Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2010

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2010

Contents

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2010

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and of CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2010.

Principal activities

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

Financial results

	The Group RM'000	The Bank RM'000
Net profit after taxation and zakat	**60,253**	**57,665**

Dividends

The dividends on ordinary shares and redeemable preference shares paid or declared by the Bank since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009:	
Final gross dividend of 69.73 sen per ordinary share, less 25% income tax, paid on 20 April 2010	52,300

The Directors have proposed a final dividend comprising gross dividend of 40.46 sen per ordinary share, less 25% income tax, amounting to RM30,346,930 and tax exempt dividend of 23.15 sen per ordinary share, amounting to RM23,153,070 in respect of the financial year ended 31 December 2010. The final dividends will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

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 2010 (Continued)

Bad and doubtful debts, and financing

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

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 45 to the Financial Statements; and

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

Directors

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

Dato' Hamzah bin Bakar
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Zainal Abidin bin Putih
Nicholas Rupert Heylett Bloy
Zahardin bin Omardin
Dato' Charon Wardini bin Mokhzani

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Dato' Hamzah bin Bakar and Nicholas Rupert Heylett Bloy retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Directors' interests in shares and share options

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

	Number of ordinary shares of RM1 each			
	As at 1 January	**Bonus issue**	**Disposed**	**As at 31 December**
Ultimate holding company				
CIMB Group Holdings Berhad				
Dato' Sri Mohamed Nazir bin Abdul Razak*	27,463,261	27,463,261	-	54,926,522
Zahardin bin Omardin	9,146	9,146	-	18,292
Dato' Charon Wardini bin Mokhzani**	63,695	63,657	(38)	127,314
Dato' Zainal Abidin bin Putih***	55,000	55,000	-	110,000

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

	As at 1 January	**Bonus issue**	**Disposed**	**As at 31 December**
Dato' Azlina binti Abdul Aziz	4,000,000	4,000,000	-	8,000,000

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

	As at 1 January	**Bonus issue**	**Disposed**	**As at 31 December**
Datin Saidah Binti Rastam	38	-	(38)	-

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

	As at 1 January	**Bonus issue**	**Disposed**	**As at 31 December**
Datin Jasmine Binti Abdullah Heng	10,000	10,000	-	20,000
Mohamad Ari Zulkarnian	5,000	5,000	-	10,000

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

Directors' Report
for the financial year ended 31 December 2010 (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 31 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than share options of the ultimate holding company.

2010 Business Plan And Strategy

The Bank has successfully defended its leadership position in debt, equity and mergers and acquisitions deals. In 2010, the Bank won The Banker magazine's top investment bank award for Asia. The Bank was distinguished among investment banks across Asia in terms of innovation, financial solutions and market leadership in pioneering and originating new structures.

The Bank operates in a highly competitive and liberalised environment and its stock broking business is susceptible to external developments and is highly correlated to the performance in the local bourse. Amidst the competitive and volatile environment, the Bank has maintained its leadership position on the back of improvement in capital market activities.

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Outlook for 2011

The Bank will continue to stay abreast with the progress of economic developments to refine its priorities for opportunistic strategies in light of the economic recovery with the latest positive indicators around the globe point to greater optimism and an emerging recovery on the economic front, with the likelihood for a double dip recession retreating. With the likely broad-based improvement in the Malaysian economy and improved consumer and business sentiments, the capital and equity market activities are likely to improve further.

The investment banking industry is expected to stay competitive and the Bank will proactively concentrate on working with its core and target customers to tap into these opportunities in addition to pioneering innovative financial products and grow its cross border activities by leveraging on the capability and network of the Group.

The Bank's main concern is to ensure that its underlying business momentum remains intact to sustain our journey of growth and meet the increasing expectations of shareholders, clients, employees and regulators for long term sustainable growth.

Ratings by External Rating Agencies

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

Rating Agency	Rating Classification	Definition
Rating Agency Malaysia Berhad Date accorded : Dec-10	Long term : AAA Short term : P1 Outlook : Stable	Indicates a superior capacity to meet its financial obligations
Moody's Investors Service Date accorded : Dec-10	Long term deposits : Baa1 Short term deposits : P2 Outlook : Positive	Indicates good credit quality. However, elements may be present that suggest a susceptibility to impairment over the long term
Standard & Poor's Date accorded : Dec-10	Long term : BBB Short term : A2 Subordinated debt Outlook :Stable	Indicates adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity of the obligor to meet its financial commitments

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Shariah Committee

Effective 1 January 2007, with the integration of the Shariah Committees of the Bank and CIMB Islamic Bank Berhad ("CIMB Islamic"), all the Islamic banking businesses of CIMB Group came under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic.

As per BNM/GPS1 (Guideline on the Governance of Shariah Committee for Islamic Financial Institutions), the Shariah Committee advises the Group on the operations of its Islamic banking business to ensure that the Group is not involved in any elements or activities which are not permissible under Shariah. In advising on such matters, the Shariah Committee also considers the views of the Shariah Advisory Council or Committees of relevant authorities like Bank Negara Malaysia and the Securities Commission on issues relating to the activities and operations of Islamic banking and finance.

Composition of the Shariah Committee:

1. Sheikh Professor Dr. Mohammad Hashim Kamali (Chairman)
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 AlShubaily

Zakat

Zakat is a contribution payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 'Adjusted Growth' method, at 2.5% for individual Bumiputra shareholders of CIMB Group Holdings Berhad, the Bank's ultimate holding company.

Significant events during the financial year

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

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Subsequent event after the financial year end

Subsequent event after the financial year end is disclosed in Note 41 to the Financial Statements.

Statement of Director's Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines, and the provisions of the Companies Act, have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2010 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

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

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

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

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2010 (Continued)

Ultimate holding company

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

Auditors

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

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

Dato' Hamzah bin Bakar
Director

Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
25 March 2011

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

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

We, Dato' Hamzah bin Bakar and Dato' Charon Wardini bin Mokhzani, being two of the Directors of CIMB Investment Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 14 to 167 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2010 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with the provisions of the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

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

Dato' Hamzah bin Bakar
Director

Dato' Charon Wardini bin Mokhzani
Director

Kuala Lumpur
25 March 2011

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

I, Kim Kenny, being the officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that, the Financial Statements set out on pages 14 to 167 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 25 March 2011

Commissioner for Oaths

Independent Auditors' Report to the members of CIMB Investment Bank Berhad

Company No: 18417-M
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 14 to 167, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Bank, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 47.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these Financial Statements in accordance with the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Group's and the Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

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

Independent Auditors' Report to the members of CIMB Investment Bank Berhad (Continued)

Company No: 18417-M
(Incorporated in Malaysia)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the Financial Statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

Independent Auditors' Report to the members of CIMB Investment Bank Berhad (Continued)

Company No: 18417-M
(Incorporated in Malaysia)

Other Matters

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

PricewaterhouseCoopers	**Soo Hoo Khoon Yean**
(No. AF: 1146)	(No. 2682/10/11 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
[ ]

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Bank 2010 RM'000	The Bank 2009 RM'000
Assets					
Cash and short term funds	2	**2,173,609**	4,206,184	**2,074,296**	4,135,886
Reverse repurchase agreements		**300,067**	293,722	**300,067**	293,722
Deposits and placements with banks and other financial institutions	3	**689,196**	1,716,140	**687,992**	1,714,975
Financial assets held for trading	4	**82,127**	86,280	**82,127**	86,280
Financial investments available-for-sale	5	**8,979**	8,825	**6,331**	6,331
Derivative financial instruments	6	**42,089**	281,170	**42,089**	281,170
Loans, advances and financing	7	**42,710**	44,940	**42,710**	44,940
Other assets	8	**806,243**	1,032,520	**805,114**	1,031,578
Deferred tax assets	9	**44,329**	5,083	**44,270**	5,019
Tax recoverable		**1**	368	**-**	-
Statutory deposits with Bank Negara Malaysia	10	**280**	1,900	**280**	1,900
Investment in subsidiaries	11	**-**	-	**9,050**	9,050
Investment in associates	12	**5,280**	4,833	**-**	-
Property, plant and equipment	13	**92,977**	70,764	**94,116**	71,831
Goodwill on consolidation	14	**964**	964	**-**	-
Amount due from related companies	34	**6,624**	6,305	**6,626**	6,526
Total assets		**4,295,475**	7,759,998	**4,195,068**	7,689,208
Liabilities					
Deposits from customers	15	**1,207,639**	2,593,686	**1,207,639**	2,593,686
Deposits and placements of banks and other financial institutions	16	**1,494,000**	3,148,546	**1,494,000**	3,148,546
Derivative financial instruments	6	**61,710**	174,368	**61,710**	174,368
Other liabilities	17	**1,026,891**	1,329,318	**940,985**	1,265,121
Provision for taxation and zakat	18	**46,408**	36,887	**46,348**	36,887
Amount due to related companies	34	**12,105**	60,419	**15,290**	68,864
Total liabilities		**3,848,753**	7,343,224	**3,765,972**	7,287,472
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital	19	**100,000**	100,000	**100,000**	100,000
Redeemable preference shares	20	**10**	10	**10**	10
Reserves	21	**346,712**	316,764	**329,086**	301,726
Total equity		**446,722**	416,774	**429,096**	401,736
Total equity and liabilities		**4,295,475**	7,759,998	**4,195,068**	7,689,208
Commitments and contingencies	6	**2,286,857**	5,403,521	**2,286,857**	5,403,521

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Comprehensive Income for the financial year ended 31 December 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Bank 2010 RM'000	The Bank 2009 RM'000
Interest income	22	**52,413**	58,781	**51,525**	57,571
Interest expense	23	**(48,995)**	(43,986)	**(48,995)**	(43,915)
Net interest income		**3,418**	14,795	**2,530**	13,656
Income from Islamic Banking operations	46	**124,231**	30,768	**124,231**	30,768
Write back of/(allowance for) impairment losses on loans, advances and financing	24	**84**	(32)	**84**	(32)
Write back of/(allowance for) losses on other receivables		**2,213**	(1,512)	**2,072**	(1,949)
		129,946	44,019	**128,917**	42,443
Fee and commission income	25	**143,678**	233,688	**143,678**	233,688
Dividend income	26	**2**	462	**2**	2,919
Net trading income	27	**7,077**	18,385	**7,077**	18,385
Gain arising from sale of financial investments available-for-sale	28	**-**	3	**-**	3
Income from asset management and securities services		**26,520**	26,584	**26,520**	26,584
Brokerage income		**163,686**	108,634	**161,064**	105,831
Other non-interest (expense)/income	29	**(941)**	2,795	**(1,952)**	3,193
Non-interest income		**340,022**	390,551	**336,389**	390,603
Net income		**469,968**	434,570	**465,306**	433,046
Losses from investment management and securities services		**(80,000)**	-	**(80,000)**	-
Overheads	30	**(294,609)**	(230,651)	**(292,158)**	(228,001)
		95,359	203,919	**93,148**	205,045
Share of results of associates	12	**846**	788	**-**	-
Profit before taxation and zakat		**96,205**	204,707	**93,148**	205,045
Taxation	32	**(35,952)**	(21,603)	**(35,483)**	(23,333)
Zakat		**-**	(607)	**-**	(607)
Profit after taxation and zakat		**60,253**	182,497	**57,665**	181,105
Other comprehensive income:					
Revaluation reserve-financial investments available for sale					
-Net gain from change in fair value		**-**	22,910	**-**	22,910
-Realised loss transferred to comprehensive income on disposal		**-**	(3)	**-**	(3)
-Income tax effects	9	**-**	(5,727)	**-**	(5,727)
Other comprehensive income for the year, net of tax		**-**	17,180	**-**	17,180
Total comprehensive income for the financial year		**60,253**	199,677	**57,665**	198,285

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2010

		Attributable to equity holders of the Bank				
	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
The Group						
At 1 January 2010						
-as previously reported		100,000	10	155,805	160,959	416,774
-effect of adopting FRS 139		-	-	-	21,995	21,995
Adjusted at 1 January 2010		100,000	10	155,805	182,954	438,769
Net profit for the financial year		-	-	-	60,253	60,253
Total comprehensive income for the financial year		-	-	-	60,253	60,253
Final dividend paid in respect of the financial year ended 31 December 2009	33	-	-	-	(52,300)	(52,300)
At 31 December 2010		100,000	10	155,805	190,907	446,722

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2010 (Continued)

		Attributable to equity holders of the Bank								
	Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	Statutory reserve RM'000	Options reserve RM'000	Revaluation reserve on financial investments available-for-sale RM'000	Retained profits RM'000	Total RM'000
The Group										
At 1 January 2009		219,242	10	33,489	(293)	293,577	17,256	(17,180)	102,473	648,574
Net profit for the financial year		-	-	-	-	-	-	-	182,497	182,497
Other comprehensive income		-	-	-	-	-	-	17,180	-	17,180
Total comprehensive income for the financial year		-	-	-	-	-	-	17,180	182,497	199,677
Bonus issue	19	190,758	-	(33,489)	-	(137,772)	-	-	(19,497)	-
Capital repayment	19	(310,000)	-	-	-	-	-	-	-	(310,000)
Liquidation of subsidiary		-	-	-	293	-	-	-	-	293
Dividends paid	33	-	-	-	-	-	-	-	(123,000)	(123,000)
Issuance of EESOS	21(iv)	-	-	-	-	-	1,230	-	-	1,230
Arising from expiry of EESOS		-	-	-	-	-	(18,486)	-	18,486	-
At 31 December 2009		100,000	10	-	-	155,805	-	-	160,959	416,774

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2010 (Continued)

	Note	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
				Non-distributable			Distributable	
The Bank								
At 1 January 2010								
-as previously reported		**100,000**	**10**	**155,805**	**(272,007)**	**271,377**	**146,551**	**401,736**
-effect of adopting FRS 139		**-**	**-**	**-**	**-**	**-**	**21,995**	**21,995**
Adjusted at 1 January 2010		**100,000**	**10**	**155,805**	**(272,007)**	**271,377**	**168,546**	**423,731**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**57,665**	**57,665**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**-**	**57,665**	**57,665**
Final dividend paid in respect of the financial year ended 31 December 2009	33	**-**	**-**	**-**	**-**	**-**	**(52,300)**	**(52,300)**
At 31 December 2010		**100,000**	**10**	**155,805**	**(272,007)**	**271,377**	**173,911**	**429,096**

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2010 (Continued)

				Non-distributable						Distributable	
	Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Revaluation reserve on financial investments available-for-sale RM'000	Options reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
The Bank											
At 1 January 2009		219,242	10	33,489	293,577	(272,007)	(17,180)	17,215	271,377	89,498	635,221
Net profit for the financial year		-	-	-	-	-	-	-	-	181,105	181,105
Other comprehensive income		-	-	-	-	-	17,180	-	-	-	17,180
Total comprehensive income for the financial year		-	-	-	-	-	17,180	-	-	181,105	198,285
Bonus issue	19	190,758	-	(33,489)	(137,772)	-	-	-	-	(19,497)	-
Capital repayment	19	(310,000)	-	-	-	-	-	-	-	-	(310,000)
Dividends paid	33	-	-	-	-	-	-	-	-	(123,000)	(123,000)
Issuance of EESOS	21(iv)	-	-	-	-	-	-	1,230	-	-	1,230
Arising from expiry of EESOS		-	-	-	-	-	-	(18,445)	-	18,445	-
At 31 December 2009		100,000	10	-	155,805	(272,007)	-	-	271,377	146,551	401,736

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows
for the financial year ended 31 December 2010

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Operating activities				
Profit before taxation	**96,205**	204,707	**93,148**	205,045
Add/(less) adjustments:				
(Write back of)/allowance for impairment losses on loans, advances and financing	**(84)**	32	**(84)**	32
Interest income on financial investments available-for-sale	**-**	(9,870)	**-**	(9,870)
Interest income on financial investments held-to-maturity	**-**	(5,386)	**-**	(5,386)
Interest expense on long term borrowings	**-**	5,389	**-**	5,389
Interest expense on other borrowings	**-**	71	**-**	-
Depreciation of property, plant and equipment	**23,024**	21,964	**22,935**	21,828
(Write back of)/allowance on other receivables	**(2,213)**	1,547	**(2,072)**	1,984
Accretion of discounts less amortisation of premium	**(2,530)**	(10,812)	**(2,530)**	(10,812)
Unrealised gain on financial assets held for trading	**(4,191)**	(15,916)	**(4,191)**	(15,916)
Unrealised loss on derivative financial instruments	**46,450**	8,306	**46,450**	8,306
Gain on disposal of property, plant and equipment	**(2,588)**	(533)	**(2,588)**	(533)
Gain from sale of financial investments available-for-sale	**-**	(3)	**-**	(3)
Gross dividends from subsidiaries	**-**	-	**-**	(2,457)
Gross dividends from financial assets held for trading	**(2)**	(462)	**(2)**	(462)
Unrealised foreign exchange loss	**5,404**	1,151	**5,404**	1,151
Share of results of associates	**(846)**	(788)	**-**	-
EESOS expense	**-**	1,230	**-**	1,230
Cash flow from operating profit before changes in operating assets and liabilities	**158,629**	200,627	**156,470**	199,526
Operating assets				
Reverse repurchase agreements	**(6,345)**	(29,602)	**(6,345)**	(29,602)
Deposits and placements with banks and other financial institutions	**884,743**	(1,538,440)	**884,782**	(1,538,399)
Financial assets held for trading	**115,352**	617,003	**115,352**	617,003
Loans, advances and financing	**3,258**	5,111	**3,258**	5,111
Other assets	**232,989**	(773,128)	**232,509**	(774,645)
Statutory deposits with Bank Negara Malaysia	**1,620**	10,905	**1,620**	10,905
Amount due from related companies	**(272)**	595,153	**(272)**	595,153
Amount due from immediate holding company	**13**	(13)	**13**	(13)
Amount due from ultimate holding company	**(60)**	-	**(60)**	-
Amount due from subsidiaries	**-**	-	**219**	10,158
	1,231,298	(1,113,011)	**1,231,076**	(1,104,329)

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flow
for the financial year ended 31 December 2010 (Continued)

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Operating liabilities				
Deposits from customers	**(1,362,619)**	1,257,629	**(1,362,619)**	1,257,629
Deposits and placements of banks and other financial institutions	**(1,538,540)**	731,547	**(1,538,540)**	731,547
Other liabilities	**(415,088)**	659,515	**(387,200)**	725,447
Amount due to ultimate holding company	**(173)**	(16)	**(173)**	(16)
Amount due to immediate holding company	**(10)**	10	**-**	-
Amount due to related companies	**(48,131)**	56,868	**(48,131)**	60,228
Amount due to subsidiaries	**-**	-	**(5,270)**	(6,614)
Cash (used in)/ generate from operating activities	**(1,974,634)**	1,793,169	**(1,954,387)**	1,863,418
Taxation paid	**(73,259)**	(25,355)	**(72,701)**	(25,308)
Net cash (used in)/generate from operating activities	**(2,047,893)**	1,767,814	**(2,027,088)**	1,838,110
Investing activities				
Dividends received from associates	**400**	-	**-**	-
Dividends received from subsidiaries	**-**	-	**-**	1,843
Dividends received from securities held for trading	**2**	408	**2**	408
Interest income received from financial investments available-for-sale	**-**	15,482	**-**	15,482
Interest income received from financial investments held-to-maturity	**-**	9,042	**-**	9,042
Net purchase of financial investments available-for-sale	**-**	(16,105)	**-**	(16,018)
Maturity of financial investments held-to-maturity	**-**	361,700	**-**	361,700
Purchase of property, plant and equipment	**(46,672)**	(11,056)	**(46,653)**	(11,006)
Proceeds from disposal of property, plant and equipment	**4,023**	1,703	**4,020**	1,703
Net cash (used in)/generate from investing activities	**(42,247)**	361,174	**(42,631)**	363,154
Financing activities				
Interest paid on long term borrowings	**-**	(9,045)	**-**	(9,045)
Interest paid on other borrowings	**-**	(293)	**-**	-
Repayment of other borrowings	**-**	(7,000)	**-**	-
Repayment of long term borrowings	**-**	(361,343)	**-**	(361,343)
Capital repayment	**-**	(310,000)	**-**	(310,000)
Dividends paid	**(52,300)**	(123,000)	**(52,300)**	(123,000)
Net cash used in financing activities	**(52,300)**	(810,681)	**(52,300)**	(803,388)

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flow for the financial year ended 31 December 2010 (Continued)

		The Group		The Bank	
	Note	**2010**	2009	**2010**	2009
		RM'000	RM'000	**RM'000**	RM'000
Net (decrease)/increase in cash and cash equivalents during the financial year		**(2,142,440)**	1,318,307	**(2,122,019)**	1,397,876
Cash and cash equivalents at beginning of the financial year		**3,989,771**	2,670,410	**3,919,473**	2,520,836
Effects of exchange rate changes		**(2,792)**	1,054	**(2,638)**	761
Cash and cash equivalents at end of the financial year		**1,844,539**	3,989,771	**1,794,816**	3,919,473
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	**2,173,609**	4,206,184	**2,074,296**	4,135,886
Adjustment for monies held in trust:					
Clients' trust and dealers' representatives' balances		**(307,538)**	(202,838)	**(257,948)**	(202,838)
Remisiers' balances		**(21,532)**	(13,575)	**(21,532)**	(13,575)
Cash and cash equivalents		**1,844,539**	3,989,771	**1,794,816**	3,919,473

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 31 December 2010

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

A Basis of preparation

The Financial Statements of the Group and the Bank have been prepared in accordance with the Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia ("BNM") Guidelines, Shariah requirements and the provisions of the Companies Act, 1965.

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 42.

A Basis of preparation (Continued)

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

The new accounting standards, amendments to published standards and interpretations that are effective for the Group and the Bank for the financial year ended 31 December 2010 are as follows:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised)"Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS101 (revised) “Presentation of Financial Statements” – Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- TR i-3 "Presentation of Financial Statements of Islamic Financial Institutions"
- Improvements to FRSs (2009)

A summary of the impact of new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Bank is set out in Note 45.

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

The new and revised standards, amendments to published standards and interpretations that are applicable to the Group and the Bank but which the Group and the Bank have not early adopted, are as follows:

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

A Basis of preparation (Continued)

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

- The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions within controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

- The amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

- Amendment to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. The amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group and the Bank have applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and the Bank.

A Basis of preparation (Continued)

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

- IC Interpretation 4 “Determining whether an arrangement contains a lease” (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangement are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 “Leases” should be applied to the lease element of the arrangement. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

- The revised FRS 124 “Related party disclosures” (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2012.

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments” (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2012.

A Basis of preparation (Continued)

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

- The Amendments to FRS 2 “Share-based payment: Group, cash-settled share based payment transactions” (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment also incorporate guidance previously included in IC Interpretation 8 “Scope of FRS 2” and IC Interpretation 11 “FRS 2 – Group and Treasury Share Transactions”, which shall be withdrawn on application of this amendment. The Group and the Bank will apply these standards from financial years beginning on or after 1 January 2011.

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

The following amendments are part of the Malaysian Accounting Standards Board’s (“MASB”) improvements project:

- Amendments to FRS 2 “Share-based payment” (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

A Basis of preparation (Continued)

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

- Amendments to FRS 5 "Non-current assets held for sale and discontinued operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Group and the Bank will apply this standard from financial year beginning on or after 1 January 2011.

- Amendments to FRS 138 "Intangible Assets" effective from 1 July 2010 clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

  Other than the adoption of the Amendments to FRS 2 "Share-based payment: Group, cash-settled share-based payment transaction" which will result in a transfer of 34,477,464 from the Group's and the Bank's opening retained earnings to option reserve at 1 January 2011 and a charge of RM3,793,326 to the Group's and the Bank's profit and loss for the financial year ending 31 December 2011, the adoption of the other new standards, amendments to published standards and Interpretations are not expected to have a material impact on the financial results of the Group and the Bank.

  The Group and the Bank will apply this Standard from financial years beginning on or after 1 January 2011.

The adoption of the other new standards, amendments to published standards and Interpretations are not expected to have a material impact on the financial results of the Group and the Bank.

B Economic entities in the Group

(a) Subsidiaries

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

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

When assessing whether the Group controls a SPE, in addition to the criteria in FRS 127, it evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;

(b) the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated these decision-making power by setting up an 'autopilot' mechanism, or

(c) the Group has the rights to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

Investment in subsidiaries is stated at cost less accumulated impairment losses. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

External costs directly attributable to an acquisition, other than the costs of issuing shares and other capital instruments, are included as part of the cost of acquisition.

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control with agreement dates on or after 1 January 2006, which are accounted for using the pooling-of-interests method.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition up to the date of disposal. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Minority interests represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

The Directors note that business combinations involving entities or businesses under common control are outside the scope of FRS 3 - 'Business Combinations' and that there is no guidance elsewhere in FRS covering such transactions. FRS contain specific guidance to be followed where a transaction falls outside the scope of FRS. This guidance is included in paragraphs 10 to 12 of FRS 108 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. This requires, inter alia, that where FRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United States Financial Accounting Standards Board ('FASB') has issued an accounting standard covering business combinations ('FAS 141') that is similar in a number of respects to FRS 3.

In contrast to FRS 3, FAS 141 does include, as an Appendix, limited accounting guidance for transactions under common control which, as with FRS 3, are outside the scope of that accounting standard. The guidance contained in FAS 141 indicates that a form of accounting that is similar to pooling-of-interests method may be used when accounting for transactions under common control.

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

Having considered the requirements of FRS 108, and the guidance included within FAS 141, the Directors consider appropriate to use a form of accounting which is similar to pooling-of-interests when dealing with business combinations involving entities or businesses under common control.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been cancelled by a debit difference, are reclassified and presented as movement in other capital reserve.

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

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, and is recognised in the profit or loss.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Accordingly, disposals to minority interests result in gains and losses and purchase result in the recognition of goodwill, being the difference between consideration paid and the relevant share of the carrying value of the net assets of the subsidiary acquired.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

B Economic entities in the Group (Continued)

(b) Investment in associates

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

Investments in associates are stated at cost adjusted for goodwill identified on acquisition less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

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

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

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

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

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

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

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

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

Change in accounting policy

The Group and the Bank have changed its accounting policy for interest income recognition upon adoption of FRS 139 on 1 January 2010.

Prior to the adoption of FRS 139, interest income and interest expense on financial instruments are recognised based on contractual interest rate. Accretion of discount and amortisation of premium for securities are recognised on an effective yield basis.

Where an account is classified as non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income and set off against the accrued interest receivable amount in the statements of financial position. Subsequently, the interest earned on non-performing loans is recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously. Customers' accounts are classified as non-performing where repayments are in arrears for 3 months or more from the first day of default for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest/profit income on loans, advances and financing was in conformity with BNM/GP3 and the revised BNM/GP8.

The Group and the Bank have applied the new policy according to the transitional provision by recognising and measuring the financial instruments as at 1 January 2010 and recording any adjustments to opening retained profits. Comparatives have not been restated. Refer to Note 45 for the impact of this change in accounting policy.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

D Recognition of fees, commission income and other income

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

Loans, advances and financing, and debt securities arrangement fees, management and participation fees, underwriting commissions, acceptance and placement fees are recognised as income when all conditions precedent are fulfilled.

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

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

Dividends from subsidiaries and available-for-sale securities are recognised when the right to receive payment is established.

Fees and commission expense included in net fee and commission income are mainly transaction and service fees relating to the financial instrument, which are expense as the services are received.

E Sale and repurchase agreements

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

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

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

F Financial assets

(a) Classification

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

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

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

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

The Group and the Bank did not designate any financial assets at fair value through profit or loss upon initial recognition during the financial year ended 31 December 2010.

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intent and ability to hold to maturity. If the Group or the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

F Financial assets (Continued)

(a) Classification (Continued)

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

(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 profit or loss 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 equity, until the securities are derecognised or impaired at which time the cumulative gains or loss previously recognised in equity are recognised in the profit or loss. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the profit or loss in the period it arises.

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

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

F Financial assets (Continued)

(c) Subsequent measurement (Continued)

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

(d) Reclassification of financial assets

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

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

Change in accounting policy

The Group and the Bank have changed its accounting policy for financial assets upon adoption of FRS 139 on 1 January 2010. All unquoted equity securities which were previously carried at cost are now measured at fair value, with changes in fair value recognised in revaluation reserve-financial investments available-for-sale.

Upon adoption of FRS 139, interest receivable previously classified under other assets are now reclassified into the respective category of financial assets.

The Group and the Bank have applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 45 for the impact of this change in accounting policy.

G Financial liabilities

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

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

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

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

The Group and the Bank did not have any financial liabilities at fair value through profit or loss upon initial recognition during the financial year ended 31 December 2010, other than 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 and amount due to related companies.

Change in accounting policy

Upon adoption of FRS 139, interest payable previously classified under other liabilities are now reclassified into the respective category of financial liabilities.

The Group and the Bank have applied the new policy according to the transitional provisions by re-measuring all financial liabilities, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 45 for the impact of this change in accounting policy.

H Derecognition of financial assets and financial liabilities

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

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

I Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

I 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 financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

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

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

(b) Assets classified as available-for-sale

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

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

I 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 profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss.

Change in accounting policy

The Group and the Bank have changed its accounting policy for impairment of loans, advances and financing upon adoption of FRS 139.

Prior to the adoption of FRS 139, the Group's and the Bank's allowance on impairment losses is in conformity with the minimum requirements of BNM/GP3 Guidelines on 'Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts' ("BNM/GP3"). The basis of classification of non-performing loans/financing, and the corresponding specific allowance follows the period of default for non-performing loans/financing of 3 months.

The Group and the Bank is currently reporting under the BNM's transitional arrangement as prescribed in the guidelines on 'Classification and Impairment Provision for Loans/Financing' issued on 8 January 2010. However, the Bank's and the Group's financial statements are prepared in full compliance with FRS 139 principles.

The Group and the Bank have applied the new accounting policy to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or if appropriate, another category of equity, of the current financial year. Refer to Note 45 for the impact of this change in accounting policy.

J Derivative financial instruments and hedge accounting

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

J Derivative financial instruments and hedge accounting (Continued)

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

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

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

(a) Fair value hedge

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

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

J 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 profit or loss. Amounts accumulated in equity are recycled to the profit or loss in the periods in which the hedged item will affect the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. 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 profit or loss.

(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 profit or loss.

Gains and losses accumulated in the equity are included in the profit or loss 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 profit or loss.

K Property, plant and equipment

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

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

Leasehold land	50 years or over the balance period of the lease, whichever is shorter
Building on leasehold land	50 years or over the balance period of the lease, whichever is shorter
Office equipment, furniture and fittings:	3 to 5 years
- mobile phones	3 years
- office equipment	5 years
- furniture and fixtures	5 years
Computer equipment and software	3 -15 years
Motor vehicles	5 years
Renovation	5 years or over the period of the tenancy, whichever is shorter

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

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

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

L 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. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include the allocated goodwill. 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. The Group and the Bank allocate goodwill to each business unit (Note 14).

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

Under the current applicable approved accounting standards for business combinations, FRS 3 - Business Combinations which apply to the accounting for business combinations for which the agreement date is on or after 1 January 2006, the provisions of the standard are applied prospectively and no retrospective changes in respect of accounting for business combinations prior to 1 January 2006 have been made.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

M Assets purchased under lease

(a) Finance lease

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

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to profit or loss.

(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 profit or loss on a straight line basis over the period of the lease.

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

Change in accounting policy

From the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group and the Bank have substantially all the risks and rewards incidental to ownership have been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 45 for the impact of this change in accounting policy.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

N Currency translations

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

O Income and deferred taxes

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

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

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

O Income and deferred taxes

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

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

P Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

Q Employee benefits

(i) Short term employee benefits

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

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

(ii) Post employment benefit - defined contribution plans

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

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

(iii) Share based compensation

The equity compensation benefits of the Group comprise of Management Equity Scheme ('MES'). FRS 2 only applies to transactions involving a transfer of equity instruments between shareholders and option holders, hence entitlements based on ordinary shares of the ultimate company granted under the Management Equity Scheme ('MES') are out of the scope of FRS 2.

R Impairment of non-financial assets

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

R Impairment of non-financial assets (Continued)

The impairment loss is charged to the profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

S Provisions

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

T Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all 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 initial amount, less amortisation of fees recognised in accordance with FRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

U Zakat

This represents business zakat which is a contribution payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 'Adjusted Growth' method, at 2.5% for individual Bumiputra shareholders of CIMB Group Holdings Berhad, the Bank's ultimate holding company.

V Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposit placements maturing less than one month net of clients' trust, dealers' representatives and remisiers' balances.

Summary of Significant Accounting Policies for the financial year ended 31 December 2010 (Continued)

W Segment reporting

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

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Change in accounting policy

The Group and the Bank has adopted FRS 8 "Operating Segment" from 1 January 2010. FRS 8 replaces FRS114 'Segmental Reporting' and applied retrospectively. The adoption of FRS 8 did not result in any significant change to segments reporting disclosures. Comparatives has been restated.

X Contingent assets and contingent liabilities

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2010

1 General information

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

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

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

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

2 Cash and short term funds

	The Group		**The Bank**	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**221,266**	361,976	**189,957**	343,015
Money at call and deposit placements maturing within one month	**1,952,343**	3,844,208	**1,884,339**	3,792,871
	2,173,609	4,206,184	**2,074,296**	4,135,886

Included in cash and short term funds of the Group and the Bank are trust accounts maintained in trust for clients and dealer representatives amounting to RM307,538,000 (2009: RM202,838,000) for the Group and RM257,948,000 (2009: RM202,838,000) for the Bank. Trust accounts maintained in trust for remisiers amounting to RM21,532,000 (2009: RM13,575,000) for the Group and the Bank.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**688,196**	1,716,140	**687,992**	1,714,975
Other financial institutions	**1,000**	-	**-**	-
	689,196	1,716,140	**687,992**	1,714,975

4 Financial assets held for trading

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Quoted securities:		
In Malaysia		
Shares	**3,691**	7,128
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	**78,436**	79,152
	82,127	86,280

5 Financial investments available-for-sale

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Unquoted securities:				
In Malaysia				
Shares	**2,200**	2,200	**-**	-
Outside Malaysia				
Shares	**6,779**	6,625	**6,331**	6,331
	8,979	8,825	**6,331**	6,331

6 Derivative financial instruments, commitments and contingencies

(i) Derivative financial instruments

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

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

		Fair values	
The Group and the Bank	**Principal amount**	**Assets**	**Liabilities**
At 31 December 2010	**RM'000**	**RM'000**	**RM'000**
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	**817,530**	**31,758**	**(51,371)**
Equity derivatives			
Equity options	**867,353**	**10,331**	**(10,331)**
Index futures	**1,756**	**-**	**(8)**
	869,109	**10,331**	**(10,339)**
Total derivative assets/(liabilities)	**1,686,639**	**42,089**	**(61,710)**
At 31 December 2009			
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	2,962,310	110,913	(4,107)
Equity derivatives			
Equity options	2,333,448	170,257	(170,257)
Index futures	4,505	-	(4)
	2,337,953	170,257	(170,261)
Total derivative assets/(liabilities)	5,300,263	281,170	(174,368)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

6 Derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies

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

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

The commitments and contingencies constitute the following:

The Group and the Bank	**2010 Principal RM'000**	2009 Principal RM'000
Credit-related		
Irrevocable commitments to extend credit:		
- Maturity not exceeding one year	**-**	19
- Maturity exceeding one year	**218**	489
Forward asset purchase	**300,000**	-
Miscellaneous commitments and contingencies	**300,000**	102,750
	600,218	103,258
Treasury-related		
Interest rate related contracts:		
- Less than one year	**181,550**	1,307,700
- One year to less than five years	**196,780**	906,860
- Five years and above	**439,200**	747,750
Equity related contracts:		
- Less than one year	**224,873**	1,680,389
- One year to less than five years	**302,293**	441,184
- Five years and above	**341,943**	216,380
	1,686,639	5,300,263
	2,286,857	5,403,521

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

7 Loans, advances and financing

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
(i) By type		
Staff loans *	**43,360**	45,268
Other loans	**822**	792
Gross loans, advances and financing	**44,182**	46,060
Allowance for bad and doubtful debts:		
- Individual impairment allowance	**(822)**	-
- Portfolio impairment allowance	**(650)**	-
- Specific allowance	**-**	(437)
- General allowance	**-**	(683)
Total net loans, advances and financing	**42,710**	44,940

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

* Included in staff loans of the Group and the Bank are loans to directors amounting to RM235,667 (2009: RM264,147).

(ii) By type of customers		
Individuals	**44,182**	46,060
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loan/financing	**44,182**	46,060
(iv) By economic purpose:		
Personal use	**220**	6
Purchase of residential landed property	**32,161**	36,232
Purchase of securities	**1**	-
Purchase of transport vehicles	**11,800**	9,822
	44,182	46,060
(v) By geographical distribution		
Malaysia	**44,182**	46,060
(vi) By residual contractual maturity		
Within one year	**238**	336
One year to less than three years	**2,163**	2,187
Three years to less than five years	**4,966**	5,447
Five years and more	**36,815**	38,090
	44,182	46,060

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
(vii) Impaired loans/non-performing loans by economic purpose		
Purchase of residential landed property	**690**	574
Purchase of transport vehicles	**132**	217
Gross impaired loans/non-performing loans, advances and financing	**822**	791
(viii) Impaired loans/non-performing loans by geographical distribution		
Malaysia	**822**	791
(ix) Movements in the impaired loans/non-performing loans, advances and financing:		
At 1 January		
-as previously stated	**791**	458
-classified as impaired due to the adoption of FRS 139*	**86**	-
Adjusted at 1 January	**877**	458
Impaired/non-performing during the financial year	**214**	384
Amount written back in respect of recoveries	**(269)**	(51)
At 31 December	**822**	791
Gross impaired loans as a percentage of gross loans, advances and financing	**1.9%**	1.7%

* Represents restatement of interest-in-suspense

(x) Movements in the allowance for impaired loans/bad and doubtful debts accounts are as follows:

	2010 RM'000	2009 RM'000
Individual impairment allowance		
At 1 January		
-as previously stated	**-**	-
-effect of adopting FRS 139	**877**	-
Adjusted at 1 January	**877**	-
Allowance made during the financial year	**214**	-
Amounts written back during the financial year	**(269)**	-
At 31 December	**822**	-
Portfolio impairment allowance		
At 1 January		
-as previously stated	**683**	-
-effect of adopting FRS 139	**(4)**	-
Adjusted at 1 January	**679**	-
Amounts written back during the financial year	**(29)**	-
At 31 December	**650**	-
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	**1.5%**	-

7 Loans, advances and financing (Continued)

(x) Movements in the allowance for impaired loans/bad and doubtful debts accounts are as follows (Continued):

	The Group and the Bank	
	2010	2009
Specific allowance	**RM'000**	RM'000
At 1 January		
-as previously stated	**437**	218
-effect of adopting FRS 139	**(437)**	-
Adjusted at 1 January	-	218
Allowance made during the financial year	-	219
At 31 December	-	437
General allowance		
At 1 January		
-as previously stated	**683**	870
-effect of adopting FRS 139	**(683)**	-
Adjusted at 1 January	-	870
Amounts written back during the financial year	-	(187)
At 31 December	-	683
As % of gross loans, advances and financing less specific allowance	-	1.5%

8 Other assets

	Note	The Group		The Bank	
		2010	2009	**2010**	2009
		RM'000	RM'000	**RM'000**	RM'000
Due from brokers and clients net of allowance for impairment loss/ doubtful debts of RM11,085,000 (2009: RM13,670,000) for the Group and RM10,855,000 (2009: RM13,299,000) for the Bank	(a)	**533,925**	712,018	**533,880**	712,000
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM7,846,000 (2009: RM11,537,000) for the Group and the Bank	(b)	**272,318**	320,502	**271,234**	319,578
		806,243	1,032,520	**805,114**	1,031,578

8 Other assets (Continued)

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

	The Group Total	The Bank Total
	RM'000	RM'000
At 1 January	13,670	13,299
Amount written back during the financial year	(2,334)	(2,193)
Amount written off	(251)	(251)
At 31 December	11,085	10,855

The Group and the Bank have applied FRS 7 prospectively in accordance with the transitional provisions and hence, the comparatives are not shown.

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

	The Group and the Bank			
	Specific allowance	Individual	Collective allowance	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January				
-as previously stated	11,537	-	-	11,537
-effect of adopting FRS 139	(11,537)	4,277	2,087	(5,173)
Adjusted at 1 January	-	4,277	2,087	6,364
Allowance made during the financial year	-	5,059	-	5,059
Amount written back during the financial year	-	(3,577)	-	(3,577)
At 31 December	-	5,759	2,087	7,846

The Group and the Bank have applied FRS 7 prospectively in accordance with the transitional provisions and hence, the comparatives are not shown.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

9 Deferred taxation

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

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Deferred taxation asset (net)	**44,329**	5,083	**44,270**	5,019

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

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
At 1 January				
-as previously stated	**5,083**	11,396	**5,019**	11,262
-effect of adopting FRS 139	**(7,332)**	-	**(7,332)**	-
Adjusted at 1 January 2010	**(2,249)**	11,396	**(2,313)**	11,262
(Credited)/charged to income statement				
- Loans, advances and financing	**976**	(44)	**976**	(44)
- Excess of capital allowance over depreciation	**(494)**	(548)	**(500)**	(543)
- Other temporary differences	**22,198**	(3,000)	**22,206**	(2,935)
- Under-accrual in prior years	**23,898**	3,006	**23,901**	3,006
	46,578	(586)	**46,583**	(516)
Transferred to equity:				
- Revaluation reserve - financial investments available-for-sale	**-**	(5,727)	**-**	(5,727)
At 31 December	**44,329**	5,083	**44,270**	5,019
Deferred tax assets (before offsetting)				
Loans, advances and financing	**-**	229	**-**	229
Other temporary differences	**48,464**	8,508	**48,400**	8,439
	48,464	8,737	**48,400**	8,668
Offsetting	**(4,135)**	(3,654)	**(4,130)**	(3,649)
Deferred tax assets (after offsetting)	**44,329**	5,083	**44,270**	5,019

9 Deferred taxation (Continued)

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

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(4,135)**	(3,654)	**(4,130)**	(3,649)
Offsetting	**4,135**	3,654	**4,130**	3,649
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

10 Statutory deposits with Bank Negara Malaysia

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

11 Investment in subsidiaries

	The Bank	
	2010	2009
	RM'000	RM'000
Unquoted shares, at cost	**9,050**	9,050

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

11 Investment in subsidiaries (Continued)

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

		Percentage of equity held			
		Directly by the Bank		**Through the Bank's subsidiary company**	
Name of subsidiary	**Principal activities**	**2010**	2009	**2010**	2009
		%	%	**%**	%
CIMB Holdings Sdn Bhd	Investment holding	**100**	100	**-**	-
CIMBS Sdn Bhd	Dormant	**-**	-	**100**	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMSEC Nominees Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB Futures Sdn Bhd	Futures broking	**100**	100	**-**	-
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB Nominees (Asing) Sdn Bhd	Nominee services	**100**	100	**-**	-
CIMB Discount House Berhad	Dormant	**100**	100	**-**	-

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

12 Investment in associates

	The Group	
	2010	2009
	RM'000	RM'000
Unquoted shares, at cost	**5,280**	4,833

Share of net assets other than premium of associates	**2,477**	2,030
Premium on acquisition	**2,803**	2,803
	5,280	4,833

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

	The Group	
	2010	2009
	RM'000	RM'000
Income	**2,569**	2,389
Expenses	**(1,498)**	(1,271)
Profit before taxation	**1,071**	1,118
Taxation	**(225)**	(330)
Profit for the financial year	**846**	788

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

	The Group	
	2010	2009
	RM'000	RM'000
Non-current assets	**293**	313
Current assets	**2,943**	2,747
Current liabilities	**(759)**	(1,030)
Net assets	**2,477**	2,030

The associates held through CIMB Holdings Sdn Bhd are:

		Percentage of equity held			
		Directly by the Bank		Through the Bank's subsidiary company	
Name of associates	**Principal activities**	**2010**	2009	**2010**	2009
		%	%	**%**	%
CIMB Trustee Berhad	Trustee services	**-**	-	**20**	20
BHLB Trustee Berhad	Trustee services	**-**	-	**20**	20

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

13 Property, plant and equipment

	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Group							
2010							
Cost							
-as previously reported	18,609	7,135	26,441	40,756	49,146	15,025	157,112
-effect of adopting FRS 117 improvement	-	-	-	-	-	-	-
Adjusted at 1 January 2010	18,609	7,135	26,441	40,756	49,146	15,025	157,112
Additions	-	-	2,926	7,383	29,905	6,458	46,672
Disposals	-	-	(3,088)	(1,242)	(9,050)	-	(13,380)
Reclassification	-	-	(7)	-	-	7	-
At 31 December	18,609	7,135	26,272	46,897	70,001	21,490	190,404
Accumulated depreciation							
-as previously reported	2,728	1,048	21,765	29,136	26,907	4,764	86,348
-effect of adopting FRS 117 improvement	-	-	-	-	-	-	-
Adjusted at 1 January 2010	2,728	1,048	21,765	29,136	26,907	4,764	86,348
Charge for the financial year	372	143	3,402	6,200	9,607	3,300	23,024
Disposals	-	-	(2,973)	(1,197)	(7,775)	-	(11,945)
Reclassification	-	-	(7)	-	-	7	-
At 31 December	3,100	1,191	22,187	34,139	28,739	8,071	97,427
Net book value as at 31 December 2010	15,509	5,944	4,085	12,758	41,262	13,419	92,977

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

13 Property, plant and equipment (Continued)

The Group **2009**	**Leasehold land - 50 years or more RM'000**	**Bulding on leasehold land- 50 years or more RM'000**	**Office equipment and furniture and fittings RM'000**	**Computer equipment and software* RM'000**	**Motor vehicles RM'000**	**Renovation RM'000**	**Total RM'000**
Cost							
At 1 January							
-as previously reported	-	7,135	25,754	33,666	51,318	13,134	131,007
-effect of adopting FRS 117 improvement	18,609	-	-	-	-	-	18,609
Adjusted at 1 January	18,609	7,135	25,754	33,666	51,318	13,134	149,616
Additions	-	-	687	7,191	1,287	1,891	11,056
Disposals	-	-	-	(101)	(3,459)	-	(3,560)
At 31 December , as restated	18,609	7,135	26,441	40,756	49,146	15,025	157,112
Accumulated depreciation							
At 1 January							
-as previously reported	-	906	18,619	22,279	19,923	2,694	64,421
-effect of adopting FRS 117 improvement	2,356	-	-	-	-	-	2,356
Adjusted at 1 January	2,356	906	18,619	22,279	19,923	2,694	66,777
Charge for the financial year	372	142	3,146	6,913	9,321	2,070	21,964
Disposals	-	-	-	(56)	(2,337)	-	(2,393)
At 31 December , as restated	2,728	1,048	21,765	29,136	26,907	4,764	86,348
Net book value as at 31 December 2009	15,881	6,087	4,676	11,620	22,239	10,261	70,764

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

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

13 Property, plant and equipment (Continued)

	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank							
2010							
Cost							
-as previously reported	18,609	7,135	26,135	40,375	49,146	14,695	156,095
-effect of adopting FRS 117 improvement	-	-	-	-	-	-	-
Adjusted at 1 January 2010	18,609	7,135	26,135	40,375	49,146	14,695	156,095
Additions	-	-	2,926	7,362	29,905	6,460	46,653
Disposals	-	-	(3,089)	(1,240)	(9,050)	-	(13,379)
Reclassification	-	-	(6)	-	-	6	-
At 31 December	18,609	7,135	25,966	46,497	70,001	21,161	189,369
Accumulated depreciation							
-as previously reported	2,728	1,047	21,503	28,835	25,681	4,470	84,264
-effect of adopting FRS 117 improvement	-	-	-	-	-	-	-
Adjusted at 1 January 2010	2,728	1,047	21,503	28,835	25,681	4,470	84,264
Charge for the financial year	372	143	3,379	6,151	9,607	3,283	22,935
Disposals	-	-	(2,974)	(1,197)	(7,775)	-	(11,946)
Reclassification	-	-	(6)	-	-	6	-
At 31 December	3,100	1,190	21,902	33,789	27,513	7,759	95,253
Net book value as at 31 December 2010	15,509	5,945	4,064	12,708	42,488	13,402	94,116

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

13 Property, plant and equipment (Continued)

	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank							
2009							
Cost							
At 1 January							
-as previously reported	-	7,135	25,448	33,335	51,318	12,804	130,040
-effect of adopting FRS 117 improvement	18,609	-	-	-	-	-	18,609
Adjusted at 1 January	18,609	7,135	25,448	33,335	51,318	12,804	148,649
Additions	-	-	687	7,141	1,287	1,891	11,006
Disposals	-	-	-	(101)	(3,459)	-	(3,560)
At 31 December,as restated	18,609	7,135	26,135	40,375	49,146	14,695	156,095
Accumulated depreciation							
At 1 January							
-as previously reported	-	905	18,385	22,028	18,694	2,458	62,470
-effect of adopting FRS 117 improvement	2,356	-	-	-	-	-	2,356
Adjusted at 1 January	2,356	905	18,385	22,028	18,694	2,458	64,826
Charge for the financial year	372	142	3,118	6,863	9,321	2,012	21,828
Disposals	-	-	-	(56)	(2,334)	-	(2,390)
At 31 December,as restated	2,728	1,047	21,503	28,835	25,681	4,470	84,264
Net book value as at 31 December 2009	15,881	6,088	4,632	11,540	23,465	10,225	71,831

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

14 Goodwill on consolidation

	The Group	
	2010	2009
	RM'000	RM'000
At 1 January/31 December	**964**	964

Allocation of goodwill to cash-generating units

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

Acquisition	**CGU**	**RM'000**
CIMBS Sdn. Bhd.	Stock-broking	964

Goodwill is tied to the stock-broking business of the Group, originally arising from the acquisition of CIMBS Sdn Bhd, the net assets and business of the operations, for which, have been transferred to the Bank.

Impairment test for goodwill

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 2011 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 5.0% (2009: 5.0%). The discount rate used is 8.89% (2009: 7.1%) 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.

Impairment charge

There is no impairment charge for the financial year ended 31 December 2010. (2009: RM Nil)

15 Deposits from customers

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Fixed deposits	**640,634**	249,250
Negotiable instruments of deposits	**378,840**	1,102,280
Others	**188,165**	1,242,156
	1,207,639	2,593,686
(i) The maturity structure of fixed deposits and negotiable instruments of deposits		
Due within six months	**707,307**	552,850
Six months to less than one year	**-**	96,000
One year to less than three years	**197,045**	201,000
Three years to less than five years	**-**	252,430
More than five years	**115,122**	249,250
	1,019,474	1,351,530
(ii) By type of customers:		
- Local government and statutory authorities	**69,400**	144,400
- Business enterprises	**729,876**	1,281,806
- Individuals	**404,363**	1,157,180
- Others	**4,000**	10,300
	1,207,639	2,593,686

16 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Licensed banks	**1,147,692**	2,697,875
Other financial institutions	**346,308**	450,671
	1,494,000	3,148,546

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

17 Other liabilities

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Due to brokers and clients	**845,346**	1,155,232	**761,186**	1,098,112
Others	**181,545**	174,086	**179,799**	167,009
	1,026,891	1,329,318	**940,985**	1,265,121

18 Provision for taxation and zakat

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Taxation	**45,801**	36,280	**45,741**	36,280
Zakat	**607**	607	**607**	607
	46,408	36,887	**46,348**	36,887

19 Share capital

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Authorised ordinary shares of RM1 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January	**100,000**	219,242
Bonus issue	**-**	190,758
Capital repayment	**-**	(310,000)
At 31 December	**100,000**	100,000

20 Redeemable preference shares

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Authorised redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10
Issued and fully paid redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10

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

The main features of the RPS are as follows:

(i) The RPS do not carry any fixed dividends

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

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

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

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

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

21 Reserves

(i) Included in the Group's and the Bank's reserves are statutory reserves of RM155,805,000 (2009: RM155,805,000), maintained in compliance with Section 36 of the Banking And Financial Institutions Act, 1989. These statutory reserves are not distributable by way of dividends.

(ii) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). During the financial year, the Bank has fully utilised the credit in the Section 108 balance to distribute dividend payments to its shareholders as allowed by the transitional provision under the Finance Act, 2007. Subsequent to the full utilisation of the Section 108 balance, the Bank will be subject to the single tier system

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

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

(iv) Options reserve - employee share option scheme

The share options granted to Directors and employees of the Group are that of the Bank's ultimate holding company, CIMB Group. The terms of the share options granted are disclosed in Note 39.

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

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

21 Reserves (Continued)

(vii) Options reserve - employee share option scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices for share options scoped in under FRS 2, are as follows:

	2010		2009	
	Average exercise price RM/share	**Options (units '000)**	Average exercise price RM/share	Options (units '000)
At start of financial year	-	-	4.65	15,446
Granted	-	-	4.82	240
Forfeited	-	-	4.70	-
Exercised	-	-	4.65	(15,629)
Expired	-	-	4.79	(57)
At end of financial year	-	-	-	-

EESOS 2 , EESOS 3 and EESOS 4 had since expired on 29 December 2009 and as such there are no share options outstanding as at 31 December 2010 and 31 December 2009. The weighted average share price in 2009 was RM9.43 per share.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

22 Interest income

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing				
- interest income other than recoveries	**1,591**	1,644	**1,591**	1,644
- recoveries from impaired loans	**(11)**	-	**(11)**	-
Money at call and deposits placements with banks and other financial institutions	**36,917**	27,176	**36,029**	25,966
Reverse repurchase agreements	**5,674**	3,832	**5,674**	3,832
Financial assets held for trading	**4,621**	4,907	**4,621**	4,907
Financial investments available-for-sale	**-**	9,870	**-**	9,870
Financial investments held-to-maturity	**-**	5,386	**-**	5,386
Others	**1,091**	3,167	**1,091**	3,167
	49,883	55,982	**48,995**	54,772
Accretion of discounts less amortisation of premium	**2,530**	2,799	**2,530**	2,799
	52,413	58,781	**51,525**	57,571

23 Interest expense

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**25,659**	21,454	**25,659**	21,454
Deposits from customers	**23,336**	16,484	**23,336**	16,484
Negotiable certificates of deposits	**-**	42	**-**	42
Subordinated notes	**-**	5,389	**-**	5,389
Others	**-**	617	**-**	546
	48,995	43,986	**48,995**	43,915

24 Write back of/(allowance for) impairment losses on loans, advances and financing

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Write back of /(allowance for) impairment losses / bad and doubtful debts on loans, advances and financing :		
(a) Individual impairment allowance		
- made during the financial year	**(214)**	-
- written back during the financial year	**269**	-
(b) Portfolio impairment allowance		
- written back during the financial year	**29**	-
(c) Specific allowance		
- made during the financial year	**-**	(219)
(d) General allowance		
- written back during the financial year	**-**	187
	84	(32)

25 Fee and commission income

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Fees on loans, advances and financing	**7,548**	491
Portfolio management fees	**9,393**	9,206
Advisory and arrangement fees	**74,611**	70,869
Underwriting commissions	**11,067**	10,893
Placement fees	**32,845**	132,415
Other fee income	**8,214**	9,814
	143,678	233,688

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

26 Dividend income

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Financial assets held for trading	**2**	462	**2**	462
Subsidiaries	**-**	-	**-**	2,457
	2	462	**2**	2,919

27 Net trading income

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Gain arising from trading in financial assets held for trading		
- realised gain	**2,197**	2,408
- unrealised gain	**4,191**	15,916
Gain/(loss) arising from trading in derivative financial instruments		
- realised gain	**693**	65
- unrealised loss	**(4)**	(4)
	7,077	18,385

28 Gain arising from sale of financial investments available-for-sale

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Gain from sale of financial investments available-for-sale	**-**	3

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

29 Other non-interest (expense)/income

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Foreign exchange (loss)/gain				
- unrealised	**(5,422)**	(1,151)	**(5,422)**	(1,151)
- realised	**(9)**	1,029	**(9)**	1,029
Gain on disposal of property, plant and equipment	**2,588**	533	**2,588**	533
Other non-operating income	**1,902**	2,384	**891**	2,782
	(941)	2,795	**(1,952)**	3,193

30 Overheads

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
- Salaries, allowances and bonuses	**147,130**	99,259	**146,084**	98,339
- EPF	**22,060**	14,712	**21,937**	14,566
- EESOS expense	**-**	1,230	**-**	1,230
- Training fees	**5,632**	5,241	**5,631**	5,240
- Overtime, meal and transport claims	**894**	658	**894**	658
- Others	**11,667**	9,315	**11,602**	9,222
	187,383	130,415	**186,148**	129,255
Establishment costs				
- Depreciation of property, plant and equipment	**23,024**	21,964	**22,935**	21,828
- Rental	**9,476**	9,376	**8,635**	8,413
- Others	**12,679**	12,262	**12,650**	12,217
	45,179	43,602	**44,220**	42,458
Marketing expenses				
- Advertisement	**3,844**	7,653	**3,842**	7,649
- Entertainment expenses	**830**	6,999	**821**	6,993
- Promotional expenses and public relations	**-**	2,980	**-**	2,980
- Others	**56**	3,329	**45**	3,322
	4,730	20,961	**4,708**	20,944
Administration and general expenses				
- Legal and professional fees	**7,507**	10,007	**7,489**	9,978
- Communication	**6,437**	4,941	**6,361**	4,841
- Printing and stationery	**2,184**	2,344	**2,180**	2,331
- Licensing fee, exchange fee and levies	**7,951**	6,248	**7,951**	6,248
- Administrative vehicle, travelling and insurance expenses	**9,726**	7,209	**9,702**	7,177
- Others	**23,512**	4,924	**23,399**	4,769
	57,317	35,673	**57,082**	35,344
Total overhead expenses	**294,609**	230,651	**292,158**	228,001

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

30 Overheads (Continued)

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
The above expenditure includes the following disclosures:				
Directors' remuneration (Note 31)	**17,526**	17,463	**17,526**	17,463
Rental of premises	**5,762**	5,387	**5,633**	5,267
Hire of equipment	**3,714**	3,989	**3,002**	3,146
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	**153**	173	**125**	145
- Statutory audit (other firms)	**17**	17	**17**	17
- Half year review	**30**	30	**30**	30
- Non-audit services	**19**	25	**15**	21

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM186 million (2009: RM116 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

31 Directors' remuneration

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

Non-Executive Directors
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Hamzah bin Bakar
Dato' Zainal Abidin bin Putih
Nicholas Rupert Heylett Bloy
Zahardin bin Omardin

Executive Director
Dato' Charon Wardini bin Mokhzani

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

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Executive Director and Group CEO				
- Salary and other remuneration	**2,333**	3,826	**2,333**	3,826
- Bonus	**7,295**	13,021	**7,295**	13,021
- Benefits-in-kind	**7,424**	128	**7,424**	128
Non-executive Directors				
- Fees and other remuneration	**474**	488	**474**	488
	17,526	17,463	**17,526**	17,463

The functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Dato' Sri Mohamed Nazir bin Abdul Razak. The salary, other remuneration, bonus (in respect of 2010 payable in 2011) and benefits-in-kind totalling RM12,000,000 (2009: RM14,500,000) for the CEO was paid by the Bank.

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

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

31 Directors' remuneration (Continued)

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

	2010		2009	
	Non-executive Directors	**Executive Directors***	Non-executive Directors	Executive Directors*
The Group				
RM50,001 to RM100,000	**3**	**-**	**3**	-
RM100,001 to RM500,000	**1**	**-**	**1**	-
RM2,000,001 to RM2,500,000	**-**	**-**	**-**	1
RM5,000,001 to RM5,500,000	**-**	**1**	**-**	-
RM11,000,001 to RM12,000,000	**1**	**-**	**-**	-
RM14,000,001 to RM14,500,000	**-**	**-**	**1**	-
The Bank				
RM50,001 to RM100,000	**3**	**-**	**3**	-
RM100,001 to RM500,000	**1**	**-**	**1**	-
RM2,000,001 to RM2,500,000	**-**	**-**	**-**	1
RM5,000,001 to RM5,500,000	**-**	**1**	**-**	-
RM11,000,001 to RM12,000,000	**1**	**-**	**-**	-
RM14,000,001 to RM14,500,000	**-**	**-**	**1**	-

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

32 Taxation

(i) Tax expense for the financial year

	The Group		**The Bank**	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
- Malaysian income tax	**62,224**	51,633	**61,762**	51,885
-Under/(over) provision in prior years	**20,306**	(30,616)	**20,304**	(29,068)
Deferred tax	**(46,578)**	586	**(46,583)**	516
	35,952	21,603	**35,483**	23,333

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

32 Taxation (Continued)

(ii) Numerical reconciliation of income tax expense

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

	The Group		The Bank	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**96,205**	204,707	**93,148**	205,045
Tax calculated at a tax rate of 25% (2009: 25%)	**24,051**	51,177	**23,287**	51,261
Income not subject to tax	**(895)**	(2,638)	**(595)**	(2,540)
Expenses not deductible for tax purposes	**16,388**	6,686	**16,388**	6,686
Over-accrual in prior years	**(3,592)**	(33,622)	**(3,597)**	(32,074)
Tax expense	**35,952**	21,603	**35,483**	23,333

33 Dividends

	2010	2009
	RM'000	RM'000
Final gross dividend of 69.73 sen per ordinary share, for financial year 31 December 2009, less 25% income tax, paid on 20 April 2010	**52,300**	-
Interim gross dividend of 70.67 sen per ordinary share for financial year 31 December 2009, less 25% income tax, paid on 26 August 2009	**-**	53,000
Final gross dividend of 9,333.33 sen per redeemable preference share, for financial year ended 31 December 2008, less 25% income tax, paid on 27 March 2009	**-**	70,000
	52,300	123,000

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

33 Dividends (Continued)

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

	2010			2009		
	Gross per share Sen	**Net per share Sen**	**Amount of dividend RM'000**	Gross per share Sen	Net per share Sen	Amount of dividend net of tax RM'000
Final dividend paid	**69.73**	**52.30**	**52,300**	9,333.33	7,000.00	70,000
Interim dividend paid	**-**	**-**	**-**	70.67	53.00	53,000
	69.73	**52.30**	**52,300**	9,404.00	7,053.00	123,000

The Directors have proposed a final dividend comprising gross dividend of 40.46 sen per ordinary share, less 25% income tax, amounting to RM30,346,930 and tax exempt dividend of 23.15 sen per ordinary share, amounting to RM23,153,070 in respect of the financial year ended 31 December 2010. These financial statements do not reflect these final dividends which will be accounted for in the shareholders' equity as an apportionment of retained profits in the financial year ending 31 December 2011 when approved by shareholders.

34 Amount due from/(to) related companies

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

	The Group		**The Bank**	
	2010 RM'000	2009 RM'000	**2010 RM'000**	2009 RM'000
Amount due from:				
- subsidiaries	**-**	-	**2**	221
- related companies	**6,564**	6,292	**6,564**	6,292
- immediate holding company	**-**	13	**-**	13
- ultimate holding company	**60**	-	**60**	-
	6,624	6,305	**6,626**	6,526
Amount due to:				
- subsidiaries	**-**	-	**(3,185)**	(8,455)
- related companies	**(12,105)**	(60,236)	**(12,105)**	(60,236)
- immediate holding company	**-**	(10)	**-**	-
- ultimate holding company	**-**	(173)	**-**	(173)
	(12,105)	(60,419)	**(15,290)**	(68,864)

35 Significant related party transactions and balances

(a) Related parties and relationship

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

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

Related parties	Relationship
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn Bhd ("CIMBG")	Immediate holding company
CIMB Berhad ("CIMBB")	Subsidiary of ultimate holding company
Subsidiaries of CIMBG as disclosed in its Financial Statements	Subsidiaries of immediate holding company
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
Commerce Asset Realty Sdn. Bhd.	Subsidiary of ultimate holding company
Commerce Asset Nominees Sdn. Bhd.	Subsidiary of ultimate holding company
Commerce MGI Sdn. Bhd.	Subsidiary of ultimate holding company
PT Commerce Kapital	Subsidiary of immediate holding company
Touch 'N Go Sdn Bhd (formerly known as Rangkaian Segar Sdn. Bhd)	Subsidiary of ultimate holding company
Key management personnel	Refer to below

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

35 Significant related party transactions and balances (Continued)

(b) Related party transactions

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2010			
Sales:			
Malaysian Government securities	-	66,900	-
Private debt securities	-	223,790	-
Commercial papers	-	158,702	-
	-	449,392	-
Purchases:			
Malaysian Government securities	-	73,355	-
Private debt securities	-	2,022,739	-
Commercial papers	347,382	-	-
Floating rate notes	-	14,806	-
	347,382	2,110,900	-

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2010			
Income:			
Fee income	-	8,573	56
Interest income	-	35,968	415
Income from asset management and securities services	-	24	-
Income from Islamic Banking operations	-	3,786	-
	-	48,351	471
Expenditure:			
Interest expense	-	25,739	-

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

35 Significant related party transactions and balances (Continued)

(b) Related party transactions (Continued)

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2009			
Sales:			
Malaysian Government securities	-	523,369	-
Malaysian Government investment certificates	-	73,514	-
Private debt securities	5,000	426,119	-
Commercial papers	-	293,119	-
	5,000	1,316,121	-
Purchases:			
Malaysian Government securities	-	527,308	-
Malaysian Government investment certificates	-	73,514	-
Private debt securities	1,380,000	824,666	-
Commercial papers	299,355	-	-
Floating rate notes	-	20,855	-
Khazanah bonds	-	191,869	-
	1,679,355	1,638,212	-
2009			
Income:			
Fee income	-	419	53
Interest income	-	46,114	115
Realised gain from trading in derivative financial instruments	-	427	-
Income from Islamic Banking operations	-	34,830	-
	-	81,790	168
Expenditure:			
Interest expense	-	21,620	-
Sales commission	-	2,297	-
	-	23,917	-

35 Significant related party transactions and balances (Continued)

(b) Related party transactions (Continued)

Key management compensation

	2010	2009
	RM'000	RM'000
Salaries and other short term employee benefits	**36,669**	26,283
	36,669	26,283
	Unit	Unit
Share options balance of ultimate holding company	**19,703,060**	6,868,000

Included in the above table is Directors' remuneration which are disclosed in Note 31. The share options granted are on the same terms and additions as those offered to other employees of the Group and the Bank as disclosed in Note 39.

35 Significant related party transactions and balances (Continued)

(c) Related party balances

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2010			
Amount due from:			
Cash and balances with banks and other financial institutions	-	1,884,339	-
Money at call and deposit placements maturing within one month	-	149,554	-
Deposits and placements with banks and other financial institutions	-	687,991	-
Financial assets held for trading	-	41,922	-
Derivative financial instruments	-	20,267	-
	-	2,784,073	-
Amount due to:			
Deposits and placements of banks and other financial institutions	-	1,147,691	-
Deposits from customers	-	-	159,249
	-	1,147,691	159,249
Principal			
Interest rate related contracts:			
Interest rate swaps	-	378,330	-
Equity related contracts:			
Equity options	-	433,677	-
	-	812,007	-

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

35 Significant related party transactions and balances (Continued)

(c) Related party balances (Continued)

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2009			
Amount due from:			
Cash and balances with banks and other financial institutions	-	3,792,488	-
Money at call and deposit placements maturing within one month	-	199,099	-
Deposits and placements with banks and other financial institutions	-	1,714,975	-
Financial assets held for trading	-	60,347	-
Derivative financial instruments	-	197,089	-
Interest receivable	-	6,280	-
	-	5,970,278	-
Amount due to:			
Deposits and placements of banks and other financial institutions	-	2,697,875	-
Deposits from customers	-	-	108,967
Interest payable	-	2,531	-
	-	2,700,406	108,967
Principal			
Interest rate related contracts:			
Interest rate swaps	-	1,107,280	-
Equity related contracts:			
Equity options	-	1,166,724	-
	-	2,274,004	-

35 Significant related party transactions and balances (Continued)

(d) Credit transactions and exposures with connected parties

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

	The Group	
	2010	2009
	RM'000	RM'000
Outstanding credit exposures with connected parties	**134,228**	187,764
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**4.6%**	21.0%
Percentage of outstanding credit exposures to connected parties which is impaired/ non-performing or in default	**0.0%**	0.0%

36 Capital commitments

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

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Authorised and contracted for	**69,740**	64,451
The capital commitments are attributed to:		
- projects	**32,814**	32,387
- property, plant and equipment	**36,926**	32,064
	69,740	64,451

37 Lease commitments

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

	The Group and the Bank	
	2010	2009
	RM'000	RM'000
Not later than one year	**8,339**	13,101
Later than one year and not later than five years	**13,908**	23,969
	22,247	37,070

38 Capital adequacy

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

The capital management process is centrally supervised by the Group executive committee (EXCO), Group risk committee (GRC) and board risk division (BRC) periodically assess and review of the capital requirements and source of capital across Group. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Monthly updates on capital position of the Group are also provided to the Board of Directors.

With effect from 1 July 2010, the capital adequacy ratios of the banking subsidiaries of the Group and the Bank are computed as follows:

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia(BNM) 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.

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

The comparative capital adequacy ratio for the Bank for 31 December 2009 is based on BNM Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

38 Capital adequacy (Continued)

(A) 31 December 2010

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

	The Group	The Bank
Before deducting proposed dividend		
Core capital ratio	**19.76%**	**19.24%**
Risk-weighted capital ratio	**19.80%**	**19.24%**
After deducting proposed dividend		
Core capital ratio	**17.06%**	**16.51%**
Risk-weighted capital ratio	**17.11%**	**16.51%**

(b) Components of Tier I and Tier II capitals for the financial year ended 31 December 2010 are as follows:

Components of Tier I and Tier II capital:	The Group RM'000	The Bank RM'000	
Tier I Capital			
Paid-up capital	100,000	100,000	
Retained profits	181,566	173,911	
Other reserves	155,175	155,175	
	436,741	429,086	
Less: Deferred tax assets	(44,329)	(44,270)	
Deduction in excess of Tier 2 Capital	-	(8,181)	N1
Total Tier I capital	392,412	376,635	
Tier II Capital			
Cumulative Preference Shares	10	10	
Portfolio impairment allowance/General allowance and allowance for doubtful debts	650	650	N2
Surplus of total eligible provision over total expected loss under the IRB approach, subject to limit	209	209	
Total Tier II capital	869	869	
Less:			
Investments in subsidiaries	(50)	(9,050)	
Total eligible Tier II capital	819	-	N1
Total capital base before proposed dividend	393,231	376,635	
Proposed dividend	(53,500)	(53,500)	
Total capital base after proposed dividend	339,731	323,135	

N1 The excess of Tier II capital was deducted under Tier I capital.
N2 *The capital base of the Group and the Bank as at 31 December 2010 has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM650,000 respectively*

38 Capital adequacy (Continued)

(A) 31 December 2010 (Continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

	The Group RM'000	The Bank RM'000
Credit risk	**1,028,430**	**1,008,040**
Market risk	**192,321**	**192,289**
Operational risk	**765,308**	**757,404**
	1,986,059	**1,957,733**

(B) 31 December 2009

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

	The Bank
Before deducting proposed dividends	
Core capital ratio	19.77%
Risk-weighted capital ratio	19.77%
After deducting dividends:	
Core capital ratio	17.11%
Risk-weighted capital ratio	17.11%

(b) Components of Tier I and Tier II capitals for the financial year ended 31 December 2009 are as follows:

Tier I Capital	**RM'000**
Paid-up capital	100,000
Retained profits	146,551
Other reserves	155,175
Tier-1 Minority Interest	401,726
Less: Deferred tax assets	(5,019)
Total Tier I capital	396,707
Tier II capital	
Cumulative Preference Shares	10
General allowance and allowance for doubtful debts	918
Total Eligible Tier II capital	928
Less:	
Investments in subsidiaries	(9,050)
Total capital base	388,585
Less:	
Dividend	(52,300)
Total capital base (net of dividend)	336,285

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

38 Capital adequacy (Continued)

(B) 31 December 2009 (Continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

	Principal RM'000	Risk weighted RM'000
0%	427,170	-
20%	5,949,667	1,189,933
50%	66,764	33,382
100%	417,380	417,380
	6,860,981	1,640,695
Counterparty risk requirement		1
Total risk weighted assets equivalent for credit risk		1,640,696
Total risk weighted assets equivalent for market risk		324,340
		1,965,036

The capital adequacy ratios had incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which was effective from 1 April 2005. Effective 1 October 2008 until 30 June 2010, the following approaches have been adopted for the computation of risk weighted assets:

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

39 Employee benefits

Modified executive Employee Share Option Scheme ("EESOS")

The share options granted to Directors and employees of the Group are that of the Bank's ultimate holding company, CIMB Group Holdings Berhad ("CIMB Group"). The Employee Share Option Scheme ("ESOS 2005/2009") was granted on 11 March 2005 and is governed by the by-laws approved by CIMB Group shareholders on 8 September 2005. However, pursuant to the CIMBB Restructuring, the existing ESOS 2005/2009 was absorbed by a trust, set up to subscribe for all the remaining CIMBB shares through an accelerated vesting of the unexercisable tranches under the ESOS 2005/2009.

The exercise price under the EESOS is the average of the mean market quotation of the shares of CIMB Group as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceding the offer date, or the par value of the shares of CIMB Group of RM1, whichever is the higher.

Options granted had vested across different exercise periods on 11 March 2005, 30 December 2006, 30 December 2007, 30 December 2008 and had expired on 29 December 2009. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The main features of the EESOS are as follows:

- The total number of ordinary shares issued by CIMB Group under the EESOS shall not exceed 10% of the total issued and paid-up ordinary shares of CIMB Group.

- The subscription price of EESOS options shall be the higher of the weighted average market price of CIMB Group's shares for the five market days immediately preceding the date at which the EESOS options are granted to the employees, and the par value of the shares of CIMB Group.

- In the event of capital distribution, the subscription price and/or the number of new shares of CIMB Group may be adjusted in such a manner as the Board of CIMB Group in their discretion deem fair and reasonable.

- The share options shall not carry any rights to vote at any general meeting of CIMB Group. The share option holders shall not be entitled to any dividends, rights or other entitlement on their unexercised share options.

  Option holders are required to remain in the Group's employment till the respective vesting dates for the relevant amount of options to vest in the hands of the holder.

- For the purpose of the Modified EESOS, a total of 41,014,009 share options with adjusted option price were offered to the Eligible Executives being the date of listing and quotation of the shares issued by CIMB Group. The total shares options are categorised as follows:

39 Employee benefits (Continued)

Modified executive Employee Share Option Scheme ("EESOS") (Continued)

(i) Modified EESOS 1

4,675,000 share options were offered at an option price of RM1.27 per share option, which have expired as at 29 December 2007;

(ii) Modified EESOS 2

16,021,459 share options were offered at an option price of RM3.49 per share option with expiry date on 29 December 2008. The expiry date was subsequently extended to 29 December 2009 and has since expired;

(iii) Modified EESOS 3

1,051,875 share options were offered at an option price of RM3.80 per share option with expiry date on 29 December 2008. The expiry date was subsequently extended to 29 December 2009 and has since expired; and

(iv) Modified EESOS 4

19,265,675 share options were offered at an option price of RM4.18 per share option with expiry date on 29 December 2009 and have since expired.

The option price above was adjusted using the ratio approximately 1.146 CIMB Group shares for one CIMBB shares from the original option prices.

The extension of the expiry date from 29 December 2008 to 29 December 2009 for EESOS 2 and EESOS 3 which were previously not in scope under FRS 2 prior to the extension was deemed as a modification in the terms of the share option scheme and as such FRS 2 was applicable in the financial year ended 31 December 2008 onwards. The share options had since expired on 29 December 2009. There were no outstanding share options as at 31 December 2009.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

39 Employee benefits (Continued)

Management Equity Scheme ("MES")

Entitlements on equity instruments of CIMB Group, with an exercise price of RM3.48 per share (share price: RM8.45), were granted to eligible senior management of the CIMB Investment Bank as part of the performance linked compensation scheme by a substantial shareholder of CIMB Group. The scheme was initially launched on 1 March 2004 at CIMB Group level and in November 2007, the Nomination and Remuneration Committee of CIMB Group approved amendments to the terms which provides for the inclusion of the senior management of CIMB Group in the MES.

The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of CIMB Group. 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 options granted vest in proportions across various exercise periods.

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

Subsequent to the bonus issue undertaken by CIMB Group during the current financial year, the number of entitlements had increased by 3,329,237 units and the reference price was revised from RM3.48 each to RM1.74 each effective 24 May 2010.

The number of entitlements granted during the financial year was 1,933,446 units (2009: 6,386,000 units) and number of entitlements outstanding as at year end was 4,609,881 units (2009: 13,140,140 units).

The weighted average remaining contractual life is 1.2 years (2009: 2.2 years).

40 Significant events during the financial year

Signing of collaboration agreement ("CA") with Vietnam Shipbuilding Finance Company ("VFC")

On 21 December 2007, CIMB Investment Bank Berhad ("the Bank") entered into a CA with VFC to jointly set up a securities company in Vietnam. Pursuant to the CA, the Bank will provide the guidance and assistance on the set up of the securities company.

40 Significant events during the financial year (Continued)

Signing of collaboration agreement ("CA") with Vietnam Shipbuilding Finance Company ("VFC") (Continued)

The Vietnam State Securities Commissions' license was obtained on 18 December 2008 and a Shareholders Agreement was entered into on 7 August 2009. Under the terms of the Shareholders Agreement, the Bank will subscribe for an initial equity interest of 10% in Vinashin Shipbuilding Finance Company Securities LLC (“Vinashin”) for Vietnamese Dong (“VND”) 34 billion (approximately RM6.7 million), and has the option to increase its shareholding to 40% for a total capital contribution of up to VND200 billion (approximately RM39.2 million).

The initial amount of VND33 billion (approximately RM6.3 million) representing approximately 6.6% equity interest in Vinashin was paid on 25 November 2009.

On 23 February 2010, the Bank received approval from the Vietnam Securities Commission for its subscription of equity interest in VFC.

41 Significant event subsequent to the financial year end

There are no significant events subsequent to the financial year ended 31 December 2010.

42 Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

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

The Group and the Bank make allowance for losses on loans, advances, financing and other receivables 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 time of the cashflows in allowance for impairment losses of loans, advances financing and other receivables. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(c) Goodwill impairment

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

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

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

43 Segment reporting

Business segment reporting

In the financial year 2010, segment reporting by the Group was prepared for the first time in accordance with FRS 8 'Operating Segment'. Segment information for 2009, that is reported as comparative information for 2010 has been re-presented to conform with the requirements of FRS 8. Following the management approach of FRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Board as its chief operating decision-maker.

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

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

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

<u>Definition of segments</u>

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

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

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

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

43 Segment reporting (Continued)

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

The Group	Financial advisory, underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2010						
External net interest income	-	3,418	-	-	-	3,418
Non interest income	129,167	20,910	163,686	24,226	2,033	340,022
Income from Islamic Banking operations	113,636	10,595	-	-	-	124,231
	242,803	34,923	163,686	24,226	2,033	467,671
Overheads	(40,142)	(126,422)	(98,604)	(24,255)	(5,186)	(294,609)
of which :						
Depreciation of property, plant and equipment	*(1,261)*	*(5,891)*	*(3,521)*	*(2,768)*	*(9,583)*	*(23,024)*
Losses from investment management and securities services	-	-	-	(80,000)	-	(80,000)
Profit/(loss) before allowances	202,661	(91,499)	65,082	(80,029)	(3,153)	93,062
Write back of impairment losses on loans, advances and financing	-	84	-	-	-	84
Write back of losses on other receivables	2,213	-	-	-	-	2,213
Segment result	204,874	(91,415)	65,082	(80,029)	(3,153)	95,359
Share of results of associates						846
Profit before taxation						96,205
Taxation						(35,952)
Net profit after taxation						60,253
Segment assets	43,092	3,089,761	555,778	11,005	551,454	4,251,090
Unallocated assets						44,385
Total assets						4,295,475
Segment liabilities	16,273	2,795,870	902,881	12,856	69,444	3,797,324
Unallocated liabilities						51,429
Total liabilities						3,848,753
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	2,555	11,941	7,138	5,610	19,428	46,672
Accretion of discounts less amortisation of premium	-	2,530	-	-	-	2,530

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

43 Segment reporting (Continued)

The Group	Financial advisory, underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2009						
External net interest income	-	14,211	-	-	584	14,795
Non interest income	200,904	22,758	128,299	34,173	4,417	390,551
Income from Islamic Banking operations	1,985	28,783	-	-	-	30,768
	202,889	65,752	128,299	34,173	5,001	436,114
Overheads	(20,188)	(79,009)	(64,771)	(7,601)	(59,082)	(230,651)
of which :						
Depreciation of property, plant and equipment	*(1,514)*	*(5,842)*	*(2,833)*	*(2,999)*	*(8,776)*	*(21,964)*
Profit/(loss) before allowances	182,701	(13,257)	63,528	26,572	(54,081)	205,463
Allowance for impairment losses on loans, advances and financing	-	(32)	-	-	-	(32)
Allowance of losses on other receivables	(1,512)	-	-	-	-	(1,512)
Segment result	181,189	(13,289)	63,528	26,572	(54,081)	203,919
Share of results of associates						788
Profit before taxation						204,707
Taxation and zakat						(22,210)
Net profit after taxation and zakat						182,497
Segment assets	31,839	6,016,756	1,195,260	8,156	500,849	7,752,860
Unallocated assets						7,138
Total assets						7,759,998
Segment liabilities	6,726	5,921,731	980,645	3,808	210,766	7,123,676
Unallocated liabilities						219,548
Total liabilities						7,343,224
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	775	2,991	1,451	1,536	4,303	11,056
Accretion of discounts less amortisation of premium	-	2,799	-	-	-	2,799

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

44 Financial Risk Management

(a) Financial risk management objectives and policies

Risk management is 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, Group Risk Management (GRM) is involved at the early stage of the risk taking process by providing independent inputs such as the relevant valuations, credit evaluations, new product assessments and CaR quantifications. These inputs enable business units to align their business strategies with the Group's risk appetite.

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

(i) Identify the various risk exposures and risk capital requirements;

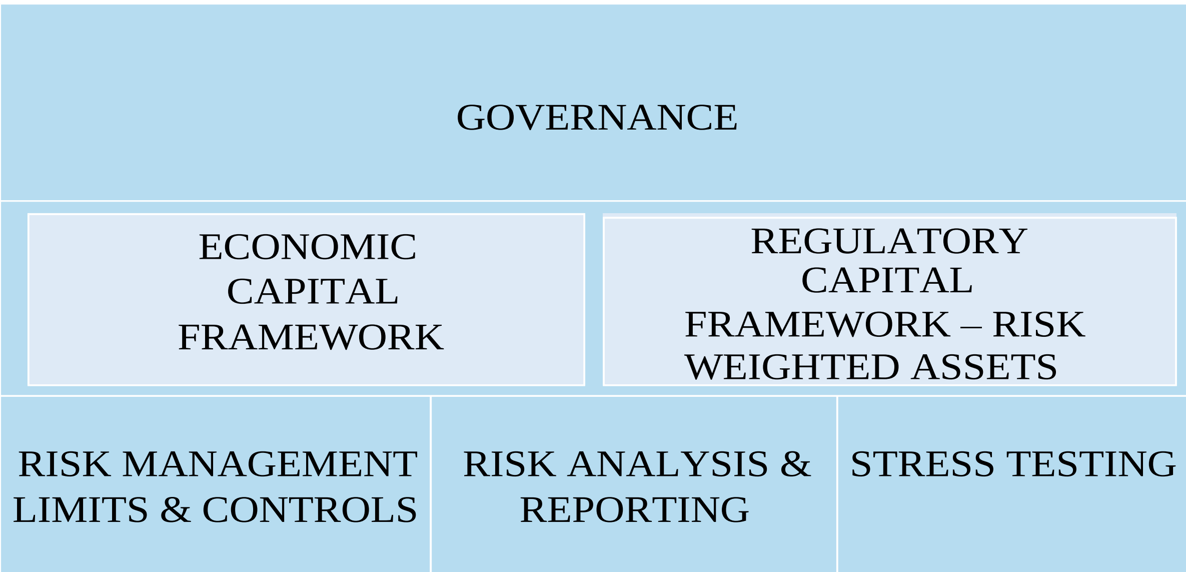
(ii) Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and

(iii) Help create shareholder value through proper allocation of risk capital and facilitate development of new business and products.

(b) Enterprise Wide Risk Management Framework

CIMB Group employs the Enterprise Wide Risk Management Framework (EWRM) to manage its risk and opportunity effectively. It is an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group implemented through various Board appointed committees.

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



44 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

The framework is centered on resilient risk and capital management which requires the Group to identify, evaluate, measure, manage and control its significant risks and risk appetite, and relate these to its capital requirements and at all times ensure capital adequacy. CIMB Group employs CaR as the common and consistent measurement of risk across CIMB Group. The CaR framework provides the basis of allocating economic capital within the Group. It provides a benchmark to facilitate the comparison of risk across business units and risk types. This enables the Group to consider both the downside risk, for risk protection and upside potential, for earnings growth. Hence, allowing the Group to measure the performance of each business on an absolute basis (economic profit) and relative percentage return basis (RAROC) against the Group's costs of capital.

Strong risk governance holds the EWRM together. The Board of Directors through the Board Risk Committee (BRC) is ultimately responsible for the implementation of EWRM. Group Risk Division (GRD) has been principally tasked to assist the various committees and undertakes the performance of the day-to-day risk management functions of the EWRM. The implementation of the EWRM is subjected to the independent assurance and assessment by the Group Internal Audit.

The foundation of the EWRM is made up of three major building blocks, which are Limits and Controls, Analysis and Reports, 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 changes. Timely reports and meaningful analysis of risk positions are critical to enable the Board and its management to exercise control over all exposures and make informed business decisions.

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

(c) Risk Governance

CIMB Group's corporate governance and reporting structure is align to best practices and it enables the Group to achieve its corporate objectives within an acceptable risk profile. The Board has vested upon the BRC to develop, assess, review and maintain a system of internal controls encompassing financial, operational, compliance and risk management. With this responsibility, BRC determines the risk policy objectives for CIMB Group. BRC also decides on yearly allocation of risk capital to support all risks undertaken by the Group.

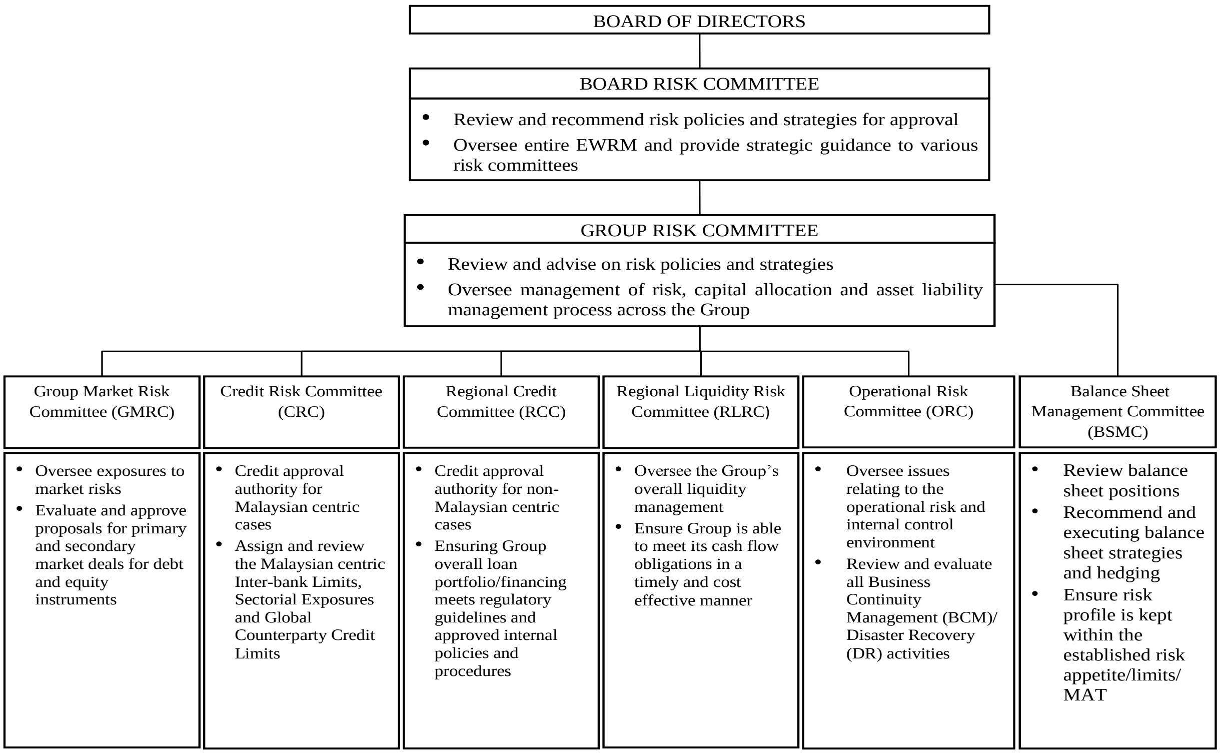
Group Risk Committee (GRC) is the primary delegated authority for managing risk on a group-wide basis and reports directly to BRC. Sub-committees, namely Credit Risk Committee (CRC), Group Market Risk Committee (GMRC), Regional Credit Committee (RCC), Regional Liquidity Risk Committee (RLRC) and Operational Risk Committee (ORC), delegated from the GRC are set up to manage and control specific risk areas. In relation to Interest rate Risk in the Banking Book (IRRBB)/ Rate of return Risk in the Banking Book (RORBB), GRC is further assisted by Balance Sheet Management Committee (BSMC) that is responsible for recommending and executing strategies and hedging proposal of the banking book as well as ensuring the Group's interest rate / rate of return risk profile is within the risk limits/MATs endorsed by the GRC. With this set-up, the Board and BRC through the various risk committees and BSMC maintain oversight of various risks across the Group.

Each committee is headed by a director respectively. The composition of the committees includes senior management and individuals from business divisions as well as individuals from divisions which are independent from the business units. BRC reviews the composition of these committees excluding 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.

44 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



44 Financial Risk Management (Continued)

(d) The roles of Group Risk Division

The primary oversight body for risk management activities is GRD, comprising GRM, Group Risk (GC) and Regional Credit Management (RCM), which are independent of business units and assist the Group's management and the various risk committees in monitoring and controlling the Group's risk exposures.

The key responsibilities of GRD are to identify, analyse, monitor and review the principal risks to which the Group is exposed. It also helps to create shareholder value through proper allocation of risk capital, development of risk-based pricing framework and facilitate development of new business and products.

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 GRD. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to GRD.

(e) Group Risk Management

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

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

44 Financial Risk Management (Continued)

(e) Group Risk Management (Continued)

GRM is also tasked with the co-ordination of the Group's effort towards implementation of the Basel II framework in compliance with the International Convergence of Capital Measurement and Capital Standards prescribed by the Bank of International Settlements and as adopted by BNM. In this regard, GRM develops, implements and validates all internal rating and scoring models and closely monitors the usage of the rating and scoring systems to ensure relevancy to current market conditions and integrity of the ratings.

GRM adds value to business propositions by providing advice on market valuations, CaR quantifications 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, addresses 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.

(f) Group Credit

GC carries out independent assessments and evaluations of all credit risk related proposals originating from the various business units such as sales and trading, fixed income, derivatives, prior to submission to the Business Credit Committee (BCC), CRC, 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 Bank's holdings of all fixed income assets issued by Malaysian companies and recommends the internal ratings for CRC's approval.

(g) 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 at the CIMB Group level. The platform includes 2 credit committees, Singapore Business Credit Committee (SBCC) for smaller-sized exposures and 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.

44 Financial Risk Management (Continued)

(g) Regional Credit Management (Continued)

Strategies and Processes for Various Risk Management

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

44.1 Credit risk

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

Credit Risk Management

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

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.

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

Credit Risk Management (Continued)

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available

Credit reviews and rating are conducted on the credit exposures on an annual basis and more frequent when material information on the counterparty or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported monthly 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 CaR 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 CaR. This approach takes into account the credit concentration risk and the correlation between counterparties and industries. In estimating the portfolio CaR, the Group uses 25,000 simulation numbers at 99% confidence level. The generated portfolio CaR, and any shortfall in the provision for defaulted accounts make up to the total Credit CaR utilization to be compared against the allocated capital. The CaR usage versus pre-determined limit is monitored by RMA within GRM. Any exception will be highlighted to Management in accordance with the Group's exception management procedure. These are summarized and reported to GRC and BRC on a monthly basis.

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.

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

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. GRC is empowered to approve any inclusion of new acceptable collaterals.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits and shares. 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.

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. The net credit exposure with each counterparty is monitored and our Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant Credit Support Annexes (CSA) or the master agreement. 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.

44 Financial Risk Management (Continued)

44.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)
CCR limits are established at the individual counterparty level and approved by CRC 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 has a master agreement that sets the conditions to allow for netting in the event of a default by counterparty. Further, the Group also enters into CSA with counterparties for credit risk reduction. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by CRC and/or RCC.

Treatment of Rating Downgrade
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.

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

The following table represents credit risk exposure to the Group and the Bank as at 31 December 2010, before taking account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

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

This analysis and all subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets, mainly cash on hand, prepayment, equity securities in financial assets held for trading and financial investments available-for-sale as well as non-financial assets.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit Risk (Continued)

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

The maximum credit risk exposures of the Group and the Bank as at 31 December 2010 are as follows:

	The Group	The Bank
Items recognised in the statements of financial position	**RM'000**	**RM'000**
Cash and short term funds	**2,173,576**	**2,074,263**
Reverse repurchase agreements	**300,067**	**300,067**
Deposits and placements with banks and other financial institutions	**689,196**	**687,992**
Financial assets held for trading		
- Unquoted securities	**78,436**	**78,436**
Derivative financial instruments		
- Trading derivatives	**42,089**	**42,089**
Loans, advances and financing		
- Term loans	**42,710**	**42,710**
Other assets	**798,740**	**797,727**
Amount due from ultimate holding company	**60**	**60**
Amount due from subsidiaries	**-**	**2**
Amount due from related companies	**6,564**	**6,564**
	4,131,438	**4,029,910**
Item not recognised in the statements of financial position		
Credit related commitments and contingencies	**600,218**	**600,218**
	600,218	**600,218**
Total credit exposures	**4,731,656**	**4,630,128**

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit Risk (Continued)

44.1.2 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2010 is as follows:

	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
Items recognised in the statements of financial position	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	**2,169,036**	**-**	**-**	**3,554**	**986**	**2,173,576**
Reverse repurchase agreements	**300,067**	**-**	**-**	**-**	**-**	**300,067**
Deposits and placements with banks and other financial institutions	**689,196**	**-**	**-**	**-**	**-**	**689,196**
Financial assets held for trading						
-Unquoted securities	**78,436**	**-**	**-**	**-**	**-**	**78,436**
Derivatives financial instruments						
-Trading derivatives	**42,089**	**-**	**-**	**-**	**-**	**42,089**
Loans, advances and financing						
-Term loans	**42,710**	**-**	**-**	**-**	**-**	**42,710**
Other assets	**659,829**	**393**	**1,630**	**40,622**	**96,266**	**798,740**
Amount due from related companies	**5,662**	**902**	**-**	**-**	**-**	**6,564**
Amount due from ultimate holding company	**60**	**-**	**-**	**-**	**-**	**60**
	3,987,085	**1,295**	**1,630**	**44,176**	**97,252**	**4,131,438**
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	**600,218**	**-**	**-**	**-**	**-**	**600,218**
	600,218	**-**	**-**	**-**	**-**	**600,218**
Total credit exposures	**4,587,303**	**1,295**	**1,630**	**44,176**	**97,252**	**4,731,656**

44 Financial Risk Management (Continued)

44.1 Credit Risk (Continued)

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

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2010 is as follows:

	Malaysia	Indonesia	Thailand	Singapore	Other countries	Total
Items recognised in the statements of financial position	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	2,069,723	-	-	3,554	986	2,074,263
Reverse repurchase agreements	300,067	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	-	-	687,992
Financial assets held for trading						
-Unquoted securities	78,436	-	-	-	-	78,436
Derivatives financial instruments						
-Trading derivatives	42,089	-	-	-	-	42,089
Loans, advances and financing						
-Term loans	42,710	-	-	-	-	42,710
Other assets	658,816	393	1,630	40,622	96,266	797,727
Amount due from subsidiaries	2	-	-	-	-	2
Amount due from related companies	5,662	902	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	60
	3,885,557	1,295	1,630	44,176	97,252	4,029,910
Item not recognised in the statements of financial position						
Credit related commitments and contingencies	600,218	-	-	-	-	600,218
	600,218	-	-	-	-	600,218
Total credit exposures	4,485,775	1,295	1,630	44,176	97,252	4,630,128

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

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

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2010, based on the industry sectors of the counterparty are as follows:

The Group

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
				Unquoted securities	Trading derivatives	Term loans			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mining and quarrying	-	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	-	856	-	856
Electricity, gas and water	-	-	-	-	-	-	1,349	-	1,349
Construction	-	-	-	-	-	-	628	-	628
Real estate	-	-	-	-	-	-	18,748	-	18,748
Purchase of landed property									
- Residential	-	-	-	-	-	-	-	218	218
General commerce	-	-	-	-	-	-	2,860	-	2,860
Transport, storage and communications	-	-	-	-	-	-	114	-	114
Finance, insurance and business services	2,173,467	-	689,196	78,436	10,342	-	243,654	600,000	3,795,095
Government and government agencies	107	300,067	-	-	-	-	236	-	300,410
Purchase of securities	-	-	-	-	-	-	94,355	-	94,355
Others	2	-	-	-	31,747	42,710	442,450	-	516,909
	2,173,576	300,067	689,196	78,436	42,089	42,710	805,364	600,218	4,731,656

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2010, based on the industry sectors of the counterparty are as follows:

The Bank

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
				Unquoted securities	Trading derivatives	Term loans			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mining and quarrying	-	-	-	-	-	-	114	-	114
Manufacturing	-	-	-	-	-	-	856	-	856
Electricity, gas and water	-	-	-	-	-	-	1,349	-	1,349
Construction	-	-	-	-	-	-	628	-	628
Real estate	-	-	-	-	-	-	18,748	-	18,748
Purchase of landed property									
- Residential	-	-	-	-	-	-	-	218	218
General commerce	-	-	-	-	-	-	2,860	-	2,860
Transport, storage and communications	-	-	-	-	-	-	114	-	114
Finance, insurance and business services	2,074,156	-	687,992	78,436	10,342	-	243,641	600,000	3,694,567
Government and government agencies	107	300,067	-	-	-	-	236	-	300,410
Purchase of securities	-	-	-	-	-	-	94,354	-	94,354
Others	-	-	-	-	31,747	42,710	441,453	-	515,910
	2,074,263	300,067	687,992	78,436	42,089	42,710	804,353	600,218	4,630,128

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

44.1.3 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".

(a) Loans, advances and financing

Loans, advances and financing of the Group and the Bank as at 31 December 2010 are summarised as follows:

	Note 44.1.3	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total gross amount RM'000
Term loans		43,360	-	43,360
Other loans		-	822	822
Total		43,360	822	44,182
Less: Impairment allowance				(1,472)
Total net amount				42,710

There were no loans, advances and financing that are "past due but not impaired" as at 31 December 2010.

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

44.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

The credit quality of loans, advances and financing that are "neither past due nor impaired" as at 31 December 2010 can be assessed by reference to the internal rating system adopted by the Group and the Bank.

	The Group and the Bank
	No rating
	RM'000
Term loans	43,360
Total	**43,360**

Financial statement descriptions can be summarised as follows:

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

(ii) "Impaired" loans, advances and financing

Refer to Note 7(vii) and 7(iii) for analysis of "impaired" loans, advances and financing by economic purpose and geographical distribution.

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44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

44.1.3 Credit quality of financial assets (Continued)

(b) Financial assets held for trading

Financial assets held for trading of the Group and the Bank as at 31 December 2010 is summarised as follows:

	The Group and the Bank
	Neither past due nor impaired
	RM'000
Financial assets held for trading	
- Unquoted securities	**78,436**
Total	**78,436**

There were no financial assets held for trading that are "past due but not impaired" or "impaired" as at 31 December 2010.

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

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

	The Group and the Bank
	Investment grade (AAA to BBB-)
	RM'000
Financial assets held for trading	
- Unquoted securities	**78,436**
Total	**78,436**

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

44.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets

Other financial assets of the Group's and the Bank's as at 31 December 2010 are summarised as follows :

The Group

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total gross amount RM'000
Cash and short term funds	2,173,576	-	-	2,173,576
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	689,196	-	-	689,196
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	786,958	9,276	28,061	824,295
Total	3,991,886	9,276	28,061	4,029,223
Less: Impairment allowances				(18,931)
Total net amount				4,010,292

The Bank

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total gross amount RM'000
Cash and short term funds	2,074,263	-	-	2,074,263
Reverse repurchase agreements	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	687,992	-	-	687,992
Derivative financial instruments	42,089	-	-	42,089
Other financial assets	785,947	9,276	27,831	823,054
Total	3,890,358	9,276	27,831	3,927,465
Less: Impairment allowances				(18,701)
Total net amount				3,908,764

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.1 Credit risk (Continued)

44.1.3 Credit quality of financial assets (Continued)

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

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies for the Group's and the Bank's as at 31 December 2010:

	The Group				The Bank			
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
Cash and short term funds	107	2,173,444	25	2,173,576	107	2,074,131	25	2,074,263
Reverse repurchase agreements	300,067	-	-	300,067	300,067	-	-	300,067
Deposits and placements with banks and other financial institutions	-	688,196	1,000	689,196	-	687,992	-	687,992
Derivative financial instruments	-	20,267	21,822	42,089	-	20,267	21,822	42,089
Other financial assets	318	1,124	785,516	786,958	318	1,112	784,517	785,947
Total	300,492	2,883,031	808,363	3,991,886	300,492	2,783,502	806,364	3,890,358

There were no financial assets of the Group and the Bank that were renegotiated during the financial year ended 31 December 2010.

There were no collateral repossessed by the Group and the Bank as at 31 December 2010.

44 Financial Risk Management (Continued)

44.2 Credit risk (Continued)

44.1.3 Credit quality of financial assets (Continued)

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

(ii) An ageing analysis of other financial assets of the Group's and the Bank's that are "past due but not impaired" as at 31 December 2010 are set out as below.

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market Risk

Market risk is defined as the potential change in market value of trading and investment securities held by the Group arising from adverse changes to market parameters such as interest rates/benchmark rates, credit spreads, foreign exchange rates, equity prices, commodity prices and volatility.

The function of risk management & analytics (RMA) Team in CIMB is 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. Here, the CaR framework is employed to measure market risk where CaR 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 historical simulation approach to compute CaR. 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 interest rate risk, foreign exchange risk and equity risk. Each business unit is allocated CaR 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, Group Treasury’s Market Risk Team and Risk Middle Office (RMO) within GRM. The head of each business unit is accountable for all market risk under his/her purview. Any excession will be escalated to management in accordance to the Group's exception management procedure.

In addition to daily monitoring of CaR usage, on a monthly basis, all market exposures and CaR of the Group will be summarised and submitted to GRC and BRC for its perusal. The usage of market CaR by risk type based on 1 day holding period of the Group’s trading exposures as at 31 December 2010 is shown in Note 44.2.1

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest. Hence, the resulting market CaR 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 CaR computed would understate the risk of the portfolio and vice versa.

44 Financial Risk Management (Continued)

44.2 Market Risk (Continued)

In order to ensure historical simulation gives an adequate estimation of market CaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day CaR 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 CaR.

The Group also complements CaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute CaR. 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 highly 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 materialize.

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

RMO 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. MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

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

44 Financial Risk Management (Continued)

44.2 Market Risk (Continued)

All valuation methods and models used are validated by the Quantitative Analysts to assess its applicability to market conditions. The process includes verification of the inputs, assumptions used, programming codes and model reporting capability. Existing valuation models are reviewed at least on a yearly basis to ensure that they remain relevant to changing market conditions. Back-test of newly approved or revised models may be conducted to review the model and input data used.

44.2.1 CaR

The usage of market CaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2010 are as follows:

	The Group RM'000	**The Bank RM'000**
CaR		
Foreign exchange risk	**245**	**245**
Interest rate risk	**542**	**542**
Equity risk	**87**	**87**
Total	**874**	**874**
Total shareholders fund	**446,722**	**429,096**
Percentage of shareholders funds	**0.20%**	**0.20%**

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.2 Interest rate risk

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

(a) The table below summarise the Group's financial assets at their full carrying amounts as at 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

	The Group 2010								
	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,951,531	-	-	-	-	-	222,078	-	2,173,609
Reverse repurchase agreements	149,816	149,933	-	-	-	-	318	-	300,067
Deposits and placements with banks and other financial institutions	1,000	594,159	92,505	100	-	-	1,432	-	689,196
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	3,691	3,691
- Unquoted securities	-	-	-	-	-	-	-	78,436	78,436
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	8,979	-	8,979
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	42,089	42,089
Loans, advances and financing									
- Term loans	3	10	33	90	6,981	35,593	-	-	42,710
Other assets	-	-	-	-	-	-	798,740	-	798,740
Amount due from ultimate holding company	-	-	-	-	-	-	60	-	60
Amount due from related companies	-	-	-	-	-	-	6,564	-	6,564
Total financial assets	2,102,350	744,102	92,538	190	6,981	35,593	1,038,171	124,216	4,144,141

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.2 Interest rate risk (Continued)

(a) The table below summarise the Group's financial liabilities at their full carrying amounts as at 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

The Group
2010

	Non-trading book								
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	1,091,764	-	-	-	-	115,122	753	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	3,334	-	1,494,000
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	61,710	61,710
Amount due to related companies	-	-	-	-	-	-	12,105	-	12,105
Other liabilities	-	-	-	-	-	-	1,024,894	-	1,024,894
Total financial liabilities	1,744,915	495,010	342,505	-	-	115,122	1,041,086	61,710	3,800,348
Net interest rate sensitivity gap for items recognised in the financial positions	357,435	249,092	(249,967)	190	6,981	(79,529)		62,506	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	600,218		

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial assets at their full carrying amounts as at 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

The Bank
2010

	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,883,527	-	-	-	-	-	190,769	-	2,074,296
Reverse repurchase agreements	149,816	149,933	-	-	-	-	318	-	300,067
Deposits and placements with banks and other financial institutions	-	593,955	92,505	100	-	-	1,432	-	687,992
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	3,691	3,691
- Unquoted securities	-	-	-	-	-	-	-	78,436	78,436
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	6,331	-	6,331
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	42,089	42,089
Loans, advances and financing									
- Term loans	3	10	33	90	6,981	35,593	-	-	42,710
Other assets	-	-	-	-	-	-	797,727	-	797,727
Amount due from subsidiaries	-	-	-	-	-	-	2	-	2
Amount due from related companies	-	-	-	-	-	-	6,564	-	6,564
Amount due from ultimate holding company	-	-	-	-	-	-	60	-	60
Total financial assets	2,033,346	743,898	92,538	190	6,981	35,593	1,003,203	124,216	4,039,965

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.2 Interest rate risk (Continued)

(b) The table below summarise the Bank's financial liabilities at their full carrying amounts as at 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

The Bank
2010

	Non-trading book								
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	1,091,764	-	-	-	-	115,122	753	-	1,207,639
Deposits and placements of banks and other financial institutions	653,151	495,010	342,505	-	-	-	3,334	-	1,494,000
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	61,710	61,710
Amount due to subsidiaries	-	-	-	-	-	-	3,185	-	3,185
Amount due to related company	-	-	-	-	-	-	12,105	-	12,105
Other liabilities	-	-	-	-	-	-	938,988	-	938,988
Total financial liabilities	1,744,915	495,010	342,505	-	-	115,122	958,365	61,710	3,717,627
Net interest rate sensitivity gap for items recognised in the financial positions	288,431	248,888	(249,967)	190	6,981	(79,529)		62,506	
Net interest rate sensitivity gap for items not recognised in the financial positions									
Credit related commitments and contingencies	-	-	-	-	-	-	600,218		

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.2 Interest rate risk (Continued)

(b) Sensitivity to profit

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

	The Group		The Bank	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to profit (after tax)	2,482	(2,482)	2,031	(2,031)

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

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

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

44.2.3 Foreign exchange risk

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

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

(a) The following tables summarises the assets, liabilities and items recognised and not recognised in the statements of financial position and net open position by currency of the Group and the Bank as at 31 December 2010, which are mainly in Ringgit Malaysia, US Dollars, Thai Baht, Singapore Dollars, Australian Dollars, and Indonesian Rupiah. Others mainly include exposure to Hong Kong Dollars, Sterling Pounds, Japanese Yen, Euro and Vietnamese Dong.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.3 Foreign exchange risk (Continued)

The Group	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
Items recognised in the statements of financial position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,472,048	-	113	16,181	665,697	3,139	16,431	701,561	2,173,609
Reverse repurchase agreements	300,067	-	-	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	411,681	-	-	-	277,515	-	-	277,515	689,196
Financial assets held for trading									
- Quoted securities	3,678	5	4	4	-	-	-	13	3,691
- Unquoted securities	14,140	-	-	-	64,296	-	-	64,296	78,436
Financial investments available-for-sale									
- Unquoted securities	2,199	449	-	-	-	-	6,331	6,780	8,979
Derivative financial instruments									
- Trading derivatives	31,758	-	-	-	10,331	-	-	10,331	42,089
Loans, advances and financing									
- Term loans	42,710	-	-	-	-	-	-	-	42,710
Other assets	775,669	6,758	3,232	7,374	3,350	129	2,228	23,071	798,740
Amount due from ultimate holding company	60	-	-	-	-	-	-	-	60
Amount due from related companies	5,662	902	-	-	-	-	-	902	6,564
	3,059,672	8,114	3,349	23,559	1,021,189	3,268	24,990	1,084,469	4,144,141
Financial liabilities									
Deposits from customers	682,166	-	-	-	525,473	-	-	525,473	1,207,639
Deposits and placements of banks and other financial institutions	1,093,141	-	-	-	400,855	-	4	400,859	1,494,000
Derivatives financial instruments									
- Trading derivatives	51,379	-	-	-	10,331	-	-	10,331	61,710
Amount due to related companies	369	-	-	11,736	-	-	-	11,736	12,105
Other liabilities	1,004,827	6,625	3,100	6,221	1,343	95	2,683	20,067	1,024,894
	2,831,882	6,625	3,100	17,957	938,002	95	2,687	968,466	3,800,348
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.3 Foreign exchange risk (Continued)

The Bank

Items recognised in the statements of financial position	MYR	IDR	THB	SGD	USD	AUD	Others	Total non-MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short term funds	1,372,770	-	113	16,181	665,662	3,139	16,431	701,526	2,074,296
Reverse repurchase agreements	300,067	-	-	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	410,477	-	-	-	277,515	-	-	277,515	687,992
Financial assets held for trading									
- Quoted securities	3,678	5	4	4	-	-	-	13	3,691
- Unquoted securities	14,140	-	-	-	64,296	-	-	64,296	78,436
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	6,331	6,331	6,331
Derivative financial instruments									
- Trading derivatives	31,758	-	-	-	10,331	-	-	10,331	42,089
Loans, advances and financing									
- Term loans	42,710	-	-	-	-	-	-	-	42,710
Other assets	774,656	6,758	3,232	7,374	3,350	129	2,228	23,071	797,727
Amount due from subsidiaries	2	-	-	-	-	-	-	-	2
Amount due from related companies	5,662	902	-	-	-	-	-	902	6,564
Amount due from ultimate holding company	60	-	-	-	-	-	-	-	60
	2,955,980	7,665	3,349	23,559	1,021,154	3,268	24,990	1,083,985	4,039,965
Financial liabilities									
Deposits from customers	682,166	-	-	-	525,473	-	-	525,473	1,207,639
Deposits and placements of banks and other financial institutions	1,093,141	-	-	-	400,855	-	4	400,859	1,494,000
Derivatives financial instruments									
- Trading derivatives	51,379	-	-	-	10,331	-	-	10,331	61,710
Amount due to subsidiaries	3,185	-	-	-	-	-	-	-	3,185
Amount due to related companies	369	-	-	11,736	-	-	-	11,736	12,105
Other liabilities	918,921	6,625	3,100	6,221	1,343	95	2,683	20,067	938,988
	2,749,161	6,625	3,100	17,957	938,002	95	2,687	968,466	3,717,627
Item not recognised in the statements of financial position									
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.2 Market risk (Continued)

44.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

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

	The Group and the Bank	
	+1% appreciation RM'000	-1% appreciation RM'000
Impact to profit (after tax)	**136**	**(136)**

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.

44 Financial Risk Management (Continued)

44.3 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 arises from mismatches in the timing of cash flows.

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

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 and Investments in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs and the local regulatory requirements. 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.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity Risk (Continued)

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 subjected to annual review while the assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk. The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group. Consolidated stress test, including liquidity stress test, is performed on a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities are documented and the test results are submitted to the RLRC, the GRC, and the Board of Directors of the Bank. The test results to date have indicated that the Group does possess sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

44.3.1 Contractual maturity of assets and liabilities

(a) The table below analyses the assets of the Group as at 31 December 2010 based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM GP8:

	The Group 2010							
	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	2,173,609	-	-	-	-	-	-	2,173,609
Reverse repurchase agreements	150,112	149,955	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	2,432	594,159	92,505	100	-	-	-	689,196
Financial assets held for trading	723	-	-	-	73,457	4,256	3,691	82,127
Financial investments available-for-sale	-	-	-	-	-	-	8,979	8,979
Derivative financial instruments	-	-	1,638	-	8,300	32,151	-	42,089
Loans, advances and financing	3	10	33	90	6,981	35,593	-	42,710
Other assets	806,243	-	-	-	-	-	-	806,243
Deferred tax assets	-	-	-	-	-	-	44,329	44,329
Tax recoverable	1	-	-	-	-	-	-	1
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280	280
Investment in associates	-	-	-	-	-	-	5,280	5,280
Amount due from ultimate holding company	60	-	-	-	-	-	-	60
Amount due from related companies	6,564	-	-	-	-	-	-	6,564
Goodwill on consolidation	-	-	-	-	-	-	964	964
Property, plant and equipment	-	-	-	-	-	-	92,977	92,977
Total assets	3,139,747	744,124	94,176	190	88,738	72,000	156,500	4,295,475

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

44.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the liabilities of the Group as at 31 December 2010 based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM GP8 (Continued):

	The Group 2010							
	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	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Deposits and placements of banks and other financial institutions	656,485	495,010	342,505	-	-	-	-	1,494,000
Derivative financial instruments	8	-	-	-	-	61,702	-	61,710
Other liabilities	1,026,836	-	-	55	-	-	-	1,026,891
Provision for taxation and zakat	46,408	-	-	-	-	-	-	46,408
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
Total liabilities	2,456,029	495,010	524,055	55	196,780	176,824	-	3,848,753

Notes to the Financial Statements
for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

44.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets of the Bank as at 31 December 2010 based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM GP8 (Continued):

	The Bank 2010							
	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
Assets								
Cash and short term funds	2,074,296	-	-	-	-	-	-	2,074,296
Reverse repurchase agreements	150,112	149,955	-	-	-	-	-	300,067
Deposits and placements with banks and other financial institutions	1,432	593,955	92,505	100	-	-	-	687,992
Financial assets held for trading	723	-	-	-	73,457	4,256	3,691	82,127
Financial investments available-for-sale	-	-	-	-	-	-	6,331	6,331
Derivative financial instruments	-	-	1,638	-	8,300	32,151	-	42,089
Loans, advances and financing	3	10	33	90	6,981	35,593	-	42,710
Other assets	805,114	-	-	-	-	-	-	805,114
Deferred tax asset	-	-	-	-	-	-	44,270	44,270
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	280	280
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Amount due from subsidiaries	2	-	-	-	-	-	-	2
Amount due from related companies	6,564	-	-	-	-	-	-	6,564
Amount due from ultimate holding company	60	-	-	-	-	-	-	60
Property, plant and equipment	-	-	-	-	-	-	94,116	94,116
Total assets	3,038,306	743,920	94,176	190	88,738	72,000	157,738	4,195,068

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

44.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the liabilities of the Bank as at 31 December 2010 based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM GP8 (Continued):

	The Bank 2010							
	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	714,187	-	181,550	-	196,780	115,122	-	1,207,639
Deposits and placements of banks and other financial institutions	656,485	495,010	342,505	-	-	-	-	1,494,000
Derivative financial instruments	8	-	-	-	-	61,702	-	61,710
Other liabilities	940,930	-	-	55	-	-	-	940,985
Provision for taxation and zakat	46,348	-	-	-	-	-	-	46,348
Amount due to subsidiaries	3,185	-	-	-	-	-	-	3,185
Amount due to related companies	12,105	-	-	-	-	-	-	12,105
Total liabilities	2,373,248	495,010	524,055	55	196,780	176,824	-	3,765,972

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

44.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

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

	The Group 2010							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	715,163	1,611	183,967	2,308	204,261	115,139	-	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	-	1,498,332
Other liabilities	761,212	-	-	-	55	-	263,627	1,024,894
	2,134,643	498,901	526,741	2,308	204,316	115,139	263,627	3,745,675
Commitments and contingencies								
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

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

The Bank 2010	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	715,163	1,611	183,967	2,308	204,261	115,139	-	1,222,449
Deposits and placements of banks and other financial institutions	658,268	497,290	342,774	-	-	-	-	1,498,332
Other liabilities	761,131	-	-	-	55	-	177,802	938,988
	2,134,562	498,901	526,741	2,308	204,316	115,139	177,802	3,659,769
Commitments and contingencies								
Credit related commitments and contingencies	600,218	-	-	-	-	-	-	600,218
	600,218	-	-	-	-	-	-	600,218

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.3 Liquidity risk (Continued)

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

<u>Derivative financial liabilities</u>

The table below analyses the cash flows payable by the Group and the Bank in relation to the Group's and the Bank's derivative financial liabilities that will be settled on a net 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 flow.

	The Group and the Bank 2010							
	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
Derivative financial liabilities								
Derivative held for trading								
- Interest rate derivatives	-	(15)	-	(121)	(522)	43,767	-	43,109
- Equity related derivatives	8	-	-	-	-	10,331	-	10,339
	8	(15)	-	(121)	(522)	54,098	-	53,448

44 Financial Risk Management (Continued)

44.4 Fair value of financial instruments

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

44.4.1 Financial instruments not measured at fair value

The total fair value of each financial assets and liabilities presented on the statements of financial position as at 31 December 2010 of the Group and the Bank approximates the total carrying value as at the reporting date, except for the following:

	The Group		The Bank	
2010	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities				
Deposits from customers	1,207,639	1,156,408	1,207,639	1,156,408

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

Short term funds and placements with financial institutions

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

Loans, advances and financing

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

44 Financial Risk Management (Continued)

44.4.1 Financial instruments not measured at fair value (continued)

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 loans.

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

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

Deposits from customers

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

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Due from brokers and clients and corporate finance debtors

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

Credit related commitment and contingencies

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

45 Changes in accounting policies and comparatives

During the financial year, the Group and the Bank changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- Leasehold land
- Financial assets
- Impairment of financial assets

(i) The following are effects arising from the adoption of FRS 139:

Impact on the Group's and the Bank's statements of financial position as at 1 January 2010 :

The Group	**At 31 December 2009 RM'000**	**Effects of adopting FRS 139 RM'000**	**Adjusted as at 1 January 2010 RM'000**
ASSETS			
Loans, advances and financing			
- Impaired loans, advances and financing	791	86	877
- Individual impairment allowance	-	(877)	(877)
- Portfolio impairment allowance	-	(679)	(679)
- Specific allowance	(437)	437	-
- General allowance	(683)	683	-
Derivative financial instruments	281,170	(50,425)	230,745
Other assets			
-Impairment allowance on other receivables	11,537	(5,173)	6,364
Deferred tax assets	5,083	(7,332)	(2,249)
LIABILITIES			
Deposits from customers	2,593,686	(104,478)	2,489,208
Derivative financial instruments	174,368	29,550	203,918
EQUITY			
Retained profits	160,959	21,995	182,954

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

45 Changes in accounting policies and comparatives

(i) The following are effects arising from the adoption of FRS 139 (Continued) :

Impact on the Group's and the Bank's statements of financial position as at 1 January 2010 : (Continued)

The Bank			
ASSETS			
Loans, advances and financing			
- Impaired loans, advances and financing	791	86	877
- Individual impairment allowance	-	(877)	(877)
- Portfolio impairment allowance	-	(679)	(679)
- Specific allowance	(437)	437	-
- General allowance	(683)	683	-
Derivative financial instruments	281,170	(50,425)	230,745
Other assets			
-Impairment allowance on other receivables	11,537	(5,173)	6,364
Deferred tax assets	5,019	(7,332)	(2,313)
LIABILITIES			
Deposits from customers	2,593,686	(104,478)	2,593,686
Derivative financial instruments	174,368	29,550	174,368
EQUITY			
Retained profits	146,551	21,995	168,546

45 Changes in accounting policies and comparatives (Continued)

(i) The following are effects arising from the adoption of FRS 139 (Continued):

Impact on the Group's and the Bank's statements of comprehensive income:

	Increase/(decrease) for the financial year ended 31 December 2010 Effects of adopting FRS 139 RM'000
Allowance for other receivables	1,482
Taxation	(371)
Profit after taxation	1,112

Impact on the Group's and the Bank's statements of financial position as at 31 December 2010 :

	Increase/(Decrease) in balances as at 31 December 2010 Effects of adopting FRS 139 RM'000
Assets	
Cash and short term funds	812
Reverse repurchase agreements	318
Deposits and placements with banks and other financial institutions	1,431
Financial assets held for trading	722
Other assets	(1,801)
Deferred tax assets	7,332
Liabilities	
Deposits from customers	3,333
Deposits and placements of banks and other financial institutions	753
Other liabilities	(4,086)
Provision for taxation and zakat	7,703

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

45 Changes in accounting policies and comparatives (Continued)

(ii) The following are effects arising from the adoption of FRS 117:

(a) Impact on the Group's statements of financial position

	Balances as at 31 December 2010
	Effects of adopting FRS 117
	RM'000
Assets	
Prepaid lease payments	(15,881)
Property, plant and equipment	15,881

	Balances as at 31 December 2009		
	As previously reported	Effects of adopting FRS 117	As restated
	RM'000	**RM'000**	**RM'000**
Assets			
Prepaid lease payments	15,881	(15,881)	-
Property, plant and equipment	54,883	15,881	70,764

	Balances as at 31 December 2008		
	As previously reported	Effects of adopting FRS 117	As restated
	RM'000	**RM'000**	**RM'000**
Assets			
Prepaid lease payments	16,253	(16,253)	-
Property, plant and equipment	66,586	16,253	82,839

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

45 Changes in accounting policies and comparatives (Continued)

(ii) The following are effects arising from the adoption of FRS 117: (Continued)

(b) Impact on the Bank's statements of financial position

	Balances as at 31 December 2010
	Effects of adopting FRS 117
	RM'000
Assets	
Prepaid lease payments	(15,881)
Property, plant and equipment	15,881

	Balances as at 31 December 2009		
	As previously reported	Effects of adopting FRS 117	As restated
	RM'000	**RM'000**	**RM'000**
Assets			
Prepaid lease payments	15,881	(15,881)	-
Property, plant and equipment	55,950	15,881	71,831

	Balances as at 31 December 2008		
	As previously reported	Effects of adopting FRS 117	As restated
	RM'000	**RM'000**	**RM'000**
Assets			
Prepaid lease payments	16,253	(16,253)	-
Property, plant and equipment	67,570	16,253	83,823

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2010

	Note	2010 RM'000	2009 RM'000
Assets			
Cash and short term funds	(a)	201,408	331,711
Deposits and placements with banks and other financial institutions	(b)	370,000	910,000
Islamic derivative financial instruments	(c)	42,089	195,927
Other assets	(d)	337,528	462,471
Property, plant and equipment	(e)	93	322
Amount due from related companies	(f)	68	1,547
Total assets		951,186	1,901,978
Liabilities and Islamic Banking capital funds			
Deposits from customers	(g)	493,452	1,351,530
Deposits and placements of banks and other financial institutions	(h)	33,500	35,450
Islamic derivative financial instruments	(c)	61,702	89,121
Provision for taxation and zakat	(i)	80,440	44,276
Other liabilities	(j)	1,583	210,724
Amount due to related companies	(f)	308	223
Total liabilities		670,985	1,731,324
Islamic Banking capital funds		55,000	55,000
Reserves		225,201	115,654
Total Islamic Banking capital funds		280,201	170,654
Total liabilities and Islamic Banking capital funds		951,186	1,901,978

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

Statements of Comprehensive Income for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	(k)	4,120	1,816
Income derived from investment of shareholders' funds	(l)	138,343	52,647
Allowance for other receivables		(91)	(35)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		-	(10)
Total attributable income		142,372	54,418
Income attributable to the depositors	(m)	(18,232)	(23,685)
Total net income		124,140	30,733
Personnel expenses	(n)	(487)	(402)
Other overheads and expenditures	(o)	(2,445)	(4,210)
Profit before taxation and zakat		121,208	26,121
Taxation	(p)	(30,038)	(6,530)
Zakat		-	(607)
Profit after taxation and zakat		91,170	18,984
Other comprehensive income		-	-
Total comprehensive income for the year		91,170	18,984

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2010

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2010				
-as previously reported	**55,000**	**1,336**	**114,318**	**170,654**
-effect of adopting FRS 139	**-**	**-**	**18,377**	**18,377**
Adjusted at 1 January 2010	**55,000**	**1,336**	**132,695**	**189,031**
Net profit for the financial year after taxation and zakat	**-**	**-**	**91,170**	**91,170**
Total comprehensive income for the financial year	**-**	**-**	**91,170**	**91,170**
At 31 December 2010	**55,000**	**1,336**	**223,865**	**280,201**
At 1 January 2009	55,000	1,336	95,334	151,670
Net profit for the financial year after taxation and zakat	-	-	18,984	18,984
Total comprehensive income for the financial year	-	-	18,984	18,984
At 31 December 2009	55,000	1,336	114,318	170,654

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

Statements of Cash Flow for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Cash flows from operating activities			
Profit before taxation and zakat		**121,208**	26,121
Add/(less) adjustments:			
Unrealised foreign exchange gain		**(18)**	-
Allowance for losses on other receivables		**-**	35
Net unrealised loss on revaluation of Islamic derivative financial instruments		**46,446**	8,302
Accretion of discounts less amortisation of premium		**-**	(8,013)
Depreciation of property, plant and equipment		**229**	232
Cash flow from operating profit before changes in operating assets and liabilities		**167,865**	26,677
Operating assets			
Deposits and placements with banks and other financial institutions		**540,000**	(710,000)
Financial assets held for trading		**18,377**	628,377
Other assets		**211,062**	(454,637)
Amount due from related companies		**1,479**	(456)
Operating liabilities			
Deposits from customers		**(858,078)**	188,400
Deposits and placements of banks and other financial institutions		**(1,950)**	27,950
Amount due to related companies		**85**	223
Other liabilities		**(209,143)**	208,750
Net cash used in operating activities		**(130,303)**	(84,716)
Net decrease in cash and cash equivalents during the financial year		**(130,303)**	(84,716)
Cash and cash equivalents at beginning of the financial year		**331,711**	416,427
Cash and cash equivalents at end of the financial year	**(a)**	**201,408**	331,711

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank	
		2010	2009
		RM'000	RM'000
(a)	**Cash and short term funds**		
	Cash and balances with banks and other financial institutions	**208**	361
	Money at call and deposit placements maturing within one month	**201,200**	331,350
		201,408	331,711
(b)	**Deposits and placements with banks and other financial institutions :**		
	General investment funds:		
	Licensed banks	**370,000**	910,000

(c) 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. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, and do not represent amounts at risk.

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(c) Islamic derivative financial instruments (Continued)

	The Bank		
		Fair values	
	Principal amount RM'000	**Assets RM'000**	**Liabilities RM'000**
At 31 December 2010			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	**817,530**	**31,758**	**(51,371)**
Equity derivatives			
Equity options	**867,353**	**10,331**	**(10,331)**
Total derivative assets / (liabilities)	**1,684,883**	**42,089**	**(61,702)**
At 31 December 2009			
Held for trading purposes			
Islamic profit rate derivatives			
Islamic profit rate swaps	2,962,310	110,913	(4,107)
Equity derivatives			
Equity options	1,728,162	85,014	(85,014)
Total derivative assets / (liabilities)	4,690,472	195,927	(89,121)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(d) Other assets

	The Bank 2010 RM'000	The Bank 2009 RM'000
Due from brokers and clients net of allowance for impairment loss/allowance for doubtful debts of RM335,136 (2009: RM244,414)	**432**	207,867
Other debtors, deposits and prepayments	**337,096**	254,604
	337,528	462,471

(e) Property, plant and equipment

	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Bank					
2010					
Cost					
At 1 January/ 31 December	**316**	**109**	**119**	**693**	**1,237**
Accumulated depreciation					
At 1 January	**245**	**109**	**88**	**473**	**915**
Charge for the financial year	**65**	**-**	**23**	**141**	**229**
At 31 December	**310**	**109**	**111**	**614**	**1,144**
Net book value as at 31 December 2010	**6**	**-**	**8**	**79**	**93**
2009					
Cost					
At 1 January/ 31 December	316	109	119	693	1,237
Accumulated depreciation					
At 1 January	182	102	64	335	683
Charge for the financial year	63	7	24	138	232
At 31 December	245	109	88	473	915
Net book value as at 31 December 2009	71	-	31	220	322

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank 2010 RM'000	2009 RM'000
(f)	**Amount due from/(to) related companies**		
	(i) Amount due from:		
	- Related companies	**68**	1,547
	(ii) Amount due to:		
	- Related companies	**(308)**	(223)
(g)	**Deposits from customers**		
	Non-Mudharabah fund:		
	Variable rate deposits	**378,330**	1,102,280
	Equity Linked Sukuk	**115,122**	249,250
		493,452	1,351,530
	(i) Maturity structure of fixed rate deposits is as follows:		
	- Due within six months	**181,550**	-
	- Six months to one year	**-**	648,850
	- One year to less than three years	**196,780**	453,430
	- Three years to less than five years	**-**	-
	- More than five years	**115,122**	249,250
		493,452	1,351,530
	(ii) The deposits are sourced from the following customers:		
	- Government and statutory bodies	**69,400**	144,400
	- Business enterprises	**16,200**	39,650
	- Individuals	**403,852**	1,157,180
	- Others	**4,000**	10,300
		493,452	1,351,530
(h)	**Deposits and placements of banks and other financial institutions**		
	Mudharabah fund:		
	Licensed banks	**33,500**	30,450
	Other financial institutions	**-**	5,000
		33,500	35,450
(i)	**Provision for taxation and zakat**		
	Taxation	**79,833**	43,669
	Zakat	**607**	607
		80,440	44,276

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank	
		2010	2009
		RM'000	RM'000
(j)	**Other liabilities**		
	Due to brokers and clients	**128**	207,624
	Other liabilities	**1,455**	3,100
		1,583	210,724
(k)	**Income derived from investment of depositors' funds**		
	Income derived from investment of:		
	(i) General investment deposits	**4,120**	1,816
	(i) Income derived from investment of general investment deposits :		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**4,120**	1,601
		4,120	1,601
	Accretion of discounts less amortisation of premium	**-**	539
		4,120	2,140
	Other operating income		
	Net loss from sale of financial assets held for trading	**-**	(324)
		4,120	1,816

All unrestricted funds received from the Bank's deposits are co-mingled into a single pool of funds under general investment deposits. Restricted funds categorised under specific investment deposits are managed separately, where the utilisation of the funds is identified and matched with specific funds. Islamic income or profit generated from the general investment and specific investment deposits' funds are allocated to various categories of depositors by using the weighted average rate of return method effective 1 October 2007 (previously, annualised rate of return).

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank	
		2010	2009
		RM'000	RM'000
(l)	**Income derived from investment of shareholders' funds**		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**19,368**	19,921
		19,368	19,921
	Accretion of discounts less amortisation of premium	**-**	7,474
		19,368	27,395
	Other dealing income:		
	Net loss from sale of financial assets held for trading	-	(53)
	Unrealised loss on revaluation of derivatives	**(46,446)**	(8,302)
	Net realised gain on derivatives	**48,432**	50,882
	Shariah compliant option premium equivalent	**-**	(19,979)
		1,986	22,548
	Fee and commission income:		
	Advisory fees	**1,144**	371
	Placement fees	**104,872**	1,612
	Brokerage fees	**1,037**	241
	Underwriting commission	**7,620**	-
	Financing processing fees	**-**	2
	Others	**2,899**	-
		117,572	2,226
	Other income:		
	Net loss from foreign exchange	**(38)**	-
	Others	**(545)**	478
		(583)	478
		138,343	52,647

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank	
		2010	2009
		RM'000	RM'000
(m)	**Income attributable to depositors**		
	Deposits from customers		
	- Non-Mudharabah Fund	**16,315**	22,799
	Deposits and placements of banks and other financial institutions		
	- Mudharabah Fund	**1,917**	297
	- Non-Mudharabah Fund	**-**	589
		18,232	23,685

For the placement of funds by external parties under Mudharabah placement, the depositors shall only be entitled to the profit sharing of the Islamic income earned from Fund Based Income and Trading Income as the depositors are not investing in the Fee Based Islamic business except underwriting and guarantee fees. Under a typical Mudharabah Placement Agreement, it shall be clearly spelt out to the depositors on the above agreement.

The Group distributes Islamic income or profit derived from depositors' funds based on a pre-determined profit-sharing ratio in the case of Mudharabah, and on a ratio determined at the discretion of the Group in the case of Non-Mudharabah. The profit or income distribution rate is arrived based on the framework of the rate of return issued by BNM.

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

		The Bank	
		2010	2009
		RM'000	RM'000
(n)	**Personnel expenses**		
	- Salaries, allowances and bonuses	**300**	347
	- EPF	**14**	17
	- Others	**173**	38
		487	402
(o)	**Other overheads and expenditure**		
	Establishment expenses		
	- Depreciation of property, plant and equipment	**229**	232
	- Rental	**268**	244
	- Others	**65**	32
		562	508
	Marketing expenses		
	- Advertisement	**4**	-
	- Entertainment	**-**	289
	- Others	**146**	2,586
		150	2,875
	Administration and general expenses		
	- Legal and professional fees	**8**	391
	- Communication	-	67
	- Others	**1,725**	369
		1,733	827
		2,445	4,210

Included in overheads are fees paid to the Shariah Committee members amounting to RM348,750 (2009: RM422,964).

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(p) Taxation

(i) Tax expense for the financial year

	The Bank	
	2010	2009
	RM'000	RM'000
Current year tax		
- Malaysian income tax	**30,038**	6,530

(ii) Numerical reconciliation of income tax expense

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

	The Bank	
	2010	2009
	RM'000	RM'000
Profit before taxation	**121,208**	26,121
Tax calculated at tax rate of 25% (2009: 25%)	**30,302**	6,530
Income not taxable for tax purposes	**(264)**	-
Tax expense	**30,038**	6,530

(q) Capital Adequacy Ratio

With effect from 1 July 2010, the capital adequacy ratios of the Bank are computed as follows:

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia (BNM) 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.

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

The comparative capital adequacy ratio for the Bank for 31 December 2009 is based on BNM Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I).

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(q) Capital Adequacy Ratio (Continued)

31 December 2010

	The Bank
Core capital ratio	**55.2%**
Risk-weighted capital ratio	**55.2%**

Components of Tier I and Tier II capital are as follows:

	The Bank RM'000	
Tier I capital		
Islamic Banking capital funds	**55,000**	
Retained profits	**223,865**	
Reserves	**1,336**	
	280,201	
Less:		
Deduction in excess of Tier 2 Capital	**(3,955)**	**N1**
Total Tier I capital	**276,246**	
Tier II capital		
Surplus of total expected loss over total eligible provision under the IRB approach, subject to limit	**3,955**	
Total Tier II capital	**-**	**N1**
Total capital base	**276,246**	

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

Breakdown of risk-weighted assets by each major risk category are as follows:

	The Bank RM'000
Credit risk	**185,866**
Market risk	**42,377**
Operational risk	**57,626**
Additional RWA due to Capital Floor	**214,548**
	500,417

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(q) Capital Adequacy Ratio (Continued)

31 December 2009

	The Bank RM '000
Tier-1 capital	170,654
Total capital base	170,654
Capital ratios	
Core capital ratio	28.91%
Risk-weighted capital ratio	28.91%

Components of Tier I and Tier II capital are as follows:

	The Bank RM '000
Tier-1 capital	
Islamic Banking capital fund	55,000
Retained profit	114,318
Other reserves	1,336
Total Tier-1 capital/capital base	170,654

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

	2009	
	Principal RM'000	Credit equivalent RM'000
0%	131,056	-
20%	1,235,169	247,034
50%	39,002	19,501
100%	252,005	252,005
Total risk-weighted equivalents for credit risk	1,657,232	518,540
Total risk-weighted equivalents for market risk		71,826
Total risk-weighted assets		590,366

The capital adequacy ratios had incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which was effective from 1 April 2005. Effective 1 October 2008 until 30 June 2010, the following approaches have been adopted for the computation of risk weighted assets:

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

Notes to the Financial Statements for the financial year ended 31 December 2010 (Continued)

46 The operations of Islamic Banking (Continued)

(r) Related party transactions and balances

(i) Related parties and relationships

The related parties of, and their relationship with the Bank, is disclosed in Note 35 (a).

(ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	2010 Other related companies RM'000	2009 Other related companies RM'000
Sales:		
Islamic private debt securities	**91,670**	196,242
	91,670	196,242
Purchases:		
Islamic private debt securities	**-**	510,551
Khazanah bonds	**64,649**	191,869
	64,649	702,420
Income:		
Net realised (loss)/ gain on derivatives	**(17,264)**	23,393
Dividend income	**23,118**	14,620
	5,854	38,013
Expenses:		
Dividend expense	**1,927**	886
Sales commission	**141**	2,297
	2,068	3,183

46 The operations of Islamic Banking (Continued)

(r) Related party transactions and balances (Continued)

(ii) Significant related party transactions and balances (continued)

	2010 Other related companies RM'000	2009 Other related companies RM'000
Amount due from:		
Cash and short term funds	**201,690**	200,350
Deposits and placements with banks and other financial institutions	**370,915**	910,000
Islamic derivative financial instruments	**20,267**	111,846
Profit receivable	**-**	3,614
	592,872	1,225,810
Amount due to:		
Deposits and placements of banks and other financial institutions	**33,825**	30,450
Profit payable	**-**	39
	33,825	30,489
Principal		
Profit rate related contracts:		
Islamic profit rate swaps	**378,330**	1,107,280
Equity related contracts:		
Equity options	**433,677**	864,081
	812,007	1,971,361

47 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 22 February 2011.