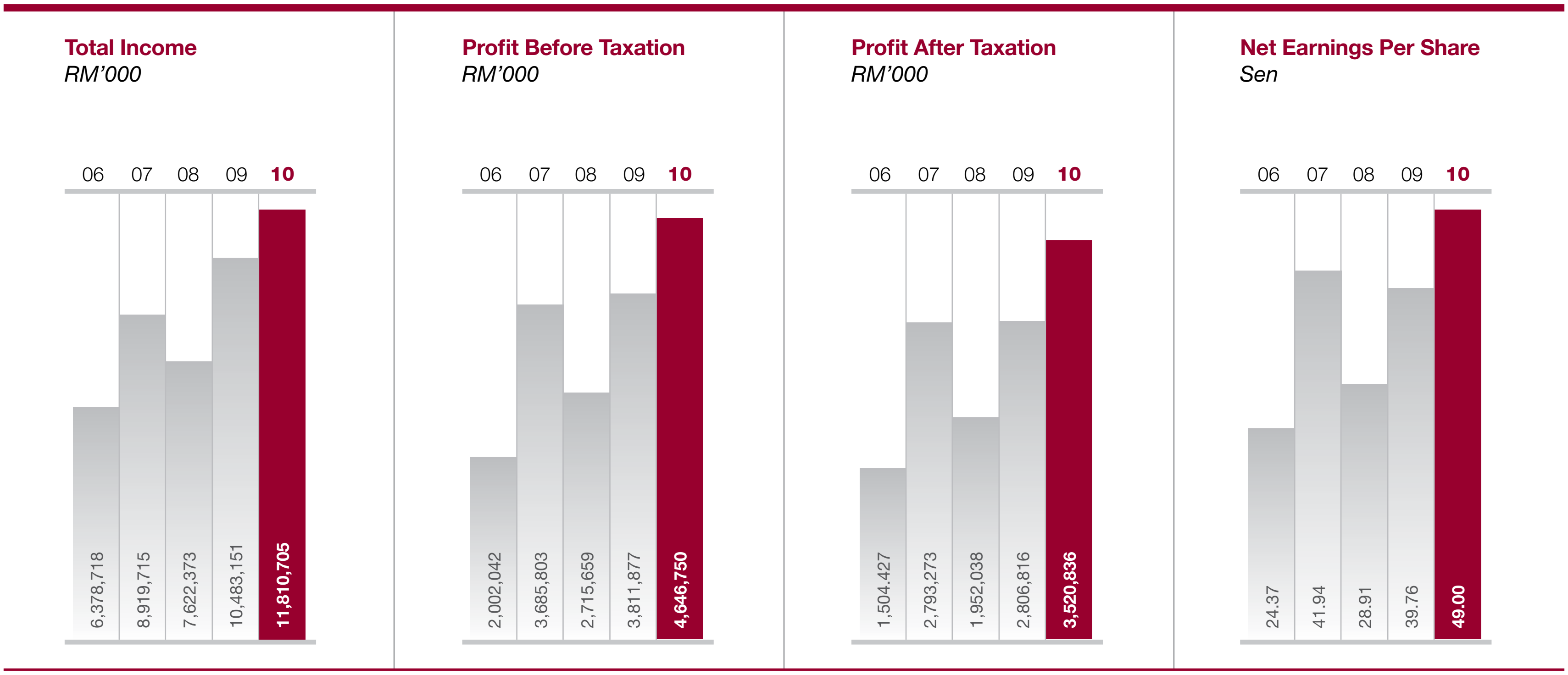
CIMB GROUP

CIMB GROUP HOLDINGS BERHAD (50841-W) | Annual Report **2010**

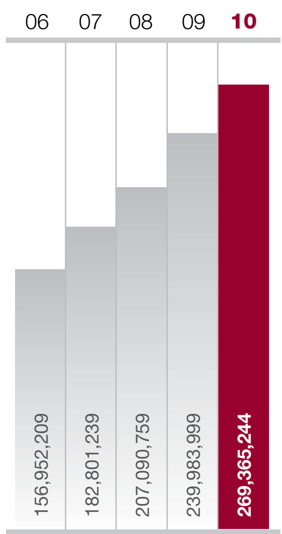
Financial Statements

Five Year Group Financial Highlights

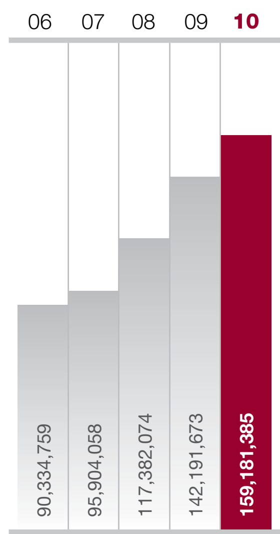


	2010	2009	2008	2007	2006
1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (RM'000)					
(i) Net interest income	**6,537,277**	6,068,906	4,660,596	4,395,930	3,656,447
(ii) Net non-interest income	**5,273,428**	4,414,245	2,961,777	4,523,785	2,722,271
(iii) Profit before allowances	**5,284,932**	4,951,888	3,618,707	4,783,547	3,034,600
(iv) Profit before taxation	**4,646,750**	3,811,877	2,715,659	3,685,803	2,002,042
(v) Net profit for the financial year	**3,520,836**	2,806,816	1,952,038	2,793,273	1,504,427
2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Assets (RM'000)					
(i) Total assets	**269,365,244**	239,983,999	207,090,759	182,801,239	156,952,209
(ii) Loans, advances and financing	**159,181,385**	142,191,673	117,382,074	95,904,058	90,334,759
Liabilities and Shareholders' Funds (RM'000)					
(i) Total deposits	**212,937,821**	189,013,918	160,543,494	139,751,258	111,241,419
(ii) Paid-up capital	**7,432,775**	3,531,766	3,578,078	3,374,181	3,184,429
(iii) Total shareholders' funds	**23,229,966**	20,345,014	17,099,203	15,710,051	11,784,530

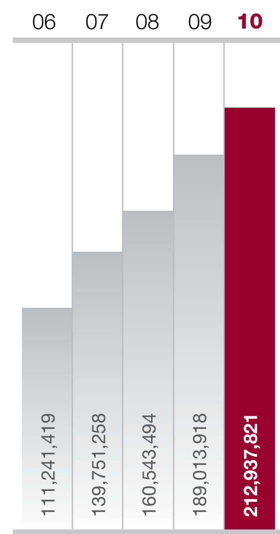
Total Assets
RM'000



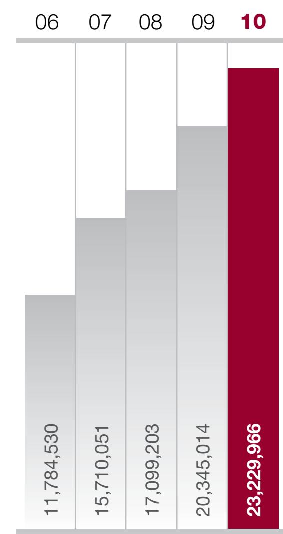
Loans, Advances and Financing
RM'000



Total Deposits
RM'000



Shareholders' Funds
RM'000



		2010	2009	2008	2007	2006
3	**PER SHARE**					
	(i) Gross earnings (sen)Δ	**64.66**	53.99	40.22	55.34	32.43
	(ii) Net earnings (sen)Δ	**49.00**	39.76	28.91	41.94	24.37
	(iii) Net tangible asset (RM)	**1.81**	3.09	2.52	3.17	2.11
	(iv) Gross dividend (sen)*	**36.58**	25.00	25.00	40.00	15.00
4	**FINANCIAL RATIO (%)**					
	(i) Return on average equity	**16.29**	14.99	11.90	20.05	13.98

Δ Based on the weighted average number of 7,186,034,000 (2009: 7,059,934,000) ordinary share of RM1.00 each in issue during the financial year ended 31 December 2010. The weighted average number of ordinary shares for the comparative periods have been restated to reflect the bonus issue completed on 24 May 2010.

* Gross dividend is computed based on the actual payment made in the respective financial years.

Additonal information:					
Total income	**11,810,705**	10,483,151	7,622,373	8,919,715	6,378,718
Profit after taxation	**3,520,836**	2,806,816	1,952,038	2,793,273	1,504,427
Total assets	**269,365,244**	239,983,999	207,090,759	182,801,239	156,952,209

Financial Calendar 2010

TUESDAY
23 FEBRUARY 2010
Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2009

TUESDAY
23 FEBRUARY 2010
Notice of book closure for single tier interim dividend of 18.5 sen per share for the financial year ended 31 December 2009

MONDAY
15 MARCH 2010
Date of entitlement for the single tier interim dividend of 18.5 sen per share for the financial year ended 31 December 2009

MONDAY
12 APRIL 2010
Payment of the single tier interim dividend of 18.5 sen per share for the financial year ended 31 December 2009

WEDNESDAY
14 APRIL 2010
Notice of 53rd Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") and issuance of Annual Report for the financial year ended 31 December 2009

FRIDAY
7 MAY 2010
53rd AGM and EGM

FRIDAY
7 MAY 2010
Notice of book closure for the Bonus Issue

THURSDAY
20 MAY 2010
Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2010

FRIDAY
21 MAY 2010
Date of entitlement for the Bonus Issue

FRIDAY
9 JULY 2010
Notice of EGM in relation to the proposed acquisition of up to 19.67% equity interest in PT Bank CIMB Niaga Tbk for a total purchase consideration of up to approximately Indonesian Rupiah 5,438 billion, to be satisfied by the issuance of new ordinary shares of RM1.00 each in CIMB ("Proposed Acquisition")

MONDAY
26 JULY 2010
EGM and shareholders' approval for the Proposed Acquisition

THURSDAY
26 AUGUST 2010
Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2010

THURSDAY
26 AUGUST 2010
Notice of book closure for the single tier interim dividend of 4.625 sen per share for the financial year ended 31 December 2010

WEDNESDAY
15 SEPTEMBER 2010
Date of entitlement for the single tier interim dividend of 4.625 sen per share for the financial year ended 31 December 2010

THURSDAY
30 SEPTEMBER 2010
Payment of the single tier interim dividend of 4.625 sen per share for the financial year ended 31 December 2010

MONDAY
22 NOVEMBER 2010
Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2010

MONDAY
22 NOVEMBER 2010
Notice of book closure for the single tier special dividend of 13.45 sen per share for the financial year ended 31 December 2010

WEDNESDAY
8 DECEMBER 2010
Date of entitlement for the single tier special dividend of 13.45 sen per share for the financial year ended 31 December 2010

FRIDAY
24 DECEMBER 2010
Payment of the single tier special dividend of 13.45 sen per share for the financial year ended 31 December 2010

Contents

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 the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation and zakat attributable to :		
- Owners of the Company	3,520,836	1,260,304
- Minority interests	169,084	-
	3,689,920	1,260,304

The dividends on ordinary shares paid or declared by the Company since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009:	
Dividend on 3,531,764,410 ordinary shares, paid on 12 April 2010	
- single tier interim dividend of 18.50 sen per ordinary share	653,376
	653,376
In respect of the financial year ended 31 December 2010:	
(i) Dividend on 7,331,527,820 ordinary shares, paid on 30 September 2010	339,083
- single tier interim dividend of 4.625 sen per ordinary share	
(ii) Dividend on 7,432,772,646 ordinary shares, paid on 24 December 2010	999,708
- single tier special dividend of 13.45 sen per ordinary share	
	1,338,791

The Directors have declared a second single tier interim dividend of 8.0 sen per ordinary share, on 7,432,772,646 ordinary shares amounting to RM594,621,812 in respect of the financial year ended 31 December 2010. The second tier interim dividend was approved by the Board of Directors in a resolution dated 22 February 2011.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2010.

RESERVES, PROVISIONS AND ALLOWANCES

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

ISSUANCE OF SHARES

During the financial year, the Company issued 3,901,009,236 new and fully paid up ordinary shares arising from the following:

Number of shares ('000)	Purpose of issue	Class of issue	Terms of issue
3,531,764	Pursuant to bonus issue	Ordinary	1-for-1 bonus issue
268,000	Pursuant to share exchange for acquisition of additional interest in a subsidiary	Ordinary	At an average premium of RM6.25 per share
101,245	Pursuant to exercise of warrants	Ordinary	At an average premium of RM4.00 per share
3,901,009			

The newly issued shares rank *pari passu* in all respects with the existing issued shares.

SHARE BUY-BACK AND CANCELLATION

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 7 May 2010, approved the Company's plan and mandate to authorise the Directors of the Company to buy-back up to 10% of its existing paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company bought back 2,000 shares, as stated in Note 30(b) to the Financial Statements, at an average price of RM10.41 per share from the open market using internally generated funds. As at 31 December 2010, there were 2,000 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2010 was 7,432,772,646 shares.

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

SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group and the Company maintains the Management Equity Scheme ("MES"), which was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company.

The above employee benefit scheme is explained in Note 42 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 46, 49 and 52 to the Financial Statements; and

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

DIRECTORS

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

Tan Sri Dato' Md Nor bin Md Yusof
Dato' Sri Mohamed Nazir bin Abdul Razak
Tan Sri Dato' Seri Haidar bin Mohamed Nor
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Mohd Shukri bin Hussin
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing
Hiroyuki Kudo
Glenn Muhammad Surya Yusuf
Watanan Petersik

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

Tan Sri Dato' Md Nor bin Md Yusof
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Mohd Shukri bin Hussin
Hiroyuki Kudo

Tan Sri Dato' Seri Haidar bin Mohamed Nor, being over the age of seventy (70) is required to be re-appointed, pursuant to Section 129(6) of the Companies Act, 1965 as director of the Company. Tan Sri Dato' Seri Haidar bin Mohamed Nor had notified the Company that he will not be seeking re-appointment at the forthcoming Annual General Meeting (AGM) and accordingly will retire at the conclusion of the forthcoming AGM pursuant to Section 129(2) of the Companies Act, 1965.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

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

	No. of ordinary shares of RM1 each				
	As at 1 January	**Bonus issue**	**Acquired**	**Disposed**	**As at 31 December**
CIMB Group Holdings Berhad					
Direct interest					
Tan Sri Dato' Md Nor bin Md Yusof	400,000	400,000	-	(400,000)	400,000
* Dato' Sri Mohamed Nazir bin Abdul Razak	27,463,261	27,463,261	-	-	54,926,522
^ Dato' Zainal Abidin bin Putih	55,000	55,000	-	-	110,000
Dato' Mohd Shukri bin Hussin	300,112	300,112	-	-	600,224
Dato' Robert Cheim Dau Meng	50,000	50,000	-	-	100,000

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

	No. of ordinary shares of RM1 each				
	As at 1 January	**Bonus issue**	**Acquired**	**Disposed**	**As at 31 December**
* Dato' Azlina binti Abdul Aziz	4,000,000	4,000,000	-	-	8,000,000
^ Datin Jasmine binti Abdullah Heng	10,000	10,000	-	-	20,000
^ Mohamad Ari Zulkarnain bin Zainal Abidin	5,000	5,000	-	-	10,000

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

DIRECTORS' BENEFITS

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

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

2010 BUSINESS PLAN AND STRATEGY

In 2010, the Group's overarching agenda was to drive greater integration between the components of our regional franchise, in line with the year's theme of "Unifying CIMB". We began 2010 on the back of a solid 2009, with a renewed sense of optimism amidst resurgent regional economies and capital markets. This translated into an excellent year for the Group as we convincingly leveraged our regional capabilities to win landmark capital market deals, and reaped the rewards of our various transformation initiatives across the region. CIMB Group posted record turnover and profits, and met or exceeded all of its key targets for the year.

2010 was also the year which marked the final year of our 5-year transformation from a predominantly Malaysian investment bank to an ASEAN universal bank. Following the merger of Bank Niaga and Bank Lippo in Indonesia in 2008, the acquisition of Bank Thai in Thailand and the launch of retail banking in Singapore in 2009, and most recently, the launch of our consumer bank in Cambodia, we certainly had the makings of a truly regional platform. The key to creating value from our acquisitions is how well we integrate in-country and across borders.

To accelerate regional integration and to maximise the resulting synergies, we employed a multifaceted approach in 2010. From a management perspective, we aligned internal reporting structures to increase regional oversight and cross-border collaboration. And in the area of organisational unity, we were pleased to see our people from across the region working in concert to make events such as the CIMB SEA Games and the CIMB Asia Pacific (Golf) Classic memorable successes. We also made substantial progress in harmonising systems and processes across the region while preserving local relevance; this resulted in greater consistency across our operations aside from facilitating more effective governance. Collectively, these initiatives enabled us to better position our regional proposition, giving our customers more comprehensive access to our regional resources be they in their home country or venturing abroad in ASEAN.

CIMB Group did very well in 2010 – we recorded our best financial performance to date with revenue and profit before tax (PBT) hitting RM11.81 billion and RM4.65 billion, surging 12.7% and 21.9% respectively Y-o-Y. Corporate & Investment Banking PBT grew 71.2% Y-o-Y to RM1.15 billion in tandem with improved capital market conditions which paved the way for several major transactions. PBT for Treasury & Investments was 17.5% lower Y-o-Y at RM1.22 billion largely due to lower investment profits. The Group's Malaysian consumer bank PBT declined by 16.9% from the previous year to RM575 million. However, excluding the one-off general allowance write-back in 2009 ahead of FRS139 implementation, the Malaysian consumer bank's FY10 performance was comparable to the previous year. CIMB Niaga's PBT jumped 99.7% Y-o-Y to RM1.57 billion due to operational improvements and the favourable macroeconomic environment in Indonesia. CIMB Thai's PBT was flat Y-o-Y at RM47 million as we allocated more finances to improve provision coverage. Asset Management and Insurance PBT was 38.3% lower Y-o-Y at RM87 million mainly due to the non-recurrence of one-off gains arising from the change in accounting standards at CIMB Aviva in 2009. Total non-Malaysian PBT contribution surged to a new high of 48% in 2010 from 25% in 2009 underpinned largely by CIMB Niaga's outperformance.

The Group's total gross loans expanded 12.4% Y-o-Y, mainly driven by the loan growth at CIMB Niaga (in RM terms) of 18.0% and the expansion in Malaysian consumer loans of 15.3%. Mortgages, credit cards, micro-credit and hire purchase lending in Malaysia grew by 20.7%, 40.6%, 13.6% and 10.6% respectively Y-o-Y. Commercial banking loans declined by 1.1% while corporate loans expanded by 1.8% Y-o-Y. The Group's overall net interest margins improved to 3.32% from 3.28% in 2009.

The total impairment charge (under FRS139 accounting standards) for the Group was RM607 million for 2010 while total credit charge was 0.36%. The Group's gross impaired loans ratio was 6.1% for 2010, an improvement from 7.6% from the beginning of the year, with an impairment allowance coverage of 82.3%.

CIMB Group has maintained a conservative view towards its capital position in recent years, in anticipation of the implementation of FRS139 and Basel II standards, amidst global economic uncertainties. In 2010, with the migration to the FRS139 and Basel II frameworks complete, and in view of an improving economic outlook, we were pleased to return some of the excess capital to our shareholders in the form of dividends payouts amounting to 26.08 sen per share or a total net payment of RM1.93 billion. This was split into 3 separate payments i.e a first interim dividend of 4.625 sen, a special dividend of 13.45 sen, and a second interim dividend of 8.0 sen.

Despite the substantial dividend increase, CIMB Bank's risk weighted capital ratio remained strong at 15.4% while its Core Tier 1 capital ratio stood at 14.5% as at 31 December 2010, before the payment of the second interim dividend. CIMB Group's double leverage and gearing stood at 113.8% and 17.8% as of end 2010.

OUTLOOK FOR 2011

CIMB Group's corporate theme for 2011 is "Think ASEAN", reflecting our commitment to the region, and our desire to excel across its borders. The operating environment will be different to that of 2010 as we expect slower economic growth, rising interest rates and more volatile capital markets. Nevertheless, we have set ourselves a higher ROE target of 17% for 2011. We are optimistic that we will derive increasing benefits from our transformation agenda, particularly in Indonesia and Thailand while we build on early momentum in regional transaction banking, in the integration of Touch 'n Go with our Malaysian product and services suite, and in Singapore retail banking. At the same time, we feel that a refresh of the Malaysian consumer bank is timely after 5 years, and we will evolve our business model to sharpen our competitive edge.

RATINGS BY EXTERNAL RATING AGENCIES

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

Rating agency	Date accorded	Rating classification
Malaysian Rating Corporation Berhad	March 2010	Long term – AA and AA_{ID} Short-term – MARC-1and MARC-1_{ID} Outlook – Stable

Rating classification description:

MARC has on 19 March 2010 reaffirmed the long-term senior debt rating of the Company's RM6.0 billion Conventional and Islamic Commercial Papers/Medium Term Notes Programme at AA and AA_{ID} whilst reaffirming its short-term senior debt rating of MARC-1 and MARC-1_{ID}. The affirmation of the ratings reflect the strong business franchise of the Group, its healthy financial profile, solid dividend paying capacity of its main operating subsidiaries, improved risk management capabilities and management expertise. On the same date, MARC has withdrawn its AA/MARC-1 and MARC-1_{ID} ratings upon request by the Company and as such will no longer carry out surveillance on the subordinated notes which remains outstanding.

Rating agency	Date accorded	Rating classification
RAM	March 2010	Long term – AA1 Short-term – P1 Outlook – Stable

Rating classification description:

RAM has assigned respective long and short-term ratings of AA1 and P1 to the Company's RM6.0 billion Conventional and Islamic Commercial Papers and Medium-Term Notes Programmes. The long term rating has a stable outlook.

Rating agency	Date accorded	Rating classification
RAM	March 2010	Long term – AA3 Outlook – Stable

Rating classification description:

RAM has assigned an AA3 to the Company's RM3.0 billion Subordinated Notes programme (2009/2074) with a long term stable outlook.

SHARIAH COMMITTEE

All the Islamic banking businesses of CIMB Group come under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic Bank Berhad ("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/activities which are not permissible under Shariah. In advising on such matters, the Shariah Committee also considers the views of the Shariah Advisory Council/Committees of relevant authorities like Bank Negara Malaysia and the Securities Commission on issues relating to the activities and operations of Islamic banking and financing.

The members of the Shariah Committee are as follows:

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 Al Shubaily

ZAKAT OBLIGATIONS

A subsidiary bank, CIMB Islamic, is obliged to pay business zakat to comply with the principles of Shariah. CIMB Islamic does not pay zakat on behalf of the shareholders or depositors.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

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

AUDITORS

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

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

TAN SRI DATO' MD NOR BIN MD YUSOF
Chairman

DATO' SRI MOHAMED NAZIR BIN ABDUL RAZAK
Managing Director

Kuala Lumpur
25 March 2011

Statement by Directors

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

We, Tan Sri Dato' Md Nor bin Md Yusof and Dato' Sri Mohamed Nazir bin Abdul Razak, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 012 to 218 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results and cash flows of the Group and of the Company for the financial year ended on that date, in accordance with the provisions of the Companies Act, 1965, the 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.

TAN SRI DATO' MD NOR BIN MD YUSOF
Chairman

DATO' SRI MOHAMED NAZIR BIN ABDUL RAZAK
Managing 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 Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 012 to 218 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

KIM KENNY

Subscribed and solemnly declared by the abovenamed Kim Kenny at Kuala Lumpur before me, on 25 March 2011.

Commissioner for Oath

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Group Holdings Berhad on pages 012 to 218 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 55.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company 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 Company'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 Company'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.

OPINION

In our opinion, the Financial Statements have been properly drawn up in accordance with the Companies Act, 1965, 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 Company 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 Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 56 on page 218 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the Financial Statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
25 March 2011

Consolidated Statements of Financial Position

as at 31 December 2010

	Note	2010 RM'000	2009 RM'000
Assets			
Cash and short-term funds	2	27,185,260	28,274,687
Reverse repurchase agreements		3,804,662	4,544,873
Deposits and placements with banks and other financial institutions	3	11,745,823	2,383,055
Financial investments at fair value through profit or loss	4	17,082,596	14,999,302
Financial investments available-for-sale	5	11,658,702	11,027,053
Financial investments held-to-maturity	6	14,120,263	14,266,710
Derivative financial instruments	7	3,577,155	3,689,831
Loans, advances and financing	8	159,181,385	142,191,673
Other assets	9	7,353,522	5,221,796
Deferred tax assets	10	15,269	293,708
Tax recoverable		98,358	110,416
Statutory deposits with central banks	11	1,410,436	843,757
Investment in associates	13	508,807	487,619
Investment in jointly controlled entities	14	171,486	161,519
Property, plant and equipment	15	1,442,948	1,531,816
Investment properties	16	61,216	120,349
Prepaid lease payments	17	185,542	247,174
Goodwill	18	8,159,469	7,694,653
Intangible assets	19	1,543,295	1,667,784
		269,306,194	239,757,775
Non-current assets held for sale	51	59,050	226,224
Total assets		269,365,244	239,983,999
Liabilities			
Deposits from customers	20	199,845,664	178,882,336
Deposits and placements of banks and other financial institutions	21	13,092,157	10,131,582
Repurchase agreements		33,087	565,097
Derivative financial instruments	7	3,748,516	3,492,587
Bills and acceptances payable		4,831,366	4,494,794
Other liabilities	22	8,624,668	8,100,760
Deferred tax liabilities	10	12,124	13,247
Current tax liabilities		322,789	428,565
Amount due to Cagamas Berhad		107,523	335,612
Bonds	24	423,982	443,051
Other borrowings	25	3,484,667	3,202,196
Subordinated notes	26	9,675,340	6,342,738
Non-cumulative guaranteed and redeemable preference shares	28(a), 28(b)	860,162	904,720
Total liabilities		245,062,045	217,337,285

	Note	2010 RM'000	2009 RM'000
Equity			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	27	7,432,775	3,531,766
Reserves	29	15,797,775	16,813,811
Less: Shares held under trust	30(a)	(563)	(563)
Treasury shares, at cost	30(b)	(21)	-
		23,229,966	20,345,014
Perpetual preference shares	28(c)	200,000	200,000
Minority interests		873,233	2,101,700
Total equity		24,303,199	22,646,714
Total equity and liabilities		269,365,244	239,983,999
Commitments and contingencies	7	349,069,257	322,892,443

Certain comparative figures have been restated as shown in Note 52.

Consolidated Statements of Comprehensive Income

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Interest income	31	11,168,858	10,539,770
Interest expense	32	(4,631,581)	(4,470,864)
Net interest income		6,537,277	6,068,906
Income from Islamic banking operations	54	1,330,036	806,424
Net non-interest income	33	3,943,392	3,607,821
		11,810,705	10,483,151
Overheads	34	(6,525,773)	(5,531,263)
Profit before allowances		5,284,932	4,951,888
Allowance made for impairment losses on loans, advances and financing	35	(607,176)	(1,022,605)
Allowance made for losses on other receivables		(8,085)	(56,569)
Allowance made for commitments and contingencies	22	(20,900)	(18,088)
Losses from investment management and securities services		(50,000)	-
Allowance made for other impairment losses	36	(48,189)	(76,779)
		4,550,582	3,777,847
Share of results of jointly controlled entities	14	9,548	7,755
Share of results of associates	13	86,620	26,275
Profit before taxation and zakat		4,646,750	3,811,877
Taxation			
- Company and subsidiaries	38	(956,830)	(757,690)
Zakat		-	(7,120)
Net profit after taxation and zakat		3,689,920	3,047,067
Other comprehensive income:			
Revaluation reserve-financial investments available-for-sale		(289,426)	226,191
- Net gain from change in fair value		421,912	528,722
- Realised gain transferred to comprehensive income on disposal and impairment		(716,693)	(282,924)
- Income tax effects		18,449	11,471
- Currency translation difference		(13,094)	(31,078)
Net investment hedge		253,643	30,366
Hedging reserve - cash flow hedge		-	(3,021)
- Net loss from change in fair value		-	(4,028)
- Income tax effects		-	1,007
Exchange fluctuation reserve		(721,438)	812,597
Other comprehensive (expense)/income during the financial year, net of tax		(757,221)	1,066,133
Total comprehensive income for the financial year		2,932,699	4,113,200

	Note	2010 RM'000	2009 RM'000
Profit attributable to:			
Owners of the Company		3,520,836	2,806,816
Minority interests		169,084	240,251
		3,689,920	3,047,067
Total comprehensive income attributable to:			
Owners of the Company		2,773,644	3,717,013
Minority interests		159,055	396,187
		2,932,699	4,113,200
Earnings per share attributable to ordinary equity holders of the Company (sen)			
- Basic	39	49.0	39.8

Company Statements of Financial Position

as at 31 December 2010

	Note	2010 RM'000	2009 RM'000
Assets			
Cash and short-term funds	2	529,826	637,941
Financial investments available-for-sale	5	-	37,750
Financial investments held-to-maturity	6	-	46,242
Derivative financial instruments	7	5,676	8,469
Loans, advances and financing	8	1,147	1,491
Other assets	9	9,897	1,556
Deferred tax assets	10	-	3,012
Tax recoverable		55,383	80,567
Investment in subsidiaries	12	16,093,491	8,335,108
Amount owing by subsidiaries net of allowance for doubtful debts of RM805,285 (2009: RM510,000)	41	19,267	5,121,840
Investment in associates	13	3,834	3,834
Property, plant and equipment	15	32,471	32,925
Investment properties	16	3,516	4,465
Total assets		16,754,508	14,315,200
Liabilities			
Derivative financial instruments	7	9,363	12,733
Other liabilities	22	1,515	15,656
Amount owing to subsidiaries	41	147	4,341
Deferred tax liabilities	10	3,988	-
Other borrowings	25	1,664,348	1,687,236
Subordinated notes	26	2,130,000	1,380,000
Total liabilities		3,809,361	3,099,966
Equity			
Ordinary share capital	27	7,432,775	3,531,766
Reserves	29	5,512,393	7,683,468
Less: Treasury shares, at cost	30(b)	(21)	-
Total equity		12,945,147	11,215,234
Total equity and liabilities		16,754,508	14,315,200
Commitments and contingencies	7	465,000	500,000

Certain comparative figures have been restated as shown in Note 52.

Company Statements of Comprehensive Income

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Interest income	31	29,040	60,678
Interest expense	32	(190,166)	(122,052)
Net interest expense		(161,126)	(61,374)
Net non-interest income	33	1,728,825	788,776
		1,567,699	727,402
Overheads	34	(15,100)	(23,924)
Profit before allowances		1,552,599	703,478
Allowance written back for impairment losses	36	-	92
Profit before taxation		1,552,599	703,570
Taxation	38	(292,295)	(88,704)
Net profit after taxation		1,260,304	614,866
Other comprehensive income:			
Hedging reserve- cash flow hedge		12,573	927
- Net gain from change in fair value		-	179
- Fair value loss transferred to profit or loss		17,833	-
- Income tax effects		(5,260)	748
Other comprehensive income during the financial year, net of tax		12,573	927
Total comprehensive income for the financial year		1,272,877	615,793
Profit attributable to:			
Owners of the Company		1,260,304	614,866
Total comprehensive income attributable to:			
Owners of the Company		1,272,877	615,793

Consolidated Statements of Changes in Equity

for the financial year ended 31 December 2010

The Group	Note	Share capital RM'000	Share premium - ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Other reserves RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Minority interests RM'000	Total RM'000
		← Attributable to owners of the Company →														
At 1 January 2010																
- as previously reported		3,531,766	5,586,751	3,415,780	136,954	361,780	(563)	-	545,121	(64,386)	-	6,831,811	20,345,014	200,000	2,101,700	22,646,714
- Effects of adopting FRS 139 on 1 January 2010	52(i)	-	-	-	-	-	-	-	249,177	-	-	(593,822)	(344,645)	-	(22,665)	(367,310)
- change in comparatives	52(iii)	-	-	-	-	-	-	-	(27,798)	-	-	27,798	-	-	-	-
As restated		3,531,766	5,586,751	3,415,780	136,954	361,780	(563)	-	766,500	(64,386)	-	6,265,787	20,000,369	200,000	2,079,035	22,279,404
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	3,520,836	3,520,836	-	169,084	3,689,920
Other comprehensive income (net of tax)		-	-	-	-	(709,117)	-	-	(291,827)	253,752	-	-	(747,192)	-	(10,029)	(757,221)
Financial investments available-for-sale		-	-	-	-	-	-	-	(291,827)	-	-	-	(291,827)	-	2,401	(289,426)
Net investment hedge		-	-	-	-	-	-	-	-	253,752	-	-	253,752	-	(109)	253,643
Currency translation difference		-	-	-	-	(709,117)	-	-	-	-	-	-	(709,117)	-	(12,321)	(721,438)
Total comprehensive income for the financial year		-	-	-	-	(709,117)	-	-	(291,827)	253,752	-	3,520,836	2,773,644	-	159,055	2,932,699
Dividend for the financial year ended 31 December 2009	40	-	-	-	-	-	-	-	-	-	-	(653,376)	(653,376)	-	(4,314)	(657,690)
Dividends for the financal year ended 31 December 2010																
- Interim dividend	40	-	-	-	-	-	-	-	-	-	-	(339,083)	(339,083)	-	-	(339,083)
- Special dividend	40	-	-	-	-	-	-	-	-	-	-	(999,708)	(999,708)	-	(11)	(999,719)
Transfer to statutory reserve		-	-	519,528	-	-	-	-	-	-	-	(519,528)	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	117,595	(117,595)	-	-	-	-
Issue of share capital arising from:	27															
- Bonus shares	46(f)	3,531,764	(3,531,764)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Share exchange for acquisition of a subsidiary	46(d)	268,000	1,675,000	-	-	-	-	-	-	-	-	-	1,943,000	-	-	1,943,000
- Exercise of warrants	46(f)	101,245	462,609	-	-	-	-	-	-	(57,630)	-	-	506,224	-	-	506,224
Arising from accretion/dilution of equity interests in subsidiary		-	-	-	-	-	-	-	-	-	-	(1,083)	(1,083)	-	(1,361,067)	(1,362,150)
Rights issue of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	20,535	20,535
Capital repayment of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Purchase of treasury shares	30(b)	-	-	-	-	-	-	(21)	-	-	-	-	(21)	-	-	(21)
At 31 December 2010		7,432,775	4,192,596	3,935,308	136,954	(347,337)	(563)	(21)	474,673	131,736	117,595	7,156,250	23,229,966	200,000	873,233	24,303,199

The Group	Note	Share capital RM'000	Share premium - ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Minority interests RM'000	Total RM'000
		← Attributable to owners of the Company										→			
At 1 January 2009		3,578,078	6,027,864	2,841,540	89,387	(413,908)	(74,190)	(461,702)	369,951	(113,582)	5,255,765	17,099,203	200,000	1,513,390	18,812,593
Profit for the financial year		-	-	-	-	-	-	-	-	-	2,806,816	2,806,816	-	240,251	3,047,067
Other comprehensive income (net of tax)		-	-	-	-	707,682	-	-	175,170	27,345	-	910,197	-	155,936	1,066,133
Financial investments available-for-sale		-	-	-	-	-	-	-	175,170	-	-	175,170	-	51,021	226,191
Net investment hedge		-	-	-	-	-	-	-	-	30,366	-	30,366	-	-	30,366
Hedging reserve - Cash flow hedge		-	-	-	-	-	-	-	-	(3,021)	-	(3,021)	-	-	(3,021)
Currency translation difference		-	-	-	-	707,682	-	-	-	-	-	707,682	-	104,915	812,597
Total comprehensive income for the financial year		-	-	-	-	707,682	-	-	175,170	27,345	2,806,816	3,717,013	-	396,187	4,113,200
Dividend for the financial year ended 31 December 2008	40	-	-	-	-	-	-	-	-	-	(699,387)	(699,387)	-	(33,921)	(733,308)
Transfer to statutory reserves		-	-	574,240	-	-	-	-	-	-	(574,240)	-	-	-	-
Issue of share capital arising from:	27														
-conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009		4,317	20,763	-	-	-	-	-	-	-	-	25,080	-	-	25,080
Option reserves arising from share option schemes of subsidiaries		-	-	-	(3,062)	-	-	-	-	(35,779)	37,357	(1,484)	-	2,503	1,019
Net reversal of shares held under trust	30(a)	-	-	-	-	-	73,627	-	-	-	-	73,627	-	-	73,627
Arising from accretion/dilution of equity interests in subsidiary		-	-	-	-	68,006	-	-	-	-	5,500	73,506	-	223,541	297,047
Purchase of treasury shares	30(b)	-	-	-	-	-	-	(174)	-	-	-	(174)	-	-	(174)
Cancellation of treasury shares	30(b)	(50,629)	(461,876)	-	50,629	-	-	461,876	-	-	-	-	-	-	-
Arising from issuance of warrants		-	-	-	-	-	-	-	-	57,630	-	57,630	-	-	57,630
Transfer to retained earnings arising from additional investment in CIMB Thai		-	-	-	-	-	-	-	(27,798)	-	27,798	-	-	-	-
At 31 December 2009		3,531,766	5,586,751	3,415,780	136,954	361,780	(563)	-	517,323	(64,386)	6,859,609	20,345,014	200,000	2,101,700	22,646,714

Company Statements of Changes in Equity

for the financial year ended 31 December 2010

The Company	Note	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Other reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
		← Non-distributable					→	Distributable	
At 1 January 2010		3,531,766	5,586,751	55,982	-	57,630	(12,573)	1,995,678	11,215,234
Profit for the financial year		-	-	-	-	-	-	1,260,304	1,260,304
Other comprehensive income (net of tax)		-	-	-	-	-	12,573	-	12,573
Hedging reserve - cash flow hedge		-	-	-	-	-	12,573	-	12,573
Total comprehensive income for the financial year		-	-	-	-	-	12,573	1,260,304	1,272,877
Dividend for the financial year ended 31 December 2009	40	-	-	-	-	-	-	(653,376)	(653,376)
Dividends for the financanl year ended 31 December 2010									
- Interim dividend	40	-	-	-	-	-	-	(339,083)	(339,083)
- Special dividend	40	-	-	-	-	-	-	(999,708)	(999,708)
Issue of share capital arising from:	27								
- exercise of warrant	46(f)	101,245	462,609	-	-	(57,630)	-	-	506,224
- bonus shares	46(f)	3,531,764	(3,531,764)	-	-	-	-	-	-
- share exchange of acquisition of a subsidiary	46(d)	268,000	1,675,000	-	-	-	-	-	1,943,000
Purchase of treasury shares	30(b)	-	-	-	(21)	-	-	-	(21)
At 31 December 2010		7,432,775	4,192,596	55,982	(21)	-	-	1,263,815	12,945,147
At 1 January 2009		3,578,078	6,027,864	5,353	(461,702)	-	(13,500)	2,080,199	11,216,292
Profit for the financial year		-	-	-	-	-	-	614,866	614,866
Other comprehensive income (net of tax)		-	-	-	-	-	927	-	927
Hedging reserve - cash flow hedge		-	-	-	-	-	927	-	927
Total comprehensive income for the financial year		-	-	-	-	-	927	614,866	615,793
Dividend for the financial year ended 31 December 2009	40	-	-	-	-	-	-	(699,387)	(699,387)
Issue of share capital arising from:	27								
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009		4,317	20,763	-	-	-	-	-	25,080
Purchase of treasury shares	30(b)	-	-	-	(174)	-	-	-	(174)
Cancellation of treasury shares	30(b)	(50,629)	(461,876)	50,629	461,876	-	-	-	-
Arising from issuance of warrants		-	-	-	-	57,630	-	-	57,630
At 31 December 2009		3,531,766	5,586,751	55,982	-	57,630	(12,573)	1,995,678	11,215,234

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
Operating Activities		
Profit before taxation and zakat	4,646,750	3,811,877
Adjustments for:		
Depreciation of property, plant and equipment	345,395	311,177
Amortisation of prepaid lease payments	60,483	459
Gain on disposal of property, plant and equipment/assets held for sale	(170,669)	(97,960)
Gain on disposal of leased assets	(511)	(250)
Property, plant and equipment written off	200	4,273
Unrealised gain on foreign exchange	(600,917)	(344,631)
Dividends from financial investments available-for-sale	(42,408)	(38,277)
Dividends from financial investments held-to-maturity	(77)	-
Allowance for losses on loans, advances and financing	1,004,159	1,493,746
Net interest suspended	-	148,320
Gain on sale of financial investments available-for-sale	(707,041)	(257,769)
Loss/(gain) on sale of financial assets held for trading and derivative financial instruments	96,918	(671,086)
Net loss arising from hedging derivatives	60,234	3,965
Gain on maturity of financial investments held-to-maturity	(104,278)	(24,505)
Allowance/(write-back) for impairment losses	48,189	46,424
Accretion of discounts less amortisation of premiums	(192,662)	(134,530)
Impairment of property, plant and equipment	824	-
Amortisation of intangible assets	271,508	180,193
Impairment of intangible assets	-	32,310
Impairment of prepaid lease payments	-	427
Gain on disposal of net assets and interests in subsidiaries	(27,218)	(99,800)
Share of results of associates	(86,620)	(26,275)
Unrealised loss/(gain) on revaluation of financial assets held for trading	32,876	(152,792)
Unrealised loss on revaluation of derivative financial instruments	21,194	354,274
Allowance for other receivables	8,085	56,569
Allowance for commitments and contingencies	20,900	18,088
Losses from investment management and securities services	50,000	-
Loss from fair value hedge of Redeemable Preference Shares ("RPS")	99,331	73,449
Share of results of jointly controlled entities	(9,548)	(7,755)
	178,347	868,044
	4,825,097	4,679,921

Consolidated Statements of Cash Flows

for the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
(Increase)/decrease in operating assets		
Reverse repurchase agreements	740,211	2,009,494
Deposits and placements with banks and other financial institutions	(9,382,663)	2,739,904
Financial assets held for trading	(2,043,979)	(4,148,361)
Loans, advances and financing	(20,516,040)	(18,357,917)
Other assets	(1,102,532)	2,022,162
Statutory deposits with central banks	(566,679)	2,431,868
	(30,666,618)	(13,302,850)
Increase/(decrease) in operating liabilities		
Deposits from customers	20,963,328	16,112,190
Deposits and placements of banks and other financial institutions	2,960,575	(4,518,027)
Repurchase agreements	(532,010)	502,173
Amount due to Cagamas Berhad	(228,089)	(658,206)
Bills and acceptances payable	336,572	1,145,366
Other liabilities	352,816	(2,064,077)
	23,853,192	10,519,419
Cash flows (used in)/generated from operations	(1,988,329)	1,896,490
Taxation paid	(1,010,219)	(339,125)
Net cash flows (used in)/generated from operating activities	(2,998,548)	1,557,365
Investing Activities		
Proceeds from disposal of property, plant and equipment	611,932	541,048
Proceeds from disposal of prepaid lease payments	4,828	930
Dividends received from financial investments available-for-sale	42,408	38,277
Dividends received from financial investments held-to-maturity	77	-
Dilution of interest in subsidiary	-	34,939
Acquisition of associate	-	(245,034)
Net proceeds from disposal of financial investments available-for-sale	46,502	3,813,639
Net disposal/(purchase) of financial investments held-to-maturity	443,704	(522,535)
Net cash inflow/(outflow) from acquisitions and disposals of subsidiaries	235,255	(402,396)
Purchase of property, plant and equipment	(348,392)	(417,702)
Purchase of prepaid lease payments	-	(18,718)
Purchase of intangible assets	(168,250)	(236,804)
Net cash flows generated from investing activities	868,064	2,585,644

	Note	2010 RM'000	2009 RM'000
Financing Activities			
Dividends paid to shareholders		(1,996,492)	(733,308)
Exercise of warrants		506,224	-
Net proceeds from other borrowings		-	168,324
Proceeds from/(repayment of) Subordinated Notes		3,332,602	(637,842)
Proceeds from TPG bonds		-	500,681
Redemption of USD200 million Subordinated Notes		-	(674,250)
(Repayments)/Proceeds from term loan facility		(92,838)	1,000,000
Proceeds from revolving credit and overdraft		523,158	-
Net repayment of commercial papers and medium term notes		-	(275,000)
Purchase of treasury shares		(21)	(174)
Repayment of redeemable preference shares		-	(2,350)
Net repayment of USD100 million syndicated term loan		(34,150)	-
Net cash flows generated from/(used in) financing activities		2,238,483	(653,919)
Net increase/(decrease) in cash and short-term funds during the financial year		107,999	3,489,090
Effects of exchange rate changes		(1,197,426)	376,886
Cash and short-term funds at beginning of the financial year		28,274,687	24,408,711
Cash and short-term funds at end of the financial year	2	27,185,260	28,274,687
Statutory deposits with Bank Indonesia*		(2,985,829)	(1,419,190)
Cash and cash equivalents at end of the financial year		24,199,431	26,855,497

* This represent non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM2,985,829,000 (2009: RM1,419,190,000), which is not readily available for use by the Group.

Company Statements of Cash Flows

for the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
Operating Activities		
Profit before taxation	1,552,599	703,570
Adjustments for:		
Depreciation of property, plant and equipment	2,136	1,946
Depreciation of investment properties	125	125
Impairment of investment properties	824	-
Loss/(gain) on disposal of property, plant and equipment/assets held for sale	171	(77,263)
Write-back for impairment losses	-	(92)
Unrealised gain on foreign exchange	(6,565)	(4,467)
Unrealised loss/(gain) on revaluation of derivative financial instruments	13,264	(4,533)
Dividends from subsidiaries	(1,741,815)	(680,025)
Dividend from an associate	(1,534)	(533)
Interest expense on commercial papers	2,618	-
Accretion of investment gain	-	(22,860)
Accretion of discounts less amortisation of premiums	(3,200)	(50,124)
Amortisation of premium on commercial papers	-	646
	(1,733,976)	(837,180)
	(181,377)	(133,610)
(Increase)/decrease in operating assets		
Loans, advances and financing	344	741
Other assets	(7,052)	67,749
	(6,708)	68,490
(Decrease)/increase in operating liabilities		
Other liabilities	(629,307)	(475,318)
	(629,307)	(475,318)
Cash flows used in operations	(817,392)	(540,438)
Net taxation refund	76,071	47,579
Net cash flows used in operating activities	(741,321)	(492,859)
Investing Activities		
Proceeds from disposal of property, plant and equipment	446	466,543
Decrease in financial investments available-for-sale	-	92
Proceeds from disposal of financial investments held-to-maturity	-	50,822
Purchase of property, plant and equipment	(2,298)	(38,215)
(Advances to)/repayment from subsidiaries	(851)	736,749
Dividends from subsidiaries	1,400,756	565,498
Dividend from an associate	1,150	400
Acquisition of additional interest in subsidiary	-	(1,000,000)
Net cash flows generated from investing activities	1,399,203	781,889

	Note	2010 RM'000	2009 RM'000
Financing Activities			
Dividends paid to shareholders		(1,992,167)	(699,387)
Proceeds from syndicated term loan		315,000	-
Repayment of syndicated term loan		(342,500)	-
Proceeds from term loan facility		-	1,000,000
Proceeds from issuance of subordinated notes		750,000	-
Proceeds from commercial papers and medium term notes		347,382	149,354
Purchase of treasury shares		(21)	(174)
Repayment of commercial papers and medium term notes		(350,000)	(500,000)
Exercise of warrant		506,224	-
Net cash flows used in financing activities		(766,082)	(50,207)
Net (decrease)/increase in cash and cash equivalents during the financial year		(108,200)	238,823
Effects of exchange rate changes		85	(3,950)
Cash and cash equivalents at beginning of the financial year		637,941	403,068
Cash and cash equivalents at end of the financial year	2	529,826	637,941

Summary of Significant Group 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 Company 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 investments available-for-sale, financial assets and financial liabilities (including derivatives financial instruments) at fair value through profit or loss.

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

The preparation of Financial Statements in conformity with 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 Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

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

The new accounting standards, amendments to published standards and interpretations that are effective for the Group and the Company 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 4 "Insurance Contracts"
- 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"
- IC Interpretation 13 "Customers Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- 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 Company is set out in Note 52.

A BASIS OF PREPARATION (CONTINUED)

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

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

- 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 Company will apply this standard from financial years beginning on or after 1 January 2011.

- IC Interpretation 16 "Hedges of a net investment in a foreign operation" (effective from 1 July 2010) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 "The effects of changes in foreign exchange rates" do apply to the hedged item. The Group and the Company 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 Company 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 Company 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 Company 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 Company.

- 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 Company 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 Company 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 Company but not yet effective (Continued)

- 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 Company will apply this standard from financial years beginning on or after 1 January 2012.

- 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 Company 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 Company 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.

- 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 Company will apply this standard from financial years 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 Company 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 Company 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 RM310,902,981 from the Group's opening retained earnings to option reserve at 1 January 2011 and a charge of RM23,166,437 to the Group'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 Company.

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

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 FRS127, 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 Financial Statements of the Company and all its subsidiaries made up to the end of the financial year.

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

Change in accounting policy

The Group and the Company have changed its accounting policy for investment in subsidiaries upon adoption of FRS 139 on 1 January 2010. All investment in subsidiaries which were previously designated at financial investments available-for-sale are reclassified to investment in subsidiaries. Comparatives have not been restated. Refer to Note 12 for the impact of change in accounting policy.

(b) Investment in jointly controlled entity

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

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

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

(c) 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 accounted for in the consolidated Financial Statements by the equity method of accounting. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(c) Investment in associates (Continued)

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.

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 Company 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. Interest earned on hire purchase, leasing and block discounting agreements is spread over the terms of the loans, using the "Sum-of-Digit" method so as to produce a constant periodic rate of interest. 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 for Malaysian banking entities, while foreign banking entities are in conformity with the requirements of their respective central banks.

The Group and the Company 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 earnings. Comparatives have not been restated. Refer to Note 52 for the impact of this change in accounting policy.

D RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

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

E FINANCIAL ASSETS

(a) Classification

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

i) Financial assets at fair value through profit or loss

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

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

The Group and the Company did not designate any financial assets at fair value through profit or loss upon initial recognition during the financial year ended 31 December 2010 except for securities held by an insurance subsidiary as a result of the adoption of FRS 139 as at 1 January 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 Company's management has the positive intent and ability to hold to maturity. If the Group or the Company sells other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

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.

E FINANCIAL ASSETS (CONTINUED)

(d) Reclassification of financial assets

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

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities 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 Company 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. The Company's investment in unquoted financial instruments issued by its subsidiaries previously classified as financial investments available-for-sale and financial investments held-to-maturity are now classified as loans and receivables (investment in subsidiaries) and measured at amortised cost.

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 Company 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 earnings or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 52 for the impact of this change in accounting policy.

F FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in 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 Company accounting policy on derivatives is detailed in Note P.

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as 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, repurchase agreements, bills and acceptances payable, amount due to Cagamas Berhad, bonds, other borrowings, subordinated notes and redeemable preference shares.

Change in accounting policy

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

The Group and the Company 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 earnings or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 52 for the impact of this change in accounting policy.

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

H IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the 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.

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

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

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

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

H 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 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 the profit or loss is the difference between the acquisition cost and the 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 Company 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 Company'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 Company 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 Group's and the Company's financial statements are prepared in full compliance with FRS 139 principles.

The Group and the Company 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 earnings or if appropriate, another category of equity, of the current financial year. Refer to Note 52 for the impact of this change in accounting policy.

I SALE AND REPURCHASE AGREEMENTS

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

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

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

J PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings on freehold land	50 years
Buildings on leasehold land 50 years or more	50 years or over the remaining period of the lease, whichever is shorter
Leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land less than 50 years	40 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	
- office equipment	5 years
- furniture and fixtures	10 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter

J PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Computer equipment and software	
- servers and hardware	3-5 years
- ATM machine	10 years
Computer equipment and software under lease	3 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years
General plant and machinery	8 years

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

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

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

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

K INVESTMENT PROPERTIES

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

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

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

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

L INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on business combinations when the cost of acquisition exceeds the fair value of the Group'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 allocates goodwill to each business unit (Note 18).

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.

L INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

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

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

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

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

Customer relationships:	
- credit card	12 years
- revolving credit	4 - 5 years
- overdraft	6 - 7 years
- trade finance	5 years
Core deposits	8 - 20 years
Computer software:	
- core and front-end systems	3-15 years
- others	3 years

M ASSETS PURCHASED UNDER LEASE

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

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

Others

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

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

M ASSETS PURCHASED UNDER LEASE (CONTINUED)

Change in accounting policy

From the adoption of the improvement to FRS 117 “Leases”, certain leasehold land in which the Group and the Company have substantially transferred all the risks and rewards incidental to ownership have been reclassified retrospectively from operating lease to finance lease. Previously, these leasehold lands were classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 52 for the impact of this change in accounting policy.

N ASSETS SOLD UNDER LEASE

(a) Finance lease

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

(b) Operating lease

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

O BILLS AND ACCEPTANCES PAYABLE

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

P DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Company recognise profit or 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 Company designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of 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 Company document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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/profit 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.

P 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.

Q CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(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 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 available-for-sale are included in the revaluation reserve-financial investments available-for-sale in equity.

(c) Group companies

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

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

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

Q CURRENCY TRANSLATIONS (CONTINUED)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity beginning on or after 1 January 2006 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

R INCOME AND DEFERRED TAXES

The tax expense for the period comprises 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. 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 statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

S SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

T EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Post employment benefits

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

T EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (Continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the profit or loss is determined by the corridor method in accordance with FRS 119 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

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

(c) Other long term employee benefits

The cost of long term employee benefits (for example, long term service leave) is accrued to match the rendering of the services by the employees concerned using a basis similar to that for defined benefit plans.

(d) Termination benefits

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

(e) Share-based compensation benefits

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 Company granted under the Management Equity Scheme ("MES") are out of the scope of FRS 2.

U IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The impairment loss is charged to the 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 the statements of comprehensive income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

V FORECLOSED PROPERTIES

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

W PROVISIONS

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

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

Provisions are not recognised for future operating losses.

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

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

X FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The 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 Group'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 judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

Y ZAKAT

This represents business zakat which is an obligatory amount payable by the Group to comply with the principles of Shariah. Zakat provision is calculated based on the "Adjusted Growth" method, at 2.5% for individual Bumiputra shareholders of the Company.

Z CASH AND CASH EQUIVALENTS

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

AA 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 Company have adopted FRS 8 "Operating Segment" from 1 January 2010. FRS 8 replaces FRS114 'Segment Reporting' and is applied retrospectively. The adoption of FRS 8 did not result in any significant change to segments reporting disclosures. Comparatives have been restated.

AB 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.

AC LIFE INSURANCE FUND

Life insurance liabilities of CIMB Aviva Assurance Berhad ("CAAB") are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed. For participating life policy, liabilities are measured at an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

The liability is derecognised when the contract expires, discharged or cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") and deferred acquisition cost ("DAC") by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially by impairing PVIF and DAC, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

AD FAMILY TAKAFUL FUND

The Family Takaful fund surplus/deficit is determined by the annual actuarial valuation of the Family Takaful fund's long-term liabilities. Any actuarial deficit in the Family Takaful fund will be made good by CIMB Aviva Takaful Berhad's (CATB) shareholders' fund via a profit-free loan or Qardh. Surplus distributable to participants is determined after deducting claims/benefits paid and payable, retakaful, provisions, reserves, commissions and management expenses and distributed in accordance with the terms and conditions prescribed by the Shariah Committee in CATB.

AE GENERAL TAKAFUL CONTRACT LIABILITIES

General takaful contract liabilities of CATB are recognised when contracts are entered into and contributions are charged.

These liabilities comprise outstanding claims provision and provision for unearned contributions.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related expenses and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date at best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present obligation at the statements of financial position date. The liabilities are derecognised when the contract expires, discharged or cancelled.

The provision for unearned contributions represents contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and recognised as contribution income.

At each reporting date, CATB reviews the unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned contributions. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general takaful technical provisions. If these estimates show that the carrying amount of the unearned contributions less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

AF NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

1 GENERAL INFORMATION

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

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

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

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Cash and balances with banks and other financial institutions	8,204,383	6,246,129	15,457	3,287
Money at call and deposit placements maturing within one month	18,980,877	22,028,558	514,369	634,654
	27,185,260	28,274,687	529,826	637,941

Included in the Group's cash and short-term funds are:

(i) money at call and deposit placements of RMNil (2009: RM990) relating to a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB"); and

(ii) non-interest bearing statutory deposits of a foreign subsidiary of RM2,985,829,000 (2009: RM1,419,190,000) maintained with Bank Indonesia in compliance with their applicable legislation.

(iii) monies held in trust in relation to the Group's stockbroking business:

	The Group	
	2010 RM'000	**2009 RM'000**
Clients' trust balances and dealers' representatives' balances	307,538	202,838
Remisiers' trust balances	21,532	13,575
	329,070	216,413

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2010 RM'000	**2009 RM'000**
Licensed banks	7,864,641	934,094
Licensed investment banks	232,176	410,000
Bank Negara Malaysia and other central banks	3,019,806	421,160
Other financial institutions	629,200	617,801
	11,745,823	2,383,055

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	The Group 2010 RM'000	The Group 2009 RM'000
Financial assets held for trading	(a)	16,221,146	14,999,302
Financial assets designated at fair value through profit or loss	(b)	861,450	-
		17,082,596	14,999,302

(a) Financial assets held for trading

	The Group 2010 RM'000	The Group 2009 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	360,214	1,212,901
Cagamas bonds	13,186	28,283
Khazanah bonds	-	27,438
Malaysian Government treasury bills	57,779	185,033
Bank Negara Malaysia bills	2,597,966	2,779,851
Bank Negara Malaysia negotiable notes	2,226,623	1,887,613
Negotiable instruments of deposit	1,778,088	3,002,701
Bankers' acceptances and Islamic accepted bills	740,811	696,623
Credit-linked notes	123,158	158,604
Commercial papers	163,033	29,982
Other Government's securities	2,053,218	862,061
Government investment issues	320,534	693,563
	10,434,610	11,564,653
Quoted securities:		
In Malaysia		
Warrants	5	5
Shares	1,210,166	553,599
Unit trusts	-	9,720
Outside Malaysia		
Shares	26,102	14,969
Private and Islamic debt securities	57,525	50,144
Other Government bonds	79,143	123,884
Bank Indonesia certificates	1,478,043	-
Investment linked funds	54,017	-
	2,905,001	752,321

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

(a) Financial assets held for trading (Continued)

	The Group 2010 RM'000	The Group 2009 RM'000
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	1,628,798	1,983,862
Shares	5,948	7,323
Investment linked funds	-	45,893
Outside Malaysia		
Private and Islamic debt securities	1,246,789	645,250
	2,881,535	2,682,328
Total financial assets held for trading	16,221,146	14,999,302

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

	The Group 2010 RM'000	The Group 2009 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	223,810	-
Cagamas bonds	22,536	-
Khazanah bonds	8,012	-
Government investment issues	195,523	-
	449,881	-
Quoted securities:		
In Malaysia		
Shares	81,637	-
Unit trusts	10,797	-
	92,434	-
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	265,410	-
Shares	2,334	-
Investment linked funds	51,391	-
	319,135	-
Total financial assets designated at fair value through profit or loss	861,450	-

Financial assets designated at fair value through profit or loss arises from securities held by an insurance subsidiary which has been reclassified from financial assets held for trading as a result of the adoption of FRS 139 as at 1 January 2010. These securities eliminate or significantly reduce a measurement or recognition inconsistency ('accounting mismatch') that would otherwise have arisen from measuring the assets at a basis different from the liabilities of the insurance subsidiary.

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	346,720	314,155	-	-
Cagamas bonds	184,494	275,157	-	-
Khazanah bonds	-	34,975	-	-
Other Government treasury bills	-	410	-	-
Government investment issues	282,022	360,354	-	-
Commercial papers	-	19,539	-	-
	813,236	1,004,590	-	-
Quoted securities:				
In Malaysia				
Shares	115,676	230,379	-	-
Unit trusts	240,949	149,026	-	-
Floating rate notes	-	9,413	-	-
Outside Malaysia				
Shares	12,074	24,614	-	-
Private and Islamic debt securities	24,582	14,152	-	-
Other Government bonds	2,635,564	2,642,690	-	-
Unit trusts	318,435	266,525	-	-
	3,347,280	3,336,799	-	-
Unquoted securities:				
In Malaysia				
Private and Islamic debt securities	6,477,787	5,963,757	-	-
Shares	905,404	534,736	-	796
Loan stocks	26,624	19,437	-	-
Property funds	175	165	-	-
Investment linked funds	6,947	9,730	-	-
Redeemable preference shares	-	-	-	37,750
Bond funds	12,380	4,111	-	-
Outside Malaysia				
Shares	80,480	60,487	-	-
Private equity and unit trust funds	224,453	316,663	-	-
Private and Islamic debt securities	176,323	133,367	-	-
Loan stocks	1,531	497	-	-
	7,912,104	7,042,950	-	38,546
	12,072,620	11,384,339	-	38,546

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Allowance for impairment losses:				
Private debt securities	(240,661)	(253,442)	-	-
Quoted shares	(27,413)	(10,980)	-	-
Unquoted shares	(109,860)	(64,175)	-	(796)
Unit trusts	(21,892)	(21,784)	-	-
Loan stocks	(14,092)	(6,905)	-	-
	(413,918)	(357,286)	-	(796)
	11,658,702	11,027,053	-	37,750

Included in financial investments available-for-sale of the Group are securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM3,212,092,000 (2009: RM1,822,430,000).

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

	Note	The Group RM'000	The Company RM'000
At 1 January 2010			
- as previously reported		357,286	796
- effect of adopting FRS 139	52(i)	29,346	-
As restated		386,632	796
Allowance made during the financial year		36,735	-
Amount written back in respect of recoveries		(12,891)	-
Amount written off		(5,474)	(796)
Disposal of securities		(9,716)	-
Reclassification from investment in associates		4,986	-
Exchange fluctuation		13,646	-
At 31 December 2010		413,918	-

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

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government securities	1,123,977	1,123,977	-	-
Cagamas bonds	254,817	294,817	-	-
Malaysian Government investment issues	600,245	-	-	-
Bank Negara negotiable notes	9,948	-	-	-
	1,988,987	1,418,794	-	-
Quoted securities:				
Outside Malaysia				
Private debt securities	1,411,355	1,191,909	-	-
Islamic bonds	23,983	25,485	-	-
Medium term notes – Islamic	8,565	9,102	-	-
Other Government bonds	116,807	153,214	-	-
Bank Indonesia certificates	127,309	837,362	-	-
Structured notes	154,859	342,847	-	-
	1,842,878	2,559,919	-	-
Unquoted securities:				
In Malaysia				
Shares	-	270	-	-
Private debt securities	7,190,838	7,618,001	-	-
Islamic commercial paper	-	6,775	-	-
Redeemable Convertible Unsecured Loan Stock	-	-	-	34,345
Loan stocks	31,814	31,814	-	-
Danaharta Urus Sdn Bhd ("DUSB") bonds	795,335	929,639	-	-
	8,017,987	8,586,499	-	34,345
Outside Malaysia				
Private debt securities	2,036,903	1,499,518	-	-
	13,886,755	14,064,730	-	34,345
Accretion of discount net of amortisation of premium	279,020	242,894	-	11,897
Less: Allowance for impairment losses	(45,512)	(40,914)	-	-
	14,120,263	14,266,710	-	46,242

Also included in the financial investments held-to-maturity of the Group as at 31 December 2010 are 10-year promissory notes of THB746 million (2009: THB746 million) maturing in 2011, which were received from Thai Asset Management Corporation ("TAMC") for settlement of non-performing loans transferred by CIMB Thai Bank Public Company Limited ("CIMB Thai Bank") to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. The sharing of gain or losses will be calculated at the end of the agreement.

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

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

	The Group RM'000
At 1 January 2010	40,914
Allowance written back during the financial year	(587)
Exchange fluctuation	5,185
At 31 December 2010	45,512

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

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES

(i) Derivative financial instruments

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

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

	The Group			The Company		
		Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2010						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	10,895,870	160,377	(155,349)	-	-	-
- Less than 1 year	8,620,215	52,888	(127,990)	-	-	-
- 1 year to 3 years	423,654	13,602	(4,281)	-	-	-
- More than 3 years	1,852,001	93,887	(23,078)	-	-	-
Currency swaps	34,993,961	515,653	(489,576)	-	-	-
- Less than 1 year	34,684,832	507,854	(486,527)	-	-	-
- 1 year to 3 years	49,362	2,018	-	-	-	-
- More than 3 years	259,767	5,781	(3,049)	-	-	-
Currency options	3,405,312	16,694	(20,901)	-	-	-
- Less than 1 year	3,405,312	16,694	(20,901)	-	-	-
Cross currency interest rate swaps	15,962,201	626,336	(746,157)	315,000	-	(9,363)
- Less than 1 year	4,521,983	145,670	(239,900)	-	-	-
- 1 year to 3 years	6,239,274	266,962	(294,195)	315,000	-	(9,363)
- More than 3 years	5,200,944	213,704	(212,062)	-	-	-
	65,257,344	1,319,060	(1,411,983)	315,000	-	(9,363)

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group			The Company		
		Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2010 (Continued)						
Interest rate derivatives						
Interest rate swaps	183,436,844	1,791,631	(1,344,587)	-	-	-
- Less than 1 year	54,389,510	339,772	(308,923)	-	-	-
- 1 year to 3 years	63,610,038	441,927	(357,772)	-	-	-
- More than 3 years	65,437,296	1,009,932	(677,892)	-	-	-
Interest rate futures	13,746,090	18,185	(15,428)	-	-	-
- Less than 1 year	7,276,246	8,610	(13,457)	-	-	-
- 1 year to 3 years	5,273,591	6,772	(1,971)	-	-	-
- More than 3 years	1,196,253	2,803	-	-	-	-
Interest rate options	750,000	7,179	(3,602)	-	-	-
- Less than 1 year	600,000	-	-	-	-	-
- 1 year to 3 years	100,000	5,314	(2,818)	-	-	-
- More than 3 years	50,000	1,865	(784)	-	-	-
	197,932,934	1,816,995	(1,363,617)	-	-	-
Equity related derivatives						
Index futures	10,845	-	(145)	-	-	-
- Less than 1 year	10,845	-	(145)	-	-	-
Equity options	10,545,680	223,081	(606,369)	-	-	-
- Less than 1 year	3,593,370	168,358	(571,441)	-	-	-
- 1 year to 3 years	3,606,018	3,849	(3,849)	-	-	-
- More than 3 years	3,346,292	50,874	(31,079)	-	-	-
Equity swaps	273,717	1,777	(51,329)	-	-	-
- Less than 1 year	272,086	1,433	(51,023)	-	-	-
- 1 year to 3 years	1,631	344	(306)	-	-	-
	10,830,242	224,858	(657,843)	-	-	-
Commodity related derivatives						
Commodity options	104,840	15,028	(15,028)	-	-	-
- Less than 1 year	70,921	12,068	(12,068)	-	-	-
- 1 year to 3 years	33,919	2,960	(2,960)	-	-	-
Commodity swaps	60,480	4,085	-	-	-	-
- Less than 1 year	20,400	1,624	-	-	-	-
- 1 year to 3 years	40,080	2,461	-	-	-	-
Commodity futures	60,553	1	(3,653)	-	-	-
- Less than 1 year	60,553	1	(3,653)	-	-	-
	225,873	19,114	(18,681)	-	-	-

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group			The Company		
		Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2010 (Continued)						
Credit related contract						
Credit default swaps	1,397,612	31,585	(37,674)	-	-	-
- Less than 1 year	580,483	2,805	(175)	-	-	-
- 1 year to 3 years	169,593	143	(2,386)	-	-	-
- More than 3 years	647,536	28,637	(35,113)	-	-	-
Hedging derivatives						
Interest rate swaps	13,426,998	165,543	(215,376)	150,000	5,676	-
- Less than 1 year	1,428,650	31,058	-	-	-	-
- 1 year to 3 years	1,180,155	30,646	(6,211)	150,000	5,676	-
- More than 3 years	10,818,193	103,839	(209,165)	-	-	-
Cross currency interest rate swaps	218,378	-	(43,342)	-	-	-
- More than 3 years	218,378	-	(43,342)	-	-	-
	13,645,376	165,543	(258,718)	150,000	5,676	-
Total derivative assets/(liabilities)	289,289,381	3,577,155	(3,748,516)	465,000	5,676	(9,363)
At 31 December 2009						
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	10,632,964	64,014	(116,727)	-	-	-
Currency swaps	33,091,814	168,613	(239,294)	-	-	-
Currency spots	2,696,630	29,974	(29,606)	-	-	-
Cross currency interest rate swaps	16,891,042	485,894	(346,313)	-	-	-
	63,312,450	748,495	(731,940)	-	-	-
Interest rate derivatives						
Interest rate swaps	150,661,679	2,111,139	(1,614,648)	-	-	-
Interest rate futures	16,702,600	30,334	(25,774)	-	-	-
Interest rate options	3,130,000	11,854	(4,920)	-	-	-
	170,494,279	2,153,327	(1,645,342)	-	-	-
Equity related derivatives						
Index futures	4,505	-	(4)	-	-	-
Equity options	11,975,449	528,843	(856,920)	-	-	-
	11,979,954	528,843	(856,924)	-	-	-

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

	The Group			The Company		
		Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2009 (Continued)						
Commodity related derivatives						
Commodity futures	31,672	842	(13)	-	-	-
Commodity options	690,261	70,562	(66,429)	-	-	-
	721,933	71,404	(66,442)	-	-	-
Credit related contracts						
Credit default swaps	825,435	2,062	(2,363)	-	-	-
Hedging derivatives						
Interest rate swaps	9,262,051	185,700	(176,843)	150,000	8,469	-
Cross currency interest rate swaps	350,000	-	(12,733)	350,000	-	(12,733)
	9,612,051	185,700	(189,576)	500,000	8,469	(12,733)
Total derivative assets/(liabilities)	256,946,102	3,689,831	(3,492,587)	500,000	8,469	(12,733)

The disclosure of maturity analysis of derivatives into respective time bands for 2010 is in compliance with Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Market Listing Requirements ("Bursa Requirements") issued on 25 March 2010. Comparative figures are not restated to the current year's presentation in this first year of applying Bursa Requirements.

(a) Fair value hedges

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

For the financial year ended 31 December 2010, the Group has derecognised fair value hedge of RM3,715,293 due to redemption of negotiable instruments of deposit. The Group has amortised the cumulative fair value loss of RM 30,038,040 and fair value gain of RM 137,486 due to re-designation of negotiable instruments of deposits and subordinated obligations.

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

	The Group 2010 RM'000	The Company 2010 RM'000
Loss on hedging instruments	(50,768)	(2,727)
Gain on the hedged items attributable to the hedged risk	10,603	2,618

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Derivative financial instruments (Continued)

(b) Net investment hedge

Foreign exchange swaps and non derivative financial liabilities are used to hedge the Group and the Company's exposure to foreign exchange risk on net investments in foreign operations. Gains or losses on retranslation of the foreign exchange swaps are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. Ineffectiveness from hedges of net investments was recognised in the profit or loss during the year for the Group and the Company of RM 10,097,661 and RM Nil respectively. No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

(ii) Commitments and contingencies

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

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

The commitments and contingencies constitute the following:

	2010 Principal RM'000	2009 Principal RM'000
The Group		
Credit-related		
Direct credit substitutes	4,929,234	5,325,347
Certain transaction-related contingent items	5,468,256	5,761,442
Short-term self-liquidating trade-related contingencies	3,511,093	3,761,011
Obligations under underwriting agreement	235,000	250,000
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	33,812,453	40,252,165
- maturity exceeding one year	6,778,430	5,948,537
Forward assets purchases	303,084	52,478
Miscellaneous commitments and contingencies	5,609,923	6,108,479
Total credit-related commitments and contingencies	60,647,473	67,459,459
Treasury-related		
Foreign exchange related contracts:		
- less than one year	47,207,625	55,031,218
- one year to less than five years	10,641,952	3,876,156
- five years and above	3,353,629	1,333,036
	61,203,206	60,240,410
Interest rate related contracts:		
- less than one year	55,274,126	91,152,067
- one year to less than five years	88,003,758	65,680,137
- five years and above	41,825,221	10,340,564
	185,103,105	167,172,768
Equity related contracts:		
- less than one year	3,616,346	4,946,183
- one year to less than five years	5,121,018	6,163,740
- five years and above	2,092,883	870,031
	10,830,247	11,979,954

7 DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies (Continued)

	2010 Principal RM'000	2009 Principal RM'000
The Group (Continued)		
Other treasury related contracts	31,285,226	16,039,852
Total treasury-related commitments and contingencies	288,421,784	255,432,984
	349,069,257	322,892,443
The Company		
Foreign exchange related contracts:		
- less than one year	-	350,000
- one year to less than five years	315,000	-
	315,000	350,000
Interest rate related contracts:		
- one year to less than five years	150,000	150,000
	465,000	500,000

Included in the Group's commitments and contingencies above is RM25,908,000 (2009: RM46,380,000) of irrevocable commitments to extend credit with maturity less than one year relating to a jointly controlled entity, PCSB.

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

Not included in the above is a performance guarantee given by CIMB Group to Hang Seng Index/Hang Seng Data Services in respect of any potential breach of licensing agreement by a subsidiary, CIMB Aviva Assurance Berhad. The Directors are of the view that the likelihood of the performance guarantee to be called on is remote.

8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Overdrafts	9,383,540	8,247,311	-	-
Term loans/financing				
- Housing loans/financing	42,496,812	41,684,502	-	-
- Syndicated term loans	6,996,472	8,225,404	-	-
- Hire purchase receivables	11,384,643	14,276,219	-	-
- Lease receivables	32,087	65,600	-	-
- Factoring receivables	23,655	61,393	-	-
- Other term loans/financing	57,522,906	53,669,357	-	-
Bills receivable	2,636,548	1,919,643	-	-
Trust receipts	1,145,109	878,866	-	-
Claims on customers under acceptance credits	4,548,433	5,004,962	-	-
Staff loans [of which RM6,473,245 (2009: RM4,690,160) are to Directors]	728,594	763,386	1,147	1,491
Credit card receivables	4,981,667	3,551,451	-	-
Revolving credits	24,289,359	23,337,966	-	-
Share margin financing	1,299,816	1,015,067	-	-
Other loans	9,730	9,744	-	-
	167,479,371	162,710,871	1,147	1,491
Less: Unearned interest	-	(13,832,357)	-	-
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491
Fair value changes arising from fair value hedge	44,340	45,028	-	-
	167,523,711	148,923,542	1,147	1,491
Less: Allowance for impairment losses				
- Individual impairment allowance	(4,079,367)	-	-	-
- Portfolio impairment allowance	(4,262,959)	-	-	-
- Specific allowance	-	(4,905,276)	-	-
- General allowance	-	(1,826,593)	-	-
	(8,342,326)	(6,731,869)	-	-
Total net loans, advances and financing	159,181,385	142,191,673	1,147	1,491

(a) Included in the Group's loans, advances and financing balances are RM75,347,000 (2009: RM80,235,000) of reinstated loans which were previously non-performing and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) By type (Continued)

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM7,663,278,000 (2009: RM5,468,179,000) loans, advances and financing using interest rate swaps.

	The Group	
	2010 RM'000	2009 RM'000
Gross loans hedged	7,663,278	5,468,179
Fair value changes arising from fair value hedges	44,340	45,028
	7,707,618	5,513,207

The fair value loss of interest rate swaps as at 31 December 2010 were RM127,755,094 (2009: fair value gain RM104,052,171).

(ii) By type of customer:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Domestic banking financial institutions	65,091	418,909	-	-
Domestic non-bank financial institutions				
- others	2,645,801	3,698,917	-	-
Domestic business enterprises				
- small medium enterprises	25,456,138	22,874,067	-	-
- others	36,564,980	34,977,110	-	-
Government and statutory bodies	10,666,029	7,680,833	-	-
Individuals	80,444,833	68,079,927	1,147	1,491
Other domestic entities	3,878,422	4,675,844	-	-
Foreign entities	7,758,077	6,472,907	-	-
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491

(iii) By interest/profit rate sensitivity:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate				
- Housing loans	3,655,433	2,392,693	-	-
- Hire-purchase receivables	11,403,949	11,873,291	-	-
- Other fixed rate loans	29,866,224	21,823,919	1,147	1,491
Variable rate				
- BLR plus	82,325,009	74,379,700	-	-
- Cost plus	20,198,388	20,948,288	-	-
- Other variable rates	20,030,368	17,460,623	-	-
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Personal use	5,161,725	4,669,215	27	42
Credit card	4,975,702	3,551,889	-	-
Purchase of consumer durables	1,216	4,076	-	-
Construction	4,360,535	4,651,539	-	-
Residential property (Housing)	43,056,292	35,658,935	915	1,196
Non-residential property	11,671,665	9,788,024	-	-
Purchase of fixed assets other than land and building	10,175,685	5,443,961	-	-
Mergers and acquisitions	2,620,451	1,737,598	-	-
Purchase of securities	7,372,586	9,645,409	-	-
Purchase of transport vehicles	15,780,118	14,964,275	205	253
Working capital	47,636,675	43,956,121	-	-
Other purpose	14,666,721	14,807,472	-	-
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	111,065,224	102,964,218	1,147	1,491
Indonesia	37,428,349	31,774,188	-	-
Thailand	9,906,698	8,880,434	-	-
Singapore	6,666,705	2,943,577	-	-
United Kingdom	597,461	444,415	-	-
Hong Kong	552,120	808,003	-	-
Other countries	1,262,814	1,063,679	-	-
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491

(vi) Loans, advances and financing analysed by their residual contractual maturity are as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	35,403,191	29,704,720	9	11
One year to less than three years	38,204,037	37,976,800	77	38
Three years to less than five years	22,449,382	13,821,790	9	94
Five years and more	71,422,761	67,375,204	1,052	1,348
Gross loans, advances and financing	167,479,371	148,878,514	1,147	1,491

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Impaired loans/non-performing loans, advances and financing by economic purpose:

	The Group 2010 RM'000	The Group 2009 RM'000
Personal use	399,960	273,975
Credit card	98,523	82,008
Purchase of consumer durables	251	611
Construction	1,380,526	417,527
Residential property (Housing)	1,909,586	1,687,729
Non-residential property	491,942	373,205
Purchase of fixed assets other than land and building	365,872	139,361
Purchase of securities	101,641	63,485
Purchase of transport vehicles	322,967	371,491
Working capital	4,061,647	3,123,027
Other purpose	1,151,464	884,430
Gross impaired loans/non-performing loans	10,284,379	7,416,849

(viii) Impaired loans/non-performing loans, advances and financing by geographical distribution:

	The Group 2010 RM'000	The Group 2009 RM'000
Malaysia	6,781,354	4,814,294
Indonesia	1,687,775	943,530
Thailand	1,466,154	1,312,163
Singapore	116,176	21,534
United Kingdom	48,095	33,884
Hong Kong	-	90,142
Other countries	184,825	201,302
Gross impaired loans/non-performing loans	10,284,379	7,416,849

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Note	The Group 2010 RM'000	The Group 2009 RM'000
At 1 January			
- as previously reported		7,416,849	6,056,461
- classified as impaired* net of PCSB's loans derecognised due to adoption of FRS 139	52(i)	4,074,041	-
As restated		11,490,890	6,056,461
Classified as impaired/non-performing during the financial year		5,433,418	4,411,728
Reclassified as not impaired/performing during the financial year		(3,346,847)	(2,241,616)
Amount written back in respect of recoveries		(1,446,918)	(1,029,647)
Arising from acquisition of a subsidiary		-	1,398,003
Amount written off		(1,500,162)	(1,293,983)
Purchase of impaired loans/non-performing loans from third party		294	3,852
Sale of impaired loans		(145,981)	-
Exchange fluctuation		(200,315)	112,051
At 31 December		10,284,379	7,416,849
Ratio of gross impaired/non-performing loans to gross loans, advances and financing		6.14%	4.98%

* Represents restatement of interest-in-suspense and loans previously classified as performing under GP3 but considered impaired under FRS 139.

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

	Note	The Group 2010 RM'000	The Group 2009 RM'000
Individual impairment allowance			
At 1 January			
- as previously reported		-	-
- effect of adopting FRS 139	52(i)	4,988,992	-
As restated		4,988,992	-
Net allowance made during the financial year		157,058	-
Amount written off		(873,331)	-
Allowance made and charged to deferred assets		2,431	-
Amount transferred to portfolio impairment allowance		(5,795)	-
Unwinding income		(110,843)	-
Exchange fluctuation		(79,145)	-
At 31 December		4,079,367	-

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Note	The Group 2010 RM'000	The Group 2009 RM'000
Portfolio impairment allowance			
At 1 January			
- as previously reported		-	-
- effect of adopting FRS 139	52(i)	4,252,946	-
As restated		4,252,946	-
Net allowance made during the financial year		816,418	-
Amount transferred from individual impairment allowance		5,795	-
Amount written off		(702,457)	-
Allowance written back and charged to deferred assets		(3,352)	-
Unwinding income		(89,698)	-
Exchange fluctuation		(16,693)	-
At 31 December		4,262,959	-
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance		2.87%	-

(xi) Movements in the allowance for bad and doubtful debts and financing are as follows:

	Note	The Group 2010 RM'000	The Group 2009 RM'000
Specific allowance			
At 1 January			
- as previously reported		4,905,276	3,524,361
- effect of adopting FRS 139	52(i)	(4,905,276)	-
As restated		-	3,524,361
Allowance made during the financial year		-	1,872,694
Amount written back in respect of recoveries		-	(502,027)
Amount written off		-	(1,117,850)
Arising from acquisition of subsidiaries		-	886,203
Allowance written back and charged to deferred assets		-	(2,880)
Amount transferred from general allowance		-	214,526
Allowance made in relation to jointly controlled entity		-	3,009
Allowance for impaired loans purchased from third party		-	3,440
Exchange fluctuation		-	23,800
At 31 December		-	4,905,276

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xi) Movements in the allowance for bad and doubtful debts and financing are as follows (Continued):

	Note	The Group 2010 RM'000	The Group 2009 RM'000
General allowance			
At 1 January			
- as previously reported		1,826,593	1,808,539
- effect of adopting FRS 139	52(i)	(1,826,593)	-
As restated		-	1,808,539
Net allowance made during the financial year		-	107,478
Allowance for loans arising from acquisition of subsidiaries		-	88,309
Amount transferred to specific allowance		-	(214,526)
Exchange fluctuation		-	36,793
At 31 December		-	1,826,593
General allowance as % of gross loans, advances and financing (including Islamic financing sold to Cagamas) less loans exempted from general allowance by BNM and specific allowance		-	1.34%

9 OTHER ASSETS

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Interest receivable		-	495,892	-	-
Due from brokers and clients net of allowance for impairment losses of RM15,118,849 (2009: RM17,951,000)	(a)	1,250,003	1,337,154	-	-
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM61,688,962 (2009: RM195,281,000)	(b)	3,196,836	1,880,145	1,487	1,556
Due from insurers, brokers and reinsurers		25,476	26,033	-	-
Option financing		278,032	238,224	-	-
Deferred assets	(c)	170,961	198,610	-	-
Foreclosed properties net of allowance for impairment losses of RM72,613,405 (2009: RM249,550,000)		228,785	610,944	-	-
Collateral pledged for derivative transactions		531,941	210,761	8,410	-
Due from jointly controlled entity	(d)	1,671,488	105,471	-	-
Amounts receivable from sale of impaired loans		-	118,562	-	-
		7,353,522	5,221,796	9,897	1,556

9 OTHER ASSETS (CONTINUED)

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

	The Group Individual impairment allowance 2010 RM'000	Portfolio impairment allowance 2010 RM'000	Total 2010 RM'000
At 1 January	4,633	13,318	17,951
Allowance made during the financial year	763	(141)	622
Write back during the financial year	(966)	(2,073)	(3,039)
Write off	(310)	-	(310)
Exchange fluctuation	(87)	(18)	(105)
At 31 December	4,033	11,086	15,119

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

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

	The Group Individual impairment allowance 2010 RM'000
At 1 January	195,281
Allowance made during the financial year	23,302
Write back during the financial year	(15,248)
Arising from acquisition of a subsidiary	669
Write off	(158,914)
Exchange fluctuation	16,599
At 31 December	61,689

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

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

	The Group 2010 RM'000	2009 RM'000
At 1 January	198,610	216,292
Amortisation during the financial year	(26,728)	(14,802)
Individual impairment allowance/specific allowance made	(921)	(2,880)
At 31 December	170,961	198,610

(d) With the adoption of FRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's loans, advances and financing as the risks and rewards relating to the cash flows of these hire-purchase receivables have been substantially transferred to PCSB. The de-recognised hire-purchase receivables are regarded as amount due from jointly controlled entity.

10 DEFERRED TAXATION

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets	15,269	293,708	-	3,012
Deferred tax liabilities	(12,124)	(13,247)	(3,988)	-
	3,145	280,461	(3,988)	3,012

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

		The Group		The Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January					
- as previously reported		280,461	245,167	3,012	(103,399)
- effect of adopting FRS 139 on 1 January 2010	52(i)	11,811	-	-	-
As restated		292,272	245,167	3,012	(103,399)
Credited/(charged) to profit or loss(Note 38)					
- loans, advances and financing		(415,043)	(25,320)	-	-
- unutilised tax losses		(8,735)	(571)	-	-
- excess of capital allowance over depreciation		(4,758)	(12,691)	-	-
- intangible assets		11,427	11,427	-	-
- financial investments available-for-sale		(641)	(1,506)	-	-
- under accrual in prior years		54,048	13,307	231	3,562
- other temporary differences		56,617	83,974	(1,971)	102,101
		(307,085)	68,620	(1,740)	105,663
Disposal of subsidiaries		-	(46,033)	-	-
Transferred to equity					
- revaluation reserve - financial investments available-for-sale		17,958	11,700	-	-
- hedging reserve - cash flow hedge		-	1,007	(5,260)	748
At 31 December		3,145	280,461	(3,988)	3,012

10 DEFERRED TAXATION (CONTINUED)

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets (before offsetting)				
Loans, advances and financing	169,410	505,517	164	-
Financial investments available-for-sale	45	2,283	-	-
Unutilised tax losses	5,801	8,525	-	-
Other temporary differences	396,529	205,096	-	5,260
	571,785	721,421	164	5,260
Offsetting	(556,516)	(427,713)	(164)	(2,248)
Deferred tax assets (after offsetting)	15,269	293,708	-	3,012
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(75,099)	(72,546)	-	(147)
Financial investments available-for-sale	(93,110)	(9,583)	-	-
Intangible assets	(357,009)	(353,873)	-	-
Other temporary differences	(43,422)	(4,958)	(4,152)	(2,101)
	(568,640)	(440,960)	(4,152)	(2,248)
Offsetting	556,516	427,713	164	2,248
Deferred tax liabilities (after offsetting)	(12,124)	(13,247)	(3,988)	-

11 STATUTORY DEPOSITS WITH CENTRAL BANKS

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

12 INVESTMENT IN SUBSIDIARIES

	The Company	
	2010 RM'000	2009 RM'000
Ordinary shares	8,336,383	8,336,383
Redeemable preference shares	7,708,941	-
Redeemable convertible unsecured loan stocks	49,442	-
	16,094,766	8,336,383
Less: Allowance for impairment loss of a subsidiary	(1,275)	(1,275)
	16,093,491	8,335,108

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

With the adoption of FRS 139 on 1 January 2010 and as permitted by the transitional provisions of FRS 139, the Company has reclassified its investment in Redeemable Preference Shares ("RPS") of RM37,750,000 and Redeemable Convertible Unsecured Loan Stocks of RM49,442,000 issued by its subsidiaries from financial investments available-for-sale and financial investments held-to-maturity respectively, to investment in subsidiaries.

In addition, during the financial year, the Company has subscribed RM7,671,191,000 of RPS issued by its subsidiaries.

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held 2010 %	Percentage of equity held 2009 %
CIMB Berhad	Investment holding	100	100
CIMB Group Sdn Bhd	Investment holding	99.9	100
Commerce MGI Sdn Bhd	Dormant	51	51
Commerce Asset Realty Sdn Bhd	Holding of properties for letting to a related company	100	100
Commerce Capital (Labuan) Ltd ^ (Incorporated in the Federal Territory of Labuan)	Special purpose vehicle	-	100
iCIMB (MSC) Sdn Bhd	Provision of management and outsourcing services	100	100
SBB Berhad	Dormant	100	100
Modified CIMBB Options Trust (unincorporated)	Holding of accelerated CIMBB's Modified EESOS and CEO options	-	-
CIMB Foundation ∞	Special purpose vehicle	-	-
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	20	-

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

^ Company has been voluntarily liquidated during the financial year

The subsidiaries held through CIMB Berhad are:

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMB Berhad 2010 %	Directly by CIMB Berhad 2009 %	Indirectly by the Company 2010 %	Indirectly by the Company 2009 %
CIMB Trustee Berhad	Trustee services	20	20	100	100
BHLB Trustee Berhad	Trustee services	20	20	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2010 %	2009 %	2010 %	2009 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	99.9	99.9	-	-
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	100	100	-	-
PT Bank CIMB Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	96.9	77.2	1.0	1.0
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	99.0	99.0	1.0	1.0
CIMB SI Sdn Bhd	Trading in securities and direct principal investments	100	100	-	-
CIMB SI I Sdn Bhd	Investment holding	-	-	100	100
CIMB SI II Sdn Bhd	Investment holding	100	100	-	-
CIMB Private Equity Sdn Bhd	Investment holding	100	100	-	-
Maju Uni Concept Sdn Bhd	Investment holding	-	-	100	100
Mutiara Makmur Ventures Sdn Bhd	Investment holding	-	-	100	100
Semantan Investment Holdings Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	-	-	100	100
Papyrus Capital Sdn Bhd	Investment holding	-	-	100	100
Armada Investment Holding Ltd (Incorporated in the Federal Territory of Labuan)	Investment holding	-	-	84.8	100
CIMB General Partner Limited (formerly known as Retail Investment Holding Ltd) (Incorporated in the Federal Territory of Labuan)	Investment holding	-	-	100	100
CIMB Securities International Pte Ltd (formerly known as CIMB GK Pte Ltd) + (Incorporated in the Republic of Singapore)	Investment holding	100	100	-	-
CIMB Securities (Singapore) Pte Ltd (formerly known as CIMB-GK Securities Pte Ltd)+ (Incorporated in the Republic of Singapore)	Stock and sharebroking	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMBG 2010 %	Directly by CIMBG 2009 %	Through CIMBG's subsidiary company 2010 %	Through CIMBG's subsidiary company 2009 %
CIMB Research Pte Ltd (formerly known as CIMB-GK Research Pte Ltd) + (Incorporated in the Republic of Singapore)	Investment research	-	-	100	100
CIMB Securities (UK) Ltd + (Incorporated in the United Kingdom)	Securities related business	-	-	100	100
CIMB Securities (USA) Inc # (Incoporated in the United States of America)	Dormant	-	-	100	100
CIMB Securities (HK) Ltd + (Incorporated in Hong Kong)	Securities broking, dealing and trading	-	-	100	100
CIMB Securities (HK) Nominees Ltd + (Incorporated in Hong Kong)	Nominee services	-	-	100	100
PT CIMB Securities Indonesia + (Incorporated in the Republic of Indonesia)	Stockbroking	-	-	100	100
KL Damansara Sdn Bhd ^	Dormant	-	-	-	100
CIMB-GK Securities (Thailand) Ltd + (Incorporated in the Kingdom of Thailand)	Dormant	-	-	99.9	100
CIMB Real Estate Sdn Bhd	Real estate investment	100	100	-	-
CIMB-Mapletree Management Sdn Bhd	Real estate fund management	-	-	60	60
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	60	60	-	-
CIMB-Principal Asset Management Company Limited (formerly known as BT Asset Management Co.Ltd) + (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	-	-	60	-
Sathorn Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Asset Management	-	-	99.9	-
CIMB Principal Asset Management (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	-	-	60	100
PT CIMB-Principal Asset Management + (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	-	-	60.4	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2010 %	2009 %	2010 %	2009 %
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	-	-	60	100
i-Wealth Advisors Sdn Bhd	Provision of management services and distribution of products and services	60	60	-	-
CIMB Strategic Assets Sdn Bhd	Investment holding	100	100	-	-
Capital Advisors Partners Asia Sdn Bhd (formerly known as CIMB Standard Strategic Asset Advisors Sdn Bhd)	Investment advisory services	-	-	60	60
Capital Advisors Partners Asia Pte Ltd (formerly known as CIMB Standard Strategic Asset Advisors Pte Ltd)+ (Incorporated in the Republic of Singapore)	Investment advisory services	-	-	60	60
Capasia South East Asian Strategic Asset Fund (General Partner) Ltd (formerly known as South East Asian Strategic Assets (General Partner) Ltd) (Incorporated in the Cayman Islands)	Investment advisory services	-	-	60	60
Capasia Islamic Infrastructure Fund (General Partner) Limited (formerly known as CIMB Standard Islamic Infrastructure Fund (General Partner) Limited) (Incorporated in the Federal Territory of Labuan)	Managing private fund	-	-	60	100
CIMB Strategic Assets (Cayman) Ltd ^^ (Incorporated in the Cayman Islands)	Investment holding	-	100	-	-
CIMB Private Equity Advisors Sdn Bhd	Investment advisory and private equity management	100	100	-	-
CIG Berhad	Insurance holding company	100	100	-	-
CIMB Aviva Assurance Berhad	Life assurance business	-	-	51	51
CIMB Aviva Takaful Berhad	Takaful business	-	-	51	51
CIMB Insurance Brokers Sdn Bhd	Insurance broking	-	-	100	100
PT CIMB Sun Life + (Incorporated in the Republic of Indonesia)	Life assurance business	-	-	51	51

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2010 %	2009 %	2010 %	2009 %
Commerce Asset Ventures Sdn Bhd ("CAV")	Investment holding company	100	100	-	-
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	100	100	-	-
Kibaru Manufacturing Sdn Bhd	Manufacturing of rubber components	-	-	64.1	71.9
CAV Private Equity Management Sdn Bhd	Providing management and advisory services	-	-	100	100
Commerce Technology Ventures Sdn Bhd	Investment holding company	-	-	100	100
Commerce Agro Ventures Sdn Bhd *	Investment holding company	-	-	33.3	100
CAV BAT Sdn Bhd	Investment holding company	-	-	100	100
Commerce Growth Sdn Bhd	Investment holding company	-	-	100	100
Top Sigma Sdn Bhd	Investment holding company	-	-	-	100
Prima Special Sdn Bhd *	Investment holding company	-	-	30	100
Edufuture Sdn Bhd *	Investment holding company	-	-	30	100
Metro Bumimas Sdn Bhd *	Investment holding company	-	-	33.3	100
Sedia Fajar Sdn Bhd *	Investment holding company	-	-	33.3	100
Peranan Dinamik Sdn Bhd *	Investment holding company	-	-	33.3	100
Trace Tracker Malaysia Sdn Bhd &	Provider of traceability services	-	-	9.6	29
Pesat Dinamik Sdn Bhd *	Investment holding company	-	-	33.3	100
Prima Mahawangsa Sdn Bhd *	Investment holding company	-	-	33.3	100
Langkawi Shrimps Sdn Bhd	Harvesting prawns and trading seafood	-	-	-	60
Tetap Fajar Sdn Bhd *	Investment holding company	-	-	33.3	100
Vital Remarks Sdn Bhd *	Manufacturing and distribution of halal meat based products	-	-	17	51

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2010 %**	**2009 %**	**2010 %**	**2009 %**
Ekspedisi Yakin Sdn Bhd #	Dormant	-	-	100	100
Titan Setup Sdn Bhd #	Investment holding company	-	-	100	100
Commerce-KPF Ventures Sdn Bhd *	Investment holding company	-	-	30	51
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	-	-	32.2	-
Radiant Direction Sdn Bhd #	Dormant	-	-	100	100
Quantum Epic Sdn Bhd #	Dormant	-	-	100	100
Goodmaid Chemical Corporation Sdn Bhd #	Manufacturing of household care products	-	-	99.6	99.6
Goodmaid Marketing Sdn Bhd #	Trading and marketing of household care products	-	-	100	100
Goodmaid Industrial Supplies Sdn Bhd #	Trading of industrial chemical products	-	-	100	100
EQ Industry Supplies Sdn Bhd #	Trading and marketing of industrial chemicals	-	-	100	100
Itopia Sdn Bhd #	Provision of telephony infrastructure, products and services	-	-	49	53.2
CIMB Middle East BSC &+ (Incorporated in the Kingdom of Bahrain)	Islamic investment	50	50	-	-
CIMB-Trustcapital Advisors Singapore Pte Ltd # (Incorporated in the Republic of Singapore)	Real estate management and advisory	-	-	70	70

& Deemed a subsidiary by virtue of board control over the Company's financial and operating policies
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia
* Effective 4th June 2010, the Group's effective interest in these companies are based on RPS subscribed
^^ Strike off during the financial year

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

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment 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	-	-
CIMB Trustee Berhad	Trustee services	-	-	20	20
BHLB Trustee Berhad	Trustee services	-	-	20	20

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2010 %	2009 %	2010 %	2009 %
Bumiputra-Commerce Factoring Berhad ^	Dormant	-	100	-	-
CIMB FactorLease Bhd	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Trustee Berhad	Trustee services	20	20	40	40
BBMB Unit Trust Management Bhd ^	Dormant	-	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2010 %**	**2009 %**	**2010 %**	**2009 %**
Bumiputra-Commerce Finance Bhd	Dormant	100	100	-	-
CIMB Islamic Funds DCC Ltd (Incorporated in Brunei)	Fund company	-	-	-	100
iCIMB (M) Sdn Bhd	Provision of management and outsourcing services	100	100	-	-
Bumiputra-Commerce Properties Sdn Bhd ^	Dormant	-	100	-	-
CIMB Group Nominees Sdn Bhd	Nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
BBMB Securities (Holdings) Sdn Bhd ^	Investment holding company	-	100	-	-
BBMB Futures Sdn Bhd ^	Dormant	-	-	-	100
Semerak Services Sdn Bhd	Service company	100	100	-	-
BBMB Finance (Hong Kong) Ltd (Incorporated in Hong Kong)	Dormant	100	100	-	-
CIMB Islamic Bank Berhad	Islamic banking and related financial services	100	100	-	-
CIMB Trust Ltd (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
CIMB (L) Limited ^ (Incorporated in the Federal Territory of Labuan)	Dormant	-	100	-	-
Halyconia Asia Fund Limited (Incorporated in the British Virgin Islands)	Open-ended investment fund	-	-	100	100
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2010 %**	**2009 %**	**2010 %**	**2009 %**
CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	100
I-Prestige Sdn Bhd ^	Special purpose vehicle	-	100	-	-
Southern Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
Southern Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	100	100	-	-
SBB Futures Sdn Bhd ^	Investment holding	-	100	-	-
BHLB Properties Sdn Bhd	Property ownership and management	100	100	-	-
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
SBB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
CIMB Nominees (S) Pte Ltd + (Incorporated in the Republic of Singapore)	Nominee services	100	100	-	-
SBB Capital Corporation	Special purpose vehicle	100	100	-	-
SFB Auto Berhad	Dormant	100	100	-	-
Premier Fidelity Berhad	Dormant	100	100	-	-
CIMB Bank PLC + (Incorporated in Cambodia)	Commercial banking and related financial services	100	-	-	-
Perdana Visi Hartanah Sdn Bhd	Property investment	100	100	-	-
SBB Capital Markets Sdn Bhd	Investment holding	100	100	-	-
Mohaiyani Sdn Bhd ^	Investment holding	-	-	-	100
BHLB Trustee Berhad	Trustee services	20	20	40	40
BHL Venture Berhad ^	Investment holding	-	100	-	-
BHLB Asset Management Sdn Bhd ^	Investment holding	-	-	-	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2010 %	2009 %	2010 %	2009 %
SBB Unit Trust Management Bhd ^	Dormant	-	-	-	100
S.B. Properties Sdn Bhd	Property ownership and management	100	100	-	-
Elite Constant Development Sdn Bhd ^	Construction of building	-	-	-	100
SFB Development Sdn Bhd	Property investment	100	100	-	-
Seal Line Trading Sdn Bhd	Property investment	-	-	100	100
SIBB Berhad	Dormant	80	80	-	-
Perdana Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	80	80
Perdana Nominees (Asing) Sdn Bhd ^	Nominee services	-	-	-	80
Perdana Mutual Fund Berhad ^	Dormant	-	-	-	80
Commerce Returns Berhad ∞	Special purpose vehicle	-	-	-	-
CIMB Thai Bank Public Company Limited + (Incorporated in the Kingdom of Thailand)	Banking	93.2	93.2	-	-

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

		Percentage of equity held	
Name of Subsidiary	Principal activities	2010 %	2009 %
PT CIMB Niaga Auto Finance (formerly known as PT Saseka Gelora Finance) + (Incorporated in the Republic of Indonesia)	Financing services	99.9	95.9
PT Kencana Internusa Artha Finance + (Incorporated in the Republic of Indonesia)	Financing services	51	51

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of Subsidiary	Principal activities	Percentage of equity held 2010 %	2009 %
CIMB Securities (Thailand) Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Stock and share broking	99.9	99.9
BT Insurance Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Non-life insurance	-	99.9
BT Business Consulting Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Consultancy services	99.9	99.9
CIMB-Principal Asset Management Company Limited (formerly known as BT Asset Management Co., Ltd) + (Incorporated in the Kingdom of Thailand)	Fund manager	-	99.9
BT Leasing Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Leasing/hire purchase	99	99
Worldlease Co., Ltd. (formerly known as BT Worldlease Co., Ltd.) + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	75	75
Sathorn Asset Management Co., Ltd. + (Incorporated in the Kingdom of Thailand)	Asset management	-	99.9

^ Company has been voluntarily liquidated during the financial year

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

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

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

13 INVESTMENT IN ASSOCIATES

	The Group	
	2010 **RM'000**	**2009** **RM'000**
Share of net assets other than premium of associates	440,946	402,572
Premium on acquisition	67,861	85,047
	508,807	487,619

	The Company	
	2010 **RM'000**	**2009** **RM'000**
Unquoted shares, at cost	3,834	3,834

Included in the premium on acquisition in 2009 is the premium of RM16,702,000 relating to the acquisition of 20% equity interest in Touch 'n Go ("TnG"). Following the additional acquisition of 32.22% stake in 2010, the Group holds 52.22% in TnG and this has been accounted for as a subsidiary as at 31 December 2010, as set out in Note 49(a)(i) to the Financial Statements.

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

	2010 **RM'000**	**2009** **RM'000**
Income	237,822	144,179
Expenses	(123,179)	(100,446)
Allowance for losses on loans and advances	(6,625)	(3,202)
Allowance for impairment losses	(450)	(41)
Profit before taxation	107,568	40,490
Taxation	(20,877)	(14,215)
Profit after taxation	86,691	26,275
Minority interest	(71)	-
	86,620	26,275

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

	2010 **RM'000**	**2009** **RM'000**
Total assets	4,550,536	3,194,910
Total liabilities	(4,109,590)	(2,792,338)
Net assets	440,946	402,572

There are no contingent liabilities relating to the Group's interest in associates and no contingent liabilities of the associate itself.

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The direct associate of the Company is:

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	20	20

The associates held through CAV are:

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
IHS Innovations Sdn Bhd	Provider and consultant specialising in reliability testing systems, vision and imaging systems	20	20
Meru Utama Sdn Bhd	General traders and rental of media space on airport baggage trolleys	-	20
Evermal Resources Sdn Bhd	Investment holding company	20.5	20.5
Fortlab Holdings Sdn Bhd	Investment holding company	-	40
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	16.1	16.1

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Opera Café Sdn Bhd	Leisure and entertainment services	49	49

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	6	10.3
Qualitas Medical Group Limited (Incorporated in the Republic of Singapore)	Provision of healthcare services	3.1	5.4
Delphax Sdn Bhd	Manufacturer of reconstructive & spinal implants, trauma & related orthopaedic surgical products	6.9	11.9

13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Landas Bina Aquaventures Sdn Bhd	Aquaculture	13.2	40

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Dbix Systems Sdn Bhd	Provision of IT and internet solutions for enterprises	-	34.9
Sesama Equilab Sdn Bhd	Dormant	29	29
Consolidated Liquid Eggs Sdn Bhd	Dormant	30	30
Explorium (M) Sdn Bhd	Provider for customer and marketing management services, e-learning, brand experience	30	30
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	20.3	20.3

The associates held through CIMB Bank are:

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Bank of Yingkou Co. Ltd (Incorporated in the Peoples Republic of China)	Banking	20	20
The South East Asian Strategic Assets Fund (Incorporated in the Cayman Islands)	Invest in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	31.9	-
SEASAF Power Sdn Bhd	Investment holding	31.9	-
SEASAF Highway Sdn Bhd	Investment holding	31.9	-
SEASAF Education Sdn Bhd	Investment holding	31.9	-
SEASAF Sdn Bhd	Investment holding	31.9	-
SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	31.9	-

13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Engage Media Sdn Bhd	Operates out of home digital media network	35	35

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Tune Money Sdn Bhd	Online financial services	25	25

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
CIMB Private Equity 1 Sdn Bhd	Investment holding	28.2	28.2
Ekuiti Erasama Sdn Bhd	Investment holding	19.7	19.7
Bigbite Ventures Sdn Bhd	Investment holding	20.1	20.1
Big Ship Sdn Bhd	Investment management company	20.1	20.1
Eagle Eye Capital Sdn Bhd	Investment holding	14.1	14.1
Silverbell Capital Sdn Bhd	Investment holding	28.2	28.2
Silverbell Investment Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	28.2	28.2
Mezzanine Holdings Sdn Bhd	Investment holding	18.5	18.5
Top Sigma Sdn Bhd	Investment holding	20.1	-

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associates held through CIMBG's subsidiary, CIMB Strategic Assets (Cayman) Ltd are:

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
The South East Asian Strategic Assets Fund (Incorporated in the Cayman Islands)	Invest in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	-	31.9
SEASAF Power Sdn Bhd	Investment holding	-	31.9
SEASAF Highway Sdn Bhd	Investment holding	-	31.9
SEASAF Education Sdn Bhd	Investment holding	-	31.9
SEASAF Sdn Bhd	Investment holding	-	31.9
SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	-	31.9

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

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
CMREF 1 Sdn Bhd	Investment holding	24.9	24.9
Eleven Section Sixteen Sdn Bhd	Property investment and management	24.9	24.9
Dynamic Concept One Sdn Bhd	Property investment	24.9	24.9
Jaya Section Fourteen Sdn Bhd	Property investment and management	24.9	24.9
Project Asia City Sdn Bhd	Property investment and management	24.9	24.9
Forward Wealth Advisors Sdn Bhd	Property management services	24.9	24.9
Sentral Parc City Sdn Bhd	Property investment	24.9	24.9
Lot A Sentral Sdn Bhd	Property investment	24.9	24.9
Tanjung Pinang Villas Sdn Bhd	Investment and asset holdings	24.9	24.9

The associate held through PT Bank CIMB Niaga Tbk is:

Name of Associate	Principal activities	Percentage of equity held 2010 %	2009 %
Asuransi Cigna (Incorporated in the Republic of Indonesia)	Life insurance activities	20	20

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	The Group 2010 RM'000	The Group 2009 RM'000
Share of net assets of jointly controlled entities	171,486	161,519
Unquoted shares, at cost	156,636	151,063
Accumulated share of results	14,850	11,008
Less: Allowance for impairment loss	-	(552)
	171,486	161,519

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

Name	Principal activities	Percentage of equity held through subsidiary company 2010 %	Percentage of equity held through subsidiary company 2009 %
Proton Commerce Sdn Bhd	Financing of vehicles	50	50
Alam-PE Holdings (L) Inc (Incorporated in the Federal Territory of Labuan)	Owning and chartering offshore supply vessels	51	51
CIMB-Principal Islamic Asset Management Sdn Bhd	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	50	50
Hasrat Eramas Sdn Bhd	Investment holding	60	60

<u>Proton Commerce Sdn Bhd</u>

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

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Alam-PE Holdings (L) Inc

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

CIMB-Principal Islamic Asset Management Sdn Bhd

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

Hasrat Eramas Sdn Bhd

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

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

	The Group	
	2010 RM'000	2009 RM'000
Income	65,624	58,110
Expenses	(52,174)	(48,329)
Profit before taxation	13,450	9,781
Taxation	(3,902)	(2,026)
Net profit for the financial year	9,548	7,755

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

	The Group	
	2010 RM'000	2009 RM'000
Non-current assets	346,881	348,803
Current assets	142,088	127,306
Current liabilities	(112,712)	(67,827)
Long term liabilities	(204,771)	(246,763)
Net assets	171,486	161,519

15 PROPERTY, PLANT AND EQUIPMENT

The Group 2010	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January														
- as previously reported		112,207	-	-	424,922	116,380	323,828	1,513,939	738,724	62,110	101,445	16,650	9,903	3,420,108
- effect of adopting FRS 117 improvement	52(ii)	-	42,156	3,115	-	-	-	-	-	-	-	-	-	45,271
As restated		112,207	42,156	3,115	424,922	116,380	323,828	1,513,939	738,724	62,110	101,445	16,650	9,903	3,465,379
Additions		4,708	-	-	1,541	88	10,465	164,219	106,117	1,906	45,075	1,949	12,324	348,392
Arising from acquisition of subsidiaries	49(a)(i)	-	-	-	-	-	-	16,221	2,592	-	369	-	3,717	22,899
Disposals/written off		(21,445)	(7,043)	(1,205)	(4,781)	(2,287)	(559)	(59,933)	(18,097)	(881)	(16,857)	(1,219)	(9,137)	(143,444)
Transfer/reclassifications		-	-	-	-	-	-	(11,752)	13,750	-	(4)	-	(1,994)	-
Reclassified to intangible assets	19	-	-	-	12,368	-	-	(15,073)	(1,638)	-	-	-	-	(4,343)
Reclassifed from prepaid lease payments	17	-	-	-	-	-	940	-	-	-	-	-	-	940
Reclassified to non-current assets held for sale		-	-	-	-	-	(784)	-	-	-	-	-	-	(784)
Exchange fluctuation		(9,113)	-	(106)	(3,461)	(2,815)	(15,786)	(35,208)	(1,621)	(451)	(236)	-	(39)	(68,836)
At 31 December		86,357	35,113	1,804	430,589	111,366	318,104	1,572,413	839,827	62,684	129,792	17,380	14,774	3,620,203

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2010	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation and impairment loss														
At 1 January														
- as previously reported		9,008	-	-	122,985	46,406	204,913	890,639	531,140	44,281	60,359	11,368	(57)	1,921,042
- effect of adopting FRS 117 improvement	52(ii)	-	10,615	1,906	-	-	-	-	-	-	-	-	-	12,521
As restated		9,008	10,615	1,906	122,985	46,406	204,913	890,639	531,140	44,281	60,359	11,368	(57)	1,933,563
Charge for the financial year		-	891	26	8,696	2,519	20,835	184,922	102,382	6,518	17,243	1,363	-	345,395
Arising from acquisition of subsidiaries	49(a)(i)	-	-	-	-	-	-	15,569	2,041	-	335	-	-	17,945
Disposals/written off		-	(2,704)	(903)	(2,826)	(952)	(596)	(34,104)	(13,449)	(521)	(13,892)	(873)	-	(70,820)
Transfer/reclassifications		-	-	-	-	-	-	(8,369)	8,373	-	(4)	-	-	-
Impairment charged for the financial year		633	-	-	191	-	-	-	-	-	-	-	-	824
Reclassified to intangible assets	19	-	-	-	-	-	-	(11,947)	-	-	-	-	-	(11,947)
Reclassifed from prepaid lease payments	17	-	-	-	-	-	9	-	-	-	-	-	-	9
Reclassified to non-current assets held for sale		-	-	-	-	-	(427)	-	-	-	-	-	-	(427)
Exchange fluctuation		(2)	-	(73)	(511)	(390)	(10,863)	(24,222)	(1,071)	(136)	(19)	-	-	(37,287)
At 31 December		9,639	8,802	956	128,535	47,583	213,871	1,012,488	629,416	50,142	64,022	11,858	(57)	2,177,255
Net book value at 31 December 2010		76,718	26,311	848	302,054	63,783	104,233	559,925	210,411	12,542	65,770	5,522	14,831	1,442,948

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2009	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January														
- as previously reported		122,236	-	-	367,398	158,219	42,565	991,544	663,290	60,094	103,858	227,086	360,188	3,096,478
- effect of adopting FRS 117 improvement	52(ii)	-	57,259	4,897	-	-	-	-	-	-	-	-	-	62,156
As restated		122,236	57,259	4,897	367,398	158,219	42,565	991,544	663,290	60,094	103,858	227,086	360,188	3,158,634
Additions		29	-	-	2,186	14,449	17,671	305,478	27,080	5,416	5,295	274	39,824	417,702
Arising from acquisition of subsidiaries		82,595	-	-	440,675	-	43,473	83,355	154,394	-	4,143	-	-	808,635
Disposals/written off		(9,760)	(614)	(1,726)	(44,568)	(5,477)	(3,214)	(91,359)	(95,226)	(3,630)	(11,594)	(341)	(389,280)	(656,789)
Transfer/reclassifications		-	-	-	(125,526)	(90)	187,824	161,965	(12,050)	(82)	(807)	(210,369)	(865)	-
Reclassified to intangible assets	19	-	-	-	-	-	-	(1,081)	-	-	-	-	-	(1,081)
Reclassifed from prepaid lease payments	17	-	-	-	-	-	784	-	-	-	-	-	-	784
Reclassifed to investment properties	16	(14,383)	-	-	(7,150)	(4,310)	-	-	-	-	-	-	-	(25,843)
Reclassified to non-current assets held for sale		(68,510)	(14,489)	-	(208,093)	(46,649)	-	(2,817)	-	-	-	-	-	(340,558)
Exchange fluctuation		-	-	(56)	-	238	34,725	66,854	1,236	312	550	-	36	103,895
At 31 December		112,207	42,156	3,115	424,922	116,380	323,828	1,513,939	738,724	62,110	101,445	16,650	9,903	3,465,379

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2009	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation and impairment loss														
At 1 January														
- As previously reported		-	-	-	146,488	65,802	15,873	646,847	424,111	38,992	48,239	150,576	-	1,536,928
- effect of adopting FRS 117 improvement	52(ii)	-	13,021	3,169	-	-	-	-	-	-	-	-	-	16,190
As restated		-	13,021	3,169	146,488	65,802	15,873	646,847	424,111	38,992	48,239	150,576	-	1,553,118
Charge for the financial year		-	1,332	72	3,923	3,484	19,792	154,515	100,919	7,970	18,236	934	-	311,177
Arising from acquisition of subsidiaries		-	-	-	114,929	-	20,092	57,864	99,918	-	1,701	-	-	294,504
Disposals/written off		-	(254)	(1,291)	(8,013)	(935)	(1,188)	(85,362)	(92,804)	(2,704)	(7,497)	-	(57)	(200,105)
Transfer/reclassifications		-	-	-	(59,334)	-	127,959	74,900	(2,567)	(61)	(755)	(140,142)	-	-
Impairment		-												
- Arising from acquisition of a subsidiary		9,008	-	-	26,903	-	-	337	587	-	-	-	-	36,835
- Disposal		-	-	-	(8,759)	-	-	(9)	(10)	-	-	-	-	(8,778)
Reclassifed to investment properties	16	-	-	-	(1,297)	(676)	-	-	-	-	-	-	-	(1,973)
Reclassified to non-current assets held for sale		-	(3,484)	-	(91,853)	(21,400)	-	(1,138)	-	-	-	-	-	(117,875)
Exchange fluctuation		-	-	(44)	(2)	131	22,385	42,685	986	84	435	-	-	66,660
At 31 December		9,008	10,615	1,906	122,985	46,406	204,913	890,639	531,140	44,281	60,359	11,368	(57)	1,933,563
Net book value at 31 December 2009		103,199	31,541	1,209	301,937	69,974	118,915	623,300	207,584	17,829	41,086	5,282	9,960	1,531,816

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2010	Note	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost										
At 1 January										
- as previously reported		-	31	45,687	3,220	654	2,072	-	-	51,664
- effect of adopting FRS 117 improvement	52(ii)	6,792	-	-	-	-	-	-	-	6,792
As restated		6,792	31	45,687	3,220	654	2,072	-	-	58,456
Additions		-	-	-	1,062	-	563	39	634	2,298
Disposals		-	-	-	(862)	(452)	-	-	-	(1,314)
At 31 December		6,792	31	45,687	3,420	202	2,635	39	634	59,440
Accumulated depreciation										
At 1 January										
- as previously reported		-	31	19,438	1,523	619	1,486	-	-	23,097
- effect of adopting FRS 117 improvement	52(ii)	2,434	-	-	-	-	-	-	-	2,434
As restated		2,434	31	19,438	1,523	619	1,486	-	-	25,531
Charge for the financial year		158	-	1,357	336	21	258	6	-	2,136
Disposals		-	-	-	(245)	(453)	-	-	-	(698)
At 31 December		2,592	31	20,795	1,614	187	1,744	6	-	26,969
Net book value at 31 December 2010		4,200	-	24,892	1,806	15	891	33	634	32,471

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2010	Note	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January									
- as previously reported		-	31	45,687	3,208	654	2,072	351,077	402,729
- effect of adopting FRS 117 improvement	52(ii)	6,792	-	-	-	-	-	-	6,792
As restated		6,792	31	45,687	3,208	654	2,072	351,077	409,521
Additions		-	-	-	12	-	-	38,203	38,215
Disposals		-	-	-	-	-	-	(389,280)	(389,280)
At 31 December		6,792	31	45,687	3,220	654	2,072	-	58,456
Accumulated depreciation									
At 1 January									
- as previously reported		-	31	18,081	1,333	590	1,274	-	21,309
- effect of adopting FRS 117 improvement	52(ii)	2,276	-	-	-	-	-	-	2,276
As restated		2,276	31	18,081	1,333	590	1,274	-	23,585
Charge for the financial year		158	-	1,357	190	29	212	-	1,946
At 31 December		2,434	31	19,438	1,523	619	1,486	-	25,531
Net book value at 31 December 2009		4,358	-	26,249	1,697	35	586	-	32,925

16 INVESTMENT PROPERTIES

	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
The Group						
2010						
At 1 January		15,975	4,617	52,800	46,957	120,349
Disposals		(14,842)	(500)	-	-	(15,342)
Reclassification		(228)	228	-	-	-
Reclassified to non-current assets held for sale	51	-	-	(46,804)	-	(46,804)
Fair value adjustments		-	-	2,073	6,559	8,632
Exchange fluctuation		-	209	(5,169)	(659)	(5,619)
At 31 December		905	4,554	2,900	52,857	61,216
2009						
At 1 January		-	-	44,699	55,476	100,175
Reclassified from property, plant and equipment	15	14,383	5,853	3,634	-	23,870
Fair value adjustments		1,592	(1,236)	5,177	(9,211)	(3,678)
Exchange fluctuation		-	-	(710)	692	(18)
At 31 December		15,975	4,617	52,800	46,957	120,349

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
The Company			
2010			
Cost			
At 1 January/31 December	1,708	4,149	5,857
Accumulated depreciation			
At 1 January	-	1,392	1,392
Charge for the financial year	-	125	125
At 31 December	-	1,517	1,517
Accumulated impairment loss			
At 1 January	-	-	-
Impaired during the financial year	633	191	824
At 31 December	633	191	824
Net book value at 31 December 2010	1,075	2,441	3,516

16 INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2009			
Cost			
At 1 January/31 December	1,708	4,149	5,857
Accumulated depreciation			
At 1 January	-	1,267	1,267
Charge for the financial year	-	125	125
At 31 December	-	1,392	1,392
Net book value at 31 December 2009	1,708	2,757	4,465

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

	The Group	
	2010 RM'000	2009 RM'000
Rental income	1,703	3,440
Operating expenses arising from investment properties that generated the rental income	(163)	(163)

17 PREPAID LEASE PAYMENTS

The Group 2010	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
Cost				
At 1 January				
- as previously reported		42,156	294,235	336,391
- effect of adopting FRS 117 improvement	52(ii)	(42,156)	(3,115)	(45,271)
As restated		-	291,120	291,120
Disposals/write-off		-	(823)	(823)
Reclassified to property, plant and equipment	15	-	(940)	(940)
Exchange fluctuation		-	7	7
At 31 December		-	289,364	289,364

17 PREPAID LEASE PAYMENTS (CONTINUED)

The Group 2010	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
Amortisation and impairment loss				
At 1 January				
- as previously reported		10,615	45,852	56,467
- effect of adopting FRS 117 improvement	52(ii)	(10,615)	(1,906)	(12,521)
As restated		-	43,946	43,946
Amortisation during the financial year		-	60,483	60,483
Disposals/write-off		-	(601)	(601)
Reclassified to property, plant and equipment	15	-	(9)	(9)
Exchange fluctuation		-	3	3
At 31 December		-	103,822	103,822
Net book value at 31 December 2010		-	185,542	185,542

The Group 2009	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
Cost				
At 1 January				
- as previously reported		57,259	257,097	314,356
- effect of adopting FRS 117 improvement	52(ii)	(57,259)	(4,897)	(62,156)
As restated		-	252,200	252,200
Arising from acquisition of a subsidiary		-	5,247	5,247
Additions		-	18,718	18,718
Disposals/write-off		-	(225)	(225)
Reclassified to non-current assets held for sale	51	-	(2,130)	(2,130)
Reclassified to property, plant and equipment	15	-	(784)	(784)
Exchange fluctuation		-	18,094	18,094
At 31 December		-	291,120	291,120

17 PREPAID LEASE PAYMENTS (CONTINUED)

The Group 2009	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
Amortisation and impairment loss				
At 1 January				
- as previously reported		13,021	44,547	57,568
- effect of adopting FRS 117 improvement	52(ii)	(13,021)	(3,169)	(16,190)
As restated		-	41,378	41,378
Arising from acquisition of a subsidiary		-	2,580	2,580
Amortisation during the financial year		-	459	459
Impairment		-	427	427
Disposals/write-off		-	(340)	(340)
Reclassified to non-current assets held for sale	51	-	(528)	(528)
Exchange fluctuation		-	(30)	(30)
At 31 December		-	43,946	43,946
Net book value at 31 December 2009		-	247,174	247,174

Future amortisation of prepaid land lease is as follows:

The Group	2010 Leasehold land less than 50 years RM'000	2009 Leasehold land less than 50 years RM'000
- Not later than one year	14,466	16,019
- Later than one year and not later than five years	57,865	53,495
- More than five years	113,211	177,660
	185,542	247,174

18 GOODWILL

	Note	The Group 2010 RM'000	2009 RM'000
At 1 January		7,705,392	6,211,463
Goodwill arising from business combinations:	49	59,119	1,204,354
- Acquisition of CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited)	49(b)(i)	-	1,199,277
- Acquisition of Trace Tracker Malaysia Sdn Bhd	49(b)(ii)	-	5,077
- Provisional goodwill arising from additional acquisition of additional interest in subsidiary - Touch 'n Go ("TnG")	49(a)(i)	59,119	-
Acquisition of additional interest in PT Bank CIMB Niaga Tbk*		573,939	-
Exchange fluctuation		(142,758)	289,575
At 31 December		8,195,692	7,705,392
Impairment			
At 1 January		(10,739)	(6,739)
Impairment charge during the financial year		(25,484)	(4,000)
At 31 December		(36,223)	(10,739)
Net book value at 31 December		8,159,469	7,694,653

* On 19 August 2010, CIMB Group Sdn Bhd, a subsidiary of the Company had acquired additional 19.67% of the total number of issued and paid-up share capital of PT Bank CIMB Niaga Tbk ("CIMB Niaga") for a purchase consideration of RM1,943,000,000. The purchase consideration was satisfied via issuance of new CIMB shares of 268 million shares at an indicative issue price of RM7.25 each. The additional investment in CIMB Niaga has increased the Group's equity interest in CIMB Niaga to 97.93%. The goodwill that arose from the additional acquisition amounted to RM573,939,000.

Allocation of goodwill to cash-generating-units

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

Acquisition	CGU	2010 RM'000	2009 RM'000
CIMB Investment Bank Berhad	Corporate and Investment Banking	21,547	21,547
CIMB Securities International Pte Ltd (formerly known as CIMB-GK Pte Ltd)	Corporate and Investment Banking	153,081	153,081
CIMB SI Sdn Bhd	Corporate and Investment Banking	19,246	19,246
Commerce Asset Ventures Sdn Bhd	Asset Management	19,777	45,261
Insurance entities	Insurance	28,049	28,049
PT Bank CIMB Niaga Tbk	Foreign Banking Operations	2,578,349	2,004,410

18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating-units (Continued)

Acquisition	CGU	2010 RM'000	2009 RM'000
SBB Berhad	Retail Banking	1,101,075	1,101,075
	Business Banking	911,000	911,000
	Corporate and Investment Banking	419,000	419,000
	Islamic Banking	136,000	136,000
	Direct Banking Group	587,000	587,000
	Treasury	537,000	537,000
CIMB-Principal Asset Management Berhad	Asset Management	281,772	281,772
CIMB Thai Bank Public Company Limited	Foreign Banking Operations	1,199,277	1,199,277
Touch 'n Go Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	59,119	-
Exchange fluctuation		108,177	250,935
		8,159,469	7,694,653

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2011 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

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

	2010		2009	
	Growth rate	Discount rate	Growth rate	Discount rate
Corporate and Investment Banking	2.00% - 5.00%	7.12% - 19.23%	0.00% - 5.00%	7.1% - 23.4%
Asset Management	3.00% - 5.00%	8.89%	0.00% - 5.00%	0.071
Consumer Banking	5.00%	8.89%	5.00%	0.071
Treasury and Investment	5.00%	8.89%	5.00%	0.071
Foreign banking operation	2.00%	10.43% - 11.59%	n/a*	n/a*
Others	4.20% - 5.00%	8.89%	2.50% - 5.00%	7.10% - 7.20%

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.

* In previous financial year, the recoverable amount of foreign banking operations were determined using fair value less cost to sell based on observable quoted market prices.

Impairment charge

The impairment charge of RM25.5 million during the financial year arises from impairment of IT services and manufacturing from Asset Management (2009: RM4.0 million arises from the impairment of trustee services).

19 INTANGIBLE ASSETS

The Group 2010	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Mutual fund license* RM'000	Insurance broker license* RM'000	Total RM'000
Cost or valuation								
At 1 January		211,795	1,348,558	30,935	720,989	2,025	899	2,315,201
Arising from acquisition of a subsidiary	49(a)(i)	-	-	-	19,141	-	-	19,141
Additions during the financial year		-	-	-	168,250	-	-	168,250
Disposals during the financial year		-	-	-	(57,170)	-	-	(57,170)
Reclassified from property, plant and equipment	15	-	-	-	4,343	-	-	4,343
Exchange fluctuation		-	-	(1,250)	(50)	(119)	-	(1,419)
At 31 December		211,795	1,348,558	29,685	855,503	1,906	899	2,448,346
Accumulated amortisation and impairment								
At 1 January		50,739	165,831	30,783	399,969	95	-	647,417
Arising from acquisition of a subsidiary	49(a)(i)	-	-	-	14,252	-	-	14,252
Amortisation during the financial year		29,544	151,043	-	90,921	-	-	271,508
Disposals during the financial year		-	-	-	(38,875)	-	-	(38,875)
Reclassified from property, plant and equipment	15	-	-	-	11,947	-	-	11,947
Exchange fluctuation		-	-	(1,249)	115	(64)	-	(1,198)
At 31 December		80,283	316,874	29,534	478,329	31	-	905,051
Net book value at 31 December 2010		131,512	1,031,684	151	377,174	1,875	899	1,543,295

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

19 INTANGIBLE ASSETS (CONTINUED)

The Group 2009	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	Mutual fund license* RM'000	Insurance broker license* RM'000	Total RM'000
Cost or valuation								
At 1 January		201,504	1,347,508	30,256	362,408	1,754	1,725	1,945,155
Arising from acquisition of a subsidiary	49(b)(i)	10,291	1,050	256	125,320	-	-	136,917
Additions during the financial year		-	-	-	236,804	-	-	236,804
Disposals during the financial year		-	-	-	(4,350)	-	(826)	(5,176)
Reclassified from property, plant and equipment	15	-	-	-	1,081	-	-	1,081
Exchange fluctuation		-	-	423	(274)	271	-	420
At 31 December		211,795	1,348,558	30,935	720,989	2,025	899	2,315,201
Accumulated amortisation and impairment								
At 1 January		31,892	82,379	-	239,214	-	-	353,485
Arising from acquisition of a subsidiary	49(b)(i)	346	-	-	83,267	-	-	83,613
Amortisation during the financial year		18,501	83,452	103	78,137	-	-	180,193
Impairment during the financial year		-	-	30,355	1,955	-	-	32,310
Disposals during the financial year		-	-	-	(2,628)	-	-	(2,628)
Exchange fluctuation		-	-	325	24	95	-	444
At 31 December		50,739	165,831	30,783	399,969	95	-	647,417
Net book value at 31 December 2009		161,056	1,182,727	152	321,020	1,930	899	1,667,784

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

The above intangible assets include the software under construction at cost of RM240,020,724 (2009: RM199,638,968).

19 INTANGIBLE ASSETS (CONTINUED)

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-18%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

The valuation of core deposits was derived by discounting the anticipated future benefits in the form of net interest savings from core deposits. The discount rate used was 8%-16%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

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

Customer relationships:	
- credit card	7.5 years
- revolving credit	2 - 3 years
- overdraft	4 - 5 years
- trade finance	3 years
Core deposits	3.5 - 18 years
Computer software:	
- core and front-end systems	1 - 14 years
- others	1 year

Impairment charge

The impairment charge of RM30,355,000 for securities stockbroking license during the previous financial year arose from the stockbroking business in Thailand. This is due to the transfer of business from CIMB-GK Securities (Thailand) Ltd to CIMB Thai Bank and the liberalisation of securities licensing in Thailand resulting in difficulty to dispose the license, thus rendering the securities stockbroking license to be worth less than its original value. The recoverable amount is RM Nil. The impairment affects the Treasury and Investment business segment. There was no impairment charge for the financial year ended 31 December 2010.

20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2010 RM'000	2009 RM'000
Demand deposits	43,982,722	36,950,453
Savings deposits	22,242,066	19,695,207
Fixed deposits	90,291,236	83,570,321
Negotiable instruments of deposit	1,545,997	2,081,384
Others	41,783,643	36,584,971
	199,845,664	178,882,336

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	The Group 2010 RM'000	The Group 2009 RM'000
Due within six months	77,723,485	70,293,545
Six months to one year	10,887,119	11,545,160
One year to three years	1,281,316	1,920,292
Three years to five years	1,677,355	1,638,686
More than five years	267,958	254,022
	91,837,233	85,651,705

(ii) By type of customer

	The Group 2010 RM'000	The Group 2009 RM'000
Government and statutory bodies	14,123,891	20,363,828
Business enterprises	95,496,601	77,199,262
Individuals	70,213,582	61,552,720
Others	20,011,590	19,766,526
	199,845,664	178,882,336

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group 2010 RM'000	The Group 2009 RM'000
Licensed banks	7,241,711	6,280,414
Licensed finance companies	145,025	101,307
Licensed investment banks	529,845	193,070
Bank Negara Malaysia	1,598,400	365,000
Other financial institutions	3,577,176	3,191,791
	13,092,157	10,131,582

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM1,025,300,000 (2009: RM1,083,400,000) using interest rate swaps.

	The Group 2010 RM'000	The Group 2009 RM'000
Negotiable instruments of deposit	1,025,300	1,083,400
Fair value changes arising from fair value hedges	(13,613)	(11,765)
	1,011,687	1,071,635

The fair value of the interest rate swaps as at 31 December 2010 was RM13,843,746 (2009: RM35,953,565).

22 OTHER LIABILITIES

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Interest payable		-	568,278	-	2,602
Due to brokers and clients		1,317,617	1,578,692	-	-
Amount due to special purpose vehicle of jointly controlled entity		-	314,360	-	-
Expenditure payable		1,717,302	1,099,439	-	-
Provision for legal claims		138,319	290,336	-	-
Sundry creditors		900,913	554,379	1,463	13,002
Insurance fund – life and takaful insurance business		998,019	1,738,626	-	-
Insurance fund – general insurance business	(a)	541,062	18,098	-	-
Allowance for commitments and contingencies	(b)	88,631	72,716	-	-
Post employment benefit obligations	23	271,273	275,848	52	52
Credit card expenditure payable		221,237	119,757	-	-
Call deposit borrowing		281,833	210,761	-	-
Others		2,148,462	1,259,470	-	-
		8,624,668	8,100,760	1,515	15,656

(a) Insurance fund – general insurance business

	The Group 2010 RM'000	The Group 2009 RM'000
Participants' fund	226,840	-
Investment-linked fund	250,397	-
Surplus	(18,562)	-
Provision for outstanding claims	54,915	14,574
Unearned premium reserve	27,472	3,524
	541,062	18,098

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

	The Group 2010 RM'000	The Group 2009 RM'000
At 1 January	72,716	32,749
Allowance made during the financial year	20,900	18,088
Allowance arising from acquisition of subsidiary	-	15,738
Exchange fluctuation	(4,985)	6,141
At 31 December	88,631	72,716

23 POST EMPLOYMENT BENEFIT OBLIGATIONS

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Defined contribution plan – EPF	(a)	15,754	102,566	52	52
Defined benefit plans	(b)	255,519	173,282	-	-
		271,273	275,848	52	52

(a) Defined contribution plan

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

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Malaysia, Indonesia, Thailand and Singapore, the assets of which are held in separate trustee-administered funds. The latest actuarial valuations of the plans in Malaysia, Indonesia, Thailand and Singapore were carried out as at 31 December 2010.

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

	Note	The Group 2010 RM'000	The Group 2009 RM'000
Present value of funded obligations		538,526	410,414
Fair value of plan assets		(398,838)	(358,906)
Status of funded plan		139,688	51,508
Present value of unfunded obligations		96,930	98,217
Unrecognised actuarial gains/(losses)		(21,477)	6,005
Unrecognised past service costs		40,378	17,552
Liability		255,519	173,282
The amount recognised in the profit or loss in respect of defined benefit plans is as follows:			
Current service costs		36,601	26,292
Interest costs		48,308	35,121
Expected return on plan assets		(34,102)	(27,154)
Net actuarial losses recognised during the year		(510)	-
Past service costs		523	(3,315)
Curtailment (gain)/amortisation of unrecognised loss		(15,862)	1,548
Termination		(9,328)	(133)
Total included in personnel costs	34	25,630	32,359

The actual return on plan assets of the Group was RM43,108,000 (2009: RM71,917,000).

23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

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

	The Group	
	2010 RM'000	2009 RM'000
At 1 January	508,631	365,651
Current service costs	36,601	26,292
Interest costs	48,308	35,121
Actuarial (gains)/losses	(11,928)	17,846
Benefits paid	(16,558)	(16,759)
Arising from acquisition of subsidiary	-	89,420
Past service costs non-vested benefits	11	(17,874)
Past service costs vested benefits	512	(1,869)
Effects of changes in actuarial assumption	47,690	(20,299)
Curtailments	(18,550)	-
Exchange fluctuation	40,739	31,102
At 31 December	635,456	508,631

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

	The Group	
	2010 RM'000	2009 RM'000
At 1 January	358,906	247,806
Expected return on plan assets	34,102	27,154
Actuarial (losses)/gains	(11,856)	41,040
Employer contributions	11,030	20,912
Contribution by plan participant	-	3,340
Benefits paid	(10,081)	(10,918)
Exchange fluctuation	16,737	29,572
At 31 December	398,838	358,906

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

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

	The Group	
	2010 %	2009 %
Discount rates	6.60 - 11.00	3.00 - 11.00
Expected return on plan assets	5.00 - 11.00	5.00 - 11.00
Future salary increases	6.00 - 8.00	4.00 - 8.00

23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The expected contribution to post employment benefits plan for the financial year ending 31 December 2011 is RM23,551,000 (2010: RM30,945,000) to the Group.

The Group	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000
As at 31 December					
Present value of funded defined benefit obligation	538,526	410,414	351,129	318,032	299,399
Fair value of plan assets	(398,838)	(358,906)	(247,806)	(288,677)	(244,865)
Deficit	139,688	51,508	103,323	29,355	54,534
Experience adjustments on plan liabilities	(11,928)	17,846	23,187	19,190	(2,061)
Experience adjustments on plan assets	(11,856)	41,040	(61,236)	23,323	6,682

24 BONDS

	The Group 2010 RM'000	2009 RM'000
USD140 million bonds 2009/2014	423,982	443,051
	423,982	443,051

USD140 million bonds 2009/2014 ("USD 140 million bonds")

During the previous financial year, an indirect subsidiary, CIMB Bank (L) Limited, a wholly-owned subsidiary of CIMB Bank, has issued a 2 year senior unsecured USD 140 million bonds guaranteed by the Company. The USD 140 million bonds were issued at par on 17 April 2009 and matures on 15 April 2011. The USD 140 million bonds bear an interest rate of 3.00% per annum payable annually in arrears on 16 April 2010 and 15 April 2011. The USD 140 million bonds are not listed on any exchange and shall be redeemed at the nominal value on the maturity date. The USD 140 million bonds were fully subscribed by TPG Malaysia Finance, L.P.

25 OTHER BORROWINGS

	Note	The Group 2010 RM'000	2009 RM'000	The Company 2010 RM'000	2009 RM'000
Syndicated term loan					
- USD300 million	(a)	925,050	1,027,500	-	-
Syndicated term loan					
- USD100 million	(b)	-	342,500	-	342,500
Syndicated term loan					
- USD100 million	(c)	308,350	-	308,633	-
Commercial Papers/Medium Term Notes	(d)	257,118	265,000	343,623	344,736
Term loan	(e)	1,172,002	1,239,431	1,012,092	1,000,000
Others		822,147	327,765	-	-
		3,484,667	3,202,196	1,664,348	1,687,236

25 OTHER BORROWINGS (CONTINUED)

(a) In 2006, an indirect subsidiary, CIMB Bank (L) Limited, a wholly owned subsidiary of CIMB Bank, secured a term loan which will mature on 22 June 2011. It bears floating interest rates of LIBOR + 0.19% per annum and is guaranteed by CIMB Bank.

(b) In 2007, the Company secured a syndicated term loan amounting to USD100 million which has matured on 4 September 2010. It bears floating interest rate of LIBOR + 0.16% per annum.

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

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

The main features of the CPs and iCPs are as follows:

(i) The CPs and iCPs were issued at discount on zero coupon basis. The discount rate for the CPs ranges from 3.00% to 3.70% and the profit rate for the iCPs ranges from 2.60% to 3.64%;

(ii) The tenure ranges from 1 month to 6 months. The CPs were issued in 2007, 2008 and 2010, and had matured in 2008 and 2010. The iCPs were issued in 2008 and 2009, and had matured during the same financial year they were issued;

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

(i) The MTNs and iMTNs were issued at par. The MTNs carry a fixed interest rate of 3.93% per annum and the iMTNs carry a fixed dividend rate of 5.05% per annum;

(ii) On 4 September 2007, the Company issued RM350 million of MTNs which had matured on 4 March 2009. On 30 May 2008, the Company issued RM350 million of iMTNs which will mature on 30 May 2013;

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

	The Company	
	2010 RM'000	2009 RM'000
Islamic Medium Term Notes, at cost	150,000	150,000
Fair value changes arising from fair value hedge	(7,882)	(5,264)
	142,118	144,736

The fair value gain of interest rate swaps as at 31 December 2010 was RM5,676,287 (2009: RM8,468,615).

(e) In 2009, the Company secured a term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full at the end of three years on 26 June 2012 and bears an interest rate of 3.4% per annum.

In 2008, CIMB Niaga secured a term loan amounting to USD25 million which will mature on 13 June 2011. It bears a floating interest rate of 1.6% per annum.

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

26 SUBORDINATED NOTES

		The Group		The Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Subordinated Notes 2005/2015 (USD100 million)	(a)	-	342,045	-	-
Subordinated Notes 2006/2011 (USD200 million)	(b)	443,580	523,637	-	-
Subordinated Notes 2010/2017 (IDR 1,380,000m)	(c)	467,108	-	-	-
Subordinated Notes 2010/2020 (IDR 1,600,000m)	(d)	546,692	-	-	-
Subordinated bonds RM1.5 billion	(e)	1,506,340	1,516,786	-	-
Subordinated bonds RM1.0 billion	(f)	1,000,000	1,000,000	-	-
Subordinated bonds RM1.0 billion	(g)	947,673	931,582	-	-
Subordinated Notes (USD50 million)	(h)	158,387	171,424	-	-
Subordinated Notes (USD40 million)	(i)	126,237	137,138	-	-
Subordinated Notes - THB544 million	(j)	55,932	55,945	-	-
Subordinated Sukuk - RM300 million	(k)	295,203	284,181	-	-
Subordinated Notes - RM1 billion	(l)	999,414	-	-	-
Subordinated Notes - RM1 billion	(l)	998,774	-	-	-
Subordinated Fixed Rate Notes RM1.38 billion	(m)	1,380,000	1,380,000	1,380,000	1,380,000
Subordinated Fixed Rate Notes RM150 million	(n)	150,000	-	150,000	-
Subordinated Fixed Rate Notes RM600 million	(n)	600,000	-	600,000	-
		9,675,340	6,342,738	2,130,000	1,380,000

(a) Subordinated Notes 2005/2015

The Subordinated Notes Callable with Step-Up in 2010 Coupon 2005/2015 were issued by a subsidiary bank, PT Bank CIMB Niaga Tbk.

The main features of the Subordinated Notes are as follows:

(i) The USD100,000,000 Notes are issued in registered form and are represented by the Global Certificate and in denominations of USD1,000.

(ii) The Notes bear interest at the rate of 7.75% per annum from and including 14 July 2005 to, but excluding, 14 July 2010 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 6.1875%. Interest is payable semi-annually in arrears on 14 January and 14 July, in each year, commencing 14 January 2006.

(iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and will rank *pari passu* without any preference among themselves. The instrument is listed on the Singapore Exchange.

(iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding (as defined in the Condition of the Notes) to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer except, in each case, to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Notes.

(v) PT Bank CIMB Niaga Tbk may at its option, but subject to the prior written approval of Bank Indonesia, redeem the Notes on 14 July 2010 at their principal amount plus accrued interest.

PT Bank CIMB Niaga has fully redeemed the subordinated notes 2005/2015 on 14 July 2010 upon obtaining approval from Bank Indonesia.

26 SUBORDINATED NOTES (CONTINUED)

(b) Subordinated Notes 2006/2011

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

The main features of the Notes are as follows:

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

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

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

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

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

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

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

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

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

(e) Subordinated Bonds RM1.5 billion

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

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

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

26 SUBORDINATED NOTES (CONTINUED)

(e) Subordinated Bonds RM1.5 billion (Continued)

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

	The Group 2010 RM'000	The Group 2009 RM'000
Subordinated bonds, at cost	600,000	600,000
Fair value changes arising from fair value hedges	6,341	16,786
	606,341	616,786

The fair value gain of interest rate swaps as at 31 December 2010 was RM20,380,266 (2009: RM31,680,114).

(f) Subordinated Bonds RM1.0 billion

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

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

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

(g) Subordinated Bonds RM1.0 billion

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

(i) Non-Cumulative Perpetual Capital Securities issued by CIMB Bank; and
(ii) Subordinated Notes issued by Commerce Returns Berhad, a wholly-owned subsidiary of CIMB Bank.

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

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

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

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

	The Group 2010 RM'000	The Group 2009 RM'000
Subordinated bonds, at cost	800,000	800,000
Fair value changes arising from fair value hedges	(52,327)	(68,418)
	747,673	731,582

The fair value loss of interest rate swaps as at 31 December 2010 was RM55,049,856 (2009: RM71,803,319).

26 SUBORDINATED NOTES (CONTINUED)

(h) Subordinated Notes (USD50 million)

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

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

The USD50 million Notes will mature on 17 July 2016 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

(i) Subordinated Notes (USD40 million)

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

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

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

(j) Subordinated Notes - THB544 million

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

(k) Subordinated Sukuk - RM300 million

The RM300 million subordinated Sukuk ("the Sukuk") is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the pogramme, CIMB Islamic Bank Berhad, a subsidiary of CIMB Bank, is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

The RM300 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

(l) Subordinated Notes RM2 billion

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

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

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

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

26 SUBORDINATED NOTES (CONTINUED)

(l) Subordinated Notes RM2 billion (Continued)

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

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

Subordinated debts with maturity of 10 years

	The Group	
	2010 RM'000	2009 RM'000
Subordinated debts, at cost	1,000,000	-
Fair value changes arising from fair value hedges	(586)	-
	999,414	-

The fair value loss of interest rate swaps as at 31 December 2010 was RM3,113,966 (2009: RM Nil).

Subordinated debts with maturity of 15 years

	The Group	
	2010 RM'000	2009 RM'000
Subordinated debts, at cost	800,000	-
Fair value changes arising from fair value hedges	(1,226)	-
	798,774	-

The fair value loss of interest rate swaps as at 31 December 2010 was RM 8,039,903 (2009: RM Nil).

(m) Subordinated Fixed Rate Notes RM1.38 billion

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

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

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

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

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

27 SHARE CAPITAL

	Note	The Group and the Company 2010 RM'000	2009 RM'000
Ordinary shares of RM1.00 each:			
Authorised:			
At 1 January		5,000,000	5,000,000
Creation of new authorised share capital during the financial year		5,000,000	-
At 31 December		10,000,000	5,000,000
Issued and fully paid shares of RM1.00 each:			
At 1 January		3,531,766	3,578,078
Issued/(cancelled) during the financial year:			
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009		-	4,317
- exercise of warrants	46(f)	101,245	-
- cancellation of treasury shares	30(b)	-	(50,629)
- bonus shares	46(f)	3,531,764	-
- share exchange for acquisition of a subsidiary	46(d)	268,000	-
At 31 December		7,432,775	3,531,766

28 PREFERENCE SHARES

(a) Non-cumulative guaranteed preference shares

	The Group 2010 RM'000	2009 RM'000
Authorised		
Redeemable preference shares of USD0.01 each		
At 1 January/31 December	8	8
Issued and fully paid		
Redeemable preference shares of USD0.01 each		
Non-cumulative guaranteed preference shares	706,879	751,437
Non-cumulative guaranteed preference shares, at cost	728,250	728,250
Fair value changes arising from fair value hedges	99,331	73,449
Foreign exchange translations	(120,702)	(50,262)
	706,879	751,437

28 PREFERENCE SHARES (CONTINUED)

(a) Non-cumulative guaranteed preference shares (Continued)

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

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

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

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

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

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

(b) Redeemable preference shares

		The Group	
		2010 RM'000	**2009 RM'000**
Authorised			
Redeemable preference shares of RM0.01 each	(i)	1,000	1,000
Redeemable preference shares of RM0.01 each	(ii)	350	350
Issued and fully paid			
Redeemable preference shares of RM0.01 each			
At 1 January/31 December	(i)	100,000	100,000
Redeemable preference shares of RM0.01 each	(ii)		
At 1 January		53,283	55,633
Redeemed during the financial year		-	(2,350)
At 31 December		53,283	53,283

28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares (Continued)

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

The main features of the RPS are as follows:

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

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

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 5% per annum.
- The maturity date of the RPS is either: -

  (i) the date corresponding to the 5th anniversary of the issue date; or
  (ii) the date corresponding to the 7th anniversary of the issue date; or
  (iii) such other date as the Board may resolve.

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

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

The main features of the RPS are as follows:

- The RPS carries a fixed cumulative dividend of 5% per annum.
- The maturity date of the RPS is either: -

  (i) the date corresponding to the 5th anniversary of the issue date; or
  (ii) the date corresponding to the 7th anniversary of the issue date; or
  (iii) such other date as the Board may resolve.

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

28 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares (Continued)

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

The main features of the RPS are as follows:

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

(c) Perpetual preference shares

	The Group	
	2010 RM'000	2009 RM'000
Authorised		
Perpetual preference shares of RM1.00 each	500,000	500,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each	200,000	200,000

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

(i) The PPS has no right to dividends.

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

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

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

29 RESERVES

		The Group		The Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Share premium - ordinary shares		4,192,596	5,586,751	4,192,596	5,586,751
Statutory reserves	(a)	3,935,308	3,415,780	-	-
Regulatory reserve	(b)	117,595	-	-	-
Capital reserve		136,954	136,954	55,982	55,982
Exchange fluctuation reserves	(c)	(347,337)	361,780	-	-
Revaluation reserve					
- financial investments available-for-sale	(d)	474,673	545,121	-	-
Retained earnings	(e)	7,156,250	6,831,811	1,263,815	1,995,678
Other reserves					
- hedging reserve – net investment hedge	(f)	131,736	(105,495)	-	-
- hedging reserve – cash flow hedge		-	(16,521)	-	(12,573)
- warrants reserve	(g)	-	57,630	-	57,630
		15,797,775	16,813,811	5,512,393	7,683,468

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

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

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

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

(e) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax in the hands of the shareholders ("single tier system"). During the financial year 2009, the Company has fully utilised the credit in the Section 108 balance to distribute dividend payments to its shareholders as allowed by the transitional provision under the Finance Act, 2007. As at 31 December 2010, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM467,522,037 (2009: RM152,156,981) out of its retained earnings.

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

(g) During the previous financial year, the Company issued 50,622,413 warrants to TPG Malaysia Finance, L.P. to purchase ordinary shares of the Company at a strike price of RM10 per share, exercisable at any time over a five year period. The warrants are not listed on any exchange. The warrants shall not share any participating rights to distribution. The warrants were subsequently exercised at an issue price of RM5 each, and listed on 18 October 2010.

30 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2010 RM'000	2009 RM'000
At 1 January	563	74,190
Utilised during the financial year	-	(73,627)
At 31 December	563	563

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

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

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

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

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

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

As at 31 December 2010, there are 258,000 units remain unexercised.

(b) Treasury shares, at cost

	The Group and the Company			
	2010		2009	
	Units '000	RM'000	Units '000	RM'000
At 1 January	-	-	50,609	461,702
Purchased during the year	2	21	20	174
Cancelled during the year	-	-	(50,629)	(461,876)
At 31 December	2	21	-	-

30 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost (Continued)

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 7 May 2010, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back 2,000 (2009: 20,000) of its issued share capital at an average price of RM10.41 per share (2009: RM8.72 per share), from the open market. As at statements of financial position date, there were 2,000 ordinary shares held as treasury shares (2009: no ordinary shares were held as treasury shares). The total consideration paid for the share buyback during the financial year, including transaction costs is RM20,983 (2009: RM174,400) and was financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

31 INTEREST INCOME

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans, advances and financing				
- interest income other than recoveries	8,919,848	8,372,559	16,925	61
- recoveries from impaired loans/non-performing loans	13,543	253,786	-	-
- unwinding income ^	190,871	-	-	-
Money at call and deposits with financial institutions	359,571	283,182	8,915	10,493
Reverse repurchase agreements	79,410	115,693	-	-
Financial assets held for trading	298,284	165,861	-	-
Financial assets designated at fair value through profit or loss	3,442	-	-	-
Financial investments available-for-sale	500,869	556,611	-	-
Financial investments held-to-maturity	600,357	768,857	-	-
Others	10,001	37,011	-	-
	10,976,196	10,553,560	25,840	10,554
Accretion of discounts less amortisation of premiums	192,662	134,530	3,200	50,124
Net interest suspended	-	(148,320)	-	-
	11,168,858	10,539,770	29,040	60,678

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

32 INTEREST EXPENSE

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits and placements of banks and other financial institutions	55,279	96,959	-	-
Deposits from other customers	3,817,391	3,674,484	-	-
Repurchase agreements	569	947	-	-
Subordinated notes	386,559	301,694	134,931	51,060
Loans sold to Cagamas	8,974	26,575	-	-
Negotiable certificates of deposits	152,066	133,498	-	-
Other borrowings	81,518	127,468	55,235	70,992
Others	129,225	109,239	-	-
	4,631,581	4,470,864	190,166	122,052

33 NET NON-INTEREST INCOME

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net fee and commission income:				
Commissions	277,522	224,892	-	-
Fee on loans, advances and financing	329,266	526,500	-	-
Portfolio management fees	24,308	27,386	-	-
Service charges and fees	369,141	332,412	-	-
Corporate advisory fees	121,355	70,028	-	-
Guarantee fees	48,624	56,775	-	-
Other fee income	412,696	264,196	-	-
Placement fees	53,819	145,432	-	-
Underwriting commission	143,267	32,289	-	-
Al-Wakalah fee	29,738	29,466	-	-
Fee and commission income	1,809,736	1,709,376	-	-
Fee and commission expense	(264,171)	(198,633)		
Net fee and commission income	1,545,565	1,510,743	-	-
Gross dividend income from:				
In Malaysia				
- Subsidiaries	-	-	1,741,815	680,025
- Associates	-	-	1,534	533
- Financial assets held for trading	16,857	16,398	-	-
- Financial investments available-for-sale	21,861	22,100	-	-
- Financial investments held-to-maturity	77	-	-	-
Outside Malaysia				
- Financial assets held for trading	980	798	-	-
- Financial investments available-for-sale	20,547	16,177	-	-
	60,322	55,473	1,743,349	680,558
Net gain/(loss) arising from financial assets held for trading				
- realised	84,963	177,244	-	-
- unrealised	(32,876)	152,792	-	-
	52,087	330,036	-	-
Net gain/(loss) arising from derivative financial instruments				
- realised	(181,881)	493,842	(48,070)	(4,768)
- unrealised	(21,194)	(354,274)	(13,264)	4,533
	(203,075)	139,568	(61,334)	(235)
Net loss arising from hedging derivatives	(60,234)	(3,965)	-	-
Net gain from sale of financial investments available-for-sale	707,041	257,769	-	-
Net gain from redemption/maturity of financial investments held-to-maturity	104,278	24,505	-	-
Net gain from financial assets designated at fair value through profit or loss	6,988	-	-	-
Income from assets management and securities services	175,170	162,272	-	-
Brokerage income	372,433	281,778	-	-

33 NET NON-INTEREST INCOME (CONTINUED)

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Other non-interest income:					
Foreign exchange gain/(loss):					
- realised		81,210	36,601	37,242	(1)
- unrealised		600,917	344,631	6,565	4,467
Accretion of investment gain		-	-	-	22,860
Gain on disposal of net assets and interests in subsidiaries		27,218	99,800	-	-
Rental income		17,947	19,538	3,135	3,813
Gain/(loss) on disposal of property, plant and equipment/assets held for sale		170,669	97,960	(171)	77,263
Gain on disposal of leased assets		511	250	-	-
Net gain from insurance business		38,845	105,438	-	-
Gain/(loss) on revaluation of investment properties		8,632	(3,678)	-	-
Other non-operating income		230,416	157,222	39	51
Underwriting surplus before management expenses	(a)	6,748	-	-	-
Loss on disposal of foreclosed properties		(296)	(8,120)	-	-
		1,182,817	849,642	46,810	108,453
		3,943,392	3,607,821	1,728,825	788,776

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

	The Group 2010 RM'000	The Group 2009 RM'000
Insurance premium earned	20,633	-
Net claims incurred	(689)	-
Net commissions	(13,196)	-
	6,748	-

34 OVERHEADS

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Personnel costs					
- Salaries, allowances and bonus		2,574,840	2,175,025	1,016	1,495
- Pension costs (defined contribution plan)		187,123	201,910	240	221
- Pension costs (defined benefit plans)	23(b)	25,630	32,359	-	-
- Overtime		31,931	34,812	32	27
- Staff incentives and other staff payments		128,032	130,616	-	-
- Medical expenses		76,700	72,223	4	11
- Others		245,239	226,464	5	5

34 OVERHEADS (CONTINUED)

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Establishment costs				
- Depreciation of property, plant and equipment	345,395	311,177	2,136	1,946
- Impairment of property, plant and equipment	824	-	-	-
- Depreciation of investment properties	-	-	125	125
- Amortisation of prepaid lease payments	60,483	459	-	-
- Impairment of prepaid lease payments	-	427	-	-
- Impairment of investment properties	-	-	824	-
- Rental	273,309	244,267	-	6
- Repair and maintenance	297,264	215,706	615	489
- Outsourced services	238,102	214,241	-	-
- Security expenses	91,191	78,626	222	239
- Others	174,541	186,156	186	351
Marketing expenses				
- Sales commission	41,824	67,684	-	-
- Advertisement	261,666	158,432	109	118
- Others	68,459	33,504	-	-
Administration and general expenses				
- Impairment of intangible assets				
- computer software	-	1,955	-	-
- Amortisation of intangible assets	271,508	180,193	-	-
- Legal and professional fees	206,164	182,866	5,116	9,867
- Stationery	91,543	102,905	1,214	989
- Merchant expenses	-	53	-	-
- Communication	145,585	146,573	52	85
- Incidental expenses on banking operations	59,239	72,439	-	-
- Insurance	71,398	74,153	-	-
- Others	557,783	386,038	3,204	7,950
	6,525,773	5,531,263	15,100	23,924

34 OVERHEADS (CONTINUED)

The above expenditure includes the following statutory disclosures:

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Directors' remuneration	37	18,514	21,323	2,096	2,160
Rental of premises		193,040	175,722	-	-
Hire of equipment		8,835	9,235	-	-
Lease rental		20,727	18,283	-	-
Auditors' remuneration					
Audit					
- Statutory audit (PricewaterhouseCoopers Malaysia*)		4,098	3,058	171	211
- Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)		3,792	3,114	-	-
- Limited review (PricewaterhouseCoopers Malaysia*)		963	735	-	80
- Limited review (other member firms of PricewaterhouseCoopers International Limited*)		300	139	-	-
- Other audit related (PricewaterhouseCoopers Malaysia*)		455	595	-	-
- Other audit related (other member firms of PricewaterhouseCoopers International Limited*)		1,411	36	-	-
Non-audit					
- Non-audit services (PricewaterhouseCoopers Malaysia*)		1,179	855	101	59
- Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)		823	942	-	-
Property, plant and equipment written off		200	4,273	-	-

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

35 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2010 RM'000	2009 RM'000
Allowance for bad and doubtful debts on loans and financing		
Made during the financial year		
- Individual impairment allowance	157,058	-
- Specific allowance	-	1,370,667
Made during the financial year		
- Portfolio impairment allowance	816,418	-
- General allowance	-	107,478
Impaired loans and financing/bad debts on loans and financing		
- recovered	(396,983)	(471,141)
- written off	30,683	15,601
	607,176	1,022,605

During the financial year ended 31 December 2009, the Malaysian banking subsidiaries have evaluated their portfolio of non-performing loans, advances and financing that have been in default and that remained uncollected for more than 7 years and also those non-performing loans, advances and financing in default for more than 5 but less than 7 years. For loans, advances and financing in default for more than 7 years, 20% of the realisable value of assets held has been assigned as the value of collateral with effect from 1 January 2009, as allowed by BNM. For loans, advances and financing which are in default for more than 5 but less than 7 years, 50% of the realisable value of assets held has been assigned as the value of collateral. The effect of this exercise resulted in specific allowances of RM104,310,083 made by the Group during the financial year ended 31 December 2009.

Upon adoption of FRS 139 on 1 January 2010, the above computation was no longer applicable.

36 ALLOWANCE MADE/(WRITTEN BACK) FOR IMPAIRMENT LOSSES

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Financial investments available-for-sale				
- net allowance made/(written back) during the financial year	23,844	17,718	-	(92)
Financial investments held-to-maturity				
- net allowance (written back)/made during the financial year	(587)	24,706	-	-
Goodwill				
- impaired during the financial year	25,484	4,000	-	-
Intangible assets - securities stockbroking license				
- impaired during the financial year	-	30,355	-	-
Jointly controlled entity				
- written back during the financial year	(552)	-	-	-
	48,189	76,779	-	(92)

37 DIRECTORS' REMUNERATION

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

Executive Directors
Dato' Sri Mohamed Nazir bin Abdul Razak
Dato' Mohd Shukri bin Hussin

Non-Executive Directors
Tan Sri Dato' Md Nor bin Md Yusof
Tan Sri Dato' Seri Haidar bin Mohamed Nor
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing
Hiroyuki Kudo
Glenn Muhammad Surya Yusuf
Watanan Petersik

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive Directors				
- Salary and other remuneration	7,814#^	16,003#^	720	1,022
- Benefits-in-kind	5,367	121	42	50
	13,181	16,124	762	1,072
Non-Executive Directors				
- Fees	1,513	1,128	886	696
- Other remuneration	3,443#^	3,234#^	448	392
- Benefits-in-kind	377	837	-	-
	5,333	5,199	1,334	1,088
	18,514	21,323	2,096	2,160

^ These salary and other remuneration include bonus accruals in relation to the directorship of certain Directors in certain subsidiaries excluding Bank CIMB Niaga. The Directors' bonus for the financial year 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 has been met. A similar condition is also imposed on the bonus for certain key personnel.

These salary and other remuneration:

(a) include RM419,000 (2009: RM552,000) paid by Bank CIMB Niaga in relation to the directorship of Dato Mohd Shukri bin Hussin in Bank CIMB Niaga. The amount was paid to CIMB Group Sdn Bhd, in which he is employed; and

(b) exclude bonus accruals in relation to the directorship of Dato Mohd Shukri bin Hussin in Bank CIMB Niaga, which is subject to approval from the shareholders of Bank CIMB Niaga at their Annual General Meeting.

37 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
2010								
Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	-	6,675	5,325	12,000	-	-	-	-
Dato Mohd Shukri bin Hussin	-	1,139	42	1,181	-	720	42	762
	-	7,814	5,367	13,181	-	720	42	762
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	126	261	-	387	102	256	-	358
Tan Sri Dato' Seri Haidar bin Mohamed Nor	210	377	22	609	114	26	-	140
Dato' Zainal Abidin bin Putih	222	281	-	503	126	49	-	175
Dato' Hamzah bin Bakar	174	263	-	437	126	36	-	162
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	222	324	6	552	126	36	-	162
Dato' Robert Cheim Dau Meng	-	1,026	214	1,240	-	-	-	-
Hiroyuki Kudo	-	740	122	862	-	-	-	-
Cezar Peralta Consing	186	21	-	207	102	15	-	117
Glenn Muhammad Surya Yusuf	213	66	13	292	95	15	-	110
Watanan Petersik	160	84	-	244	95	15	-	110
	1,513	3,443	377	5,333	886	448	-	1,334
	1,513	11,257	5,744	18,514	886	1,168	42	2,096

37 DIRECTORS' REMUNERATION (CONTINUED)

	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
2009								
Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	-	14,429	71	14,500	-	-	-	-
Dato Mohd Shukri bin Hussin	-	1,574	50	1,624	-	1,022	50	1,072
	-	16,003	121	16,124	-	1,022	50	1,072
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	126	259	-	385	102	254	-	356
Tan Sri Dato' Seri Haidar bin Mohamed Nor	210	400	28	638	114	22	-	136
Dato' Zainal Abidin bin Putih	214	289	-	503	126	44	-	170
Dato' Hamzah bin Bakar	174	258	-	432	126	33	-	159
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	217	334	10	561	126	30	-	156
Dato' Robert Cheim Dau Meng	-	1,100	35	1,135	-	-	-	-
Hiroyuki Kudo	-	580	764	1,344	-	-	-	-
Cezar Peralta Consing	187	14	-	201	102	9	-	111
	1,128	3,234	837	5,199	696	392	-	1,088
	1,128	19,237	958	21,323	696	1,414	50	2,160

38 TAXATION

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Taxation based on the profit for the financial year:					
- Malaysian income tax		356,887	581,410	303,499	194,337
- Foreign tax		266,842	283,461	-	-
		623,729	864,871	303,499	194,337
Deferred tax	10	361,133	(55,313)	1,971	(102,101)
Over accrual in prior years		(28,032)	(51,868)	(13,175)	(3,532)
		956,830	757,690	292,295	88,704

Reconciliation between tax charge and the Malaysian tax rate:

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Profit before taxation and zakat	4,646,750	3,811,877	1,552,599	703,570
Tax calculated at a rate of 25% (2009: 25%)	1,161,688	952,969	388,150	175,893
Income not subject to tax	(415,100)	(205,300)	(107,737)	(93,556)
Effects of different tax rates in other countries	(69,253)	(34,304)	-	-
Expenses not deductible for tax purposes	344,932	123,177	21,057	9,899
Utilisation of previously unrecognised tax losses	(37,405)	(26,984)	-	-
Over accrual in prior years	(28,032)	(51,868)	(13,175)	(3,532)
Tax charge of current year	956,830	757,690	292,295	88,704

39 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2010	2009
Net profit for the financial year (RM'000)	3,520,836	2,806,816
Weighted average number of ordinary shares in issue ('000) *	7,186,034	7,059,934
Basic earnings per share (expressed in sen per share)	49.0	39.8

* The weighted average number of ordinary shares for the comparative period has been restated to reflect the bonus issue completed on 24 May 2010.

(b) Diluted earnings per share

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

40 DIVIDENDS PER ORDINARY SHARE

Dividends recognised as distributions to owners:

The interim dividends for the previous financial year were approved by the Board of Directors on 18 February 2010 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single tier interim and special dividend of 4.625 sen per ordinary share on 7,331,527,820 ordinary shares amounting to RM339,083,162 and 13.45 sen per ordinary share on 7,432,772,646 ordinary shares amounting to RM 999,707,921.

The single tier interim dividend of 4.625 sen per ordinary share was approved by the Board of Directors on 23 August 2010 and paid on 30 September 2010, whilst the single tier special dividend of 13.45 sen per ordinary share was approved by the Board of Directors on 22 November 2010 and paid on 24 December 2010.

The Directors have proposed a second interim single tier dividend of 8.0 sen per ordinary share, on 7,432,772,646 ordinary shares amounting to RM594,621,812 in respect of the financial year ended 31 December 2010, to be paid in 2011. The second interim single tier dividend was approved by the Board of Directors on 22 February 2011.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2010.

	The Group and the Company			
	2010		2009	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend	18.5	653,376	25.0	699,387
Interim dividend	4.6	339,083	-	-
Special dividend	13.5	999,708	-	-
	36.6	1,992,167	25.0	699,387

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Subsidiaries		Associates		Key management personnel	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Related party transactions						
The Group						
Income earned						
Interest on loans, advances and financing	-	-	-	-	578	140
Brokerage income	-	-	-	-	92	113
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	-	-	-	-	741	496
The Company						
Income earned						
Interest on fixed deposits and money market	8,883	10,463	-	-	-	-
Accretion on financial investments held-to-maturity	3,200	50,124	-	-	-	-
Accretion of investment gain	-	22,860	-	-	-	-
Interest on savings account	31	30	-	-	-	-
Dividend income	1,741,815	680,025	1,534	533	-	-
Rental income	3,135	3,813	-	-	-	-

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates		Key management personnel	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Related party balances						
The Group						
Amount due from						
Loans, advances and financing	-	-	-	-	5,338	5,085
Amount due to						
Deposits from customers and securities sold under repurchase agreements	-	-	-	-	279,201	182,570
Others	-	-	-	-	-	30
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	529,826	637,941	-	-	-	-
Commerce International Group RCULS	34,345	34,345	-	-	-	-
Advance to Commerce MGI	510	510	-	-	-	-
Redeemable preference shares	37,750	37,750	-	-	-	-
Others	19,267	5,121,840	-	-	-	-
Amount due to						
Amount due to Commerce Capital Labuan	-	(4,341)	-	-	-	-
Amount due to Investment Bank Berhad	(110)	-	-	-	-	-
Amount due to CIMB Bank Berhad	(37)	-	-	-	-	-

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other short-term employee benefits	100,177	88,268	2,096	2,160
Share options of the Company (units)	20,373,860	16,580,800	7,760,000	5,200,000

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

Excluded in the above table are bonus accruals for financial year 2009, in relation to the key management personnel in CIMB Niaga, which is subject to approval from the shareholders of CIMB Niaga at their Annual General Meeting.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No specific allowance has been required in 2010 and 2009 for the loans, advances and financing made to the key management personnel.

(e) Credit transactions and exposures with connected parties

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

	The Group	
	2010 RM'000	2009 RM'000
Outstanding credit exposures with connected parties	14,928,121	7,109,618
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	7.22%	4.80%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.00%	0.00%

42 EMPLOYEE BENEFITS

A Management Equity Scheme ("MES")

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company. The scheme was initially launched on 1 March 2004 and the scheme will continue to be in force until 28 February 2012.

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

On 22 December 2008, the substantial shareholder of the Company had 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 the Company.

Subsequent to the bonus issue undertaken by the Company during the current financial year, the number of entitlements had increased by 25,525,700 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 11,564,640 units (2009: 10,397,000 units) and number of entitlements outstanding as at year end was 37,122,948 units (2009: 21,310,350 units).

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

43 CAPITAL COMMITMENTS

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

	The Group	
	2010 RM'000	2009 RM'000
Capital expenditure:		
Authorised and contracted for	393,480	323,546
Authorised but not contracted for	1,291,836	733,937
	1,685,316	1,057,483

Analysed as follows:

	The Group	
	2010 RM'000	2009 RM'000
Property, plant and equipment	1,033,084	433,769
Subscription for investments	64,486	55,979
Bank guarantee	73,092	65,550
Software development	9,315	2,478
Computer software	468,413	467,320
Projects	36,926	32,387
	1,685,316	1,057,483

44 LEASE COMMITMENTS

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

	The Group	
	2010 RM'000	2009 RM'000
Within one year	130,317	135,337
One year to less than five years	187,322	233,617
Five years and more	150,585	185,751

45 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 Management Committee 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.

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting

Definition of segments

For management purposes, the Group is organised into six major operating divisions. The divisions form the basis on which the Group reports its primary segment information.

Consumer Banking
Consumer Banking comprises of Retail Banking, Business Banking, Direct Banking and Cards and CIMB Express.

Retail Banking focuses on introducing innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, shares financing and hire purchase financing), private client services, remittance services and deposit acceptance.

Business Banking is responsible for the development of products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises (SMEs) and mid-sized corporation, as well as the management of business loan portfolios of these customer segments.

Direct Banking and Cards focuses on mass affluent customers and credit card business while CIMB Express caters to lower income customers offering product such as microcredit loan.

Corporate and Investment Banking
Corporate and Investment Banking comprise investment banking, corporate finance, corporate banking, regional banking and transactional services, equity capital markets, retail and institutional equities, equity derivatives and equity investment and trading.

Investment Banking and Corporate Finance offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debt restructuring, mergers and acquisitions, initial public offerings, secondary offerings and general corporate advisory. Corporate Banking provides a broad spectrum of financial and Ringgit lending services for domestic and multinational corporations as well as institutional and public sector clients. Regional banking oversees the activities of the Group's overseas branches in London, Singapore and Hong Kong and provides conventional and customised financial packages in order to meet customers' needs, with products including non-Ringgit corporate lending, nominee services and cash management services.

Equity Capital Markets provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making. Equity Derivatives Group develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues. Equity Investment and Trading is the Group's Proprietary Equity Trading Unit. Retail and institutional equities provide stock broking services to retail and corporate clients.

Treasury and Investment
Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It also invests the Group's proprietary capital.

Asset Management and Insurance
Asset Management comprises wholesale fund management, unit trust, private equity and venture capital activities. It includes the Group's life and takaful activities.

Foreign Banking Operations
Foreign Banking Operations comprise of PT Bank CIMB Niaga Tbk, CIMB Thai Bank Public Company Limited, CIMB Bank PLC and Bank of Yingkou Co Ltd, which are involved in the provision in the commercial banking and related services.

Support and others
Support services comprise all middle and back-office processes, cost centres and non-profit generating divisions of companies in the Group. Other business segments in the Group include investment holding, property management and other related services, whose results are not material to the Group.

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2010						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Net interest income							
- external income/(expense)	2,601,577	1,212,813	(132,066)	17,192	2,988,008	(150,247)	6,537,277
- inter-segment income	(150,417)	(505,062)	675,879	(6)	(7)	(20,387)	-
	2,451,160	707,751	543,813	17,186	2,988,001	(170,634)	6,537,277
Non-interest income	622,919	994,978	849,428	297,392	1,119,182	59,493	3,943,392
Income from Islamic banking operations	552,332	220,930	493,944	-	62,091	739	1,330,036
	3,626,411	1,923,659	1,887,185	314,578	4,169,274	(110,402)	11,810,705
Overheads of which:	(2,727,765)	(952,755)	(560,796)	(225,597)	(2,010,934)	(47,926)	(6,525,773)
- Depreciation of property, plant and equipment	(29,517)	(19,123)	(5,921)	(9,907)	(123,907)	(157,020)	(345,395)
- Amortisation of prepaid lease payments	-	-	-	-	(60,461)	(22)	(60,483)
- Amortisation of intangible assets	(19,248)	(2,968)	(3,046)	(4,568)	(143,462)	(98,216)	(271,508)
Profit/(loss) before allowances	898,646	970,904	1,326,389	88,981	2,158,340	(158,328)	5,284,932
Allowance (made)/written back for impairment losses on loans, advances and financing	(250,963)	191,820	-	-	(546,679)	(1,354)	(607,176)
Allowance written back/(made) for losses on other receivables	-	2,731	(16,330)	(813)	6,642	(315)	(8,085)
Allowance (made)/written back for commitments and contingencies	(12,601)	-	-	-	(8,567)	268	(20,900)
Losses from investment management and securities services	-	-	(50,000)	-	-	-	(50,000)
Allowance written back/(made) for other impairment losses	-	835	(46,630)	-	(3,513)	1,119	(48,189)
Segment results	635,082	1,166,290	1,213,429	88,168	1,606,223	(158,610)	4,550,582
Share of results of jointly controlled entity	10,449	-	299	(1,200)	-	-	9,548
Share of results of associates	-	-	31,222	-	54,586	812	86,620
Profit/(loss) before taxation	645,531	1,166,290	1,244,950	86,968	1,660,809	(157,798)	4,646,750
Taxation							(956,830)
Profit after taxation							3,689,920

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2010						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Segment assets	78,502,660	52,191,855	65,351,610	3,266,558	61,491,842	779,742	261,584,267
Investment in associates and jointly controlled entities	139,849	-	144,062	31,637	349,472	15,273	680,293
	78,642,509	52,191,855	65,495,672	3,298,195	61,841,314	795,015	262,264,560
Unallocated assets	-	-	-	-	-	7,100,684	7,100,684
Total assets	78,642,509	52,191,855	65,495,672	3,298,195	61,841,314	7,895,699	269,365,244
Segment liabilities	70,667,886	20,313,514	86,435,350	2,429,057	57,713,004	3,568,492	241,127,303
Unallocated liabilities	-	-	-	-	-	3,934,742	3,934,742
Total liabilities	70,667,886	20,313,514	86,435,350	2,429,057	57,713,004	7,503,234	245,062,045
Other segment items							
Incurred capital expenditure	44,282	32,855	11,489	37,267	123,797	266,952	516,642
Investment in jointly controlled entities	139,849	-	-	31,637	-	-	171,486
Investment in associates	-	-	144,062	-	349,472	15,273	508,807

Basis of pricing for inter-segment transfers:
Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	2009						
	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Net interest income							
- external income/(expense)	2,653,455	1,368,579	(255,111)	16,315	2,363,193	(77,525)	6,068,906
- inter-segment income	(172,427)	(651,248)	842,224	-	-	(18,549)	-
	2,481,028	717,331	587,113	16,315	2,363,193	(96,074)	6,068,906
Non-interest income/(expense)	545,286	845,276	914,672	327,970	988,029	(13,412)	3,607,821
Income from Islamic banking operations	377,288	100,914	268,812	-	41,113	18,297	806,424
	3,403,602	1,663,521	1,770,597	344,285	3,392,335	(91,189)	10,483,151
Overheads	(2,407,687)	(727,761)	(355,608)	(199,511)	(1,845,895)	5,199	(5,531,263)
- Depreciation of property, plant and equipment	(22,870)	(18,484)	(4,869)	(10,464)	(103,648)	(150,842)	(311,177)
- Amortisation of prepaid lease payments	-	-	-	-	(332)	(127)	(459)
- Amortisation of intangible assets	(10,550)	(2,814)	(3,004)	(4,373)	(64,435)	(95,017)	(180,193)
Profit/(loss) before allowances	995,915	935,760	1,414,989	144,774	1,546,440	(85,990)	4,951,888
Allowance (made)/written back for losses on loans, advances and financing	(295,551)	(261,685)	83,315	-	(548,189)	(495)	(1,022,605)
Allowance (made)/written back for other receivables	(731)	(167)	66,561	(383)	(121,360)	(489)	(56,569)
Provision (made)/written back for commitments and contingencies	-	(21,000)	47,473	(3,000)	(41,561)	-	(18,088)
Allowance written back/(made) for impairment losses	-	22,766	(88,532)	-	(5,153)	(5,860)	(76,779)
Segment results	699,633	675,674	1,523,806	141,391	830,177	(92,834)	3,777,847
Share of results of jointly controlled entity	6,858	-	897	-	-	-	7,755
Share of results of associates	-	-	(4,575)	-	27,667	3,183	26,275
Profit/(loss) before taxation	706,491	675,674	1,520,128	141,391	857,844	(89,651)	3,811,877
Taxation							(757,690)
Zakat							(7,120)
Profit after taxation							3,047,067

45 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

2009	Consumer Banking RM'000	Corporate and Investment Banking RM'000	Treasury and Investment RM'000	Asset Management and Insurance RM'000	Foreign Banking Operations RM'000	Support and Others RM'000	Total RM'000
Group							
Segment assets	53,772,739	59,193,202	65,044,563	3,870,549	51,007,395	1,785,161	234,673,609
Investment in associates and jointly controlled entity	134,559	-	-	191,488	298,403	24,688	649,138
	53,907,298	59,193,202	65,044,563	4,062,037	51,305,798	1,809,849	235,322,747
Unallocated assets	-	-	-	10,445	-	4,650,807	4,661,252
Total assets	53,907,298	59,193,202	65,044,563	4,072,482	51,305,798	6,460,656	239,983,999
Segment liabilities	56,144,469	21,316,762	83,198,706	2,333,979	47,244,732	3,655,382	213,894,030
Unallocated liabilities	-	818,719	-	10,488	-	2,614,048	3,443,255
Total liabilities	56,144,469	22,135,481	83,198,706	2,344,467	47,244,732	6,269,430	217,337,285
Other segment items							
Incurred capital expenditure	49,278	18,780	10,818	20,739	144,123	429,486	673,224
Investment in jointly controlled entity	134,559	-	-	26,960	-	-	161,519
Investment in associates	-	-	-	164,528	298,403	24,688	487,619

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

45 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Indonesia, the areas of operation in this country include all the primary business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the primary business segments of a subsidiary bank, CIMB Thai Bank.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, United States of America, Cambodia and Hong Kong. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

The Group	Net interest income RM'000	Total non current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2010					
Malaysia	3,410,112	12,058,245	186,090,488	169,049,462	368,601
Indonesia	2,476,850	664,444	49,383,809	44,606,090	69,727
Thailand	514,544	600,902	14,721,092	13,494,510	42,683
Other countries	135,771	332,287	19,169,855	17,911,983	35,631
	6,537,277	13,655,878	269,365,244	245,062,045	516,642
2009					
Malaysia	3,601,805	11,872,122	175,969,080	159,318,250	487,992
Indonesia	1,891,965	693,199	39,073,270	34,982,355	104,117
Thailand	472,069	365,747	13,031,349	12,334,120	40,007
Other countries	103,067	471,845	11,910,300	10,702,560	41,108
	6,068,906	13,402,913	239,983,999	217,337,285	673,224

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of additional equity stake in Touch 'n Go Sdn Bhd ("TnG")

CIMB SI, a wholly owned subsidiary of the Company had on 19 February 2010 entered into a share purchase agreement with UEM Group Berhad and UEM Builders Berhad to acquire an additional 32.22% stake in Touch 'n Go Sdn Bhd ("TnG") for RM53.8 million. The Company's existing equity stake in TnG before the additional acquisition was 20%. The acquisition was completed on 26 March 2010. Upon completion of the acquisition, the Company's shareholding in TnG was raised to 52.22% and TnG became a subsidiary of the Group.

See Note 49(a)(i) for the effects of the acquisition on the Financial Statements of the Group.

(b) Subscription of equity interest in CIMB Vinashin Securities Limited Liability Company ("VFC")

On 23 February 2010, CIMB Investment Bank had received approval from the Vietnam Securities Commission for its subscription of equity interest in VFC. VFC changed its name from Vinashin Shipbuilding Finance Company Securities LLC to CIMB Vinashin Securities LLC on 2 March 2010.

(c) Disposal of entire equity interest in BT Asset Management Company Limited ("BTAM") by CIMB Thai Bank Public Company Limited ("CIMB Thai") to CIMB-Principal Asset Management Berhad ("CIMB-Principal"), being a 60% subsidiary of CIMB Group Sdn Bhd ("CIMBG")("BTAM Transaction")

On 28 April 2010, CIMB Thai, a 93.15% owned subsidiary of CIMB Bank Berhad ("CIMB Bank"), which in turn is a 99.99% owned subsidiary of CIMBG, entered into a Share Sale Agreement with CIMB-Principal, a 60% owned subsidiary of CIMBG, to dispose to the latter 24,000,000 ordinary shares of THB10 each representing the entire equity interest in BTAM, for a cash consideration of THB250,000,000 (equivalent to approximately MYR 25,181,000). The BTAM Transaction was completed on 30 June 2010.

See Note 49(c)(i) for the effects of the transaction on the Financial Statements of the Group.

(d) Acquisition of up to 19.67% (equivalent to 4,708,529,550 Class B ordinary shares with par value of Indonesian Rupiah ("IDR") 50 each) ("CIMB Niaga B-Shares") equity interest in PT Bank CIMB Niaga Tbk ("CIMB Niaga")

On 14 May 2010, the Company entered into a conditional share sale and purchase agreement with Khazanah Nasional Berhad ("Khazanah") in relation to the proposed acquisition by CIMB Group Sdn Bhd ("CIMBG") of approximately 17.10% (equivalent to 4,092,536,308 CIMB Niaga B-Shares) equity interest in CIMB Niaga, and a further equity interest of approximately 2.57% (equivalent to 615,993,242 CIMB Niaga B-Shares) in CIMB Niaga, the latter sale of which is at the sole discretion of Khazanah. The proposed acquisition is to be satisfied via the issuance of the Company's new shares ("CIMB shares") of up to 134 million shares at an indicative issue price of RM14.50 each ("Purchase Consideration"). CIMB Niaga was a 78.26% indirect subsidiary of the Company before the proposed acquisition.

Following the completion of 1-for-1 bonus issue on 24 May 2010, the total number of new CIMB Shares to be issued in satisfaction of the Purchase Consideration under the proposed acquisition is adjusted to up to 268 million new CIMB Shares. Bursa Securities has vide its letter dated 6 July 2010 approved the listing and quotation of 268 million new ordinary shares of RM1.00 each in the share capital and BNM (through the Foreign Exchange Administration Department) has via its letter dated 9 July 2010 approved CIMBG's investment in CIMB Niaga pursuant to the proposed acquisition.

On 10 August 2010, Khazanah exercised its discretion to sell the additional 615,993,242 CIMB Niaga B-Shares, which represents approximately 2.57% in CIMB Niaga. Hence, a total of 4,708,529,550 CIMB Niaga B-Shares will be aquired by CIMBG from Khazanah's subsdiaries for a total Purchase Consideration of approximately IDR5,438 billion. The completion of sale and purchase of the total of 4,708,529,550 CIMB Niaga B-Shares, representing approximately 19.67% in CIMB Niaga, will take place simultaneously.

The Proposed Acquisition has been completed following the listing and quotation of 268,000,000 new ordinary shares of RM1.00 each in CIMB on the Main Market of Bursa Malaysia Securities Berhad on 19 August 2010. Accordingly, the Company's indirect interest in CIMB Niaga has increased to 97.93%.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(e) Divestment of BT Insurance Company Limited ("BTI")

CIMB Thai Bank Public Company Limited ("CIMB Thai"), a subsidiary of the Bank, had on 15 March 2010 entered into a sale and purchase agreement ("SPA") with Ayudhya Insurance Public Company Limited for the disposal of CIMB Thai's entire holding of 29,999,910 ordinary shares in BT Insurance Company Limited ("BTI") ("Divestment of BTI"), representing 99.99% of BTI's issued and paid-up share capital for a total cash consideration of THB392 million (equivalent to RM40.68 million, based on exchange rate of RM1.00:THB9.6354), subject to adjustment clauses as stipulated in the SPA.

The Disposal of BTI was completed on 4 November 2010.

(f) Bonus issue by the Company and increase in authorised share capital of the Company

On 23 February 2010, the Company proposed 1-for-1 bonus issue which would increase its number of shares in issue from 3,531.76 million to 7,063.53 million. The objectives of the bonus issue are to improve tradability of CIMB Group shares ("CIMB Shares") and to align its quoted share price with pricing conventions on the Stock Exchange of Thailand ("SET") ahead of the Company's proposed listing later this year. Bank Negara Malaysia ("BNM") has granted approval pursuant to the proposed bonus issue on 31 March 2010. Subsequent to this, on 7 May 2010, the Company announced a 1-for-1 bonus issue of up to 3,582.39 million new ordinary shares which is inclusive of the potential exercise of the 50,622,413 warrants outstanding as at 31 March 2010, to be credited to eligible shareholders on 21 May 2010.

The Company has also proposed to increase its authorised share capital from RM5,000 million comprising 5,000 million CIMB Shares to RM10,000 million comprising 10,000 million CIMB Shares to facilitate the issuance of new CIMB Shares pursuant to the Proposed Bonus Issue, as well as to cater for any future issuance of new CIMB Shares (collectively referred to as the "Proposals".) The Proposals have been completed on 24 May 2010 following the listing and quotation of 3,531,764,410 new CIMB shares on Bursa Malaysia Securities Berhad ("Bursa Securities").

The warrants of 101,244,826 units were subsequently exercised at an issue price of RM5 each, and listed on 18 October 2010.

(g) Issuance of additional new ordinary shares

CIMB Islamic Bank Berhad ("CIMB Islamic") had on 25 August 2010 issued 200 million additional new ordinary shares of RM1 each (at par value) amounting to RM200 million, which were fully subscribed by CIMB Bank.

(h) Exercise of rights issue

CIMB Thai Bank Public Company Limited ("CIMB Thai"), a subsidiary of CIMB Bank had on 21 October 2010 completed the rights issues of 2,966,533,592 new ordinary shares to its existing shareholders in proportion to their shareholding at the ratio of two new ordinary shares for every nine existing shares held at an issue price of THB1.00 per share ("Rights Issue"). The Bank had subscribed for its share entitlement in the Rights Issue of 2,763,348,835 units Rights Shares for THB2,763,348,835.

(i) Issuance of RM2.0 billion Subordinated Debt

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

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

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

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

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) Restructuring of the Non-Performing Asset Division of CIMB Thai ("Restructuring")

During the current financial year, the Group undertook a restructuring of the Non-Performing Asset Division of CIMB Thai that entailed the following:

(i) Transfer of CIMB Thai's 2,499,993 ordinary shares held in Sathorn Asset Management Company Limited ("STAMC"), representing 99.99% of the registered capital of STAMC, for a total cash consideration of THB229,149,954 (approximately RM23,465,184 based on exchange rate of RM10.2401:THB100 as at 28 December 2010), equivalent to 1x net book value of STAMC as at 31 December 2009, to Mutiara Makmur Ventures Sdn Bhd ("Mutiara Makmur"), a wholly-owned subsidiary of CIMB Private Equity Sdn Bhd (wholly-owned subsidiary of CIMB Group Sdn Bhd)("Transfer of STAMC"); and

(ii) Transfer of a non-performing loan ("NPL") portfolio encompassing corporate, SME and retail secured NPLs with a net book value of THB2,908,734,150 as at 31 December 2009 ("NPL Portfolio") from CIMB Thai to STAMC for a total cash consideration of THB2,908,734,150 (approximately RM297,857,286 based on exchange rate of RM10.2401:THB100 as at 28 December 2010)("Transfer of NPLs").

The above restructuring was completed on 28 December 2010.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) Establishment of Multi-Currency Euro Medium Term Note Programme

On 28 January 2011, CIMB Bank has received approval from the Securities Commission for a Multi-Currency Euro Medium Term Note Programme of up to USD1.0 billion or its equivalent ("EMTN Programme"). The EMTN Programme is approved by the Securities Commission under its deemed approval process. BNM's approval for the establishment of the EMTN Programme was obtained on 7 September 2010. The net proceeds from the EMTN Programme will be used for the repayment, refinancing and prepayment of offshore credit facilities, refinancing of onshore credit facilities, general corporate purposes, working capital requirements and/or investments of the Bank and its subsidiaries and associates.

48 CAPITAL ADEQUACY

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

The capital management process is centrally supervised by the Group Executive Committee (EXCO), Group Risk Committee (GRC) and Branch Risk Committee (BRC) 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. Regular 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 are computed as follows:

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

The capital adequacy ratios of CIMB Investment Bank are computed in accordance with BNM Guidelines on Risk Weight Capital Adequacy Framework Internal Rating-Based approach (IRB approach) for Credit Risk and Basic Indicator Approach for Operational Risk. Market Risk remained unchanged under Standardised Approach.

The capital adequacy ratios of Bank CIMB Niaga and CIMB Thai Bank remained unchanged based on guidelines issued by Bank of Indonesia and Bank of Thailand respectively. Credit Risk and Market Risk is based on Standardised Approach (SA) while Operational Risk is based on Basic Indicator Approach. The capital adequacy ratio of CIMB Bank PLC is completed based on National Bank of Cambodia's requirements.

48 CAPITAL ADEQUACY (CONTINUED)

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

The comparative capital adequacy ratios for CIMB Bank, CIMB Investment Bank and CIMB Islamic Bank for 31 December 2009 are based on BNM Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I).

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2010. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, including tier 2 subordinated debt, innovative and non-innovative tier 1 hybrid securities that qualify as capital pursuant to the RWCAF issued by BNM.

(a) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited, CIMB Bank Group, CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai Bank and CIMB Bank PLC for the financial year ended 31 December 2010 are as follows. The individual entities within the Group and the Group complied with all externally imposed capital requirements to which they are subject to.

31 December 2010	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	CIMB Bank Niaga RM'000	CIMB Bank PLC * RM'000
Before deducting proposed dividends							
Core capital ratio	14.47%	13.24%	9.04%	11.89%	19.76%	9.53%	N/A
Risk-weighted capital ratio	15.36%	17.21%	14.69%	15.37%	19.80%	13.24%	636.20%
After deducting proposed dividends							
Core capital ratio	13.90%+	13.24%	9.04%	11.42%+	17.06%@	9.53%	N/A
Risk-weighted capital ratio	14.80%+	17.21%	14.69%	14.89%+	17.11%@	13.24%	636.20%

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

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	CIMB Bank Niaga RM'000	CIMB Bank PLC * RM'000
Credit risk	87,236,173	7,623,657	10,911,021	104,892,665	1,028,430	36,364,455	17,184
Market risk	9,176,183	285,115	313,670	9,658,308	192,321	394,887	-
Operational risk	9,604,531	1,041,278	-	11,242,737	765,308	3,230,655	-
Large exposure risk	360,424	-	777,097	360,424	-	-	-
	106,377,311	8,950,050	12,001,788	126,154,134	1,986,059	39,989,997	17,184

48 CAPITAL ADEQUACY (CONTINUED)

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

31 December 2010	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC * RM'000
Tier I capital							
Paid-up capital	3,764,469	750,000	837,999	3,764,469	100,000	531,876	114,090
Perpetual preference shares	200,000	70,000	-	200,000	-	-	-
Non-innovative Tier I Capital	1,000,000	-	-	1,000,000	-	-	-
Innovative Tier I Capital	1,616,700	-	-	1,616,700	-	-	-
Share premium	5,033,633	-	152,364	5,033,633	-	2,283,429	-
Other reserves	7,351,412	506,180	95,115	8,051,484	336,741	1,053,455	(1,395)
Minority interest	-	-	-	260,586	-	-	-
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	-	-	-	-	-	(56,634)	-
Deferred tax assets	(22,096)	(5,589)	-	-	(44,329)	-	-
Intangible assets	-	-	-	-	-	-	(3,374)
Goodwill	(3,555,075)	(136,000)	-	(4,923,428)	-	-	-
Total Tier I capital	15,389,043	1,184,591	1,085,478	15,003,444	392,412	3,812,126	109,321
Tier II capital							
Redeemable preference shares	29,740	-	-	29,740	10	-	-
Subordinated notes	3,500,000	300,000	342,732	3,936,919	-	-	-
Subordinated loans	-	-	-	-	-	1,108,000	-
Revaluation reserve	-	-	38,336	-	-	-	-
Regulatory reserve	110,190	7,405	-	117,595	-	-	-
Portfolio impairment allowance √	221,940	30,892	30,840	381,876	650	391,631	-
Surplus of total eligible provision over expected loss under the IRB approach	404,989	17,577	-	409,200	209	-	-
Others	-	-	265,240	-	-	39,333	-
Total eligible Tier II capital	4,266,859	355,874	677,148	4,875,330	869	1,538,964	-

48 CAPITAL ADEQUACY (CONTINUED)

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

31 December 2010	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC * RM'000
Total eligible Tier II capital	4,266,859	355,874	677,148	4,875,330	869	1,538,964	-
Less:							
Investment in subsidiaries and holding of other banking institutions' capital	(3,000,892)	-	-	(178,194)	(50)	(56,634)	-
Securitisation exposures subject to deductions**	(70,116)	-	-	(70,116)	-	-	-
Investment in associates	(245,134)	-	-	(245,134)	-	-	-
Total Eligible Tier II capital	950,717	355,874	677,148	4,381,886	819	1,482,330	-
Total Capital base	16,339,760	1,540,465	1,762,626	19,385,330	392,231	5,294,456	109,321
Less:							
Proposed dividends	(600,903)	-	-	(600,903)	(53,500)	-	-
Total Capital base (net of proposed dividend)	15,738,857	1,540,465	1,762,626	18,784,427	339,731	5,294,456	109,321

+ Second interim dividend for financial year ended 31 December 2010 to be paid before 31 March 2011

@ Final dividend for financial year ended 31 December 2010 to be paid before 30 April 2011

** In the previous financial year, CIMB Bank was required to deduct 50% of its investment in its jointly controlled entity, PCSB, from the capital base for purposes of computing the capital adequacy ratio in accordance with a circular by Bank Negara Malaysia ("BNM") dated 25 April 2006.
As at 31 December 2010, the following has been applied in computing the capital adequacy ratio:
- financing of hire purchase under PCSB (excluding those securitised) is included in the computation of RWA under the AIRB approach;
- the investment in owner's note is accounted in accordance with Securitisation Framework under Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) Guideline dated 31 December 2009.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2010 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM495,950,492, RM476,240,986 and RM19,709,506 respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

48 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited) and CIMB (L) Limited, CIMB Investment Bank, CIMB Islamic Bank, Bank CIMB Niaga and CIMB Thai Bank for the financial year ended 31 December 2009 are as follows:

31 December 2009	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank RM'000	Bank CIMB Niaga RM'000	CIMB Thai Bank RM'000
Tier I capital	14,874,153	396,707	690,239	3,520,387	640,167
Eligible Tier II capital	2,868,642	928	458,004	760,031	640,167
	17,742,795	397,635	1,148,243	4,280,418	1,280,334
Less:					
Investment in subsidiaries and holding of other banking institutions' capital	(2,618,131)	(9,050)	-	(43,351)	-
Capital base before proposed dividend	15,124,664	388,585	1,148,243	4,237,067	1,280,334
Before deducting proposed dividends					
Core capital ratio	14.81%	19.77%	6.82%	11.29%	6.00%
Risk-weighted capital ratio	15.06%	19.77%	11.34%	13.59%	11.99%
After deducting proposed dividends					
Core capital ratio	14.81%	17.11%	6.82%	11.29%	6.00%
Risk-weighted capital ratio	15.06%	17.11%	11.34%	13.59%	11.99%

48 CAPITAL ADEQUACY (CONTINUED)

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

31 December 2009	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank RM'000	Bank CIMB Niaga RM'000	CIMB Thai Bank RM'000
Tier I capital					
Paid-up capital	3,764,467	100,000	550,000	565,191	685,791
Perpetual preference shares	200,000	-	70,000	-	-
Non-innovative Tier 1 Capital	1,000,000	-	-	-	-
Innovative Tier I Capital	1,685,000	-	-	-	-
Share premium	5,033,622	-	-	2,426,456	-
Other reserves	7,028,019	301,726	250,864	572,091	(45,624)
Less:					
Investment in subsidiaries and holding	-	-	-	(43,351)	-
Deferred tax assets	(281,880)	(5,019)	(44,625)	-	-
Goodwill	(3,555,075)	-	(136,000)	-	-
Total Tier I capital	14,874,153	396,707	690,239	3,520,387	640,167
Tier II capital					
Redeemable preference shares	29,740	10	-	-	1,693
Subordinated notes	1,500,000	-	300,000	-	568,134
Subordinated loans	-	-	-	329,739	-
Revaluation reserve	-	-	-	-	47,118
General allowance for bad and doubtful debts and financing	1,338,902	918	158,004	388,496	23,222
Others	-	-	-	41,796	-
Total eligible Tier II capital	2,868,642	928	458,004	760,031	640,167
Less:					
Investment in subsidiaries and holding of other banking institutions' capital	(2,300,489)	(9,050)	-	(43,351)	-
Investment in joint venture ^	(72,608)	-	-	-	-
Investment in associates	(245,034)	-	-	-	-
Total Capital base	15,124,664	388,585	1,148,243	4,237,067	1,280,334
Less:					
Proposed 2009 final dividend	-	(52,300)	-	-	-
Total Capital base (net of proposed dividend)	15,124,664	336,285	1,148,243	4,237,067	1,280,334

^ In accordance with a circular by Bank Negara Malaysia dated 25 April 2006, CIMB Bank is required to deduct 50% of its investment in joint venture company, PCSB from the capital base for the purposes of computing capital adequacy ratio.

49 BUSINESS COMBINATIONS

(a) Acquisitions during the financial year:

(i) Additional investment in Touch 'n Go Sdn Bhd ("TnG")

On 26 March 2010, CIMB SI, a wholly owned subsidiary of the Company had acquired additional 32.22% stake in TnG of the total issued and paid-up share capital of TnG for a cash consideration of RM53,811,107.

The additional investment in TnG has increased the Group's equity interest in TnG from 20% to 52.22% and accordingly, the results of TnG have been consolidated as a subsidiary in the Financial Statements of the Group.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's provisional fair values RM'000
Cash and short-term funds	221,737
Property, plant and equipment	4,954
Intangible assets	4,889
Other assets	44,811
Other liabilities	(241,029)
Net assets	35,362
Less: Minority interest	(23,968)
Net assets acquired	11,394
Provisional goodwill on acquisition	42,417*
Purchase consideration sastisfied via cash	53,811
Less: Cash and cash equivalents acquired	(221,737)
Cash inflow on acquisition	(167,926)

* Goodwill arising from previous acquisition for 20% stake in TnG amounted to RM16,702,000. Hence, total provisional goodwill in relation to TnG provisional during the financial year amounted to RM59,119,000.

The provisional fair values of the assets and liabilities are based on TnG carrying amount as at 25 March 2010. The goodwill on acquisition, which was determined provisionally, represents the value of synergies arising from the acquisition.

For the financial year ended 31 December 2010, the acquisition contributed to revenue (comprising net interest income and non-interest income) and net profit of RM25,834,395 and RM6,088,482 respectively, to the Group for the period from 26 March 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the subsidiary would have contributed revenue and net profit of RM32,402,243 and RM8,210,345 respectively to the Group.

(b) Acquisitions during the prior financial year:

(i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited ("CIMB Thai Bank")

On 5 November 2008, CIMB Bank Berhad had acquired approximately 42.127% of the total issued share capital of CIMB Thai Bank for a cash consideration of RM595,814,000. The goodwill and intangibles arising from this acquisition amounted to RM401,224,000 and RM4,790,000 respectively.

On 13 January 2009, CIMB Bank acquired additional 3.33 billion CIMB Thai Bank shares representing approximately 49.91% of the total issued and paid-up capital of CIMB Thai Bank for a purchase consideration of RM718,762,000. Upon completion of CIMB Thai Bank's subsequent rights issue, CIMB Bank's shareholding in CIMB Thai Bank was increased by a further 1.11%.

49 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisitions during the prior financial year (Continued):

(i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited ("CIMB Thai Bank") (Continued)

The assets and liabilities arising from the additional investment and subsequent rights issue representing an equity interest of 51.02% are shown as follows:

	Acquiree's carrying amount at date of acquisition RM'000	Generally Accepted Accounting Principles adjustments (GAAP) RM'000	Fair value adjustments RM'000	Acquiree's adjusted carrying amount at date of acquisition RM'000
Cash and short-term funds	460,392	-	-	460,392
Deposits and placements with bank and other financial institutions	4,310,694	-	-	4,310,694
Investments	4,524,707	(4,473)	-	4,520,234
Loans, advances and financing	8,315,495	(7,157)	(43,542)	8,264,796
Properties foreclosed	246,773	-	(40,615)	206,158
Customers' liability under acceptance	16,162	-	-	16,162
Property, plant and equipment	453,765	(74,035)	134,421	514,151
Intangible assets	59,818	-	(6,514)	53,304
Prepaid lease payments	2,667	-	-	2,667
Other assets	2,797,259	(9,304)	(41,999)	2,745,956
Deposits from customers	(15,877,032)	-	-	(15,877,032)
Deposits and placements of bank and other financial institutions	(1,018,825)	-	-	(1,018,825)
Bills and acceptances payable	(16,162)	-	-	(16,162)
Borrowings	(702,672)	-	-	(702,672)
Deferred tax liabilities	-	-	(1,418)	(1,418)
Other liabilities	(3,062,599)	(4,882)	(62,044)	(3,129,525)
Net assets	510,442	(99,851)	(61,711)	348,880
Share of net assets acquired				174,575
Goodwill on acquisition				798,053
Purchase consideration satisfied via cash				972,628
Less: cash and cash equivalents acquired				(460,392)
Cash outflow on acquisition				512,236

The additional investment in CIMB Thai Bank and subsequent rights issue has increased the Group's equity interest in CIMB Thai Bank to 93.15% and accordingly, the results of CIMB Thai Bank has been consolidated as a subsidiary in the financial statements of the Group.

Total goodwill and intangibles arising from the entire 93.15% acquisition of CIMB Thai Bank amounted to RM1,199,277,000 and RM10,460,000 respectively. The goodwill on acquisition represents the value of synergies arising from the acquisition. The GAAP, fair value adjustments and intangible assets identified on acquisition are based on finalised purchase price allocation and fair value exercise engaged by an external professional body.

For the financial year ended 31 December 2009, the acquisition contributed to revenue (comprising net income and non-interest income) and net profit of RM657,863,788 and RM40,727,470 respectively, to the Group for the period from 1 January 2009 to 31 December 2009. Due to the close proximity of the additional investment acquisition date to 1 January 2009, the contribution to revenue and net profit to the Group has been deemed to be the same as if the acquisition took place on 1 January 2009.

49 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisitions during the prior financial year (Continued):

(ii) Acquisition of Trace Tracker Malaysia Sdn Bhd

On 29 April 2009, Commerce Asset Ventures Sdn Bhd, a wholly-owned subsidiary of the Company had via its subsidiary acquired 29% equity interest in Trace Tracker Malaysia Sdn Bhd for a cash consideration of RM4,917,000. The assets and liabilities arising from the acquisition are as follows:

	At fair values RM'000
Other assets	8
Property, plant and equipment	16
Borrowings	(31)
Trade creditors	(27)
Hire purchase creditors	(7)
Provision for taxation	(26)
Other liabilities	(93)
Net liabilities acquired	(160)
Goodwill on acquisition	5,077
Purchase consideration satisfied via cash	4,917
Cash outflow on acquisition	4,917

The goodwill on acquisition represents the value of synergies arising from the acquisition.

Trace Tracker Malaysia Sdn Bhd is deemed an indirect subsidiary of the Company by virtue of board control over its financial and operating policies, and has thus been consolidated as a subsidiary in the financial statements of the Group. The acquisition contributed to revenue of RM2,040,560 and net profit of RM1,385,786 to the Group for the period from 29 April 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, the subsidiary would have contributed revenue and net profit of RM2,195,748 and RM1,025,065 respectively, to the Group.

(iii) Completion of initial accounting for the acquisition of PT Bank Lippo Tbk ("Bank Lippo") and merger of Bank Lippo and PT Bank Niaga Tbk ("Bank CIMB Niaga") during the financial year ended 31 December 2009

As highlighted in Note 49(c)(i), on 28 October 2008, the Company had via its direct subsidiary, CIMB Group Sdn Bhd acquired 51% equity interest in Bank Lippo from Khazanah Nasional Berhad ("Khazanah") and approximately 4.7% equity interest in Bank Lippo from other minority shareholders.

As allowed by FRS 3 – Business Combinations, the Group has accounted for the acquisition of Bank Lippo using the provisional fair values of the assets and liabilities which were based on Bank Lippo's carrying amount as at 28 October 2008.

The goodwill on acquisition of RM896.9 million, which was determined provisionally, represents the value of synergies arising from the acquisition.

In financial year 2009, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed. The fair value adjustments and intangible assets identified on acquisition are based on finalised purchase price allocation and fair value exercise engaged by an external professional body.

As required by FRS 3, the fair values of assets and liabilities arising from the acquisition of Bank Lippo on 28 October 2008 have been restated and are set out on the following page. The goodwill on acquisition of Bank Lippo was restated to RM1,557,952,000.

49 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisitions during the prior financial year (Continued):

(iii) Completion of initial accounting for the acquisition of PT Bank Lippo Tbk ("Bank Lippo") and merger of Bank Lippo and PT Bank Niaga Tbk ("Bank CIMB Niaga")(Continued)

	Acquiree's provisional fair values RM'000	Generally Accepted Accounting Principles adjustments (GAAP) RM'000	Fair value adjustments RM'000	Adjusted fair value RM'000
Cash and short-term funds	1,297,717	-	-	1,297,717
Deposits and placements with banks and other financial institutions	625,947	-	-	625,947
Financial assets held for trading	83,319	-	-	83,319
Financial investments available-for-sale	1,058,335	-	-	1,058,335
Financial investments held-to-maturity	184,453	-	-	184,453
Derivative financial instruments	237,080	-	(57,103)	179,977
Loans, advances and financing	7,969,842	-	-	7,969,842
Other assets	534,587	-	(83,443)	451,144
Deferred tax assets	198,538	-	-	198,538
Investment in associates	951	-	-	951
Property, plant and equipment	244,509	(109,486)	-	135,023
Intangible assets identified on acquisition	-	-	1,132,309	1,132,309
Prepaid lease payments	-	69,074	137,328	206,402
Deposits from customers	(9,798,552)	-	-	(9,798,552)
Deposits and placements of bank and other financial institutions	(23,479)	-	-	(23,479)
Derivative financial instruments	(352,300)	-	-	(352,300)
Bills and acceptances payable	(63,441)	-	-	(63,441)
Provision for taxation	(44,582)	-	(59,722)	(104,304)
Deferred tax liabilities arising from fair value adjustments attributable to intangible assets	-	-	(283,077)	(283,077)
Subordinated notes	(706,939)	-	154,817	(552,122)
Borrowings	(25,412)	-	-	(25,412)
Other liabilities	(481,268)	-	-	(481,268)
Net assets	939,305	(40,412)	941,109	1,840,002
Less: Minority interest	(425,744)	18,982	(416,743)	(823,505)
Net assets acquired	513,561	(21,430)	524,366	1,016,497
Goodwill on acquisition				393,953
Purchase consideration				1,410,450
Purchase consideration satisfied via issuance of the Company's new shares				1,211,513
Purchase consideration satisfied via cash				198,937
				1,410,450
Less: cash and cash equivalents acquired				(723,060)
Cash outflow on acquisition				687,390

49 BUSINESS COMBINATIONS (CONTINUED)

(c) Disposals during the financial year:

(i) Disposal of BT Asset Management Company Limited ("BTAM") to CIMB-Principal Asset Management Berhad ("CIMB-Principal")

On 30 June 2010, CIMB Thai, a 93.15% owned subsidiary of CIMB Bank Berhad ("CIMB Bank"), which in turn is a 99.99% owned subsidiary of CIMBG, disposed its entire 100% equity interest in BTAM to CIMB-Principal, a 60% owned subsidiary of CIMBG, for a cash consideration of THB250,000,000 (equivalent to approximately RM 25,181,000).

The effects of the disposal on the financial position of the Group as at 31 December 2010 are as follows:

	2010 RM'000
Cash and short-term funds	(440)
Other assets	(884)
Property, plant and equipment	(274)
Intangible assets	(120)
Other liabilities	489
Identifiable net assets disposed	(1,229)
Net disposal proceeds	10,092
Gain on disposal before and after tax	8,863
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal - cash consideraton	10,092
Cash and cash equivalents of subsidiaries disposed	(440)
	9,652

(ii) Disposal of BT Insurance Company Limited ("BTI")

On 4 November 2010, CIMB Thai disposed 99.99% of its equity interest in BT Insurance Company Limited ("BTI") to Ayudhya Insurance Public Company Limited for a total cash consideration of THB392 million (equivalent to RM40.68 million, based on exchange rate of RM1.00:THB9.6354), subject to adjustment clauses as stipulated in the SPA.

The effects of the disposal on the financial position of the Group as at 31 December 2010 are as follows:

	2010 RM'000
Cash and short-term funds	(6,169)
Deposits and placements with banks and other financial institutions	(19,895)
Financial assets held for trading	(12,771)
Financial investments available-for-sale	(28,292)
Other assets	(7,907)
Property, plant and equipment	(414)
Intangible assets	(74)
Other liabilities	36,930
Identifiable net assets disposed	(38,592)
Net disposal proceeds	40,691
Gain on disposal before and after tax	2,099
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal - cash consideration	40,691
Cash and cash equivalents of subsidiary disposed	(6,169)
	34,522

49 BUSINESS COMBINATIONS (CONTINUED)

(c) Disposals during the financial year (Continued):

(iii) Disposal of 15.25% equity interest in Armada Investment Holding Ltd. ("Armada")

On 30 March 2010, CIMB Private Equity had disposed 15.25% out of its 100% equity interest in Armada Investment Holding Ltd. ("Armada") for a total consideration of RM8 million.

The disposal was satisfied via cash of RM8 million by Hasrat Eramas Sdn Bhd and Commerce-KPF Ventures Sdn Bhd.

The effects of the disposal on the financial position on the Group as at 31 December 2010 are as follows:

	2010 RM'000
Identifiable net assets disposed	(3,956)
Net disposal proceeds	
- cash consideration	8,000
Gain on disposal before and after tax	4,044

(iv) Dilution of effective interest in Commerce KPF Ventures Sdn Bhd ("CKPF") and Commerce Agro Ventures Sdn Bhd ("CAGV")

Effective from 4 June 2010, the Group via its wholly owned subsidiary, Commerce Asset Ventures Sdn Bhd, completed the restructuring of CKPF and CAGV funds by signing the Declaration of Trust, resulting to a dilution of effective interest in the two investment holding companies. The dilution of effective interest in these companies is deemed as partial disposal of the Group's stake in the two companies. The partial deemed disposal had resulted in a gain of RM11,948,065.

(d) Disposals during the prior financial year:

(i) Disposal of certain assets, liabilities and the asset/fund management business of Southern Investment Bank Berhad ("SIBB")

On 31 January 2009, SIBB disposed its certain assets, liabilities and the asset/fund management to Hong Leong Investment Bank Berhad. The disposal was done at premium of RM65 million.

The effects of the disposal on the financial position of the Group as at 31 December 2009 are as follows:

	2009 RM'000
Loans and advances	(38,040)
Property, plant and equipment	(21)
Intangible assets	(83)
Deposits from customer	603
Deposits and placements of banks and other financial institutions	47,796
Other liabilities	82
Identifiable net assets disposed	10,337
Less: Goodwill	(35,000)
	(24,663)
Net disposal proceeds	54,663
Gain on disposal before and after tax	30,000

The net cash inflow arising from the disposal amounted to RM54,663,000.

49 BUSINESS COMBINATIONS (CONTINUED)

(d) Disposals during the prior financial year (Continued):

(ii) Disposal of 49% equity interest in PT CIMB Sun Life (formerly known as PT Commerce International) ("CIMB Sun Life")

On 28 July 2009, an indirect subsidiary of the Company, CIG Berhad ("CIGB") (formerly known Commerce International Group Berhad) had disposed 49% out of its 96.24% equity interest in PT CIMB Sun Life ("CIMB Sun Life") for a total consideration of 23.3 million United States Dollars ("USD") (equivalent to approximately RM81.6 million).

The disposal was satisfied via cash of RM63,760,569 and capital contribution of RM17,850,000 by PT Sun Life Indonesia Services (formerly known as PT Parahiyangan Griyanusa).

The effects of the disposal on the financial position of the Group as at 31 December 2009 are as follows:

	2009 RM'000
Identifiable net assets disposed	(11,662)
Net disposal proceeds	
- cash consideration	63,761
- capital contribution	17,850
Gain on disposal before and after tax	69,949
Total proceeds satisfied via cash	63,761
Cash and cash equivalents of subsidiary disposed	(3,667)
Net cash inflow on disposal	60,094

Subsequent to the above disposal, CIMB Sun Life is still a subsidiary of the Group by virtue of an additional interest of 3.76% held by the Group through Bank CIMB Niaga. The Group holds equity interest of 51% in CIMB Sun Life as at 31 December 2009.

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

(b) Impairment losses on loans, advances and financing

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

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill impairment

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

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to 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 price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of capital, which requires exercise of judgement.

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

(d) Intangible assets

The Group's intangible assets that derive their value from contractual customer relationships and core deposits or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgement by the Group's management. At each statements of financial position date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount: the higher of the assets' selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed in a binding agreement in an arms length transaction evidenced by an active market or recent transactions for similar assets.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets' continued use, including those resulting from its ultimate disposal, at a market-based discount rate on pre-tax basis.

51 NON-CURRENT ASSETS HELD FOR SALE

		The Group	
	Note	2010 RM'000	2009 RM'000
Non-current assets held for sale:			
- property, plant and equipment		3,411	222,683
- prepaid lease payments		-	1,602
- foreclosed properties		8,835	1,939
- investment properties	16	46,804	-
Total non-current assets held for sale		59,050	226,224

Property, plant and equipment, foreclosed properties and investment properties of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2011.

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

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

- Leasehold land
- Financial assets
- Financial liabilities
- Revenue recognition
- Impairment of financial assets

Refer to the summary of significant group accounting policies for the details of the changes in accounting policies.

(i) The following are effects arising from the adoption of FRS 139:
Impact on the Group's statements of financial position as at 1 January 2010:

	Audited as at 31 December 2009 RM'000	Effects of adopting FRS 139 RM'000	Adjusted as at 1 January 2010 RM'000
Assets			
Financial investments available-for-sale			
- allowance for impairment losses	(357,286)	(29,346)	(386,632)
Loans, advances and financing			
- impaired loans, advances and financing	7,416,849	4,074,041	11,490,890
- individual impairment allowance	-	(4,988,992)	(4,988,992)
- portfolio impairment allowance	-	(4,252,946)	(4,252,946)
- specific allowance	(4,905,276)	4,905,276	-
- general allowance	(1,826,593)	1,826,593	-
Deferred tax assets	280,461	11,811	292,272
Equity			
Retained earnings	6,831,811	(593,822)	6,237,989
Revaluation reserve-financial investments available-for-sale	545,121	249,177	794,298
Minority interests	2,101,700	(22,665)	2,079,035

52 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 Company's statements of financial position as at 31 December 2010:

Group	Increase/(decrease) in balances as at 31 December 2010 Effects of adopting FRS 139 RM'000
Assets	
Financial investment available-for-sale	11,826
Loans, advances and financing	(1,394,812)
Deposits and placements with banks	123,101
Other assets	1,631,981
Deferred taxation	(395,813)
Liabilities	
Deposits from customers	399,082
Other liabilities	(309,082)
Provision for taxation and zakat	(293,625)
Equity	
Revaluation reserve - financial investments available-for-sale	17,397
Company	
Assets	
Cash and short-term funds	81
Amount owing by subsidiaries	(81)
Financial investments available-for-sale	(37,750)
Financial investments held-to-maturity	(49,442)
Investment in subsidiaries	87,192
Liabilities	
Other liabilities	(13,881)
Other borrowings	13,881

The effects of the adoption of FRS 139 on loan impairment for the current financial year are not disclosed by the Group as it is not practicable to do so.

52 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 statements of comprehensive income:

	Increase/(decrease) for the financial year ended 31 December 2010 Effects of adopting FRS 139 RM'000
Interest income	471,833
Non-interest income	(201,564)
Allowance for other impairment losses	(11,370)
Taxation	(101,817)

The effects of the adoption of FRS 139 on loan impairment for the current financial year are not disclosed by the Group as it is not practicable to do so.

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

Impact on the Group's statements of financial position:

	Balances as at 31 December 2008		
	As previously reported RM'000	Effects of adopting FRS 117 RM'000	As restated RM'000
Assets			
Prepaid lease payments	256,788	(45,966)	210,822
Property, plant and equipment	1,559,550	45,966	1,605,516

	Balances as at 31 December 2009		
	As previously reported RM'000	Effects of adopting FRS 117 RM'000	As restated RM'000
Assets			
Prepaid lease payments	279,924	(32,750)	247,174
Property, plant and equipment	1,499,066	32,750	1,531,816

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTINUED)

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

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

	Increase/(decrease) to balances as at 31 December 2010 Effects of adopting FRS 117 RM'000
Assets	
Prepaid lease payments	(27,159)
Property, plant and equipment	27,159

Impact on the Company's statements of financial position:

	Balances as at 31 December 2008		
	As previously reported RM'000	Effects of adopting FRS 117 RM'000	As restated RM'000
Assets			
Prepaid lease payments	4,516	(4,516)	-
Property, plant and equipment	381,420	4,516	385,936

	Balances as at 31 December 2009		
	As previously reported RM'000	Effects of adopting FRS 117 RM'000	As restated RM'000
Assets			
Prepaid lease payments	4,358	(4,358)	-
Property, plant and equipment	28,567	4,358	32,925

	Increase/(decrease) to balances as at 31 December 2010 Effects of adopting FRS 117 RM'000
Assets	
Prepaid lease payments	(4,200)
Property, plant and equipment	4,200

52 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTINUED)

(iii) The following comparatives were restated to conform with the current financial year's presentation. There was no impact to the financial performance and ratios in relation to the financial year ended 31 December 2009.

		Balances as at 31 December 2009		
	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Assets				
Financial investments available-for-sale	**(i)**	11,000,536	26,517	11,027,053
Loans, advances and financing	**(i)**	142,218,190	(26,517)	142,191,673
Liabilities				
Other borrowings	**(ii)**	3,218,286	(16,090)	3,202,196
Other liabilities	**(ii)**	8,105,303	(4,543)	8,100,760
Non-cumulative guaranteed and redeemable preference shares	**(ii)**	884,087	20,633	904,720
Reserves				
Revaluation reserve - financial investments available-for-sale	**(iii)**	545,121	(27,798)	517,323
Retained earnings	**(iii)**	6,831,811	27,798	6,859,609

(i) The above reclassification was arising from CIMB Thai Bank. CIMB Thai Bank previously disclosed the amount under financial investments available-for-sale in accordance with Bank Thai's regulations. This reclassification was made in order to conform with the Group's presentation.

(ii) The above reclassifications for Commerce KPF and Vital Remarks Sdn Bhd, relates to the conversion of shareholders' advances to Redeemable Preference Shares.

(iii) The reclassification was in relation to the transfer of revaluation reserve – financial investments available-for-sale of CIMB Thai Bank to retained earnings of the Group, upon CIMB Bank's additional investment in CIMB Thai Bank in 2009.

53 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 Capital-at-Risk (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:

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- 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:

GOVERNANCE

ECONOMIC CAPITAL FRAMEWORK

REGULATORY CAPITAL FRAMEWORK - RISK WEIGHTED ASSETS

RISK MANAGEMENT LIMITS & CONTROLS

RISK ANALYSIS & REPORTING

STRESS TESTING

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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance

The BRC assumes the ultimate responsibility on behalf of the Boards of Directors for the supervision of risk management within CIMB Group. In line with best practices, the BRC determines the risk policy objectives and also decides on the yearly allocation of risk capital to support all risks taken 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 chaired by a director respectively. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units. BRC reviews the composition of these committees except for BSMC, to reflect a balance of experienced independent and non-independent individuals with the necessary skills and qualifications to carry out the roles and responsibilities of the relevant committee.

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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

Review and recommend risk policies and strategies for approval

Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

Review and advise on risk policies and strategies

Oversee management of risk, capital allocation and asset liability management processes across the Group

Group Market Risk Committee (GMRC)	Credit Risk Committee (CRC)	Regional Credit Committee (RCC)	Regional Liquidity Risk Committee (RLRC)	Operational Risk Committee (ORC)	Balance Sheet Management Committee (BSMC)
Oversee exposures to market risks	Credit approval authority for Malaysian centric cases	Credit approval authority for non-Malaysian centric cases	Oversee the Group's overall liquidity management	Oversee issues relating to the operational risk and internal control environment	Review balance sheet positions
Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments	Assign and review the Malaysian centric Inter-bank Limits, Sectorial Exposures and Global Counterparty Credit Limits	Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures	Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner	Review and evaluate all Business Continuity Management (BCM)/Disaster Recovery (DR) activities	Recommend and executing balance sheet strategies and hedging
					Ensure risk profile is kept within the established risk appetite/limits/MAT

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Group Risk Division

The primary oversight body for risk management activities is GRD, comprising GRM, Group Credit (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 businesses 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.

GRM maintains an oversight of the functions performed by the risk management units in the asset management and insurance/takaful subsidiaries.

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.

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 loans/financing and advances, fixed income, derivatives, sales and trading, 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.

Strategies and Processes for Various Risk Management

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk

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

Credit Risk Management

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

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

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

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

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

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

The exposures are actively monitored, reviewed on a regular basis and reported 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 obligors/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 utilisation to be compared against the allocated capital. The CaR usage versus pre-determined limit is monitored by Risk Management & Analytics (RMA) within GRM. Any exception will be highlighted to Management in accordance with the Group's exception management procedure. These are summarised 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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 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, shares, unit trusts and debt securities, while physical collateral include land and buildings and vehicles. Guarantors accepted are in line with BNM's Risk Weighted Capital Adequacy Framework (Basel II) (RWCAF) and Capital Adequacy Framework for Islamic Banks (CAFIB) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

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

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

Netting

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

Concentrations within risk mitigation

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

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)

CCR limits are established at the individual counterparty level and approved by 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 enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes (CSA) with counterparties. The net credit exposure with each counterparty is monitored and our Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by CRC and/or RCC.

Treatment of Rating Downgrade

Based on the terms of the existing CSA and our exposure as at 31 December 2010, there will be no requirement for additional collateral to be posted in the event of a one-notch downgrade of rating.

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

53.1.1 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 Company as at 31 December 2010 (without taking into account 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 Company 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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

This analysis and all subsequent analysis 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.

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

	The Group Maximum exposure RM'000	The Company Maximum exposure RM'000
Items recognised in the statements of financial position		
Cash and short-term funds	24,151,160	529,825
Reverse repurchase agreements	3,804,662	-
Deposits and placements with banks and other financial institutions	11,745,823	-
Financial investments at fair value through profit or loss		
- Financial assets held for trading		
- Money market instruments	10,434,610	-
- Quoted securities	1,614,716	-
- Unquoted securities	2,875,587	-
- Financial assets designated at fair value through profit or loss		
- Money market instruments	449,881	-
- Unquoted securities	265,410	-
Financial investments available-for-sale		
- Money market instruments	813,236	-
- Quoted securities	2,659,928	-
- Unquoted securities	6,438,754	-
Financial investments held-to-maturity		
- Money market instruments	1,988,979	-
- Quoted securities	1,833,605	-
- Unquoted securities	10,297,679	-
Derivative financial instruments		
- Trading derivatives	3,411,612	-
- Hedging derivatives	165,543	5,676
Loans, advances and financing		
- Overdrafts	8,639,354	-
- Term loans/financing	113,643,586	1,147
- Bills receivable	2,491,515	-
- Trust receipts	942,653	-
- Claim on customers under acceptance credit	3,943,387	-
- Credit card receivables	4,861,759	-
- Revolving credit	23,375,365	-
- Share margin financing	1,275,583	-
- Other loans	8,183	-
Other assets	6,215,520	8,509
Amount owing by subsidiaries	-	19,267
	248,348,090	564,424
Items not recognised in the statements of financial position		
Financial guarantees	4,399,652	-
Credit related commitments and contingencies	47,049,824	-
	51,449,476	-
Total maximum credit risk exposure	299,797,566	564,424

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.2 Concentration of risks of financial assets with credit risk exposure

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

(a) Geographical sectors

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

	The Group								
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Items recognised in the statements of financial position									
Cash and short-term funds	16,121,244	3,170,480	157,517	1,034,009	1,586,252	142,071	1,251,980	687,607	24,151,160
Reverse repurchase agreements	2,687,276	-	1,014,376	12,074	-	90,936	-	-	3,804,662
Deposits and placements with banks and other financial institutions	4,307,520	2,879,320	60,687	1,562,265	241,259	624,583	898,840	1,171,349	11,745,823
Financial investments at fair value through profit or loss									
- Financial assets held for trading									
- Money market instruments	8,380,084	6,763	-	2,047,763	-	-	-	-	10,434,610
- Quoted securities	5	1,605,911	8,800	-	-	-	-	-	1,614,716
- Unquoted securities	1,851,805	76,018	247,444	604,601	22,531	42,962	-	30,226	2,875,587
- Financial assets designated at fair value through profit or loss									
- Money market instruments	449,881	-	-	-	-	-	-	-	449,881
- Unquoted securities	265,410	-	-	-	-	-	-	-	265,410
Financial investments available-for-sale									
- Money market instruments	813,236	-	-	-	-	-	-	-	813,236
- Quoted securities	-	2,090,905	569,023	-	-	-	-	-	2,659,928
- Unquoted securities	6,288,078	90,186	-	15,258	-	-	-	45,232	6,438,754
Financial investments held-to-maturity									
- Money market instruments	1,988,979	-	-	-	-	-	-	-	1,988,979
- Quoted securities	-	391,840	943,124	38,245	57,817	-	-	402,579	1,833,605
- Unquoted securities	8,544,824	3,532	333,445	914,984	-	24,052	108,193	368,649	10,297,679
Derivative financial instruments									
- Trading derivatives	1,406,040	41,138	65,381	506,076	840,338	125,429	57,124	370,086	3,411,612
- Hedging derivatives	16,813	21,339	-	93,167	34,224	-	-	-	165,543

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(a) Geographical sectors (Continued)

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

	The Group								
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
Loans, advances and financing									
- Overdrafts	7,851,969	3,082	627,578	100,508	3,106	1,903	6,198	45,010	8,639,354
- Term loans/financing	83,394,950	16,311,768	6,572,502	5,668,805	47,150	201,390	267,651	1,179,370	113,643,586
- Bills receivable	413,125	-	2,002,191	63,070	2,896	-	-	10,233	2,491,515
- Trust receipts	409,787	34,843	449,592	48,431	-	-	-	-	942,653
- Claim on customers under acceptance credit	3,472,377	465,582	5,142	286	-	-	-	-	3,943,387
- Credit card receivables	3,885,531	686,228	-	290,000	-	-	-	-	4,861,759
- Revolving credit	4,170,981	18,525,812	51,401	361,530	-	174,793	57,142	33,706	23,375,365
- Share margin financing	623,747	136,573	18,815	496,448	-	-	-	-	1,275,583
- Other loans	8,183	-	-	-	-	-	-	-	8,183
Other assets	4,575,119	513,317	76,042	808,959	28,180	86,779	103,056	24,068	6,215,520
	161,926,964	47,054,637	13,203,060	14,666,479	2,863,753	1,514,898	2,750,184	4,368,115	248,348,090
Items not recognised in the statements of financial position									
Financial guarantees	1,079,020	939,865	392,916	1,867,101	-	49,340	71,395	15	4,399,652
Credit related commitments and contingencies	41,551,273	1,043,713	1,003,400	2,879,636	-	37,294	13	534,495	47,049,824
Total credit exposures	204,557,257	49,038,215	14,599,376	19,413,216	2,863,753	1,601,532	2,821,592	4,902,625	299,797,566

	The Company		
	Malaysia RM'000	Indonesia RM'000	Total RM'000
Items recognised in the statements of financial position			
Cash and short-term funds	528,646	1,179	529,825
Derivative financial instruments			
- Hedging derivatives	5,676	-	5,676
Loans, advances and financing			
- Term loans/financing	1,147	-	1,147
Other assets	8,509	-	8,509
Amount owing by subsidiaries	19,267	-	19,267
	563,245	1,179	564,424

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors

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

	The Group										
	Cash and short-term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Derivative financial instruments Trading derivatives RM'000	Derivative financial instruments Hedging derivatives RM'000	Loans, advances and financing (ii) RM'000	Other financial assets RM'000	Total credit exposures RM'000
Agriculture	-	-	-	-	154,034	108,362	5,219	-	4,705,521	12,386	4,985,522
Mining and quarrying	-	-	-	-	-	-	11,239	-	1,578,644	7,001	1,596,884
Manufacturing	-	-	-	274,547	250,323	80,357	27,111	-	14,562,248	81,595	15,276,181
Electricity, gas and water	-	-	-	217,321	1,099,556	346,642	36,851	-	1,663,628	9,234	3,373,232
Construction	-	1,558	-	138,427	1,024,162	277,985	16,592	-	4,547,569	4,812	6,011,105
Transport, storage and communications	-	26,230	-	236,196	699,440	2,813,174	183,724	-	6,298,602	23,904	10,281,270
Education and health	-	-	-	-	-	-	-	-	7,986,461	-	7,986,461
Trade and hospitality	-	-	-	-	-	-	-	-	3,425,596	-	3,425,596
Finance, insurance, real estate business:											
Finance, insurance and business services	8,941,363	1,182,178	8,726,017	4,131,600	3,074,087	5,479,868	2,977,960	165,543	20,473,629	2,057,255	57,209,500
Real estate	-	-	-	200,603	181,106	-	54	-	3,796,727	24,418	4,202,908
Others:											
Purchase of landed property											
- Residential	-	-	-	-	-	-	-	-	35,986,836	-	35,986,836
- Non-residential	-	-	-	-	-	-	-	-	6,441,776	-	6,441,776
General commerce	-	-	-	23,855	56,919	4,639	8,590	-	9,110,725	34,962	9,239,690
Government and government agencies	15,190,917	2,530,859	3,019,806	9,900,791	2,843,228	4,919,322	1,663	-	-	282,608	38,689,194
Purchase of securities	-	-	-	32,471	168,388	17,662	40,915	-	4,835,556	941,164	6,036,156
Purchase of transport vehicles	-	-	-	-	-	-	-	-	10,769,291	-	10,769,291
Consumption credit	-	47,290	-	1,990	66,207	-	-	-	11,379,498	108,184	11,603,169
Others	18,880	16,547	-	482,403	294,468	72,252	101,694	-	11,619,078	2,627,997	15,233,319
	24,151,160	3,804,662	11,745,823	15,640,204	9,911,918	14,120,263	3,411,612	165,543	159,181,385	6,215,520	248,348,090

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(i) Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

	The Group											
	Financial assets held for trading		Financial assets designated at fair value through profit or loss			Financial investments available-for-sale			Financial investments held-to-maturity			
	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Money market instruments RM'000	Quoted securities RM'000	Unquoted securities RM'000	Total credit exposures RM'000
Agriculture	-	-	-	-	-	-	-	154,034	-	3,392	104,970	262,396
Manufacturing	88,826	205	185,516	-	-	-	-	250,323	-	16,321	64,036	605,227
Electricity, gas and water	115,393	-	95,710	-	6,217	-	-	1,099,556	-	-	346,642	1,663,518
Construction	-	-	136,430	-	1,997	-	-	1,024,162	-	3,392	274,593	1,440,574
Transport, storage and communications	-	-	220,163	-	16,033	-	-	699,440	-	56,257	2,756,916	3,748,809
Finance, insurance, real estate business:												
Finance, insurance and business services	2,609,092	167,994	1,267,600	30,548	56,368	184,494	1,217,759	1,671,834	264,840	607,158	4,607,871	12,685,558
Real estate	18,038	-	182,564	-	-	-	-	181,106	-	-	-	381,708
Others:												
General commerce	-	-	23,855	-	-	-	-	56,919	-	-	4,639	85,413
Government and government agencies	7,603,261	1,414,046	464,151	419,333	-	628,742	1,273,782	940,705	1,724,139	1,129,423	2,065,760	17,663,342
Purchase of securities	-	32,471	-	-	-	-	168,387	-	-	17,662	-	218,520
Consumption credit	-	-	-	-	1,990	-	-	66,207	-	-	-	68,197
Others	-	-	299,598	-	182,805	-	-	294,468	-	-	72,252	849,123
	10,434,610	1,614,716	2,875,587	449,881	265,410	813,236	2,659,928	6,438,754	1,988,979	1,833,605	10,297,679	39,672,385

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

(ii) Loans, advances and financing are further analysed by product types as follows:

	The Group									
	Overdrafts RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claim on customers under acceptance credit RM'000	Credit card receivables RM'000	Revolving credit RM'000	Share margin financing RM'000	Other loan RM'000	Total credit exposures RM'000
Agriculture	130,103	1,922,419	5,423	3,778	148,864	-	2,494,933	-	-	4,705,520
Mining and quarrying	27,600	381,976	3,060	2,779	10,262	-	1,152,966	-	-	1,578,643
Manufacturing	657,013	4,274,268	1,362,212	350,238	1,908,819	-	6,009,697	-	-	14,562,247
Electricity, gas and water	13,390	1,438,335	9,704	4,422	3,478	-	194,299	-	-	1,663,628
Construction	557,467	2,611,288	51,475	62,341	124,141	-	1,132,674	-	8,183	4,547,569
Transport, storage and communications	182,710	5,069,106	18,070	10,343	11,905	-	1,006,468	-	-	6,298,602
Education and health	180,904	7,619,559	23,207	2,313	74,714	-	85,764	-	-	7,986,461
Trade and hospitality	820,642	1,193,672	37,188	170,456	1,078,426	-	125,216	-	-	3,425,600
Finance, insurance, real estate business:										
Finance, insurance and business services	433,116	15,277,456	118,511	19,604	39,005	-	4,585,935	-	-	20,473,627
Real estate	209,781	3,089,479	32,628	359	682	-	463,798	-	-	3,796,727
Others:										
Purchase of landed property										
- Residential	134,904	35,837,653	-	-	-	-	14,278	-	-	35,986,835
- Non-residential	3,059,286	3,378,125	-	-	-	-	4,365	-	-	6,441,776
General commerce	260,384	1,760,700	730,848	299,096	527,700	-	5,531,997	-	-	9,110,725
Purchase of securities	18,389	3,446,516	-	-	-	-	95,069	1,275,583	-	4,835,557
Purchase of transport vehicles	-	10,769,291	-	-	-	-	-	-	-	10,769,291
Consumption credit	1,807,264	4,573,470	5,279	76	-	4,861,759	131,651	-	-	11,379,499
Others	146,401	11,000,273	93,910	16,848	15,391	-	346,255	-	-	11,619,078
	8,639,354	113,643,586	2,491,515	942,653	3,943,387	4,861,759	23,375,365	1,275,583	8,183	159,181,385

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for 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 Company		
	Cash and short-term funds RM'000	Derivative financial instruments * RM'000	Loans, advances and financing ** RM'000	Other financial assets *** RM'000	Total credit exposures RM'000
Finance, insurance, real estate business:					
Finance, insurance and business services	529,825	5,676	-	27,677	563,178
Others:					
Others	-	-	1,147	99	1,246
	529,825	5,676	1,147	27,776	564,424

* Relates to hedging derivatives
** Relates to term loans
*** Other financial assets include amount owing by subsidiaries and other financial assets

The analysis of credit risk concentrations for items not recognised in the statements of financial position based on the industry sectors of the counterparty as at 31 December 2010 are as follows:

	The Group	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Agriculture	8,408	1,153,011
Mining and quarrying	38,060	663,823
Manufacturing	340,381	4,825,520
Electricity, gas and water	27,396	1,089,154
Construction	233,139	3,376,824
Transport, storage and communications	57,558	888,479
Education and health	45,491	1,961,952
Trade and hospitality	115,126	4,677,732
Finance, insurance, real estate business:		
Finance, insurance and business services	2,355,212	4,224,881
Real estate	46,875	1,145,798
Others:		
Purchase of landed property		
- Residential	-	298,509
General commerce	991,542	1,738,537
Purchase of transport vehicles	-	197,724
Consumption credit	-	669,766
Others	140,464	20,138,114
	4,399,652	47,049,824

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 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 as at 31 December 2010 are summarised as follows:

	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
Overdrafts	7,059,904	1,488,063	836,510	9,384,477
Term loans/financing	101,290,878	10,871,820	7,013,873	119,176,571
Bills receivable	2,461,315	35,994	126,742	2,624,051
Trust receipts	901,950	18,919	222,985	1,143,854
Claim on customers under acceptance credit	3,824,505	60,550	664,227	4,549,282
Credit card receivables	4,702,082	173,369	104,139	4,979,590
Revolving credit	22,936,657	124,832	1,249,949	24,311,438
Share margin financing	1,280,311	-	64,407	1,344,718
Other loans	8,183	-	1,547	9,730
Total	144,465,785	12,773,547	10,284,379	167,523,711
Less: Impairment allowances				(8,342,326)*
Total net amount				159,181,385

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

Loans, advances and financing of the Company as at 31 December 2010 of RM1,147,000 are categorised as "neither past due nor impaired".

(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 Company.

	The Group			
	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Overdrafts	1,880,997	195,654	4,983,253	7,059,904
Term loans/financing	39,164,039	3,324,023	58,802,816	101,290,878
Bills receivable	2,106,949	112,989	241,377	2,461,315
Trust receipts	655,214	44,387	202,349	901,950
Claim on customers under acceptance credit	3,184,525	73,599	567,381	3,824,505
Credit card receivables	618,819	-	4,083,263	4,702,082
Revolving credit	22,240,893	337,651	358,113	22,936,657
Share margin financing	89,351	-	1,190,960	1,280,311
Other loans	-	8,183	-	8,183
Total	69,939,787	4,096,486	70,429,512	144,465,785

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

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

	The Company	
	No Rating RM'000	Total RM'000
Term loans/financing	1,147	1,147
Total	1,147	1,147

Credit quality description can be summarised as follows:

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

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

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

(ii) Loans, advances and financing that are "past due but not impaired"

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

An age analysis of loans, advances and financing that are "past due but not impaired" as at 31 December 2010 is set out below:

		The Group	
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Overdrafts	1,208,145	279,918	1,488,063
Term loans/financing	7,349,715	3,522,105	10,871,820
Bills receivable	35,994	-	35,994
Trust receipts	12,762	6,157	18,919
Claim on customers under acceptance credit	43,898	16,652	60,550
Credit card receivables	111,095	62,274	173,369
Revolving credit	55,842	68,990	124,832
Total	8,817,451	3,956,096	12,773,547

The Group does not disclose the fair value of collateral held as security for loans, advances and financing that are "past due but not impaired" as it is not practicable to do so.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(iii) Impaired loans, advances and financing

	The Group RM'000
Total gross impaired loans	10,284,379
Less: Impairment allowances	(5,167,888)
Total net impaired loans	5,116,491
Fair value of collateral	9,053,045

Refer to Note 8(vii) and Note 8(viii) for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

(b) Financial investments at fair value through profit or loss and financial investments

Financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity as at 31 December 2010 are summarised as follows:

	The Group		
	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Financial investments at fair value through profit or loss			
- Financial assets held for trading			
- Money market instruments	10,434,610	-	10,434,610
- Quoted securities	1,614,716	-	1,614,716
- Unquoted securities	2,875,587	-	2,875,587
- Financial assets designated at fair value through profit or loss			
- Money market instruments	449,881	-	449,881
- Unquoted securities	265,410	-	265,410
Financial investments available-for-sale			
- Money market instruments	813,236	-	813,236
- Quoted securities	2,660,146	-	2,660,146
- Unquoted securities	6,262,887	430,402	6,693,289
Financial investments held-to-maturity			
- Money market instruments	1,988,979	-	1,988,979
- Quoted securities	1,837,739	5,139	1,842,878
- Unquoted securities	10,219,113	114,805	10,333,918
Total	39,422,304	550,346	39,972,650
Less: Impairment allowance			(300,265)*
Total net amount			39,672,385

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

There were no financial investments at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2010 for the Group.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(b) Financial investments at fair value through profit or loss and financial investments (Continued)

(i) Financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial investments at fair value through profit or loss and financial investments that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2010:

	The Group				
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
Financial assets held for trading					
- Money market instruments	8,046,419	2,265,032	-	123,159	10,434,610
- Quoted securities	1,557,186	57,525	-	5	1,614,716
- Unquoted securities	231,610	2,068,346	48,086	527,545	2,875,587
Financial assets designated at fair value through profit or loss					
- Money market instruments	427,345	22,536	-	-	449,881
- Unquoted securities	-	244,786	20,624	-	265,410
Financial investments available-for-sale					
- Money market instruments	664,165	149,071	-	-	813,236
- Quoted securities	2,635,565	24,581	-	-	2,660,146
- Unquoted securities	1,269,748	4,754,386	90,186	148,567	6,262,887
Financial investments held-to-maturity					
- Money market instruments	1,734,089	254,890	-	-	1,988,979
- Quoted securities	1,185,920	651,819	-	-	1,837,739
- Unquoted securities	2,454,010	6,258,660	55,670	1,450,773	10,219,113
Total	20,206,057	16,751,632	214,566	2,250,049	39,422,304

Securities with no ratings consists of government securities, credit-linked notes and private debt securities.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets

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

	The Group			
	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired RM'000	Total gross amount RM'000
Cash and short term funds	24,151,160	-	-	24,151,160
Reverse repurchase agreements	3,804,662	-	-	3,804,662
Deposits and placements with banks and other financial institutions	11,745,823	-	-	11,745,823
Other assets	6,030,793	181,492	80,043	6,292,328
Derivative financial instruments	3,577,155	-	-	3,577,155
Total	49,309,593	181,492	80,043	49,571,128
Less: Impairment allowance				(76,808)*
Total net amount				49,494,320

	The Company		
	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Cash and short term funds	529,825	-	529,825
Other assets	8,509	-	8,509
Derivative financial instruments	5,676	-	5,676
Amount owing by subsidiaries	19,267	805	20,072
Total	563,277	805	564,082
Less: Impairment allowance			(805)*
Total net amount			563,277

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

There were no other credit risk financial assets that are "past due but not impaired" as at 31 December 2010 for the Company.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.3 Credit quality of financial assets (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"

The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2010:

	The Group				
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
Cash and short term funds	15,491,418	7,760,803	81,578	817,361	24,151,160
Reverse repurchase agreements	3,231,252	573,410	-	-	3,804,662
Deposits and placements with banks and other financial institutions	3,448,907	7,895,628	18,575	382,713	11,745,823
Other assets	267,348	431,885	4,446	5,327,114	6,030,793
Derivative financial instruments	20,780	3,094,199	83,894	378,282	3,577,155
Total	22,459,705	19,755,925	188,493	6,905,470	49,309,593

	The Company		
	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
Cash and short term funds	529,825	-	529,825
Other assets	8,410	99	8,509
Derivative financial instruments	5,676	-	5,676
Amount owing by subsidiaries	18,446	821	19,267
Total	562,357	920	563,277

(ii) Other financial assets that are "past due but not impaired"

An age analysis of the other financial assets of the Group that are "past due but not impaired" as at 31 December 2010 are set out as below.

	The Group Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other assets	126,330	55,162	181,492

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.1 Credit risk (Continued)

53.1.4 Renegotiated financial instruments

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. During the financial year, total carrying amount of loans, advances and financing of the Group that would otherwise be past due or impaired whose terms have been renegotiated amounted to RM1,487,838,000. There are no renegotiated financial instruments for the Company during the financial year ended 31 December 2010.

53.1.5 Repossessed collateral

The Group and the Company obtained assets by taking possession of collateral held as security as follows:

2010	The Group Carrying amount RM'000	The Company Carrying amount RM'000
Nature of assets		
Industrial and residential properties and development land	237,620	-

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

53.2 Market risk

Market risk is defined as 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.

Market Risk Management

The function of 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 a 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 equity risk, interest/benchmark rate risk, foreign exchange risk and commodity 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 procedures.

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 53.2.1.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest. Hence, the resulting market 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.

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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

Market Risk Management (Continued)

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 materialise.

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

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. The MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits or 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.

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.

53.2.1 CaR

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 are set out as below:

	The Group RM'000
CaR (99%)	
Foreign exchange risk	9,092
Interest rate risk	13,950
Equity risk	2,151
Total	25,193
Total shareholders fund	23,229,966
Percentage of shareholders funds	0.11%

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 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 and the Company's financial assets and financial liabilities at their full carrying amounts as at 31 December 2010, analysed by the earlier of contractual repricing or maturity dates.

		The Group								
		Non-trading book								
	Note	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 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		22,341,990	-	-	-	-	-	4,843,270	-	27,185,260
Reverse repurchase agreements		2,741,383	1,001,833	405	-	-	-	61,041	-	3,804,662
Deposits and placements with banks and other financial institutions		2,773,679	5,369,855	2,355,925	908,213	6,000	138,758	193,393	-	11,745,823
Financial assets held for trading		-	-	-	-	-	-	-	16,221,146	16,221,146
Financial assets designated at fair value through profit or loss	(i)	1,001	4,971	7,813	22,206	232,050	447,250	146,159	-	861,450
Financial investments available-for-sale	(i)	217,492	426,928	170,975	679,744	4,094,445	4,278,284	1,790,834	-	11,658,702
Financial investments held-to-maturity	(i)	261,796	581,133	498,680	1,648,006	7,175,661	3,953,027	1,960	-	14,120,263
Derivative financial instruments										
- Trading derivatives		-	-	-	-	-	-	-	3,411,612	3,411,612
- Hedging derivatives		2,992	-	1,343	26,723	123,349	11,136	-	-	165,543
Loans, advances and financing	(i)	91,093,226	26,210,764	5,936,019	4,091,115	13,126,702	18,723,559	-	-	159,181,385
Other assets		840	-	81,756	-	264,629	111,018	5,757,277	-	6,215,520
Total financial assets		119,434,399	33,595,484	9,052,916	7,376,007	25,022,836	27,663,032	12,793,934	19,632,758	254,571,366
Financial liabilities										
Deposits from customers		110,526,194	40,884,713	9,406,760	10,949,502	4,932,562	1,143,779	22,002,154	-	199,845,664
Deposits and placements of banks and other financial institutions		5,398,778	2,673,116	2,106,639	1,453,846	1,217,248	185,010	57,520	-	13,092,157
Repurchase agreements		-	33,087	-	-	-	-	-	-	33,087
Derivative financial instruments										
- Trading derivatives		-	-	-	-	-	-	-	3,489,798	3,489,798
- Hedging derivatives		-	-	-	-	61,516	197,202	-	-	258,718
Bills and acceptances payable		1,774,077	1,559,807	524,598	483,008	1,148	-	488,728	-	4,831,366
Amount due to Cagamas Berhad		-	45,416	62,107	-	-	-	-	-	107,523
Other liabilities		12,400	-	-	-	5,007	-	7,633,540	-	7,650,947
Other borrowings		902,507	239,284	77,425	281,999	1,808,786	150,666	24,000	-	3,484,667
Subordinated notes		-	-	-	-	2,505,756	7,113,653	55,931	-	9,675,340
Bonds		-	-	382,527	-	-	-	41,455	-	423,982
Non-cumulative guaranteed and redeemable preference shares		-	-	-	-	760,162	100,000	-	-	860,162
Total financial liabilities		118,613,956	45,435,423	12,560,056	13,168,355	11,292,185	8,890,310	30,303,328	3,489,798	243,753,411
Net interest sensitivity gap for items recognised in the statements of financial position		820,443	(11,839,939)	(3,507,140)	(5,792,348)	13,730,651	18,772,722		16,142,960	
Net interest sensitivity gap for items not recognised in the statements of financial position										
Financial guarantees		-	-	-	-	-	-	4,399,652	-	4,399,652
Credit related commitments and contingencies								47,049,824	-	47,049,824
Treasury related commiments and contigencies (hedging)		853,500	-	553,500	65,611	3,919,265	8,253,850	-	-	13,645,376
		853,500	-	553,500	65,611	3,919,265	8,253,850	51,449,476	-	65,094,852

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial assets designated at fair value through profit or loss, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows:

	Non-trading book							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets designated at fair value through profit or loss								
- Money market instruments	-	-	-	-	70,770	379,111	-	449,881
- Quoted securities	-	-	-	-	-	-	92,434	92,434
- Unquoted securities	1,001	4,971	7,813	22,206	161,280	68,139	53,725	319,135
Financial investments available-for-sale								
- Money market instruments	-	-	-	27,427	330,020	455,789	-	813,236
- Quoted securities	48,277	102,565	30,657	211,482	1,028,298	1,238,651	637,827	3,297,757
- Unquoted securities	169,215	324,363	140,318	440,835	2,736,127	2,583,844	1,153,007	7,547,709
Financial investments held-to-maturity								
- Money market instruments	-	9,948	-	149,979	1,829,052	-	-	1,988,979
- Quoted securities	69,492	-	199,099	771,170	701,507	92,337	-	1,833,605
- Unquoted securities	192,304	571,185	299,581	726,857	4,645,102	3,860,690	1,960	10,297,679
Loans, advances and financing								
- Overdrafts	8,639,354	-	-	-	-	-	-	8,639,354
- Term loans/financing	61,564,033	12,129,944	4,914,145	3,485,972	12,947,216	18,602,276	-	113,643,586
- Bills receivable	1,169,990	698,576	245,352	377,597	-	-	-	2,491,515
- Trust receipts	448,097	162,050	149,644	181,334	1,528	-	-	942,653
- Claim on customers under acceptance credit	1,338,550	2,014,934	586,984	2,919	-	-	-	3,943,387
- Credit card receivables	4,161,242	694,098	6,419	-	-	-	-	4,861,759
- Revolving credit	12,632,948	10,414,527	21,988	14,844	177,958	113,100	-	23,375,365
- Share margin financing	1,139,012	96,635	11,487	28,449	-	-	-	1,275,583
- Other loans	-	-	-	-	-	8,183	-	8,183
Total	91,573,515	27,223,796	6,613,487	6,441,071	24,628,858	27,402,120	1,938,953	185,821,800

53 FINANCIAL RISK MANAGEMENT (CONTINUED)
53.2 Market risk (Continued)
53.2.2 Interest rate risk (Continued)

	The Company Non-trading book								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	515,468	-	-	-	-	-	14,358	-	529,826
Derivative financial instruments									
- Hedging derivatives	-	-	-	-	5,676	-	-	-	5,676
Loans, advances and financing									
- Term loans/financing	-	-	-	20	88	1,039	-	-	1,147
Other assets	-	-	-	-	8,410	-	99	-	8,509
Amount due from subsidiaries	-	-	-	-	-	-	19,267	-	19,267
Total financial assets	515,468	-	-	20	14,174	1,039	33,724	-	564,425
Financial liabilities									
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	9,363	9,363
Other liabilities	-	-	-	-	-	-	1,463	-	1,463
Other borrowings	-	-	-	-	1,650,468	-	13,880	-	1,664,348
Subordinated notes	-	-	-	-	-	2,130,000	-	-	2,130,000
Amount owing to subsidiaries	-	-	-	-	-	-	147	-	147
Total financial liabilities	-	-	-	-	1,650,468	2,130,000	15,490	9,363	3,805,321
Net interest sensitivity gap for items recognised in the statements of financial position	515,468	-	-	20	(1,636,294)	(2,128,961)		(9,363)	
Net interest sensitivity gap for items not recognised in the statements of financial position									
Treasury related commitments and contigencies	-	-	-	-	150,000	-	-	-	150,000

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.2 Interest rate risk (Continued)

(b) Sensitivity to profit

The table below shows the sensitivity of the Group and the Company's banking book to movement in interest rates:

	The Group		The Company	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
Impact to profit (after tax)	(117,636)	117,636	4,001	(4,001)

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

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

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

(c) Sensitivity of reserves

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

	The Group	
	+100 basis points RM'000	-100 basis points RM'000
Impact to revalution reserve-financial investments available-for-sale	(391,174)	391,174

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

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

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

53.2.3 Foreign exchange risk

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

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Company as at 31 December 2010.

	The Group										
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<u>Items recognised in the statements of financial position</u>											
Financial assets											
Cash and short-term funds	15,802,289	3,725,176	430,148	205,260	5,693,233	267,628	51,355	166,525	843,646	11,382,971	27,185,260
Reverse repurchase agreements	2,680,216	-	1,014,376	10,901	99,169	-	-	-	-	1,124,446	3,804,662
Deposits and placements with banks and other financial institutions	4,162,034	2,740,563	60,687	-	3,697,174	125,661	383,508	-	576,196	7,583,789	11,745,823
Financial assets held for trading											
- Money market instruments	8,250,199	-	-	2,061,253	123,158	-	-	-	-	2,184,411	10,434,610
- Quoted securities	859,706	1,662,336	13,904	74,476	262,462	8,571	-	195	23,351	2,045,295	2,905,001
- Unquoted securities	1,425,305	44,531	-	551,839	859,860	-	-	-	-	1,456,230	2,881,535
Financial assets designated at fair value through profit or loss											
- Money market instruments	449,881	-	-	-	-	-	-	-	-	-	449,881
- Quoted securities	92,434	-	-	-	-	-	-	-	-	-	92,434
- Unquoted securities	319,135	-	-	-	-	-	-	-	-	-	319,135
Financial investments available-for-sale											
- Money market instruments	813,236	-	-	-	-	-	-	-	-	-	813,236
- Quoted securities	335,840	2,090,905	867,836	1,386	-	-	-	-	1,790	2,961,917	3,297,757
- Unquoted securities	6,955,309	98,201	27,475	775	312,935	-	-	-	153,014	592,400	7,547,709
Financial investments held-to-maturity											
- Money market instruments	1,988,979	-	-	-	-	-	-	-	-	-	1,988,979
- Quoted securities	-	275,033	999,621	-	558,951	-	-	-	-	1,833,605	1,833,605
- Unquoted securities	8,852,700	-	76,641	759,550	608,788	-	-	-	-	1,444,979	10,297,679
Derivative financial instruments											
- Trading derivatives	2,446,367	32,999	182,447	13,913	697,383	8	297	1,521	36,677	965,245	3,411,612
- Hedging derivatives	52,699	-	-	-	112,844	-	-	-	-	112,844	165,543
Loans, advances and financing											
- Overdrafts	7,926,557	-	623,097	89,700	-	-	-	-	-	712,797	8,639,354
- Term loans/financing	82,659,220	14,275,973	6,433,347	4,465,598	5,037,542	172,917	72,489	179,643	346,857	30,984,366	113,643,586
- Bills receivable	413,126	-	1,866,955	64,260	142,113	-	563	883	3,615	2,078,389	2,491,515
- Trust receipts	408,295	-	194,236	12,230	311,408	-	1,939	5,496	9,049	534,358	942,653
- Claim on customers under acceptance credit	3,472,378	103,375	5,142	286	306,910	-	-	42,765	12,531	471,009	3,943,387
- Credit card receivables	3,885,531	686,228	-	290,000	-	-	-	-	-	976,228	4,861,759
- Revolving credit	3,328,919	14,082,982	51,401	520,924	5,207,356	-	175,114	2,789	5,880	20,046,446	23,375,365
- Share margin financing	623,747	136,573	18,815	496,448	-	-	-	-	-	651,836	1,275,583
- Other loans	8,183	-	-	-	-	-	-	-	-	-	8,183
Other assets	4,402,690	752,465	84,613	432,532	466,397	8,007	5,094	255	63,467	1,812,830	6,215,520
	162,614,975	40,707,340	12,950,741	10,051,331	24,497,683	582,792	690,359	400,072	2,076,073	91,956,391	254,571,366

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

	The Group										
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities											
Deposits from customers	126,537,374	33,774,821	9,653,079	7,803,996	19,693,258	376,561	372,371	192,226	1,441,978	73,308,290	199,845,664
Deposits and placements of banks and other financial institutions	6,424,122	323,732	210,436	1,917,625	3,626,405	138,861	354,879	1,712	94,385	6,668,035	13,092,157
Repurchase agreements	-	-	-	-	33,087	-	-	-	-	33,087	33,087
Derivatives financial instruments											
- Trading derivatives	2,524,166	24,169	131,617	50,185	700,618	1,545	70	201	57,227	965,632	3,489,798
- Hedging derivatives	204,090	8,660	2,626	-	43,342	-	-	-	-	54,628	258,718
Bills and acceptances payable	2,231,859	89,622	2,123,809	20,053	310,726	-	-	42,765	12,532	2,599,507	4,831,366
Amount due to Cagamas Berhad	107,523	-	-	-	-	-	-	-	-	-	107,523
Other liabilities	5,743,019	988,567	210,517	315,464	292,033	24,478	8,734	1,049	67,086	1,907,928	7,650,947
Other borrowings	1,727,466	267,483	-	377,094	1,112,624	-	-	-	-	1,757,201	3,484,667
Bonds	-	-	-	-	423,982	-	-	-	-	423,982	423,982
Subordinated notes	7,900,271	1,145,090	66,240	-	563,739	-	-	-	-	1,775,069	9,675,340
Non-cumulative guaranteed and redeemable preference shares	860,162	-	-	-	-	-	-	-	-	-	860,162
	154,260,052	36,622,144	12,398,324	10,484,417	26,799,814	541,445	736,054	237,953	1,673,208	89,493,359	243,753,411
Items not recognised in the statements of financial position											
Financial guarantees	840,971	737,688	391,287	1,729,865	408,061	563	49,340	-	241,877	3,558,681	4,399,652
Credit related commitments and contingencies	36,855,856	541,968	775,643	2,142,432	5,530,191	159,235	228,348	169,435	646,716	10,193,968	47,049,824
	37,696,827	1,279,656	1,166,930	3,872,297	5,938,252	159,798	277,688	169,435	888,593	13,752,649	51,449,476

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.2 Market risk (Continued)

53.2.3 Foreign exchange risk (Continued)

	The Company				
	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Items recognised in the statements of financial position					
Financial assets					
Cash and short-term funds	527,899	1,179	748	1,927	529,826
Derivative financial instruments					
- Hedging derivatives	5,676	-	-	-	5,676
Loans, advances and financing					
- Term loans/financing	1,147	-	-	-	1,147
Other assets	8,509	-	-	-	8,509
Amount due from subsidiaries	19,223	44	-	44	19,267
	562,454	1,223	748	1,971	564,425
Financial liabilities					
Derivatives financial instruments					
- Trading derivatives	9,363	-	-	-	9,363
Other liabilities	1,463	-	-	-	1,463
Other borrowings	1,344,715	-	308,633	308,633	1,664,348
Subordinated notes	2,130,000	-	-	-	2,130,654
Amount due to subsidiaries	147	-	-	-	147
	3,496,688	-	308,633	308,633	3,805,321

(b) Sensitivity of profit and reserves

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

	The Group		The Company	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit (after tax)	561	(561)	(2,484)	2,484
Impact to reserves	(20,475)	20,475	-	-

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

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

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk

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

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

Risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the Regional Liquidity Risk Committee (RLRC). The 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. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established risk tolerance levels. Management action triggers have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is 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 Group Risk Committee, 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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities

The table below analyses assets and liabilities of the Group and the Company 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							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	27,185,260	-	-	-	-	-	-	27,185,260
Reverse repurchase agreements	2,802,424	1,001,833	405	-	-	-	-	3,804,662
Deposits and placements with banks and other financial institutions	5,373,729	2,709,677	2,367,811	906,268	249,580	138,758	-	11,745,823
Financial investments at fair value through profit or loss	5,969,164	4,197,918	1,669,228	603,549	2,010,451	1,249,956	1,382,330	17,082,596
Financial investments available-for-sale	212,919	426,929	172,765	669,535	4,113,064	4,375,610	1,687,880	11,658,702
Financial investments held-to-maturity	83,030	94,944	269,190	1,671,189	7,930,421	4,071,489	-	14,120,263
Derivative financial instruments	430,440	203,461	193,322	278,352	1,631,206	840,374	-	3,577,155
Loans, advances and financing	29,994,524	9,466,053	6,264,936	7,867,608	40,521,182	65,067,082	-	159,181,385
Other assets	4,987,616	3,540	91,078	76,600	412,182	1,782,506	-	7,353,522
Taxation recoverable	98,358	-	-	-	-	-	-	98,358
Deferred tax assets	-	-	-	-	-	-	15,269	15,269
Statutory deposits with central banks	-	-	-	-	-	-	1,410,436	1,410,436
Investment in associates	-	-	-	-	-	-	508,807	508,807
Investment in joint controlled entities	-	-	-	-	-	-	171,486	171,486
Property, plant and equipment	-	-	-	-	-	-	1,442,948	1,442,948
Investment properties	-	-	-	-	-	-	61,216	61,216
Prepaid lease payment	-	-	-	-	-	-	185,542	185,542
Goodwill	-	-	-	-	-	-	8,159,469	8,159,469
Intangible assets	-	-	-	-	-	-	1,543,295	1,543,295
Non-current assets/disposal groups held for sale	100	46,904	-	-	-	-	12,046	59,050
Total assets	77,137,564	181,151,259	11,028,735	12,073,101	56,868,086	77,525,775	16,580,724	269,365,244
Liabilities								
Deposits from customers	132,683,276	40,421,818	9,619,799	11,130,102	4,826,141	1,164,528	-	199,845,664
Deposits and placements of banks and other financial institutions	5,212,419	2,673,116	2,106,638	1,453,783	1,461,191	185,010	-	13,092,157
Repurchase agreements	-	33,087	-	-	-	-	-	33,087
Derivatives financial instruments	830,066	208,956	313,614	278,100	1,490,325	625,455	-	3,748,516
Bills and acceptances payable	2,262,805	1,559,807	524,598	483,008	1,148	-	-	4,831,366
Other liabilities	6,296,290	411,694	4,349	83,732	210,194	1,618,409	-	8,624,668
Deferred tax liabilities	-	-	-	-	-	-	12,124	12,124
Current tax liabilities	322,789	-	-	-	-	-	-	322,789
Amount due to Cagamas Berhad	-	45,416	62,107	-	-	-	-	107,523
Bonds	-	-	423,982	-	-	-	-	423,982
Other borrowings	85,693	131,049	1,261,037	23,437	1,836,786	146,665	-	3,484,667
Subordinated notes	55,932	-	-	-	3,255,754	6,363,654	-	9,675,340
Non cumulative guaranteed and redeemable preference shares	-	-	-	-	760,162	100,000	-	860,162
Total liabilities	147,751,270	45,484,943	14,316,124	13,452,162	13,841,701	10,203,721	12,124	245,062,045
Net liquidity gap	(70,613,706)	(27,333,684)	(3,287,389)	(1,379,061)	43,026,385	67,322,054	16,568,600	24,303,199

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.1 Contractual maturity of financial assets and liabilities (Continued)

	The Company							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	529,826	-	-	-	-	-	-	529,826
Derivative financial instruments	-	-	-	-	5,676	-	-	5,676
Loans, advances and financing	-	-	-	20	88	1,039	-	1,147
Other assets	1,487	-	-	-	8,410	-	-	9,897
Taxation recoverable	55,383	-	-	-	-	-	-	55,383
Investment in subsidiaries	-	-	-	-	-	-	16,093,491	16,093,491
Amount owing from subsidiaries	19,267	-	-	-	-	-	-	19,267
Investment in associates	-	-	-	-	-	-	3,834	3,834
Property, plant and equipment	-	-	-	-	-	-	32,471	32,471
Investment properties	-	-	-	-	-	-	3,516	3,516
Total assets	605,963	-	-	20	14,174	1,039	16,133,312	16,754,508
Liabilities								
Derivatives financial instruments	-	-	-	-	9,363	-	-	9,363
Other liabilities	1,515	-	-	-	-	-	-	1,515
Amount owing to subsidiaries	147	-	-	-	-	-	-	147
Deferred tax liabilities	-	-	-	-	-	-	3,988	3,988
Other borrowings	13,880	-	-	-	1,650,468	-	-	1,664,348
Subordinated notes	-	-	-	-	750,000	1,380,000	-	2,130,000
Total liabilities	15,542	-	-	-	2,409,831	1,380,000	3,988	3,809,361
Net liquidity gap	590,421	-	-	20	(2,395,657)	(1,378,961)	16,129,324	12,945,147

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

53.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

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

	The Group							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	133,316,008	40,648,129	9,761,046	11,287,446	7,611,869	1,223,698	-	203,848,196
Deposits and placements of banks and other financial institutions	5,287,552	2,706,066	2,130,720	1,481,066	2,493,072	201,850	-	14,300,326
Repurchase agreements	-	33,325	-	-	-	-	-	33,325
Bills and acceptances payable	2,266,995	1,566,924	529,233	491,968	1,148	-	-	4,856,268
Amount due to Cagamas Berhad	452	46,137	62,647	-	-	-	-	109,236
Other liabilities	5,555,586	398,843	112,695	107,912	536,157	673,582	-	7,384,775
Other borrowings	171,015	169,157	1,406,402	278,297	2,019,115	150,074	-	4,194,060
Bonds	-	-	437,112	-	-	-	-	437,112
Subordinated obligations	68,954	71,569	227,385	326,154	5,654,799	8,152,882	-	14,501,743
Non-cumulative guaranteed and redeemable preference shares	-	-	20,187	20,187	922,453	100,000	-	1,062,827
	146,666,562	45,640,150	14,687,427	13,993,030	19,238,613	10,502,086	-	250,727,868
Items not recognised in the statements of financial position								
Financial guarantees	2,610,877	133,860	203,676	289,117	1,068,967	93,155	-	4,399,652
Credit related commitments and contingencies	36,456,575	1,806,829	625,257	950,628	2,263,115	4,947,420	-	47,049,824
	39,067,452	1,940,689	828,933	1,239,745	3,332,082	5,040,575	-	51,449,476

	The Company							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Other liabilities	1,515	-	-	-	-	-	-	1,515
Amount owing to subsidiaries	147	-	-	-	-	-	-	147
Other borrowings	-	617	29,400	30,125	1,701,750	-	-	1,761,892
Subordinated obligations	-	-	73,320	73,596	1,337,160	1,903,850	-	3,387,926
	1,662	617	102,720	103,721	3,038,910	1,903,850	-	5,151,480

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.3 Liquidity risk (Continued)

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

Derivative financial liabilities

The table below analyses the Group'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							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	41,209	3,917	23,779	25,229	67,289	23,875	38,479	223,777
- Interest rate derivatives	231,481	97,391	133,464	(148,671)	420,729	179,852	15,028	929,274
- Equity related derivatives	11,441	79,491	81,679	264,486	23,875	154,402	49,114	664,488
- Credit related contracts	-	466	416	572	4,113	36,354	(74)	41,847
Hedging derivatives								
- Interest rate derivatives	23,986	(9,188)	27,300	41,217	359,266	283,613	-	726,194
	308,517	172,077	266,638	182,833	875,272	678,096	102,541	2,585,580

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

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

	The Group							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	12,656,491	8,244,384	6,783,493	3,748,341	5,606,627	1,602,872	-	38,642,208
- Inflow	(12,465,855)	(8,010,064)	(6,418,671)	(3,494,259)	(5,009,575)	(1,486,522)	-	(36,884,946)
Hedging derivatives								
Cross currency interest rate derivatives:								
- Outflow	-	1,488	-	1,782	8,882	-	-	12,152
- Inflow	-	(511)	-	(507)	(2,526)	-	-	(3,544)
	190,636	235,297	364,822	255,357	603,408	116,350	-	1,765,870

	The Company							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	-	2,788	2,850	5,670	22,648	-	-	33,956
- Inflow	-	(848)	(869)	(1,729)	(6,905)	-	-	(10,351)
	-	1,940	1,981	3,941	15,743	-	-	23,605

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 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.

53.4.1 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 Company approximates the total carrying value as at the reporting date, except for the following:

	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Other assets	7,353,522	7,271,394	-	-
Deposits and placement with banks and other financial institutions	11,745,823	11,845,472	-	-
Financial investments held-to-maturity	14,120,263	14,267,806	-	-
Loans, advances and financing	159,181,385	155,391,958	1,147	1,107
Financial liabilities				
Deposits from customers	199,845,664	199,539,559	-	-
Deposits and placements of banks and other financial institutions	13,092,157	13,118,440	-	-
Bonds	423,982	424,962	-	-
Subordinated notes	9,675,340	9,940,775	2,130,000	2,359,441

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

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

Short-term funds and placements with financial institutions

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

Financial investments held-to-maturity

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

Loans, advances and financing

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

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

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

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due 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.

53 FINANCIAL RISK MANAGEMENT (CONTINUED)

53.4 Fair value of financial instruments (Continued)

53.4.1 Financial instruments not measured at fair value (Continued)

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

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

Obligations on securities sold under repurchase agreements
The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Floating rate certificates of deposits
For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

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

Amount due to Cagamas Berhad
The estimated fair values of the amount due to Cagamas Berhad with maturities of less than six months approximate the carrying values. For amount due to Cagamas Berhad with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas Berhad with similar remaining period to maturity.

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

Bonds
For bonds with maturities of six months or more, the fair values are estimated based on discounted cash flows using indicative yields taking into consideration the credit rating of the Bonds.

Other borrowings
The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

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

Redeemable preference shares
The estimated fair value of redeemable preference shares (“RPS”) approximates the carrying value based on Directors’ estimate as the effective interest rate of the RPS is a reflection of the current rate for such similar instrument.

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

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

54 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)	7,934,045	5,943,123
Deposits and placements with banks and other financial institutions	(b)	1,340,924	2,409,258
Financial assets held for trading	(c)	2,549,533	3,491,709
Financial investments available-for-sale	(d)	459,123	589,242
Financial investments held-to-maturity	(e)	1,425,372	1,045,721
Islamic derivative financial instruments	(f)	284,789	459,659
Financing, advances and other loans	(g)	23,368,509	16,859,101
Deferred tax assets	(h)	5,589	44,625
Amount due from related companies		48,835	1,547
Amount due from holding company		601,344	-
Statutory deposits with Bank Negara Malaysia	(i)	143,406	172,806
Property, plant and equipment	(j)	7,314	6,613
Other assets	(k)	764,109	642,696
Goodwill	(l)	136,000	136,000
Intangible assets	(m)	4,287	3,676
Total assets		39,073,179	31,805,776
Liabilities			
Deposits from customers	(n)	24,923,994	20,180,319
Deposits and placements of banks and other financial institutions	(o)	10,244,515	9,120,340
Islamic derivative financial instruments	(f)	265,725	248,478
Amount due to holding company		184,519	13,523
Amount due to related companies		247	8,111
Provision for taxation and zakat	(p)	86,284	70,711
Other liabilities	(q)	853,473	552,803
Subordinated Sukuk	(r)	300,000	300,000
Total liabilities		36,858,757	30,494,285
Equity			
Islamic banking funds		91,693	91,693
Ordinary share capital	(s)	750,000	550,000
Perpetual preference shares	(s)	70,000	70,000
Reserves	(t)	1,263,284	558,625
		2,174,977	1,270,318
Minority interests		39,445	41,173
Total equity		2,214,422	1,311,491
Total equity and liabilities		39,073,179	31,805,776
Commitments and contingencies	(f)	20,596,415	18,380,215

54 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	(u)	1,594,000	990,110
Net income derived from investment of shareholders' funds	(v)	343,851	210,221
Allowances for impairment losses on financing, advances and other loans	(w)	(54,116)	(243,521)
Allowance for other receivables		(134)	(35)
Other expenses directly attributable to the investment of the depositors' and shareholders' funds		-	(10)
Total distributable income		1,883,601	956,765
Income attributable to depositors	(x)	(607,815)	(393,897)
Total net income		1,275,786	562,868
Personnel expenses	(y)	(135,276)	(105,417)
Other overheads and expenditures	(z)	(147,138)	(139,927)
Profit before allowances		993,372	317,524
Writeback of impairment losses		-	96
Profit before taxation and zakat		993,372	317,620
Taxation	(aa)	(132,085)	(55,978)
Zakat		-	(7,061)
Profit after taxation and zakat		861,287	254,581
Other comprehensive income:			
Revaluation reserve-financial investments available-for-sale		3,885	2,186
- Net gain from change in fair value		6,044	5,364
- Realised gain transferred to comprehensive income on disposal and impairment		(530)	(2,540)
- Income tax effects	(h)	(1,629)	(638)
Exchange fluctuation reserve		593	4,165
Other comprehensive income, net of tax		4,478	6,351
Total comprehensive income for the financial year		865,765	260,932
Profit attributable to :			
Equity holders of the Company		858,872	249,289
Minority interests		2,415	5,292
		861,287	254,581
Total comprehensive income attributable to:			
Equity holders of the Company		867,493	255,734
Minority interests		(1,728)	5,198
		865,765	260,932
Income from Islamic Banking operations:			
Total net income		1,275,786	562,868
Add: Allowances for impairment losses on financing, advances and other loans		54,116	243,521
Add: Allowance for losses on other receivables		134	35
		1,330,036	806,424

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total RM'000
2010											
At 1 January 2010											
- as previously reported	550,000	70,000	91,693	152,218	467	(2,289)	-	408,229	1,270,318	41,173	1,311,491
- effect of adopting FRS 139 on 1 January 2010	-	-	-	-	-	-	-	(162,834)	(162,834)	-	(162,834)
As restated	550,000	70,000	91,693	152,218	467	(2,289)	-	245,395	1,107,484	41,173	1,148,657
Net profit for the financial year	-	-	-	-	-	-	-	858,872	858,872	2,415	861,287
Other comprehensive income (net of tax)	-	-	-	-	4,056	4,565	-	-	8,621	(4,143)	4,478
Financial investments available-for-sale	-	-	-	-	4,056	-	-	-	4,056	(171)	3,885
Currency translation difference	-	-	-	-	-	4,565	-	-	4,565	(3,972)	593
Total comprehensive income for the financial year	-	-	-	-	4,056	4,565	-	858,872	867,493	(1,728)	865,765
Transfer to statutory reserve	-	-	-	151,125	-	-	-	(151,125)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	7,405	(7,405)	-	-	-
Issue of share capital during the year	200,000	-	-	-	-	-	-	-	200,000	-	200,000
At 31 December 2010	750,000	70,000	91,693	303,343	4,523	2,276	7,405	945,737	2,174,977	39,445	2,214,422
2009											
At 1 January 2009	550,000	70,000	91,693	77,180	(1,719)	(6,548)	-	233,978	1,014,584	35,975	1,050,559
Net profit for the financial year	-	-	-	-	-	-	-	249,289	249,289	5,292	254,581
Other comprehensive income (net of tax)	-	-	-	-	2,186	4,259	-	-	6,445	(94)	6,351
Financial investments available-for-sale	-	-	-	-	2,186	-	-	-	2,186	-	2,186
Currency translation difference	-	-	-	-	-	4,259	-	-	4,259	(94)	4,165
Total comprehensive income for the financial year	-	-	-	-	2,186	4,259	-	249,289	255,734	5,198	260,932
Transfer to statutory reserve	-	-	-	75,038	-	-	-	(75,038)	-	-	-
At 31 December 2009	550,000	70,000	91,693	152,218	467	(2,289)	-	408,229	1,270,318	41,173	1,311,491

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2010 RM'000	2009 RM'000
Operating activities		
Profit before taxation and zakat	993,372	317,620
Add/(less) adjustments:		
Depreciation of property, plant and equipment	2,767	4,556
Amortisation of intangible assets	3,030	3,581
Net unrealised gain on revaluation of financial assets held for trading	(247)	(4,308)
Net unrealised loss on derivatives	193,477	80,889
Accretion of discount less amortisation of premium	(28,969)	(52,071)
Net gain from sale of financial investments available-for-sale	(530)	(2,540)
Net gain from sale of financial assets held for trading	-	(2,543)
Profit income from financial investments held-to-maturity	(23,978)	(59,682)
Profit income from financial investments available-for-sale	(21,017)	(24,828)
Writeback of impairment losses on securities	-	(96)
Allowance for impairment losses on financing, advances and other loans	75,016	258,152
	1,192,921	518,730
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	1,068,334	(1,480,257)
Financial assets held for trading	942,423	17,562
Islamic derivative financial instruments	(1,360)	43,956
Financing, advances and other loans	(6,762,372)	(10,556,000)
Statutory deposits with Bank Negara Malaysia	29,400	96,418
Other assets	(169,492)	(531,655)
Amount due from related company	(47,288)	3,254
Amount due from holding company	(601,344)	110,118
	(5,541,699)	(12,296,604)
Increase/(decrease) in operating liabilities		
Deposits from customers	4,743,675	4,809,039
Bills and acceptances payable	-	(5,258)
Deposits and placements of banks and other financial institutions	1,124,175	5,451,391
Other liabilities	300,670	91,268
Amount due to ultimate holding company	170,996	13,523
Amount due to related companies	(7,864)	3,240
	6,331,652	10,363,203
Cash flows generated from/(used in) operations	1,982,874	(1,414,671)
Taxation paid	(55,331)	(56,708)
Net cash flows (used in)/generated from operating activities	1,927,543	(1,471,379)

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	Note	2010 RM'000	2009 RM'000
Investing activities			
Net proceeds from sale of financial investments available-for-sale		164,879	28,500
Purchase of property, plant and equipment		(4,605)	(5,542)
Purchase of intangible assets		(2,809)	(214)
Net proceeds from (purchase)/sale of financial investments held-to-maturity		(375,347)	240,486
Profit income from financial investments held-to-maturity		19,674	59,682
Profit income from financial investments available-for-sale		21,645	24,828
Net cash flows (used in)/generated from investing activities		(176,563)	347,740
Financing activities			
Issuance of Subordinated Sukuk		-	300,000
Issuance of share capital		200,000	-
Net cash flows generated from financing activities		200,000	300,000
Net increase/(decrease) in cash and cash equivalents		1,950,980	(823,639)
Cash and cash equivalents at beginning of financial year		5,943,123	6,762,644
Effect of exchange rate changes		39,942	4,118
Cash and cash equivalents at end of financial year		7,934,045	5,943,123
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	7,934,045	5,943,123

(a) Cash and short-term funds

	2010 RM'000	2009 RM'000
Cash and balances with banks and other financial institutions	133,640	325,218
Money at call and deposit placements maturing within one month	7,800,405	5,617,905
	7,934,045	5,943,123

(b) Deposits and placements with banks and other financial institutions

	2010 RM'000	2009 RM'000
Licensed banks	790,924	1,842,358
Licensed investment banks	-	29,900
Other financial institutions	550,000	537,000
	1,340,924	2,409,258

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2010 RM'000	2009 RM'000
(c) Financial assets held for trading		
Money market instruments:		
Unquoted:		
Government Investment Issues	194,227	498,587
Bank Negara Malaysia Negotiable Notes	1,283,822	1,186,923
Islamic accepted bills	98,364	54,634
Islamic negotiable instruments of deposits	638,001	1,328,917
	2,214,414	3,069,061
Quoted securities:		
Outside Malaysia		
Sukuk	96,185	-
Unquoted securities:		
In Malaysia		
Private debt securities	133,479	215,233
Outside Malaysia		
Islamic debt securities	105,455	207,415
	238,934	422,648
	2,549,533	3,491,709
(d) Financial investments available-for-sale		
Money market instruments:		
Unquoted:		
Government Investment Issues	65,526	129,778
Islamic Cagamas bonds	35,423	34,392
Islamic commercial papers	-	19,539
Khazanah bonds	-	34,975
Floating rate notes	-	9,413
	100,949	228,097
Quoted securities:		
Outside Malaysia		
Private and Islamic debt securities	-	37,552
Unquoted securities:		
In Malaysia		
Private debt securities	354,435	323,018
Placement with Islamic Banking and Finance Institute Malaysia	575	575
Outside Malaysia		
Private debt securities	3,161	-
Private equity funds	3	-
	358,174	323,593
	459,123	589,242

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2010 RM'000	2009 RM'000
(e) Financial investments held-to-maturity		
Quoted securities:		
Outside Malaysia		
Islamic bonds	23,983	25,485
Medium term notes	3,426	9,102
Bank Indonesia Certificates	69,492	-
	96,901	34,587
Unquoted securities:		
In Malaysia		
Islamic commercial papers	-	6,775
Government Investment Issue	100,056	-
Private debt securities	1,001,081	1,010,812
Outside Malaysia		
Private debt securities	235,111	-
	1,336,248	1,017,587
Amortisation of premium less accretion of discount	(7,502)	(6,453)
Less: Allowance for impairment loss	(275)	-
	1,425,372	1,045,721

(f) Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at statements of financial position date, and do not represent amounts at risk. In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic derivative financial instruments" Assets and Liabilities respectively.

	2010			2009		
	Principal RM'000	Asset RM'000	Liability RM'000	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	33,825	42	(460)	542,757	1,982	(479)
- Less than 1 year	33,825	42	(460)	-	-	-
Currency swaps	2,010,317	15,448	(20,753)	1,471,617	12,111	(11,763)
- Less than 1 year	2,010,317	15,448	(20,753)	-	-	-
Currency spot	245	1	-	-	-	-
- Less than 1 year	245	1	-	-	-	-
Cross currency profit rate swaps	88,549	2,652	(2,652)	89,703	201	(201)
- 1 year to 3 years	88,549	2,652	(2,652)	-	-	-

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

(i) Islamic derivative financial instruments (Continued)

	2010 Principal RM'000	2010 Asset RM'000	2010 Liability RM'000	2009 Principal RM'000	2009 Asset RM'000	2009 Liability RM'000
Profit rate derivatives						
Islamic profit rate swaps	7,214,997	204,463	(130,672)	6,368,178	255,583	(4,694)
- Less than 1 year	740,379	6,481	-	-	-	-
- 1 year to 3 years	4,708,718	114,530	(15,490)	-	-	-
- More than 3 years	1,765,900	83,452	(115,182)	-	-	-
Equity derivatives						
Equity options	3,086,897	51,047	(51,047)	4,712,450	189,782	(189,782)
- Less than 1 year	860,857	11,475	(11,475)	-	-	-
- 1 year to 3 years	1,377,773	23,250	(23,250)	-	-	-
- More than 3 years	848,267	16,322	(16,322)	-	-	-
Held for hedging derivatives						
Profit rate swaps	4,400,000	11,136	(60,141)	1,350,000	-	(41,559)
- More than 3 years	4,400,000	11,136	(60,141)	-	-	-
Total derivative assets/(liabilities)	16,834,830	284,789	(265,725)	14,534,705	459,659	(248,478)

The disclosure of maturity analysis of derivatives into respective time bands for 2010 is in compliance with Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Market Listing Requirements ("Bursa Requirements") issued on 25 March 2010. Comparative figures are not restated to the current year's presentation in this first year of applying Bursa Requirements.

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	2010 Principal RM'000	2009 Principal RM'000
Credit related		
Direct credit substitutes	37,197	26,949
Certain transaction-related contingent items	374,102	334,694
Short-term self-liquidating trade-related contingencies	17,949	33,982
Irrevocable commitments to extend credit:		
- maturity less than one year	1,829,505	2,039,155
- maturity exceeding one year	1,411,601	1,386,942
Miscellaneous commitments and contingencies:		
- Shariah-compliant equity option	91,231	23,788
Total credit-related commitments and contingencies	3,761,585	3,845,510

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

(ii) Commitments and contingencies (Continued)

	2010 Principal RM'000	2009 Principal RM'000
Treasury related		
Foreign exchange related contracts:	2,132,936	2,104,077
- less than one year	2,044,387	2,014,374
- one year to less than five years	88,549	89,703
Profit rate related contracts:	11,614,997	7,718,178
- less than one year	740,379	1,307,700
- one year to less than five years	4,708,718	4,312,728
- five years and above	6,165,900	2,097,750
Equity related contracts:	3,086,897	4,712,450
- less than one year	860,857	2,834,171
- one year to less than five years	1,377,773	1,443,294
- five years and above	848,267	434,985
Total treasury-related commitments and contingencies	16,834,830	14,534,705
	20,596,415	18,380,215

(g) Financing, advances and other loans

	2010 RM'000	2009 RM'000
(i) By type:		
Cash line	322,529	241,179
Term financing		
- House financing	5,625,895	10,066,664
- Syndicated financing	579,701	797,834
- Hire purchase receivables	5,252,944	4,436,748
- Other term financing	11,051,273	12,710,056
Bills receivable	2,235	1,625
Trust receipts	59,091	29,827
Claims on customers under acceptance credits	191,657	173,893
Revolving credits	407,330	845,716
Credit card receivables	90,472	48,973
Share margin financing	92,962	-
Other financing	17,796	73
	23,693,885	29,352,588
Less: Unearned income	-	(12,174,821)
Gross financing, advances and other loans	23,693,885	17,177,767
Fair value changes arising from fair value hedge	17,997	26,519
	23,711,882	17,204,286

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other loans (Continued)

	2010 RM'000	2009 RM'000
(i) By type: (Continued)		
Less: Allowance for impairment losses		
- Individual impairment allowance	(97,021)	-
- Portfolio impairment allowance	(246,352)	-
- Specific allowance	-	(181,427)
- General allowance	-	(163,758)
	(343,373)	(345,185)
Net financing, advances and other loans	23,368,509	16,859,101

(a) Included in financing, advances and other loans are exposures to Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of an arrangement between CIMB Islamic and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts arising thereon.

As at 31 December 2010, the gross exposures to RPSIA financing is RM7,331 million (2009: RM4,247 million) and the allowance for portfolio impairment allowance/general allowance relating to this RPSIA amounting to RM154.8 million (2009: RM63.7 million).

(b) During the financial year, the Group has undertaken fair value hedges on RM4,400 million (2009: RM1,350 million) financing using Islamic profit rate swaps.

	2010 RM'000	2009 RM'000
Gross financing hedged	4,400,000	1,350,000
Fair value changes arising from fair value hedges	17,997	26,519
	4,417,997	1,376,519

The fair value loss on Islamic profit rate swaps as at 31 December 2010 was RM49.0 million (2009: RM41.6 million).

	2010 RM'000	2009 RM'000
(ii) By contract:		
Bai' Bithaman Ajil *(deferred payment sale)*	10,320,341	7,195,630
Murabahah *(cost-plus)*	1,147,289	3,224,062
Ijarah Muntahia Bittamlik/AITAB *(lease ended with ownership)*	5,979,854	4,259,542
Bai' al- 'inah *(sales and buy back)*	5,827,671	2,426,538
Others	418,730	71,995
	23,693,885	17,177,767

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other loans (Continued)

	2010 RM'000	2009 RM'000
(iii) By type of customers:		
Domestic non-bank financial institutions	213,028	51,355
Domestic business enterprises		
- small medium enterprises	1,750,873	921,774
- others	3,131,681	5,366,716
Government and statutory bodies	4,539,837	1,527,492
Individuals	13,483,758	8,836,580
Other domestic entities	34,246	17,803
Foreign entities	540,462	456,047
	23,693,885	17,177,767
(iv) By profit sensitivity:		
Fixed rate		
- House financing	511,823	372,867
- Hire purchase receivables	5,252,944	3,577,319
- Other fixed rate financing	8,416,119	962,458
Variable rate		
- Home financing	5,114,072	3,119,597
- Others	4,398,927	9,145,526
	23,693,885	17,177,767
(v) By economic purposes:		
Personal use	1,726,286	1,419,805
Credit card	90,472	48,973
Purchase of consumer durables	-	21
Construction	759,803	258,358
Residential property	5,673,643	3,458,840
Non-residential property	1,651,458	1,005,163
Purchase of fixed assets other than land and building	391,915	317,848
Purchase of securities	20,606	2,515,992
Purchase of transport vehicles	5,252,944	3,583,748
Working capital	7,473,576	4,264,211
Other purpose	653,182	304,808
	23,693,885	17,177,767
(vi) By geographical distribution:		
Malaysia	22,739,752	16,590,186
Indonesia	614,211	373,917
Other countries	339,922	213,664
	23,693,885	17,177,767

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other loans (Continued)

	2010 RM'000	2009 RM'000
(vii) Impaired financing/non-performing financing, advances and other loans by economic purposes:		
Personal use	17,165	15,846
Residential property	86,362	57,986
Non-residential property	16,131	8,345
Purchase of fixed assets other than land and building	1,738	1,620
Purchase of securities	19,364	18,670
Purchase of transport vehicles	86,560	42,779
Working capital	106,523	169,931
Credit cards	2,616	1,211
Other purpose	5,714	49,964
	342,173	366,352
(viii) Impaired financing/non-performing financing, advances and other loans by geographical distribution:		
Malaysia	335,879	357,117
Indonesia	6,294	9,235
	342,173	366,352
(ix) Movements in impaired financing/non-performing financing, advances and other loans:		
At 1 January		
- as previously reported	366,352	207,093
- effect of adopting FRS 139	139,996	-
As restated	506,348	207,093
Classified as impaired/non-performing during the financial year	345,743	384,855
Reclassified as not impaired/performing during the financial year	(174,234)	(94,443)
Amount recovered	(121,239)	(34,424)
Amount written off	(87,164)	(97,599)
Sale of impaired financing	(105,739)	-
Exchange fluctuation	(21,542)	870
At 31 December	342,173	366,352
Ratio of gross impaired/non-performing financing, advances and other loans to gross financing, advances and other loans.	1.44%	2.13%

* Represents restatement of income-in-suspense and financing previously classified as performing under GP3 but considered impaired under FRS 139

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other loans (Continued)

	2010 RM'000	2009 RM'000
(x) Movements in allowance for impaired financing/bad and doubtful financing:		
Individual impairment allowance		
At 1 January		
- as previously reported	-	-
- effect of adopting FRS 139	272,235	-
As restated	272,235	-
Amount written back in respect of recoveries	(93,419)	-
Amount written off	(77,163)	-
Unwinding income	(2,622)	-
Amount transferred from portfolio impairment allowance	2,899	-
Exchange fluctuation	(4,909)	-
At 31 December	97,021	-
Portfolio impairment allowance		
At 1 January		
- as previously reported	-	-
- effect of adopting FRS 139	264,540	-
As restated	264,540	-
Allowance made during the financial year	168,430	-
Amount written off	(61,605)	-
Unwinding income	(1,838)	-
Amount transferred to individual impairment allowance	(2,899)	-
Allowance transferred to intercompany	(119,980)	-
Exchange fluctuation	(296)	-
At 31 December	246,352	-
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other loans (excluding RPSIA financing) less individual impairment allowance	2.16%	-
Specific allowance		
At 1 January		
- as previously reported	181,427	102,902
- effect of adopting FRS 139	(181,427)	-
As restated	-	102,902
Allowance made during the financial year	-	202,593
Amount recovered	-	(25,785)
Amount written off	-	(97,356)
Exchange fluctuation	-	(927)
At 31 December	-	181,427

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Financing, advances and other loans (Continued)

	2010 RM'000	2009 RM'000
(x) Movements in allowance for impaired financing/bad and doubtful financing (Continued):		
General allowance		
At 1 January		
- as previously reported	163,758	83,638
- effect of adopting FRS 139	(163,758)	-
As restated	-	83,638
Allowance made during the financial year	-	81,309
Allowance transferred to conventional operations	-	(1,181)
Exchange fluctuation	-	(8)
At 31 December	-	163,758
General allowance as % of gross financing, advances and other loans (excluding RPSIA financing and financing exempted from general allowance by BNM) less specific allowances	-	1.45%

(h) Deferred taxation

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

	2010 RM'000	2009 RM'000
Portfolio impairment allowance/general allowance for bad and doubtful financing	-	37,928
Accelerated tax depreciation	(809)	(912)
Revaluation reserve financial investments available-for-sale	(1,694)	(65)
Other temporary differences	8,092	7,674
Deferred tax assets	5,589	44,625

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred taxation (Continued)

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

Deferred tax assets/(liabilities)	Note	Portfolio impairment allowance/general allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
2010						
At 1 January						
- as previously reported		37,928	(912)	(65)	7,674	44,625
- effect of adopting FRS 139		8,613	-	-	6,501	15,114
As restated		46,541	(912)	(65)	14,175	59,739
(Credited)/charged to profit or loss	(aa)	(46,541)	39	-	(5,377)	(51,879)
Under/(over) provision in prior year		-	64	-	(706)	(642)
Transferred to equity		-	-	(1,629)	-	(1,629)
At 31 December 2010		-	(809)	(1,694)	8,092	5,589
2009						
At 1 January 2009		17,637	(1,543)	573	4,702	21,369
Charged to profit or loss	(aa)	20,291	631	-	2,665	23,587
Under provision in prior year		-	-	-	307	307
Transferred to equity		-	-	(638)	-	(638)
At 31 December 2009		37,928	(912)	(65)	7,674	44,625

(i) Statutory deposits with Bank Negara Malaysia

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

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Property, plant and equipment

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2010					
Cost					
At 1 January		12,387	450	4,629	17,466
Additions		4,036	569	-	4,605
Reclassifications		8	-	(8)	-
Reclassified to intangible assets	(m)	(832)	-	-	(832)
Exchange fluctuation		(644)	(2)	(52)	(698)
At 31 December		14,955	1,017	4,569	20,541
Accumulated depreciation					
At 1 January		7,993	286	2,574	10,853
Charge for the financial year		2,475	192	100	2,767
Reclassifications		4	-	(4)	-
Exchange fluctuation		(343)	-	(50)	(393)
At 31 December		10,129	478	2,620	13,227
Net book value at 31 December		4,826	539	1,949	7,314

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Plant and machinery RM'000	Total RM'000
2009						
Cost						
At 1 January		11,258	446	1,785	74	13,563
Additions		2,691	-	2,851	-	5,542
Reclassified to intangible assets	(m)	(1,081)	-	-	-	(1,081)
Disposals		(499)	-	-	(74)	(573)
Exchange fluctuation		18	4	(7)	-	15
At 31 December		12,387	450	4,629	-	17,466
Accumulated depreciation						
At 1 January		5,227	196	1,016	18	6,457
Charge for the financial year		2,902	89	1,565	-	4,556
Disposals		(125)	-	-	(18)	(143)
Exchange fluctuation		(11)	1	(7)	-	(17)
At 31 December		7,993	286	2,574	-	10,853
Net book value at 31 December		4,394	164	2,055	-	6,613

The above property, plant and equipment include renovations and computer equipment and software under construction at cost of RM Nil (2009: RM173,000).

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Other assets

	2010 RM'000	2009 RM'000
Dividend receivables	-	30,942
Deposits and prepayments	308	315
Clearing accounts	212,214	55,920
Collateral pledged for derivative transactions	68,470	-
Sundry debtors	483,117	555,519
	764,109	642,696

(l) Goodwill

	2010 RM'000	2009 RM'000
At 1 January/31 December	136,000	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU"). The CGU does not carry any intangible assets with indefinite useful lives.

The recoverable amount of CGU which are not classified as held for sale is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2011 financial budgets approved by Board of Directors, projected for five years based on the average to year historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2009: 5.00%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of the CGUs is 8.89% (2009: 7.10%). The discount rate is pre-tax and reflects the specific risks relating to the CGUs.

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.

(m) Intangible assets

	Note	2010 RM'000	2009 RM'000
Computer software			
Cost			
At 1 January		12,338	11,043
Additions		2,809	214
Reclassified from property, plant and equipment	(j)	832	1,081
At 31 December		15,979	12,338
Accumulated amortisation			
At 1 January		8,662	5,081
Charge for the financial year		3,030	3,581
At 31 December		11,692	8,662
Net book value at 31 December		4,287	3,676

The above intangible assets include computer software under construction at cost of RM479,000 (2009: RM Nil).

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) Intangible assets (Continued)

The remaining amortisation period of the intangible assets are as follows:

Computer software	
- core and front-end systems	3 - 15 years
- others	3 years

(n) Deposits from customers

	2010 RM'000	2009 RM'000
(i) By type of deposits		
Non-Mudharabah		
Demand deposits	3,055,079	1,086,766
Savings deposits	821,968	550,330
General investment deposits	634,517	-
Commodity Murabahah	69,379	17,125
Fixed return investment account	5,127,333	2,964,471
Islamic negotiable instruments of deposit	1,033,019	523,089
Variable rate deposits	378,330	1,102,280
Equity linked sukuk	219,600	249,250
Others	25,192	7,366
	11,364,417	6,500,677
Mudharabah		
Demand deposits	1,497,380	2,155,363
Savings deposits	328,971	243,458
General investment deposits	1,806,223	2,196,438
Special general investment deposits	7,574,239	7,425,800
Specific investment deposits	2,352,764	1,658,583
	13,559,577	13,679,642
	24,923,994	20,180,319
(ii) By type of customer		
Government and statutory bodies	5,809,043	4,216,297
Business enterprises	13,040,210	10,939,625
Individuals	4,585,316	3,948,896
Others	1,489,425	1,075,501
	24,923,994	20,180,319

(o) Deposits and placements of banks and other financial institutions

	2010 RM'000	2009 RM'000
Licensed banks	9,561,426	7,984,983
Licensed investment banks	571,200	1,110,350
Other financial institutions	111,889	25,007
	10,244,515	9,120,340

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) Provision for taxation and zakat

	2010 RM'000	2009 RM'000
Taxation	79,730	63,683
Zakat	6,554	7,028
	86,284	70,711

(q) Other liabilities

	2010 RM'000	2009 RM'000
Income payable	-	57,844
Clearing accounts	327,463	80,732
Due to brokers and clients	128	207,624
Accruals and other payables	525,882	206,603
	853,473	552,803

(r) Subordinated Sukuk

The RM300 million subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank Berhad is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

The RM300 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

(s) Ordinary share capital and perpetual preference shares

	2010 RM'000	2009 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/31 December	900,000	900,000
Issued and fully paid		
Ordinary shares of RM1.00 each:		
At 1 January	550,000	550,000
Issued during the financial year	200,000	-
At 31 December	750,000	550,000

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) Ordinary share capital and perpetual preference shares (Continued)

	2010 RM'000	2009 RM'000
Perpetual preference shares		
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	100,000	100,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	70,000	70,000

(t) Reserves

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

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

(u) Income derived from investment of depositors' funds and others

	2010 RM'000	2009 RM'000
Income derived from investment of:		
(i) General investment deposits	770,417	562,565
(ii) Specific investment deposits	436,896	183,138
(iii) Other deposits	386,687	244,407
	1,594,000	990,110
(i) Income derived from investment of general investment deposits		
Finance income and hibah:		
Financing, advances and other loans		
- income other than recoveries	508,886	384,828
- unwinding income*	2,870	-
Financial assets held for trading	15,352	5,911
Financial investments available-for-sale	11,526	15,494
Financial investments held-to-maturity	6,906	6,230
Money at call and deposit with financial institutions	82,629	58,259
	628,169	470,722
Accretion of discount less amortisation of premium	16,374	28,311
	644,543	499,033

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

	2010 RM'000	2009 RM'000
(i) Income derived from investment of general investment deposits (Continued)		
Other operating income:		
Net loss from foreign exchange transactions	(353)	(3,295)
Net gain from sale of financial investments available-for-sale	287	1,195
Net loss from sale of financial investments held-to-maturity	(100)	-
Net gain/(loss) from financial assets held for trading		
- realised	1,358	1,463
- unrealised	676	(201)
	1,868	(838)
Fees and commission income:		
Fee on financing and advances	27,048	14,250
Guarantee fees	2,892	2,392
Service charges and fees	3,579	4,965
	33,519	21,607
Other income:		
Sundry income	90,487	42,763
	770,417	562,565

* Unwinding income is income earned on impaired financial assets

	2010 RM'000	2009 RM'000
(ii) Income derived from investment of specific investment deposits		
Finance income and hibah:		
Financing, advances and other loans		
- income other than recoveries	349,922	105,619
Money at call and deposit with banks and other financial institutions	42,657	34,686
Financial investments held-to-maturity	44,317	43,033
	436,896	183,338
Other operating income		
Net loss from maturity/redemption of financial investments held-to-maturity	-	(200)
	436,896	183,138
(iii) Income derived from investment of other deposits		
Finance income and hibah:		
Financing, advances and other loans		
- income other than recoveries	303,848	189,674
- unwinding income*	1,781	-
Financial assets held for trading	7,678	3,265
Financial investments available-for-sale	7,967	7,939
Financial investments held-to-maturity	3,907	3,140
Money at call and deposit with banks and other financial institutions	50,263	25,840
	375,444	229,858
Accretion of discount less amortisation of premium	11,226	13,773
	386,670	243,631

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Income derived from investment of depositors' funds and others (Continued)

	2010 RM'000	2009 RM'000
(iii) Income derived from investment of other deposits (Continued)		
Other operating income:		
Net gain from sale of financial investments available-for-sale	218	635
Net (loss)/gain from financial assets held for trading		
- realised	(487)	976
- unrealised	(409)	(196)
Net loss from sale of financial investments held-to-maturity	(70)	-
Net loss from foreign exchange transactions	(1,130)	(1,885)
	(1,878)	(470)
Fees and commission income:		
Guarantee fees	1,895	1,246
	386,687	244,407

* Unwinding income is income earned on impaired financial assets

(v) Net income derived from investment of shareholders' funds

	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing, advances and other loans		
- income other than recoveries	90,336	47,799
- unwinding income*	192	-
Financial investments available-for-sale	1,524	1,395
Financial assets held for trading	948	514
Financial investments held-to-maturity	13,298	7,279
Money at call and deposit with financial institutions	25,868	24,652
	132,166	81,639
Accretion of discount less amortisation of premium	1,369	9,987
	133,535	91,626
Other operating income:		
Net (loss)/gain from financial assets held for trading		
- realised	(5)	104
- unrealised	(20)	4,705
Net (loss)/gain from foreign exchange transactions	-	(291)
Net gain from sale of financial investments available-for-sale	25	710
Net loss from sale of financial investments held-to-maturity	(7)	-
Net gain/(loss) from Islamic derivative financial instruments		
- realised	214,157	130,515
- unrealised	(193,477)	(80,889)
Shariah compliant option premium	-	(19,979)
Net gain from foreign exchange transactions	612	-
Net loss from hedging derivatives	-	(1,625)
	21,285	33,250

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(v) Net income derived from investment of shareholders' funds (Continued)

	2010 RM'000	2009 RM'000
Net fees and commission income:		
Fees on financing, advances and other loans	37,979	58,174
Advisory fees	6,985	6,820
Guarantee fees	15,615	3,670
Service charges and fees	4,278	3,615
Placement fees	104,872	1,612
Underwriting commission	7,620	-
Others	4,795	1,401
Fee and commission income	182,144	75,292
Fee and commission expense	(1,430)	(636)
Net fees and commission income	180,714	74,656
Sundry income	8,317	10,689
	343,851	210,221

* Unwinding income is income earned on impaired financial assets

(w) Allowance for impairment losses on financing, advances and other loans

	2010 RM'000	2009 RM'000
Allowance for impaired financing/bad and doubtful debts and financing:		
(i) Individual impairment allowance		
- written back during the financial year	(93,419)	-
Specific allowance		
- made during the financial year	-	176,808
(ii) Portfolio impairment allowance		
- made during the financial year	168,430	-
General allowance		
- made during the financial year	-	81,309
Bad debts on financing:		
- recovered	(20,900)	(14,631)
- written-off	5	35
	54,116	243,521

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(x) Income attributable to depositors

	2010 RM'000	2009 RM'000
Deposits from customers		
- Mudharabah	321,501	206,227
- Non-Mudharabah	140,254	90,519
Deposits and placements of banks and other financial institutions		
- Mudharabah	30,214	64,667
- Non-Mudharabah	8,387	27,732
Others	107,459	4,752
	607,815	393,897

(y) Personnel expenses

	2010 RM'000	2009 RM'000
- salaries, allowances and bonuses	36,462	24,160
- outsourced personnel expenses	60,337	57,219
- others	38,477	24,038
	135,276	105,417

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM655,500 (2009: RM619,436).

(z) Other overheads and expenditures

	2010 RM'000	2009 RM'000
Establishment costs		
- rental	3,469	2,661
- depreciation of property, plant and equipment	2,767	4,556
- outsourced establishments costs	34,385	27,041
- others	10,499	5,492
	51,120	39,750
Marketing expenses		
- advertisement and publicity	8,002	14,109
- handling fees	-	22,535
- outsourced marketing costs	1,089	6,498
- others	20,239	6,104
	29,330	49,246
Administration and general expenses		
- legal and professional fees	2,430	2,544
- amortisation of intangible assets	3,030	3,581
- outsourced administration and general expenses	17,910	15,106
- others	43,318	29,700
	66,688	50,931
	147,138	139,927

54 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) Taxation

(i) Tax expense for the financial year

	Note	2010 RM'000	2009 RM'000
Current year tax			
- Malaysian income tax		77,424	79,872
Deferred taxation	(h)	51,879	(23,587)
Under/(over) accrual in prior year		2,782	(307)
		132,085	55,978

(ii) Numerical reconciliation of income tax expense

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

	2010 RM'000	2009 RM'000
Profit before taxation and zakat	993,372	317,620
Tax calculated at tax rate of 25% (2009: 25%)	248,343	79,405
- effect of different tax rates	(24,445)	670
- income not subject to tax	(95,286)	(59,573)
- expenses not deductible for tax purposes	691	35,783
Under/(over) accrual in prior year	2,782	(307)
	132,085	55,978

55 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 3 March 2011.

56 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The marked-to-market gains and losses on derivative contracts and financial investments at fair value through profit or loss that remain outstanding in the financial statements of the Group as at 31 December 2010 are deemed unrealised and should be read together as it reflects the nature of the transactions and financial positon of the Group. In addition, the unrealised retained earnings of the Group as disclosed above excludes the translation gains and losses on monetary items denominated in a currency other than the functional currency, as these gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

	The Group 2010 RM'000	The Company 2010 RM'000
Total retained earnings of the Group and subsidiaries		
- Realised	5,690,235	1,270,568
- Unrealised	371,480	(6,753)
	6,061,715	1,263,815
Total share of retained earnings from associates		
- Realised	50,400	-
- Unrealised	786	-
Total share of retained earnings from jointly controlled entities		
- Realised	13,306	-
- Unrealised	310	-
	6,126,517	1,263,815
Consolidation adjustments	1,029,733	-
Total group retained earnings as per consolidated financial statements	7,156,250	1,263,815

Basel II Pillar 3 Disclosures

for 2010

ABBREVIATIONS

A-IRB Approach	: Advanced Internal Ratings Based Approach
BAFIA	: Banking and Financial Institution Act 1989
BI	: Banking Institutions
BCC	: Business Credit Committee
BNM	: Bank Negara Malaysia
BRC	: Board Risk Committee
BSMC	: Balance Sheet Management Committee
CaR	: Capital-at-Risk
CAFIB	: Capital Adequacy Framework for Islamic Banks
CCR	: Counterparty Credit Risk
CIMBBG	: CIMB Bank Berhad, CIMB Islamic Bank Berhad, CIMBTH, CIMB Bank PLC (Cambodia) and CIMB Factor Lease Berhad
CIMBIBG	: Consist of CIMB Investment Bank Berhad and CIMB Futures Sdn Bhd
CIMBGH Group	: Group of Companies under CIMB Group Holdings Berhad
CIMBTH	: CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	: CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the RWCAF to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	: Collectively CIMBBG, CIMBIBG and CIMB Islamic as described within this Report
CIMB IB	: CIMB Investment Bank Berhad
CIMB Islamic	: CIMB Islamic Bank Berhad
CRC	: Credit Risk Committee
CRM	: Credit Risk Mitigants
CSA	: Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	: Development Financial Institutions
EAD	: Exposure At Default
EaR	: Earnings-at-Risk
ECAIs	: External Credit Assessment Institutions
EL	: Expected Loss
EP	: Eligible Provision
EVE	: Economic Value of Equity
EWRM	: Enterprise Wide Risk Management
Group EXCO	: Group Executive Committee
FDIs	: Foreign Direct Investment
F-IRB Approach	: Foundation Internal Ratings Based Approach
Fitch	: Fitch Ratings
GC	: Group Credit
GDP	: Gross Domestic Product
GMRC	: Group Market Risk Committee
GRC	: Group Risk Committee
GRD	: Group Risk Division
GRM	: Group Risk Management
HPE	: Hire Purchase
IRB Approach	: Internal Ratings Based Approach
IRRBB	: Interest Rate Risk in the Banking Book

ABBREVIATIONS (CONTINUED)

LGD	: Loss Given Default
MARC	: Malaysia Rating Corporation Berhad
MDBs	: Multilateral Development Bank
MATs	: Management Action Triggers
Moody's	: Moody's Investors Service
MTM	: Mark-to-Market and/or Mark-to-Model
ORC	: Operational Risk Committee
ORM	: Operational Risk Management
ORMF	: Operational Risk Management Framework
OTC	: Over The Counter
PCSB	: Proton Commerce Sdn Bhd
PD	: Probability of Default
PSEs	: Non-Federal Government Public Sector Entities
PSIA	: Profit Sharing Investment Accounts
QRRE	: Qualifying Revolving Retail Exposures
R&I	: Rating and Investment Information, Inc
RAM	: RAM Rating Services Berhad
RAROC	: Risk Adjusted Return On Capital
RCC	: Regional Credit Committee
RCM	: Regional Credit Management
RLRC	: Regional Liquidity Risk Committee
RMA	: Risk Management & Analytics
RMO	: Risk Middle Office
RORBB	: Rate of Return Risk in the Banking Book
RRE	: Residential Real Estate
RWA	: Risk Weighted Assets
RWCAF	: Risk Weighted Capital Adequacy Framework (Basel II)
RWCR	: Risk Weighted Capital Ratio
S&P	: Standard & Poor's
SA	: Standardised Approach
SBCC	: Singapore Business Credit Committee
SCF	: Shariah Compliance Framework
SMEs	: Small and Medium Enterprises

OVERVIEW OF BASEL II AND PILLAR 3

Basel II Regulatory Capital Framework seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the bank's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries, CIMB IB and its subsidiaries and CIMB Islamic (collectively known as 'CIMB Group' or 'the Group' for purposes of this disclosure) have the approval from BNM to apply the IRB Approach for its major credit exposures since 1 July 2010. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, where as under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels. In light of BNM's guidelines on the RWCAF – Internal Capital Adequacy Assessment Process (Pillar 2) and CAFIB – Internal Capital Adequacy Assessment Process (Pillar 2), a comprehensive self assessment to evaluate existing capital and risk management practices against the expectations set forth in the BNM's guidelines and development of action plans to close any gaps identified is underway and due for submission to BNM by 30 June 2011.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participants can assess key pieces of information attributed to the capital adequacy framework of financial institutions. These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3).

The qualitative disclosures in this Report are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles. These disclosures are also available on the Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank and CIMBIB are also available at the CIMBGH Group's corporate website.

All these disclosures published are for the year ended 31 December 2010. The basis of consolidation for financial accounting purposes is described in the 2010 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements with the exception of subsidiaries engaged in non-financial activities which have been excluded from the regulatory consolidation and have been deducted from regulatory capital. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in this report is a prescribed definition by BNM based on the RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2010 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this Report is not directly comparable to that of the 2010 financial statements.

The Group has applied the provision in paragraph 7.2 of BNM's guidelines on RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3) whereby the Group has been exempted from disclosing comparative information as a first time adoption of this requirement. These disclosures have been reviewed and verified by internal auditors and approved by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

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, 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:

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

Enterprise Wide Risk Management Framework

CIMB Group employs the EWRM framework 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:

GOVERNANCE

ECONOMIC CAPITAL FRAMEWORK | **REGULATORY CAPITAL FRAMEWORK – RISK WEIGHTED ASSETS**

RISK MANAGEMENT LIMITS & CONTROLS | **RISK ANALYSIS & REPORTING** | **STRESS TESTING**

The framework is centred 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 BRC is ultimately responsible for the implementation of EWRM. 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.

RISK MANAGEMENT OVERVIEW (CONTINUED)

Risk Governance

The BRC assumes the ultimate responsibility on behalf of the boards of directors for the supervision of risk management within CIMB Group. In line with best practices, the BRC determines the risk policy objectives and also decides on the yearly allocation of risk capital to support all risks taken by the Group.

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

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

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:

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

Review and recommend risk policies and strategies for approval

Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

Review and advise on risk policies and strategies

Oversee management of risk, capital allocation and asset liability management processes across the Group

Group Market Risk Committee (GMRC)	Credit Risk Committee (CRC)	Regional Credit Committee (RCC)	Regional Liquidity Risk Committee (RLRC)	Operational Risk Committee (ORC)	Balance Sheet Management Committee (BSMC)
Oversee exposures to market risks	Credit approval authority for Malaysian centric cases	Credit approval authority for non-Malaysian centric cases	Oversee the Group's overall liquidity management	Oversee issues relating to the operational risk and internal control environment	Review balance sheet positions
Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments	Assign and review the Malaysian centric Inter-bank Limits, Sectorial Exposures and Global Counterparty Credit Limits	Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures	Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner	Review and evaluate all Business Continuity Management (BCM)/Disaster Recovery (DR) activities	Recommend and executing balance sheet strategies and hedging
					Ensure risk profile is kept within the established risk appetite/limits/MAT

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

RISK MANAGEMENT OVERVIEW (CONTINUED)

The roles of Group Risk Division

The primary oversight body for risk management activities is GRD, comprising GRM, GC and 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 businesses 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.

- *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.

  GRM maintains an oversight of the functions performed by the risk management units in the asset management and insurance/takaful subsidiaries.

  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.

  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.

- *Group Credit*

  GC carries out independent assessments and evaluations of all credit risk related proposals originating from the various business units such as loans/financing and advances, fixed income, derivatives, sales and trading, prior to submission to the BCC, CRC, the 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.

- *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, 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.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book.

SHARIAH GOVERNANCE DISCLOSURE

CIMBGH Group Shariah Compliance Framework or SCF is the enterprise-wide Shariah management plan consisting of Shariah governance structure, systems, processes and controls to be undertaken by relevant sections across the Group.

CIMBGH Group Shariah Compliance Policy and General Procedures Manual serves as a solid platform for all the processes under the SCF.

The implementation of the SCF is effected through the following functions:

- Shariah Advisory;
- Shariah Compliance review; and
- Shariah Audit.

The Shariah Committee of CIMB Islamic was established under the provision of Section 3(5)(b) of the Islamic Banking Act of 1983 to advise CIMB Islamic and CIMBGH Group on the operations of their Islamic banking and finance business in order to ensure that they do not involve any element which is not approved by Shariah.

In advising CIMB Islamic and CIMBGH Group, the Shariah Committee also adopts the view of Shariah advisory councils of BNM and Securities Commission from time to time.

The duties and responsibilities of Shariah Committee are to advise the Directors on the operations of the Islamic banking and finance business of CIMB Islamic and CIMBGH Group in order to ensure that they do not involve any element which is not approved by Shariah.

The roles of the Shariah Committee in monitoring the Islamic banking and finance activities of CIMB Islamic and CIMBGH Group are as follows:

- Review the products and services to ensure conformity with the Shariah principles
- Deliberate on Shariah Issues pertaining to the day-to-day operations of the CIMB Islamic and CIMBGH Group
- Advice on the payment of Zakat to the appropriate authority

Rectification process of non-Shariah compliant income occurring during the year

A comprehensive review on the CIMB Islamic operational processes in financing transactions was conducted in the year 2009 and finalised in year 2010. As a result, RM421,352 was identified as non-compliant income. All the identified non-Shariah compliant income recorded by CIMB Islamic has been channeled to the approved charitable bodies in the year 2010.

CAPITAL MANAGEMENT

Key Capital Management Principles

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

The Bank sets an internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Bank considers many critical factors, including, amongst others, credit rating implication, current and future operating environment and peers comparisons. The capital management process is centrally supervised by the Group EXCO, GRC and BRC who periodically assess and review of the capital requirements and source of capital across the Group, taking into account all on going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Monthly updates on capital position of the CIMBGH Group and the Group are also provided to the Board of Directors.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios for CIMBBG, CIMBIBG and CIMB Islamic as at 31 December 2010. The relevant entities under the Group issue various capital instruments pursuant to the respective regulatory guidelines, including tier 2 subordinated debt, innovative and non-innovative tier 1 hybrid securities that qualify as capital pursuant to the RWCAF and CAFIB issued by BNM. Notes 26 to 29 in CIMBGH Financial Statement show the summary information of terms and conditions of the main features of capital instruments.

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 1 : Capital Position as at 31 December 2010

(RM'000)	CIMBBG	CIMB Islamic	CIMBIBG
Tier 1 Capital			
Paid-up share capital + Share Premium	8,798,102	750,000	100,000
Non-Innovative Tier 1 instruments	1,200,000	70,000	-
Innovative Tier 1 instruments	1,616,700	-	-
Statutory Reserve	4,667,828	284,522	155,175
Retained Earnings/Profits	3,383,656	216,069	137,237
Minority Interest	260,586	-	-
Less: Deductions from Tier 1 capital			
Goodwill	4,923,428	136,000	-
Eligible Tier 1 capital	15,003,444	1,184,591	392,412
Subordinated Debt Capital	3,936,919	300,000	-
Cumulative Preference Shares	29,740	-	10
General Provision	499,471	38,297	650
Surplus of EP over EL	409,200	17,577	209
Tier 2 Capital Subject to Limits	4,875,330	355,874	869
Less: Deductions from Tier 2 capital	493,444	-	50
Investment in subsidiaries	175,352	-	50
Investment in capital instruments of other BI	247,976	-	-
Other Deductions	70,116	-	-
Eligible Tier 2 capital	4,381,886	355,874	819
Total eligible capital	19,385,330	1,540,465	393,231
RWA			
Credit	104,892,665	13,840,772	1,028,430
Credit RWA Absorbed by PSIA	-	(6,217,115)	-
Market	9,658,308	285,115	192,321
Operational	11,242,737	1,041,278	765,308
Large Exposure for Equity Holdings	360,424	-	-
Total RWA	126,154,134	8,950,050	1,986,059
Tier 1 Capital Adequacy Ratio (%)	11.89%	13.24%	19.76%
Total Capital Adequacy Ratio (%)	15.37%	17.21%	19.80%
Proposed Dividends	(600,903)	-	(53,500)
RWCR After Dividends			
Core Capital Ratio	11.42%	13.24%	17.06%
RWCR	14.89%	17.21%	17.11%

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(a) : Disclosure on Minimum Capital Requirement for Credit Risk for CIMBBG as at 31 December 2010

(RM'000) *Exposure Class*	Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the Standardised Approach					
Sovereign/Central Banks	34,191,143	34,191,143	111,141	111,141	8,891
Public Sector Entities	859,623	286,195	115,587	115,587	9,247
Banks, Development Financial Institutions & MDBs	999,268	623,742	136,849	136,849	10,948
Insurance Cos, Securities Firms & Fund Managers	6,114	6,114	3,057	3,057	245
Corporate	13,304,856	12,470,392	12,073,217	12,073,217	965,857
Regulatory Retail	21,886,888	17,389,403	12,782,127	12,782,127	1,022,570
Residential Mortgages	3,526,034	3,525,782	1,303,868	1,303,868	104,309
Higher Risk Assets	1,086,689	1,086,689	1,630,033	1,630,033	130,403
Other Assets	8,114,421	8,114,421	4,189,386	4,189,386	335,151
Securitisation	806,137	806,137	168,458	168,458	13,477
Total - Standardised Approach	84,781,173	78,500,018	32,513,723	32,513,723	2,601,098
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	20,317,706	20,317,706	4,671,019	4,671,019	373,682
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	56,748,623	56,748,623	33,657,571	33,657,571	2,692,606
Residential Mortgages	32,061,235	32,061,235	12,107,801	12,107,801	968,624
Qualifying Revolving Retail	8,209,166	8,209,166	6,996,074	6,996,074	559,686
Hire Purchase	10,795,475	10,795,475	8,779,537	8,779,537	702,363
Other Retail	5,229,649	5,229,649	2,070,020	2,070,020	165,602
Securitisation	-	-	-	-	-
Total - IRB Approach	133,361,854	133,361,854	68,282,021	68,282,021	5,462,562
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	218,143,027	211,861,872	104,892,665	104,892,665	8,391,413
Large Exposure Risk Requirement	360,424	360,424	360,424	360,424	28,834
Market Risk (Standardised Approach)					
Interest Rate Risk			7,175,760	7,175,760	574,061
Foreign Currency Risk			668,093	668,093	53,447
Equity Risk			655,057	655,057	52,405
Commodity Risk			-	-	-
Options Risk			1,159,398	1,159,398	92,752
Total Market Risk			9,658,308	9,658,308	772,665
Operational Risk (Basic Indicator Approach)			11,242,737	11,242,737	899,419
Total RWA and Capital Requirement			126,154,134	126,154,134	10,092,331

The summation method is due to actual summation and rounded up to the nearest thousands.

CAPITAL MANAGEMENT (CONTINUED)

Capital Structure and Adequacy (Continued)

Table 2(b) : Disclosure on Minimum Capital Requirement for Credit Risk for CIMB Islamic as at 31 December 2010

(RM'000) *Exposure Class*	Net Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the Standardised Approach					
Sovereign/Central Banks	11,834,620	11,834,620	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	1,245,200	1,221,525	1,135,607	106,689	8,535
Regulatory Retail	2,605,475	2,062,618	1,457,895	1,449,581	115,966
RRE Financing	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	379,522	379,522	335,525	335,525	26,842
Securitisation	35,583	35,583	7,117	7,117	569
Total - Standardised Approach	16,100,400	15,533,868	2,936,143	1,898,911	151,913
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,117,034	2,117,034	479,219	479,219	38,338
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	4,865,731	4,865,731	3,030,466	2,098,019	167,842
RRE Financing	4,900,357	4,900,357	2,043,212	2,043,212	163,457
Qualifying Revolving Retail	168,080	168,080	175,122	175,122	14,010
Hire Purchase	5,082,644	5,082,644	3,954,236	-	-
Other Retail	1,124,378	1,124,378	605,132	605,132	48,411
Securitisation	-	-	-	-	-
Total - IRB Approach	18,258,225	18,258,225	10,287,386	5,400,704	432,056
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	34,358,625	33,792,093	13,840,772	7,623,657	609,893
Large Exposure Risk Requirement	-	-	-	-	-
Market Risk (Standardised Approach)					
Benchmark Rate Risk			255,237	255,237	20,419
Foreign Currency Risk			29,879	29,879	2,390
Equity Risk			-	-	-
Commodity Risk			-	-	-
Options Risk			-	-	-
Total Market Risk			285,115	285,115	22,809
Operational Risk (Basic Indicator Approach)			1,041,278	1,041,278	83,302
Total RWA and Capital Requirement			15,167,165	8,950,050	716,004

The summation method is due to actual summation and rounded up to the nearest thousands.

CAPITAL MANAGEMENT (CONTINUED)
Capital Structure and Adequacy (Continued)

Table 2(c) : Disclosure on Minimum Capital Requirement for Credit Risk for CIMBIBG as at 31 December 2010

(RM'000) ***Exposure Class***	**Net Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the Standardised Approach					
Sovereign/Central Banks	301,070	301,070	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	99,912	99,912	19,987	19,987	1,599
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	-	-	-	-	-
Regulatory Retail	12,389	12,389	9,852	9,852	788
Residential Mortgages	31,620	31,620	12,240	12,240	979
Higher Risk Assets	6,331	6,331	9,496	9,496	760
Other Assets	877,242	877,242	523,468	523,468	41,877
Securitisation	-	-	-	-	-
Total - Standardised Approach	1,328,563	1,328,563	575,042	575,042	46,003
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,398,976	2,398,976	346,498	346,498	27,720
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	40,802	40,802	81,227	81,227	6,498
Specialised Lending	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-
Hire Purchase	-	-	-	-	-
Other Retail	-	-	-	-	-
Securitisation	-	-	-	-	-
Total - IRB Approach	2,439,777	2,439,777	427,725	427,725	34,218
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	3,768,340	3,768,340	1,028,430	1,028,430	82,274
Large Exposure Risk Requirement	-	-	-	-	-
Market Risk (Standardised Approach)					
Interest Rate Risk			154,567	154,567	12,365
Foreign Currency Risk			31,461	31,461	2,517
Equity Risk			6,294	6,294	503
Commodity Risk			-	-	-
Options Risk			-	-	-
Total Market Risk			192,321	192,321	15,386
Operational Risk (Basic Indicator Approach)			765,308	765,308	61,225
Total RWA and Capital Requirement			1,986,059	1,986,059	158,885

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK

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

Credit Risk Management

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

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

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

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

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

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

The exposures are actively monitored, reviewed on a regular basis and reported 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 obligors/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 procedures. These are summarised and reported to GRC and BRC on a monthly basis.

CREDIT RISK (CONTINUED)

SUMMARY OF CREDIT EXPOSURES

Gross Credit Exposures by Geographic Distribution

The following tables represent the Group's credit exposures by geographic region. The geographic distribution is based on the country in which the portfolio is geographically managed.

Table 3(a) : Geographic distribution of credit exposures for CIMBBG as at 31 December 2010

(RM'000) *Exposure Class*	Malaysia	Singapore	Thailand	Other Countries
Sovereign	30,086,881	367,606	3,725,246	11,409
Bank	15,661,854	2,804,778	1,753,298	1,962,781
Corporate	55,310,068	5,965,868	7,756,705	1,020,838
Mortgage	32,416,077	1,525,244	1,645,947	-
HPE	10,795,475	-	-	-
QRRE	8,209,166	-	-	-
Other Retail	22,741,548	1,364,034	2,899,523	111,432
Others	8,212,454	155,696	1,566,040	73,056
Total Gross Credit Exposure	183,433,523	12,183,228	19,346,759	3,179,517

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 3(b) : Geographic distribution of credit exposures for CIMB Islamic as at 31 December 2010

(RM'000) *Exposure Class*	Malaysia	Singapore	Thailand	Other Countries
Sovereign	11,834,620	-	-	-
Bank	2,117,034	-	-	-
Corporate	6,110,931	-	-	-
RRE Financing	4,900,357	-	-	-
HPE	5,082,644	-	-	-
QRRE	168,080	-	-	-
Other Retail	3,729,853	-	-	-
Others	415,105	-	-	-
Total Gross Credit Exposure	34,358,625	-	-	-

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 3(c) : Geographic distribution of credit exposures for CIMBIBG as at 31 December 2010

(RM'000) *Exposure Class*	Malaysia	Singapore	Thailand	Other Countries
Sovereign	301,070	-	-	-
Bank	2,498,887	-	-	-
Corporate	40,802	-	-	-
Mortgage	31,620	-	-	-
HPE	-	-	-	-
QRRE	-	-	-	-
Other Retail	12,389	-	-	-
Others	883,572	-	-	-
Total Gross Credit Exposure	3,768,340	-	-	-

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK (CONTINUED)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

Gross credit exposures by sector

The following tables represent the Group's credit exposure analysed by sector.

Table 4(a) : Distribution of credit exposures for CIMBBG as at 31 December 2010 by sector

(RM'000) *Exposure Class*	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Others*
Sovereign	-	-	-	-	-	-	486,261	17,825,252	15,879,629	-
Bank	-	-	-	-	-	-	25,118	22,004,630	152,964	-
Corporate	2,827,213	748,946	11,254,654	4,052,226	6,873,427	8,898,965	9,758,088	16,606,766	2,763,100	6,270,095
Mortgage	-	-	-	-	-	-	-	-	-	35,587,269
HPE	-	-	-	-	-	-	-	-	-	10,795,475
QRRE	-	-	-	-	-	-	-	-	-	8,209,166
Other Retail	76,121	9,647	485,846	13,447	370,441	1,197,291	128,996	1,455,408	2,217,982	21,161,359
Others	-	-	2,406	1,532	-	1,423	-	7,563,771	1,382,316	1,055,799
Total Gross Credit Exposure	2,903,334	758,592	11,742,906	4,067,204	7,243,868	10,097,678	10,398,463	65,455,827	22,395,991	83,079,163

** Others include Retail exposures and exposures which are not elsewhere classified.*

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 4(b) : Distribution of credit exposures for CIMB Islamic as at 31 December 2010 by sector

(RM'000) *Exposure Class*	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Others*
Sovereign	-	-	-	-	-	-	115,428	7,012,920	4,706,271	-
Bank	-	-	-	-	-	-	-	2,117,034	-	-
Corporate	704,490	2,578	413,221	58,834	472,964	516,033	1,105,585	1,636,230	226,930	974,066
RRE Financing	-	-	-	-	-	-	-	-	-	4,900,357
HPE	-	-	-	-	-	-	-	-	-	5,082,644
QRRE	-	-	-	-	-	-	-	-	-	168,080
Other Retail	7,125	-	11,036	19	15,949	24,238	2,604	23,709	21,842	3,623,331
Others	-	-	-	-	-	-	-	35,583	-	379,522
Total Gross Credit Exposure	711,615	2,578	424,256	58,853	488,913	540,271	1,223,618	10,825,475	4,955,044	15,128,001

** Others include Retail exposures and exposures which are not elsewhere classified.*

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK (CONTINUED)

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

Gross credit exposures by sector (Continued)

Table 4(c) : Distribution of credit exposures for CIMBIBG as at 31 December 2010 by sector

(RM'000) *Exposure Class*	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Others*
Sovereign	-	-	-	-	-	-	-	301,070	-	-
Bank	-	-	-	-	-	-	-	2,498,887	-	-
Corporate	8,000	-	-	-	-	-	-	-	-	32,802
Mortgage	-	-	-	-	-	-	-	-	-	31,620
HPE	-	-	-	-	-	-	-	-	-	-
QRRE	-	-	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	-	-	-	-	-	12,389
Others	-	-	-	-	-	-	-	-	-	883,572
Total Gross Credit Exposure	8,000	-	-	-	-	-	-	2,799,958	-	960,383

** Others include Retail exposures and exposures which are not elsewhere classified.*

The summation method is due to actual summation and rounded up to the nearest thousands.

Gross credit exposures by residual contractual maturity

Table 5(a) : Residual Contractual Maturity Breakdown by Major Types of Gross Credit Exposures for CIMBBG as at 31 December 2010

(RM'000) ***Exposure Class***	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	18,132,900	7,480,374	8,577,869	34,191,143
Bank	14,999,702	4,919,841	2,263,169	22,182,712
Corporate	29,421,940	25,082,672	15,548,867	70,053,479
Mortgage	26,141	459,416	35,101,712	35,587,269
HPE	198,101	3,758,867	6,838,507	10,795,475
QRRE	8,209,166	-	-	8,209,166
Other Retail	4,306,388	2,353,760	20,456,389	27,116,537
Others	27,714	616,691	9,362,841	10,007,246
Total Gross Credit Exposure	75,322,052	44,671,620	98,149,354	218,143,027

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK (CONTINUED)

Summary Of Credit Exposures (Continued)

Gross credit exposures by residual contractual maturity (Continued)

Table 5(b) : Residual Contractual Maturity Breakdown by Major Types of Gross Credit Exposures for CIMB Islamic as at 31 December 2010

(RM'000) *Exposure Class*	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	6,875,575	132,564	4,826,480	11,834,620
Bank	1,767,897	6,800	342,337	2,117,034
Corporate	2,526,764	1,316,884	2,267,283	6,110,931
RRE Financing	663	25,252	4,874,443	4,900,357
HPE	19,781	1,024,510	4,038,353	5,082,644
QRRE	168,080	-	-	168,080
Other Retail	99,022	438,418	3,192,413	3,729,853
Others	-	15,098	400,007	415,105
Total Gross Credit Exposure	11,457,783	2,959,526	19,941,316	34,358,625

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 5(c) : Residual Contractual Maturity Breakdown by Major Types of Gross Credit Exposures for CIMBIBG as at 31 December 2010

(RM'000) *Exposure Class*	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	300,683	-	387	301,070
Bank	2,319,652	79,323	99,912	2,498,887
Corporate	8,000	-	32,802	40,802
Mortgage	-	-	31,620	31,620
HPE	-	-	-	-
QRRE	-	-	-	-
Other Retail	-	-	12,389	12,389
Others	2,571	-	881,002	883,572
Total Gross Credit Exposure	2,630,906	79,323	1,058,111	3,768,340

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING

Past Due But Not Impaired

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financings and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2010 which were past due but not impaired by sector and geographic respectively.

Table 6(a) : Past Due But Not Impaired Loans, Advances and Financing by Sector for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG	CIMB Islamic	CIMBIBG
Primary Agriculture	39,516	617	-
Mining and Quarrying	10,212	7,586	-
Manufacturing	218,781	12,414	-
Electricity, Gas and Water Supply	6,836	4,073	-
Construction	250,855	39,330	-
Wholesale and Retail Trade, and Restaurants and Hotels	261,001	20,705	-
Transport, Storage and Communication	62,451	5,216	-
Finance, Insurance/Takaful, Real Estate and Business Activities	158,754	46,364	-
Education, Health and Others	298,193	236,278	-
Others*	10,846,588	859,695	-
	12,153,187	1,232,278	-

** Others include Retail exposures and exposures which are not elsewhere classified.*

Table 6(b) : Past Due But Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG	CIMB Islamic	CIMBIBG
Malaysia	11,583,194	1,232,278	-
Singapore	14,770	-	
Thailand	422,646	-	-
Other Countries	132,577	-	-
	12,153,187	1,232,278	-

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired Loans/Financings

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

Impairment losses are calculated on individual loans/financings and on loans/financings assessed collectively.

Losses for impaired loans/financings are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financings has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financings that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financings are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The following tables provide an analysis of the outstanding balances as at 31 December 2010 which were impaired by sector and geographical respectively.

Table 7(a) : Impaired Loans, Advances and Financing by sector for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG	CIMB Islamic	CIMBIBG
Primary Agriculture	26,218	3,046	-
Mining and Quarrying	9,865	-	-
Manufacturing	823,497	6,688	-
Electricity, Gas and Water Supply	348,685	-	-
Construction	522,458	82,790	-
Wholesale and Retail Trade, and Restaurants and Hotels	122,830	15,349	-
Transport, Storage and Communication	892,463	87,976	-
Finance, Insurance/Takaful, Real Estate and Business Activities	302,086	23,015	-
Education, Health and Others	469,123	18,766	-
Others*	1,511,615	98,249	822
	5,028,840	335,879	822

** Others include Retail exposures and exposures which are not elsewhere classified.*

Table 7(b) : Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG Impaired	CIMB Islamic Impaired	CIMBIBG Impaired
Malaysia	4,467,087	335,879	822
Singapore	59,066	-	-
Thailand	502,687	-	-
Other Countries	-	-	-
	5,028,840	335,879	822

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired Loans/Financing (Continued)

Table 8 : Individual Impairment and Portfolio Impairment Allowances by Sector for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG		CIMB Islamic		CIMBIBG	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	10,946	24,024	1,859	1,904	-	-
Mining and Quarrying	5,538	3,638	-	3	-	-
Manufacturing	577,800	154,291	4,549	4,958	-	-
Electricity, Gas and Water Supply	27,174	6,090	-	-	-	-
Construction	253,413	85,002	70,495	2,755	-	-
Wholesale and Retail Trade, and Restaurants and Hotels	239,760	198,941	9,575	4,755	-	-
Transport, Storage and Communications	566,928	33,106	-	1,034	-	-
Finance, Insurance/Takaful, Real Estate and Business Activities	223,450	321,116	2,818	209,171	-	-
Education, Health and Others	25,066	25,020	3,387	957	-	-
Others*	28,498	1,431,388	-	14,953	822	650
	1,958,573	2,282,616	92,683	240,490	822	650

** Others include Retail exposures and exposures which are not elsewhere classified.*

Table 9 : Individual Impairment and Portfolio Impairment Allowances by Geographical Areas for CIMBBG, CIMB Islamic and CIMBIBG as at 31 December 2010

(RM'000)	CIMBBG		CIMB Islamic		CIMBIBG	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,682,222	2,096,767	92,683	240,490	822	650
Singapore	15,256	11,793	-	-	-	-
Thailand	261,095	174,056	-	-	-	-
Other Countries	-	-	-	-	-	-
	1,958,573	2,282,616	92,683	240,490	822	650

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired Loans/Financing (Continued)

Table 10 : Charges for Individual Impairment Provision and Write Offs During Year 2010 for CIMBBG, CIMB Islamic and CIMBIBG

(RM'000)	CIMBBG		CIMB Islamic		CIMBIBG	
	Charges/ Writeback	Write-off	Charges/ Writeback	Write-off	Charges/ Writeback	Write-off
Primary Agriculture	(58,186)	431	1,910	-	-	-
Mining and Quarrying	33	-	-	-	-	-
Manufacturing	(29,176)	140,301	(11,846)	7,200	-	-
Electricity, Gas and Water Supply	(6,256)	250,253	-	-	-	-
Construction	34,897	22,360	140	-	-	-
Wholesale and Retail Trade, and Restaurants and Hotels	38,956	66,794	7,726	-	-	-
Transport, Storage and Communications	194,851	-	-	-	-	-
Finance, Insurance/Takaful, Real Estate and Business Activities	(101,412)	167,058	1,247	3,073	-	-
Education, Health and Others	2,233	-	391	-	-	-
Others*	(43,777)	4,567	159	9	(55)	-
	32,163	651,764	(273)	10,282	(55)	-

** Others include Retail exposures and exposures which are not elsewhere classified.*

Table 11 : Analysis of movement for Loan/Financing Impairment Allowances for the Year Ended 31 December 2010

(RM'000)	CIMBBG		CIMB Islamic		CIMBIBG	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	-	-	-	-	-	-
Adoption of FRS 139	3,356,101	2,222,029	105,851	260,926	877	679
Adjusted 1 January	3,356,101	2,222,029	105,851	260,926	877	679
Allowance (written back)/made during the financial period/year	32,163	603,725	(273)	162,884	214	(29)
Amount transferred to portfolio impairment allowance	(5,795)	5,795	-	-	-	-
Amount written back in respect of recoveries	-	-	-	-	(269)	-
Allowance made and charged to deferred assets	2,431	(3,352)	-	-	-	-
Allowance made in relation to jointly controlled entity	-	-	-	-	-	-
Amount written off	(651,755)	(464,059)	(10,282)	(61,502)	-	-
Amount transferred in respect of loans converted to securities	-	-	-	-	-	-
Sale of impaired loans	-	-	-	-	-	-
Amount reclassified to non-current assets held for sale	-	-	-	-	-	-
Transfer(to)/from intercompany	(357,590)	(28,956)	-	(119,980)	-	-
Disposal of subsidiary	(324,226)	(11,298)	-	-	-	-
Unwinding income	(63,538)	(34,758)	(2,613)	(1,838)	-	-
Exchange fluctuation	(29,218)	(6,510)	-	-	-	-
	1,958,573	2,282,616	92,683	240,490	822	650

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA)

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on RWCAF - Risk-Weighted Assets Computation and CAFIB to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 12(a) : Disclosure by Risk Weight under SA for CIMBBG as at 31 December 2010

(RM'000) Risk Weights	Sovereigns/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	34,069,730	-	10,117	-	409,387	296,742	-	-	2,505,188	-	37,291,164	-
20%	-	133,564	566,545	-	30,826	103,880	-	-	1,774,808	733,496	3,343,117	668,623
35%	-	-	-	-	-	-	3,301,384	-	-	-	3,301,384	1,155,484
50%	20,544	127,514	47,081	6,114	226,430	389,671	89,496	-	-	-	906,850	453,425
75%	-	-	-	-	-	16,338,253	125,066	-	-	-	16,463,319	12,347,489
100%	100,868	25,118	-	-	11,503,573	156,925	9,836	-	3,834,425	-	15,630,745	15,630,745
150%	-	-	-	-	300,176	103,934	-	1,086,689	-	-	1,490,798	2,236,197
>150%	-	-	-	-	-	-	-	-	-	2,525	2,525	21,759
Total	34,191,143	286,195	623,742	6,114	12,470,392	17,389,403	3,525,782	1,086,689	8,114,421	806,137	78,500,018	32,513,723
Average Risk Weight	0%	40%	22%	50%	97%	74%	37%	150%	52%	21%	41%	
Deducation from Capital Base										70,116		

* *The total includes the portion which is deducted from Capital Base*

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 12(b) : Disclosure by Risk Weight under SA for CIMB Islamic as at 31 December 2010

(RM'000) Risk Weights	Sovereigns/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/ Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	11,834,620	-	-	-	-	-	-	-	-	-	11,834,620	-
20%	-	-	-	-	-	-	-	-	54,996	35,583	90,579	18,116
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	194,323	356,955	-	-	-	-	551,278	275,639
75%	-	-	-	-	-	1,705,183	-	-	-	-	1,705,183	1,278,888
100%	-	-	-	-	1,004,717	380	-	-	324,526	-	1,329,623	1,329,623
150%	-	-	-	-	22,485	100	-	-	-	-	22,585	33,878
Total	11,834,620	-	-	-	1,221,525	2,062,618	-	-	379,522	35,583	15,533,868	2,936,143
Average Risk Weight	0%	-	-	-	93%	71%	-	-	88%	20%	19%	
Deducation from Capital Base										-		

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

The following tables present the credit exposures by risk weights and after credit risk mitigation: (Continued)

Table 12(c) : Disclosure by Risk Weight under SA for CIMBIBG as at 31 December 2010

(RM'000) Risk Weights	Sovereigns/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	301,070	-	-	-	-	-	-	-	33	-	301,103	-
20%	-	-	99,906	-	-	-	-	-	442,176	-	542,082	108,416
35%	-	-	-	-	-	-	24,898	-	-	-	24,898	8,714
50%	-	-	-	-	-	-	6,063	-	-	-	6,063	3,032
75%	-	-	-	-	-	11,642	659	-	-	-	12,300	9,225
100%	-	-	6	-	-	-	-	-	435,032	-	435,038	435,038
150%	-	-	-	-	-	747	-	6,331	-	-	7,078	10,616
Total	301,070	-	99,912	-	-	12,389	31,620	6,331	877,242	-	1,328,563	575,042
Average Risk Weight	0%	-	20%	-	-	80%	39%	150%	60%	-	43%	
Deducation from Capital Base										-		

The summation method is due to actual summation and rounded up to the nearest thousands.

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 13(a) : Disclosures of Rated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

(RM'000) ***Exposure Class***	**Investment Grade**	**Non Investment Grade**	**No Rating**
On and Off-Balance-Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities	834,219	-	25,404
Insurance Cos, Securities Firms & Fund Managers	6,114	-	-
Corporate	30,719	-	13,273,650
Sovereign/Central Banks	7,175,257		27,015,885
Banks, MDBs and DFIs	897,964	-	101,304
Total	8,944,273	-	40,416,243

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 13(b) : Disclosures of Rated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMB Islamic

(RM'000) ***Exposure Class***	**Investment Grade**	**Non Investment Grade**	**No Rating**
On and Off-Balance-Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities	-	-	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-
Corporate	-	-	1,245,200
Sovereign/Central Banks	167,970	-	11,666,650
Banks, MDBs and DFIs	-	-	-
Total	167,970	-	12,911,850

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (CONTINUED)

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs: (Continued)

Table 13(c) : Disclosures of Rated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

(RM'000) *Exposure Class*	Investment Grade	Non Investment Grade	No Rating
On and Off-Balance-Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-
Corporate	-	-	-
Sovereign/Central Banks	-	-	301,070
Banks, MDBs and DFIs	-	-	99,912
Total	-	-	400,982

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 14 : Disclosures of Securitisation under SA according to Ratings by ECAIs for the Group

(RM'000) *Exposure Class*	Investment Grade	Non Investment Grade	No Rating
On and Off-Balance-Sheet Exposures			
CIMBBG - Securisation	803,612	-	2,525
CIMB Islamic - Securitisation	35,583	-	-
CIMBIBG - Securitisation	-	-	-
Total	839,195	-	2,525

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMB Group adopts the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows the Group to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account and predict potential revenue based on the behaviour pattern of the customer.

For non-retail exposures, internal ratings are used to assist the approving committees in making informed decisions of the credit application. Product owners consult GRM for input on internal rating for consideration on pricing of product.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by GRM with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRC and subsequently BRC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

Retail Exposures

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred as program lending.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, personal financing and residential mortgages. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. Presently, the models deployed for retail portfolio include application and behavioural scorecards, PD, LGD and EAD segmentation.

Application scorecards are derived using demographic and credit bureau data, where available, of customers at the time of application. Statistical techniques are used to identify and weight risk factors that best explain the historical default or non-default status of customers. The output of the resulting scorecards is scores that reflect the PDs of new applicants.

Behavioural scorecards are derived in a similar way to application scorecards, but using transaction data of approved customers.

PD, LGD and EAD Segmentation models

<u>PD Segmentation Model</u>

- PD is estimated using internal historical data. The underlying historical observation period used at point of implementation is 2 years but this requirement will be increased until the required minimum historical data of 5 years is achieved. Thereafter, PD must be estimated based on minimum historical data of 5 years.

- For the purpose of estimating risk parameters for retail exposures, default event is defined in accordance to the respective portfolios' default experience.

- The 1-year pool default rate is defined as the number of accounts that default at any time within a 1-year period divided by the number of accounts open at the beginning of the period (observation point) for that particular pool. Only the first of 2 or more defaults occurring within the 12 months observation period will be counted as default. Hence, only one default event will be recorded for PD estimation purposes.

- PD for retail exposures is estimated at the facility level where credit limit is determined. Should multiple accounts are linked to a shared facility limit, aggregated exposures and worst default status across all accounts linked to the said facility must be used to compute the PD.

<u>PD Calibration for Retail Exposure</u>

- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) must be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which normally referred to "Central Tendency".

- The estimation of long term PD or Central Tendency should ideally cover at least one complete economic cycle, which include at least one quarter of negative GDP growth.

- The estimated pool PD will subject to minimum PD ratio of 0.03%.

<u>LGD Segmentation Model</u>

- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:

  (i) Regularisation of defaulted accounts. Defaulted accounts can be regularised or cured via restructuring and rescheduling exercise, or when borrower/customer paid up the arrear amount and remain as "non-default" for a pre-defined period.
  (ii) Sale proceeds from physical collaterals.
  (iii) Cash receipts from borrowers/customers.

<u>EAD Segmentation Model</u>

- EAD for retail exposures is defined as the expected gross exposures of the facility upon default of the facility.

- For the purpose of measuring EAD, both on and off balance sheet are measured gross of impairment allowance or partial write-off. The EAD on drawn amount should not be less than the sum of:

  (i) The amount of which a banking institution's capital would be reduced if the exposure were fully written-off; and
  (ii) Any impairment allowance and partial write-offs.
  (iii) Estimates of EAD are based on conversion factor applied to the total limit of the facility.

- The EAD estimation approach adopted is based on Cohort Method.

  (i) A fixed length cohort, normally one year intervals is defined. Development samples will include all non-defaulted accounts during the cohort.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

The following tables summarise the Group's retail credit exposures measured under A-IRB Approach as at 31 December 2010:

Table 15(a) : Retail Credit Exposures by PD Band for CIMBBG

(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD <100%	100% or Default
Total Retail Exposure (EAD)	39,968,984	14,231,579	2,094,961
Residential Mortgage	25,708,649	4,892,483	1,460,103
QRRE	4,073,763	4,055,224	80,180
Hire Purchase	6,900,583	3,602,799	292,094
Other Retail	3,285,990	1,681,074	262,584
Exposure Weighted LGD %			
Residential Mortgage	22%	23%	34%
QRRE	90%	28%	90%
Hire Purchase	56%	31%	59%
Other Retail	18%	67%	46%
Exposure Weighted Average Risk Weight %			
Residential Mortgage	29%	84%	30%
QRRE	33%	131%	387%
Hire Purchase	60%	111%	214%
Other Retail	19%	51%	228%

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 15(b) : Retail Credit Exposures by PD Band for CIMB Islamic

(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD <100%	100% or Default
Total Retail Exposure (EAD)	7,928,906	3,184,790	161,764
RRE Financing	3,867,897	965,247	67,213
QRRE	45,869	119,553	2,658
Hire Purchase	3,453,553	1,549,193	79,898
Other Retail	561,586	550,796	11,995
Exposure Weighted LGD %			
RRE Financing	25%	25%	37%
QRRE	90%	90%	90%
Hire Purchase	57%	59%	59%
Other Retail	16%	51%	51%
Exposure Weighted Average Risk Weight %			
RRE Financing	31%	85%	17%
QRRE	35%	128%	225%
Hire Purchase	61%	111%	186%
Other Retail	16%	91%	98%

The summation method is due to actual summation and rounded up to the nearest thousands.

As at 31 December 2010, CIMBIBG does not have any retail credit exposure by PD Band under IRB Approach.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Table 16(a) : Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

(RM'000) EL% Range of Retail Exposure	EL ≤ 1%	1% < EL < 100%	EL = 100%
Total Retail Exposure (EAD)	41,561,692	14,501,593	232,240
Residential Mortgage	27,924,815	3,938,894	197,525
QRRE	2,830,425	5,378,741	-
Hire Purchase	6,592,149	4,187,437	15,889
Other Retail	4,214,303	996,521	18,825
Exposure Weighted Average LGD (%)			
Residential Mortgage	22%	27%	33%
QRRE	90%	90%	-
Hire Purchase	55%	58%	56%
Other Retail	17%	47%	49%

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 16(b) : Retail Exposures under the IRB Approach by Expected Loss Range for CIMB Islamic

(RM'000) EL% Range of Retail Exposure	EL ≤ 1%	1% < EL < 100%	EL = 100%
Total Retail Exposure (EAD)	8,491,032	2,758,921	25,507
RRE Financing	4,338,029	543,508	18,820
QRRE	23,268	144,812	-
Hire Purchase	3,360,293	1,719,663	2,688
Other Retail	769,442	350,938	3,998
Exposure Weighted Average LGD (%)			
RRE Financing	25%	26%	44%
QRRE	90%	90%	-
Hire Purchase	57%	59%	53%
Other Retail	15%	72%	70%

The summation method is due to actual summation and rounded up to the nearest thousands.

As at 31 December 2010, CIMBIBG does not have any retail credit exposure under IRB Approach by expected loss range.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification.

The process by which an internal rating is assigned to an obligor is governed by the Obligor Risk Rating framework. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by upgrading the final rating accordingly.

For Corporates, SMEs and Banks, the quantitative risk factors and weights are chosen to be those that best explain the historical default or non-default status of clients by means of a logistic function. A client is considered to be in default if it is ever 90 days past due, restructured or rescheduled.

For sovereign exposures with external ratings, the internal rating is taken to correspond to the second best long-term issuer rating published by S&P, Moody's and Fitch or any other rating agencies approved by approving authority based on the Group's internal rating system.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2010:

Table 17 : Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for the Group

(RM'000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default
CIMBBG					
Project Finance	502,976	-	7,171	363,128	928,761
Object Finance	-	-	214,409	93,834	-
Commodities Finance	-	-	-	-	-
Income Producing Real Estate	1,047,838	435,531	338,172	3,169	65,933
RWA	901,617	338,402	643,714	1,150,327	-
CIMB Islamic					
Project Finance	-	-	7,151	-	-
Object Finance	-	-	173,615	93,834	-
Commodities Finance	-	-	-	-	-
Income Producing Real Estate	152,435	8,181	53,848	-	-
RWA	92,581	7,363	269,806	234,585	-

The summation method is due to actual summation and rounded up to the nearest thousands.

As at 31 December 2010, CIMBIBG does not have any credit exposure subject to supervisory risk weight under IRB Approach.

The Group and its subsidiaries have no exposure to High Volatility Commercial Real Estate and Equities under the Simple Risk Weight Approach.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Table 18(a) : Non Retail Exposures Under IRB Approach by Risk Grades for CIMBBG

(RM'000) BI's Internal Risk Grading of Non-Retail Exposures	1 - 6	7 - 12	13	Default
Total Non-Retail Exposure (EAD)	45,092,627	19,387,383	4,505,611	4,079,787
Bank	19,627,545	525,168	103,324	61,670
Corporate (excluding Specialised Lending)	25,465,083	18,862,216	4,402,287	4,018,117
Exposure Weighted LGD %				
Bank	46%	50%	45%	45%
Corporate (excluding Specialised Lending)	43%	40%	37%	44%
Exposure Weighted Average Risk Weight %				
Bank	20%	97%	247%	-
Corporate (excluding Specialised Lending)	26%	84%	184%	-

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 18(b) : Non Retail Exposures Under IRB Approach by Risk Grades for CIMB Islamic

(RM'000) BI's Internal Risk Grading of Non-Retail Exposures	1 - 6	7 - 12	13	Default
Total Non-Retail Exposure (EAD)	4,345,940	1,719,892	286,085	141,785
Bank	2,113,704	3,330	-	-
Corporate (excluding Specialised Financing)	2,232,236	1,716,562	286,085	141,785
Exposure Weighted LGD %				
Bank	45%	45%	-	-
Corporate (excluding Specialised Financing)	44%	37%	35%	44%
Exposure Weighted Average Risk Weight %				
Bank	22%	149%	-	-
Corporate (excluding Specialised Financing)	32%	73%	162%	-

The summation method is due to actual summation and rounded up to the nearest thousands.

Table 18(c) : Non Retail Exposures Under IRB Approach by Risk Grades for CIMBIBG

(RM'000) BI's Internal Risk Grading of Non-Retail Exposures	1 - 6	7 - 12	13	Default
Total Non-Retail Exposure (EAD)	2,398,976	-	32,802	8,000
Bank	2,398,976	-	-	-
Corporate (excluding Specialised Lending)	-	-	32,802	8,000
Exposure Weighted LGD %				
Bank	45%	-	-	-
Corporate (excluding Specialised Lending)	-	-	45%	45%
Exposure Weighted Average Risk Weight %				
Bank	14%	-	-	-
Corporate (excluding Specialised Lending)	-	-	248%	-

The summation method is due to actual summation and rounded up to the nearest thousands.

CREDIT RISK MITIGATION

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

Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately secured. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. 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, shares, unit trusts and debt securities, while physical collateral include land and buildings and vehicles. Guarantors accepted are in line with BNM's RWCAF and CAFIB guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

Collateral Valuation and Management

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

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

Netting

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

Concentrations within risk mitigation

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

CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2010.

Table 19(a) : Disclosure on Credit Risk Mitigation for CIMBBG

(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereigns/Central Banks	34,191,143	-	-	-
Public Sector Entities	859,623	-	573,428	-
Banks, Development Financial Institutions & MDBs	21,255,305	-	375,576	-
Insurance Cos, Securities Firms & Fund Managers	6,114	-	-	-
Corporate	64,681,602	1,278,180	3,934,073	5,230,377
Residential Mortgages	34,100,823	-	253	-
Qualifying Revolving Retail	8,128,986	-	-	-
Hire Purchase	10,503,382	-	-	-
Other Retail	26,571,293	135,091	3,964,679	-
Securisation	806,137	-	-	-
Higher Risk Assets	1,086,689	-	-	-
Other Assets	8,114,421	-	-	-
Defaulted Exposures	3,223,460	52,518	20,673	265,280
Total Exposures	213,528,977	1,465,789	8,868,681	5,495,656

The summation method is due to actual summation and rounded up to the nearest thousands.

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)

Table 19(b): Disclosure on Credit Risk Mitigation for CIMB Islamic

(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereigns/Central Banks	11,834,620	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,117,034	-	-	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-
Corporate	5,945,635	94,149	286,195	634,461
RRE Financing	4,833,144	-	-	-
Qualifying Revolving Retail	165,422	-	-	-
Hire Purchase	5,002,747	-	-	-
Other Retail	3,715,643	-	13,091	-
Securisation	35,583	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	379,522	-	-	-
Defaulted Exposures	129,741	-	908	21,038
Total Exposures	34,159,090	94,149	300,194	655,499

The summation method is due to actual summation and rounded up to the nearest thousands.

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Concentrations within risk mitigation (Continued)

Table 19(c) : Disclosure on Credit Risk Mitigation for CIMBIBG

(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	301,070	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,498,887	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	32,802	-	-	-
Residential Mortgages	31,620	-	-	-
Qualifying Revolving Retail	-	-	-	-
Hire Purchase	-	-	-	-
Other Retail	12,389	-	-	-
Securisation	-	-	-	-
Higher Risk Assets	6,331	-	-	-
Other Assets	877,242	-	-	-
	-	-	-	
Defaulted Exposures	8,000	-	-	-
Total Exposures	3,768,340	-	-	-

The summation method is due to actual summation and rounded up to the nearest thousands.

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

OFF BALANCE SHEET EXPOSURES AND 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 enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored and our Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by CRC and/or RCC.

Treatment of Rating Downgrade

Based on the terms of the existing CSA and our exposure as at 31 December 2010, there will be no requirement for additional collateral to be posted in the event of a one-notch downgrade of rating.

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

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2010:

Table 20(a) : Disclosure on Off-Balance Sheet Exposures and CCR For CIMBBG

(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,558,284		1,558,284	1,269,433
Transaction Related Contingent Items	4,239,316		2,119,658	1,252,729
Short Term Self Liquidating Trade Related Contingencies	3,685,343		737,069	229,704
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	235,000		117,500	25,756
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-		-	-
Foreign Exchange Related Contracts				
One year or less	177,640	-	621	225
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	245,236,867	1,417,814	5,309,369	1,892,557
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19,107,518		4,798,002	1,524,037
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,645,635		1,561,959	833,994
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	20,635,345		-	-
Unutilised credit card lines	14,207,466		5,124,530	3,354,131
Off-balance sheet items for securitisation exposures	5,050		2,525	21,759
Off-balance sheet expoures due to early amortisation provisions				
Total	326,733,465	1,417,814	21,329,516	10,404,326

The summation method is due to actual summation and rounded up to the nearest thousands.

OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(b) : Disclosure on Off-Balance Sheet Exposures and CCR For CIMB Islamic

(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	37,197		37,197	21,496
Transaction Related Contingent Items	374,102		187,051	130,362
Short Term Self Liquidating Trade Related Contingencies	17,949		3,590	1,547
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
Commitments to buy back Islamic securities under Sales and Buy Back agreement	-		-	-
Foreign Exchange Related Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	10,700,506	977	269,781	52,410
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,895,929		302,769	54,148
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	24,589		-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	941,008		-	-
Unutilised credit card lines	151,179		77,112	62,653
Off-balance sheet items for securitisation exposures	-		-	-
Total	14,142,460	977	877,500	322,617

The summation method is due to actual summation and rounded up to the nearest thousands.

OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c) : Disclosure on Off-Balance Sheet Exposures and CCR For CIMBIBG

(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	-		-	-
Transaction Related Contingent Items	-		-	-
Short Term Self Liquidating Trade Related Contingencies	-		-	-
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-		-	-
Foreign Exchange Related Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	1,031,607	42,089	112,125	92,684
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	218		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet expoures due to early amortisation provisions				
Total	1,031,825	42,089	112,125	92,684

The summation method is due to actual summation and rounded up to the nearest thousands.

OFF BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The table below shows the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 21 : Disclosure on Credit Derivative Transactions for CIMBBG, CIMB Islamic and CIMBIBG

(RM'000)	Notional of Credit Derivatives					
	CIMBBG		CIMB Islamic		CIMBIBG	
	Protection Brought	Protection Sold	Protection Brought	Protection Sold	Protection Brought	Protection Sold
Own Credit Portfolio	724,623	641,724	-	-	-	-
Client Intermediation Activities	-	228,305	145,990	-	131,650	87,950
Total	724,623	870,029	145,990	-	131,650	87,950
Credit Default Swaps	724,623	641,724	-	-	-	-
Total Return Swaps	-	228,305	145,990	-	131,650	87,950
Total	724,623	870,029	145,990	-	131,650	87,950

The summation method is due to actual summation and rounded up to the nearest thousands.

SECURITISATION

The Role CIMB Plays In The Securitisation Process

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets, as well as securitisations of third party assets as part of its debt capital markets services for external clients.

The Group securitises its own assets in order to manage credit risk and its capital position and to generate term funding for the Group balance sheet.

CIMB Group adopts the following roles in the securitisation activities in which it is involved:

- Originator and servicer of securitised assets
- Executor of securitisation trades including bond marketing and syndication
- Provider of liquidity facilities to self-originated and third-party transactions
- Purchaser of third-party securitisations (where CIMB is not originator or sponsor)

As at 31 December 2010, CIMB Bank has securitised corporate bonds and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables. CIMB advises, arranges and executes securitisations for third-party clients through special purpose vehicles sponsored by each such client.

CIMB's Involvement In Securitisation in 2010

In 2010, CIMB Bank arranged and managed two securitisation issuances via Premium Commerce Berhad, a bankruptcy-remote special purpose vehicle established in 2005 pursuant to a securitisation programme arranged for the Tan Chong Group.

CIMBBG did not sell any assets pursuant to any securitisation in 2010. In 2007, PCSB (a 50% equity interest joint venture between CIMB Bank and Proton Edar Sdn Bhd) securitised RM500 million of auto hire purchase receivables through Class Auto Receivables Berhad, a special purpose vehicle established for the securitisation.

Every transaction involving securitisation of CIMB Bank's asset is tabled to the Board of Directors of CIMB Bank for deliberation and approval. Todate, CIMB Bank has not used credit risk mitigation to mitigate the risk retained from any securitisation of its own assets.

In securitised its own assets, CIMB Bank continues to administer the assets as servicer for the relevant special purpose vehicle and monitors the credit and market risk inherent in the underlying assets using the same mechanism in place for non-securitised assets.

SECURITISATION (CONTINUED)

Summary of Accounting Policies for Securitisation Activities

CIMB has sponsored special purpose vehicles (SPVs) pursuant to securitisation activities involving assets of the Group. Such SPVs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, inter alia, an assessment of the Group's exposure to the risks and rewards of the assets of the SPV.

Assets that have been transferred wholly or proportionately to an unconsolidated entity will also remain on the Group balance sheet, with a liability recognised for the proceeds received, unless (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

Other than (a) or (b) above, securitisations are treated as financing in the separate financial statements of these entities.

As of 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from CIMB Bank's loans, advances and financing as the risks and rewards relating to the cash flows of these hire purchase receivables have been substantially transferred to PCSB with the adoption of FRS139 Financial Instruments: Recognition and Measurement.

ECAIs Used For Securitisation Process

CIMB may employ external credit assessment institutions to provide ratings for its asset backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients.

For securitisations of CIMB-originated assets, RAM has rated a securitisation of corporate bonds, and MARC has rated a securitisation of auto-hire purchase receivables. Both RAM Ratings and MARC have rated a securitisation programme for a joint-venture of auto-hire purchase receivables.

Table 22 : Disclosure on Securitisation for Trading and Banking Book

(RM'000) Underlying Asset	CIMBBG			
	Total Exposures Securitised	Past Due	Impaired	Gains / Losses Recognised during the period
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	225,840	44,801	7,413	168

There were no outstanding exposures securitised by CIMB Islamic and CIMBIBG as at 31 December 2010.

SECURITISATION (CONTINUED)

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 23(a) : Disclosure on Securitisation under the SA for Banking book Exposures For CIMBBG

(RM'000)	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights								Risk Weighted Asset
			Rated Securitisation Exposures						Unrated (Look Through)		
Exposure Class			0%	10%	20%	50%	100%	350%	Weighted Average R W	Exposure Amount	
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	685,748	-	-	-	685,748	-	-	-	-	-	137,150
Mezzanine	2,963	-	-	-	2,963	-	-	-	-	-	593
First loss	-	-	-	-	-	-	-	-	-	-	-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	
Guarantees and credit derivatives	-	-	-	-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-
Originating Banking Institution											
On-Balance Sheet											
Most senior	24,715	-	-	-	24,715	-	-	-	-	-	4,943
Mezzanine	20,071	-	-	-	20,071	-	-	-	-	-	4,014
First loss	70,116	70,116	-	-	-	-	-	-	-	-	-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,525	-	-	-	-	-	-	-	> 150%	2,525	21,759
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	-
Guarantees and credit derivatives	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	806,137	70,116	-	-	733,496	-	-	-	-	2,525	168,458

The summation method is due to actual summation and rounded up to the nearest thousands.

SECURITISATION (CONTINUED)

The tables below represent the disclosure on Securitisation under the SA for Banking Book: (Continued)

Table 23(b) : Disclosure on Securitisation under the SA for Banking book Exposures For CIMB Islamic

(RM'000)	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights								Risk Weighted Asset
			Rated Securitisation Exposures						Unrated (Look Through)		
Exposure Class			0%	10%	20%	50%	100%	350%	Weighted Average R W	Exposure Amount	
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	35,583	-	-	-	35,583	-	-	-	-	-	7,117
Mezzanine	-	-	-	-	-	-	-	-	-	-	-
First loss	-	-	-	-	-	-	-	-	-	-	-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	-
Guarantees and credit derivatives	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-
Originating Banking Institution											
On-Balance Sheet											
Most senior	-	-	-	-	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-	-	-	-	-
First loss	-	-	-	-	-	-	-	-	-	-	-
Off-Balance Sheet											
Rated eligible liquidity facilities	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-	-	-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-	-	-	-	-	-	-	-	-	-
Eligible servicer cash advance facilities	-	-	-	-	-	-	-	-	-	-	-
Eligible underwriting facilities	-	-	-	-	-	-	-	-	-	-	-
Guarantees and credit derivatives	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	35,583	-	-	-	35,583	-	-	-	-	-	7,117

The summation method is due to actual summation and rounded up to the nearest thousands.

As at 31 December 2010, CIMBIBG has no Securitisation under the SA for Banking book Exposures.

MARKET RISK - SA

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.

Market Risk Management

The function of 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 a 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 equity risk, interest/benchmark rate risk, foreign exchange risk and commodity 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 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 procedures.

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.

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.

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 materialise.

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

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

Treasury products approval processes will be led by 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.

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.

MARKET RISK - SA (CONTINUED)

Market Risk Management (Continued)

Capital Treatment for Market Risk

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

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG for the following in Table 2(a), (b) and (c):

- Interest Rate Risk/Benchmark Rate Risk
- Foreign Currency Risk
- Equity Risk
- Commodity Risk
- Options Risk

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Operational Risk Management

CIMB Group recognises that the key determinant for a well managed universal banking operation is to cultivate an organisational wide discipline and risk management culture among its staff.

Operational risks arise from inadequate or failed internal processes, people and systems or from external events. These risks are managed by CIMB Group through the following key measures:

(i) Sound risk management practices in accordance with Basel II and regulatory guidelines;
(ii) Board and senior management oversight;
(iii) Well-defined responsibilities for all personnel concerned; and
(iv) Establishment of a risk management culture.

It encompasses legal risk that also carries a Shariah component but excludes strategic or reputational risks.

In pursuit of managing and controlling operational risk, the Group adopts the ORMF that have as its objectives the following:

(i) Provide guidance to the management teams towards establishing a common platform and consistent approach to ORM across the Group;
(ii) Ensure readiness and compliance to BNM as the home supervisor and other regulators' requirements, including preparation towards the Basel II implementation; and
(iii) Assist in the integration of risk factors by providing a singular view of operational risk across the Group's business/support units/entities for effective and efficient ORM.

The ORMF is premised on a set of pillars of Operational Risk Standards and employs various tools including control self-assessment, risk event management, key risk indicator monitoring and process risk mapping as measures of supervision.

A key structure of the ORMF is the Corporate Governance that is founded on the 3 Lines of Defense approach which underlines the participation of members of the Board of Directors; Senior Management and supported by every employee of the Group as the first line of defense.

The philosophy of the governance structure in the ORMF recognises the following:

(i) Ownership of the risk by the business/support areas (line management);
(ii) Oversight by independent risk management; and
(iii) Independent review by Internal Audit.

OPERATIONAL RISK (CONTINUED)

Operational Risk Management (Continued)

Consequently, the Group has strengthened its infrastructure and has applied several techniques for the administration of its operational risks together with the use of rating matrixes. These tools are constantly used to aid self assessments, controls and monitoring. Moreover, in line with best practices, incidents on loss events are tracked and captured for analytical risk profiling and to further enhance controls.

Escalation and reporting processes are well instituted through various management committees notably the ORC and GRC as well as the Board. The responsibilities of the committees and the Board include the following:

(i) Oversight and implementation of the ORMF;
(ii) Establish risk appetite and provide strategic and specific directions;
(iii) Review operational risks reports and profiles regularly;
(iv) Address operational risk issues; and
(v) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit plays its role in ensuring an independent assurance of the implementation of the 'Framework' through their conduct of regular reviews and report to the Board.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on RWCAF - Risk-Weighted Assets Computation and CAFIB.

Details on RWA and capital requirements related to Operational Risk is disclosed separately for CIMBBG, CIMB Islamic and CIMBIBG in Tables 2 (a), (b) and (c).

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and
- Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as either financial investments available-for-sale or Investment in Associates in the 2010 financial statements.

Details of the Group's and the CIMB Bank's investments in financial investments available-for-sale and Associates are also set out in the financial statements.

Realised gains arising from sales and liquidations of equities for CIMBBG the year ended 31 December 2010 is as follows:

(RM'000)	CIMBBG
Realised gains	
Investment in associates	2,265
Shares, private equity funds and unit trusts	308
Unrealised gains	
Shares, private equity funds and unit trusts	398,370

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMB Islamic and CIMBIBG as at 31 December 2010.

EQUITY EXPOSURES IN BANKING BOOK (CONTINUED)

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2010 for the Group:

Table 24 : Analysis of Equity Investments by Grouping and RWA

(RM'000)	Exposures subject to Risk-Weighting	RWA
CIMBBG		
Privately held	1,143,923	1,687,268
Publicly traded	282,924	62,484
Total	1,426,848	1,749,751
CIMB Islamic		
Privately held	-	-
Publicly traded	-	-
Total	-	-
CIMBIBG		
Privately held	6,331	9,496
Publicly traded	-	-
Total	6,331	9,496

The summation method is due to actual summation and rounded up to the nearest thousands.

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB)

Background

Interest Rate Risk/Rate of Return Risk is defined as the current and potential risk to the Group's earnings and economic value arising from the adverse movements in interest rate/benchmark rate. In the context of Pillar 2, this risk is confined to the Banking Book, given that the interest rate risk/benchmark rate risk in the trading book is covered under the Pillar 1 market risk regulations. The principal sources of IRRBB/RORBB are:

- *Repricing risk:* arises from the timing differences in the maturity and repricing of the Bank's assets, liabilities and off-balance sheet positions.

- *Yield curve risk:* arises from the changes in the slope and the shape of the yield curve.

- *Basis risk:* arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.

- *Optionality:* arises from the rate of return related options embedded in banking book products.

IRRBB/RORBB Framework

The Group's objective is to manage interest rate/rate of return risk within its risk appetite. The risk appetite is established by the BRC on behalf of the Board. BRC delegates the authority to GRC, which comprises senior management of CIMB Group and is supported by GRM, to oversee the asset liability management process including the management of IRRBB/RORBB for the Group. The BSMC, which is chaired by the Group Chief Executive and comprises senior management of CIMB, is responsible for the review of the balance sheet and recommends strategies, including hedging activities to manage the overall interest rate/rate of return risk. Group Treasury is responsible to execute the hedging strategies.

The framework is subject to a regular review by the Group.

Measurement of IRRBB/RORBB

The movement of interest rate/benchmark rate affects the Group's reported earnings and its underlying economic value by changing the net interest income/net financing income and market value of the bank's balance sheet positions. Therefore, the management of IRRBB/RORBB within the Group is from the:

- Earnings perspective:
  The Earnings perspective considers how interest rate/benchmark rate changes affect the Group's net interest income/net financing income. It focuses on risk to net interest income/net financing income in the near term. The Group adopts the EaR methodology for this purpose.

  EaR measures the impact of the changes in interest rate/benchmark rate to the Group's net interest income/net financing income in the next 12 months. Repricing gap table forms the foundation for this measure, where rate sensitive positions are slotted in the table according to their contractual repricing profile or remaining maturity, whichever is earlier. Sensitivity analysis is subsequently derived and the impact under various rate scenarios is measured.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORBB) (CONTINUED)

Measurement of IRRBB/RORBB (Continued)

- Earnings perspective: (Continued)
  Table 25 below illustrates the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from the earnings perspective.

Table 25 : IRRBB/RORBB as at 31 December 2010 for CIMBBG, CIMB Islamic and CIMBIBG – Impact on Earnings

Currency	+100bps Increase (Decline) in Economic value (RM '000, Value in RM Equivalent)		
	CIMBBG	CIMB Islamic	CIMBIBG
Ringgit Malaysia	(26,989)	(26,169)	4,108
US Dollar	(61,390)	(5,915)	(217)
Thai Baht	(886)	-	-
Singapore Dollar	(38,462)	-	-
Others	(1,269)	-	42
Total	**(128,996)**	**(32,084)**	**3,933**

The summation method is due to actual summation and rounded up to the nearest thousands.

The sign reflects the nature of the rate sensitivity, with a negative number indicating exposure to increase in interest rate/benchmark rate and vice versa.

- Economic value perspective:

The economic value perspective provides a measure of the underlying value of the Group's current positions and evaluates the sensitivity of that value to changes in interest rate/benchmark rate. It is a long term measure i.e. focuses on how the economic value of the assets, liabilities, and off balance sheet's rate sensitive instruments change with movements in interest rate/benchmark rate. The Group assesses the changes in the economic value through the application of the EVE methodology. Similar to EaR, various rate scenarios are applied to measure the impact on economic value.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth. The table below illustrates the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate shock from economic value perspective.

Table 26 : IRRBB/RORBB as at 31 December 2010 for CIMBBG, CIMB Islamic and CIMBIBG – Impact on Economic Value

Currency	+100bps Increase (Decline) in Economic value (RM '000, Value in RM Equivalent)		
	CIMBBG	CIMB Islamic	CIMBIBG
Ringgit Malaysia	(961,781)	(141,022)	3,743
US Dollar	44,216	1,229	9
Thai Baht	(29,315)	-	-
Singapore Dollar	(185,826)	-	-
Others	(5,423)	-	(2)
Total	**(1,138,128)**	**(139,793)**	**3,750**

The summation method is due to actual summation and rounded up to the nearest thousands.

The sign reflects the nature of the rate sensitivity, with a negative number indicating exposure to increase in interest rate/benchmark rate and vice versa.

Group Financial Highlights

Consolidated Statements of Comprehensive Income and Consolidated Statements of Financial Position	Financial Year Ended 31 December 2010 RM'000	2009 RM'000	2008 RM'000	Changes 2010 %	2009 %	2008 %
Net interest income	**6,537,277**	6,068,906	4,660,596	**7.72**	30.22	6.02
Net non-interest income	**5,273,428**	4,414,245	2,961,777	**19.46**	49.04	(34.53)
Overheads	**6,525,773**	5,531,263	4,003,665	**17.98**	38.15	(5.29)
Profit before allowances	**5,284,932**	4,951,888	3,618,707	**6.73**	36.84	(24.35)
Allowance for impairment losses on loans, advances and financing	**607,176**	1,022,605	794,715	**(40.62)**	28.68	(29.51)
Profit before taxation	**4,646,750**	3,811,877	2,715,659	**21.90**	40.37	(26.32)
Net profit for the financial year	**3,520,836**	2,806,816	1,952,038	**25.44**	43.79	(30.12)
Gross dividends paid	**1,992,167**	881,865	836,868	**125.90**	5.38	(37.86)
Loans, advances and financing	**159,181,385**	142,191,673	117,382,074	**11.95**	21.14	22.40
Total assets	**269,365,244**	239,983,999	207,090,759	**12.24**	15.88	13.29
Deposits from customers	**199,845,664**	178,882,336	146,890,210	**11.72**	21.78	15.78
Total liabilities	**245,062,045**	217,337,285	188,278,166	**12.76**	15.43	13.46
Shareholders' funds	**23,229,966**	20,345,014	17,099,203	**14.18**	18.98	8.84
Commitments and contingencies	**349,069,257**	322,892,443	321,678,842	**8.11**	0.38	20.40
Ratios						
Core capital ratio (CIMB Bank)^	**14.47**	14.81	10.75	**(2.30)**	37.77	14.85
Risk-weighted capital ratio (CIMB Bank)^	**15.36**	15.06	13.90	**1.99**	8.35	11.56
Return on average equity	**16.29**	14.99	11.90	**8.66**	25.97	(40.65)
Retun on total assets	**1.31**	1.17	0.94	**11.76**	24.08	(38.31)
Cost to income ratio	**55.25**	52.76	52.53	**4.72**	0.45	10.83
Cost to total assets	**2.42**	2.30	1.93	**5.11**	19.22	(16.40)
Gross impaired/non-performing loans to gross loans	**6.14**	4.98	4.94	**23.26**	0.78	(31.86)
Loan loss coverage ratio	**81.12**	90.76	88.05	**(10.63)**	3.08	27.06
Loan deposit ratio	**79.65**	79.50	79.91	**0.21**	(0.51)	5.71
Equity to assets	**8.62**	8.48	8.26	**1.73**	2.67	(3.92)
Equity to loans	**14.59**	14.31	14.57	**1.99**	(1.80)	(11.07)
Other information						
Earnings per share (sen)						
- basic*	**49.00**	39.76	28.91	**23.24**	37.51	(31.06)
- fully diluted*	**n/a**	n/a	28.88	**n/a**	n/a	(31.05)
Net tangible assets per share (RM)	**1.81**	3.09	2.52	**(41.31)**	22.53	(20.55)
Gross dividend per share (sen)	**36.58**	25.00	25.00	**46.30**	-	(37.50)
Number of shares in issue ('000)	**7,432,775**	3,531,766	3,578,078	**110.45**	(1.29)	6.04
Weighted average number of shares in issue* ('000)	**7,186,034**	7,059,934	6,751,796	**1.79**	4.56	102.74
Share price at year-end (RM)	**8.50**	12.84	5.85	**(33.80)**	119.49	(46.82)
Number of employees	**36,984**	35,922	31,932	**2.96**	12.50	24.67

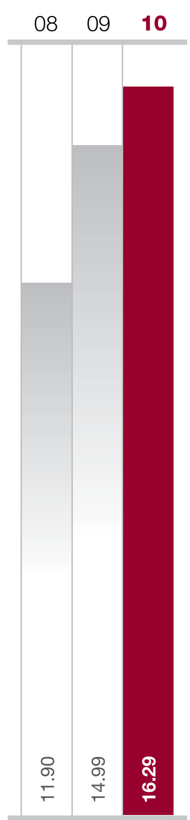
* The weighted average number of ordinary shares for the comparative periods have been restated to reflect the bonus issue completed on 24 May 2010.

^ With effect from 1 July 2010, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia Guidelines on Risk Weighted Capital Adequacy Framework: Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational Risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

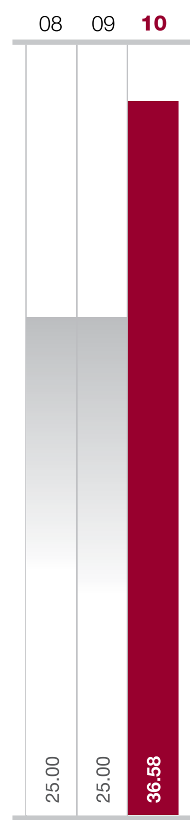
The Bank has applied paragraph 7.2 of Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) dated 5 February 2010, where the Bank is exempted from disclosing comparative figures in the previous reporting periods.

Selected Key performance Indicators

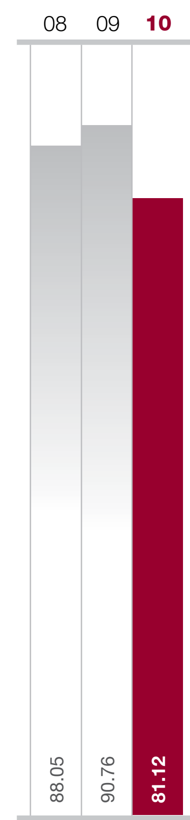
Return on average equity
%



Gross dividend per share
Sen



Loan loss coverage ratio
%



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