 1 mandatory exceptions and exemption options affected the following items:

(i) Impact on the Bank's statement of financial position as at 31 December 2011 and 1 January 2011:

	Balances as at 31 December 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Assets			
Financial investments available-for-sale	749,674	493,994	1,243,668
Financial investments held-to-maturity	1,177,357	(487,291)	690,066
Deferred taxation	8,035	(1,676)	6,359
Total assets	**43,097,758**	**5,027**	**43,102,785**
Equity			
Reserves	858,550	5,027	863,577
Total equity	**1,928,550**	**5,027**	**1,933,577**

	Balances as at 1 January 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Assets			
Financial investments available-for-sale	455,959	200,049	656,008
Financial investments held-to-maturity	1,093,635	(194,921)	898,714
Deferred taxation	5,589	(1,282)	4,307
Total assets	**36,038,394**	**3,846**	**36,042,240**
Equity			
Reserves	518,667	3,846	522,513
Total equity	**1,338,667**	**3,846**	**1,342,513**

39 Change in comparatives (Continued)

(A) Adoption of the MFRS 1 mandatory exceptions and exemption options (Continued)

(ii) Impact on the Bank's statements of changes in equity as at 31 December 2011 and 1 January 2011:

	Balances as at 31 December 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Revaluation reserve- financial investments available-for-sale	8,268	5,027	13,295

	Balances as at 1 January 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Revaluation reserve- financial investments available-for-sale	5,082	3,846	8,928

(iii) Impact on the Bank's statement of income for the financial year ended 31 December 2011:

	Amount for the financial year 31 December 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Profit income			
- Financial investments available-for-sale	24,831	13,473	38,304
- Financial investments held-to maturity	24,665	(13,473)	11,192

(iv) Impact on the Bank's statement of comprehensive income for the financial year ended 31 December 2011:

	Amount for the financial year 31 December 2011		
	As previously reported RM'000	Effects of adopting MFRS 1 RM'000	As restated RM'000
Revaluation reserve of financial investments available-for-sale			
- Net gain from changes in fair value	10,929	1,574	12,503
- Income tax effects	(1,062)	394	(668)

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

39 Change in comparatives (Continued)

B) Reconciliation of MFRS1 adjustments to total equity, total comprehensive income and statement of cash flows

MFRS 1 requires an entity to reconcile equity and total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from Financial Reporting Standards (‘FRS’) to MFRSs for the respective years noted for total equity, total comprehensive income, and statement of cash flows.

(i) Reconciliation of total equity

	1 January 2011 (Date of transition)	31 December 2011
	RM'000	RM'000
Total equity as reported under FRS	1,338,667	1,928,550
Add transitioning adjustments:		
Designation of previously recognised financial instruments		
- Revaluation reserve -financial investments available -for-sale	3,846	5,027
Total equity on transition to MFRS	**1,342,513**	**1,933,577**

(ii) Reconciliation of total comprehensive income

	31 December 2011
	RM'000
Total comprehensive income as reported under FRS	338,919
Add/(less) transitioning adjustments:	
Designation of previously recognised financial instruments	
- Revaluation reserve -financial investments available -for-sale	1,574
- Income tax effects	(394)
Total comprehensive income upon transition to MFRS	**340,099**

39 Change in comparatives (Continued)

B) Reconciliation of MFRS1 adjustments to total equity, total comprehensive income and statement of cash flows (Continued)

(iii) Reconciliation of statement of cash flows

The transition from FRS to MFRS has had no effect on the reported cash flows generated by the Bank.

40 Significant event during the financial year

Issue of subordinated Sukuk

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

41 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 March 2013.