Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

(Incorporated in Malaysia)

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

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Directors' Report for the financial year ended 31 December 2010

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

Principal activities

The principal activities of the Bank during the financial year are commercial banking and the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 11 to the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group	The Bank
	RM'000	RM'000
Profit after taxation and zakat attributable to:		
- Owners of the Bank	2,370,684	1,912,556
- Minority interests	8,210	
	2,378,894	1,912,556

Dividends

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

	RM'000
In respect of the financial year ended 31 December 2010:	
Gross interim dividend of 4.11 sen per redeemable preference share,	
less 25% income tax, paid on 30 August 2010	91,688
Tax exempt interim dividend of 8.32 sen per redeemable preference share,	
paid on 30 August 2010	247,395
Gross special dividend of 39.45 sen per redeemable preference share,	
less 25% income tax, paid on 22 December 2010	880,000
Tax exempt special dividend of 4.04 sen per redeemable preference share,	
paid on 22 December 2010	120,000
	1,339,083

The Directors have proposed a second gross interim dividend of approximately 26.94 sen per share less 25% income tax on 2,974,009,486 Redeemable Preference Shares of RM0.01 each, amounting to RM600,903,000. The second interim dividend was approved by the Board of Directors in a resolution dated 28 January 2011.

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

Dividends (Continued)

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares 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.

Bad and doubtful debts, and financing

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

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

Current assets

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

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

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

Change of circumstances

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

Items of an unusual nature

In opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 48, 53 and 55 to the Financial Statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made.

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

Directors

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

Directors

Tan Sri Dato' Seri Haidar bin Mohamed Nor Dato' Sri Mohamed Nazir bin Abdul Razak Tan Sri G.K. Rama Iyer Dato' Dr. Mohamad Zawawi bin Ismail Datuk Dr. Syed Muhamad bin Syed Abdul Kadir Dato' Zainal Abidin bin Putih Dato' Mohd Shukri bin Hussin Dato' Seri Yeap Leong Huat Dato' Dr. Gan Wee Beng Dato' Sulaiman bin Mohd Tahir

In accordance with Article 97 of the Bank's Articles of Association, Dato' Mohd Shukri bin Hussin and Dato' Zainal Abidin bin Putih retire from the Board at the forthcoming Annual General Meeting (AGM) and being eligible, offer themselves for re-election.

Both Tan Sri Dato' Seri Haidar bin Mohamed Nor and Tan Sri G.K Rama Iyer, being over the age of seventy (70) are required to be re-appointed, pursuant to Section 129(6) of the Companies Act, 1965 as directors of the Company.

Tan Sri G.K. Rama Iyer had given his consent to be re-appointed as a Director of the Bank and under Section 129(6) of the Companies Act, 1965 it is proposed that the re-appointment of Tan Sri G.K Rama Iyer as Director of the Bank be tabled to the Shareholders for approval at the forthcoming AGM. Tan Sri Dato' Seri Haidar bin Mohamed Nor had however, notified the Bank that he will not be seeking re-appointment at the forthcoming AGM and accordingly will retire at the conclusion of the forthcoming AGM pursuant to Section 129(2) of the Companies Act, 1965.

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

Directors' interests in shares and share options

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

	Number of ordinary shares of RM1 each										
	As at			As at							
	1 January	Bonus issue	Acquired	Disposed	31 December						
Ultimate holding company											
CIMB Group Holdings Berhad ("CIMB Group")											
Tan Sri G.K. Rama Iyer**	25,812	25,812	-	-	51,624						
Dato' Sri Mohamed Nazir bin Abdul Razak^	27,463,261	27,463,261	-	-	54,926,522						
Dato' Mohd Shukri bin Hussin	300,112	300,112	-	-	600,224						
Dato' Zainal Abidin bin Putih#	55,000	55,000	-	-	110,000						
Dato' Seri Yeap Leong Huat	111,000	105,000	-	(6,000)	210,000						
Emerald Lodge Sdn Bhd											
Indirect Interest											
Dato' Seri Yeap Leong Huat	100,000	100,000	-	-	200,000						

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

	Number of ordinary shares of RM1 each										
	As at				As at						
	1 January	Bonus issue	Acquired	Disposed	31 December						
** Puan Sri Vijayalakshmi a/p											
Krishnaswamy	18,812	18,812	-	-	37,624						
** Ganapathy Srihari a/l Rama Iyer	6,000	6,000	-	-	12,000						
^ 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						

None of the other Directors in office at the end of the financial year had any interest in the shares and share options of the Bank, the holding company, the ultimate holding company and the Bank's related companies.

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 41 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

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

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

2010 Business Plan And Strategy

In 2010, we successfully raised our regional value proposition and received strong response from our customers in Malaysia and abroad. The Bank has won for the third time "the Bank of the Year 2010" award by The Banker magazine. Winning the coveted award for the third time since the Bank embarked on its transformation in 2005 was testament to the dedication and hard work of all employees and the strategies pursued.

Since embarking on its transformation, the Bank had made significant progress in retail deposits, mortgages, credit cards, personal financing and electronic banking. In line with its regionalisation strategy, the Bank has introduced a range of cross-border products and services such as free foreign ATM withdrawals, mutual recognition for "Preferred Members" and card member privileges across its core markets of Malaysia, Indonesia, Singapore and Thailand. The Bank has also gained new market share in both consumer and wholesale markets and is well placed to capture new businesses in both Malaysia and the ASEAN region.

Moving into the new financial year, the Bank is confident that it will continue to gain momentum in its performance, leveraging its transformation journey of the last few years and focussing on delivering sustainable underlying growth. The Bank will continue to further elevate its consumer banking business with significant information technology investments, train, develop and motivate staff and place customer relationship and service at the forefront.

Outlook for 2011

As a leader in the domestic market, the Bank's strategic objectives are to explore regional growth and expand its market share for both deposit and financing in the retail business and develop a strong wholesale banking business across its footprint in ASEAN. In a fast liberalising banking sector, efficiency of delivery and human capital effectiveness will continue to be our main focus to distinguish us against our competitors.

The Bank will continue to face intense competition amid further industry liberalisation, consolidation and regulatory changes, but there are opportunities to assert our CIMB franchise to strongly grow for scale. We will seek to increase market share in selected business segments across ASEAN to grow our revenue while maintaining margins. The strategic plan moving ahead consists of leveraging our strong deposit franchise, reasserting the profitability of our core businesses with scale efficiency and diversification of earnings, deepening of customer relationships, product innovation and network reach, branch strategy, as well as developing new segments and fee income.

The Bank will ensure that its human capital programmes are effective and central to its strategies. While the Bank makes further investments in people, technology and processes to achieve its vision and strategic aims, it will carry on with efforts to reduce costs through synergies and centre of excellence.

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

Ratings by External Rating Agencies

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

Rating Classification	Definition
0	Indicates a superior capacity to meet
e	its financial obligations.
Outlook : Stable	
Long Term Rating : AAA	Indicates a superior capacity to meet
Short Term Rating : MARC-1	its financial obligations.
Outlook : Stable	
Long Term Ratings: BBB+	Indicates currently low expectation of
	credit risk. Capacity for timely
	payment of financial commitment is
	adequate. However, adverse changes
e	in circumstances and in economic
Outlook . I ositive	
	conditions are more likely to impair
	this capacity.
	Indicates adequate capacity to meet its
e	financial commitments. However,
Outlook : Stable	adverse economic conditions or
	changing circumstances are more
	likely to lead to a weakened capacity
	of the obligor to meet its financial
	commitments.
	Short Term Rating : MARC-1

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

Shariah Committee

All the Islamic banking businesses of the 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 approved under Shariah. In advising on such matters, the Shariah Committee also considers the views of the Shariah 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.

Composition of the Shariah Committee:

- 1. Sheikh Professor Dr. Mohammad Hashim Kamali (Chairman)
- 2. Sheikh Nedham Muhammad Seleh Yaqooby
- 3. Sheikh Dr. Haji Mohd Nai'm bin Haji Mokhtar
- 4. Sheikh Associate Professor Dr. Shafaai Bin Musa
- 5. Sheikh Dr. Yousef Abdullah 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 48 to the Financial Statements.

Subsequent events during the financial year

Subsequent events during the financial year are disclosed in Note 49 to the Financial Statements.

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

Statement of Directors' Responsibility

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

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 12 of the Directors' Report.

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

Ultimate holding company

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

Auditors

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

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

Tan Sri Dato' Seri Haidar bin Mohamed Nor Director

Dato' Sulaiman bin Mohd Tahir Director

Kuala Lumpur 22 March 2011

(Incorporated in Malaysia)

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

We, Tan Sri Dato' Seri Haidar bin Mohamed Nor and Dato' Sulaiman bin Mohd Tahir, being two of the Directors of CIMB Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 16 to 301 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2010 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, 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' Seri Haidar bin Mohamed Nor Director

Dato' Sulaiman bin Mohd Tahir Director

Kuala Lumpur 22 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 Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 16 to 301 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 22 March 2011.

Commissioner for Oaths

Independent Auditors' Report to the members of CIMB Bank Berhad

(Company No: 13491-P) (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the Financial Statements of CIMB Bank Berhad, on pages 16 to 301, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Bank, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these Financial Statements in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the 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 Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

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

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

(Company No: 13491-P) (Incorporated in Malaysia)

Report on the Financial Statements (continued)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We 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 11 to the Financial Statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's Financial Statements are in form and content appropriate and proper for the purposes of the preparation of the Financial Statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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

(Company No: 13491-P) (Incorporated in Malaysia)

Other Matters

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

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

Kuala Lumpur 22 March 2011

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2010

		The Gro	oup	The Bank				
	Note	2010	2009	2010	2009			
Assets		RM'000	RM'000	RM'000	RM'000			
Cash and short-term funds	2	20,847,989	25,023,098	12,911,193	17,699,691			
Reverse repurchase agreements	-	3,504,914	4,260,951	2,475,591	2,857,456			
		5,504,914	4,200,931	2,473,391	2,857,450			
Deposits and placements with banks	3	9,641,391	2 402 506	16,083,982	11 024 279			
and other financial institutions	4	9,041,391 14,458,911	3,402,596 13,818,079	11,814,976	11,934,278 10,152,185			
Financial assets held for trading								
Financial investments available-for-sale	5	8,920,018	8,106,836	7,377,258	6,524,708			
Financial investments held-to-maturity	6	13,511,190	12,875,251	11,185,993	10,702,270			
Derivative financial instruments	24	3,500,891	3,504,962	3,262,534	3,203,614			
Loans, advances and financing	7	124,252,042	113,454,125	90,816,549	84,456,367			
Other assets	8	2,481,123	2,119,150	1,905,843	1,607,800			
Deferred taxation	9	- 2,084	301,447	22,096	281,880			
Tax recoverable	10	2,084 1,410,155	2,945	954,023	- 661,983			
Statutory deposits with central banks	10	1,410,155	841,857	4,526,972				
Investment in subsidiaries	11	- 139,849	134,559	4,320,972	3,816,500 124,448			
Investment in jointly controlled entity	12	382,248	268,636	298,116	245,034			
Investment in associate	15	302,240	208,030	290,110	245,054			
Amount due from holding company	14	20 102	47 122	240	14.946			
and ultimate holding company	14 15	29,193	47,122	340 84.317	14,846 128,064			
Amount due from subsidiaries	15	2,259,363	- 998,818	2,239,775	994,989			
Amount due from related companies	10	4,923,428	4,923,701	3,555,075	3,555,075			
Goodwill	17	4,923,428 574,064	573,416	530,362	512,674			
Intangible assets Prepaid lease payments	18	2,341	3,829	550,502	512,074			
	20	947,155	1,009,032	541,555	576,997			
Property, plant and equipment	20	61,217	120,349	52,858	96,857			
Investment properties		211,849,566		170,764,408				
		211,049,500	195,790,759	170,704,408	160,147,716			
Non-current assets/disposal groups	54	50.050	226 224	5 9 (14	72.002			
held for sale	54	<u>59,050</u> 211,908,616	226,224	<u>58,614</u> 170,823,022	73,902			
Total assets	-	211,908,010	190,010,983	170,823,022	160,221,618			
Liabilities								
Deposits from customers	22	159,640,697	146,872,345	121,553,069	114,449,911			
Deposits and placements of banks								
and other financial institutions	23	14,652,435	14,180,946	18,468,654	17,633,397			
Repurchase agreements		33,087	565,097	33,087	-			
Derivative financial instruments	24	3,711,140	3,462,938	3,423,815	3,261,121			
Bills and acceptances payable		4,077,611	4,056,811	2,252,722	2,826,165			
Amount due to Cagamas Berhad		107,523	335,612	107,523	335,612			
Amount due to ultimate holding company	14	-	55,439	-	-			
Amount due to subsidiaries	15	-	-	310,381	118,668			
Amount due to related companies	16	6,751	9,710	841	285			
Other liabilities	25	3,637,462	3,149,346	2,731,046	2,463,818			
Deferred taxation	9	1,019	-	-	-			
Provision for taxation and zakat		39,071	109,169	41,679	104,395			
Bonds	26	423,982	443,051	-	-			
Other borrowings	27	925,050	1,027,500	-	-			
Subordinated obligations		6,098,269 4,106,716 6		6,159,081	4,199,805			
Redeemable preference shares 29(a		706,879	751,437	-	-			
Total liabilities	_	194,060,976	179,126,117	155,081,898	145,393,177			
	-							

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2010 (Continued)

		The Gro	up	The Ba	nk
	Note	2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Equity					
Capital and reserves attributable to owners of the Bank					
Ordinary share capital	30	3,764,469	3,764,469	3,764,469	3,764,469
Reserves	32	13,571,938	12,640,617	11,746,915	10,834,232
		17,336,407	16,405,086	15,511,384	14,598,701
Perpetual preference shares	31	200,000	200,000	200,000	200,000
Redeemable preference shares	29(b)	29,740	29,740	29,740	29,740
Minority interests		281,493	256,040	-	-
Total equity		17,847,640	16,890,866	15,741,124	14,828,441
Total equity and liabilities		211,908,616	196,016,983	170,823,022	160,221,618
Commitments and contingencies	24	339,983,774	308,557,853	305,702,131	279,521,325
Net assets per ordinary share (RM)		4.61	4.36	4.12	3.88

(Incorporated in Malaysia)

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

· · · · · ·		The G	FOUR	The Ba	mb			
	Note	2010	2009	2010 2009				
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000			
Interest income	34	6,902,714	6,958,548	6,419,587	5,977,783			
Interest expense	35	(2,669,348)	(2,729,639)	(2,504,042)	(2,394,512)			
Net interest income	55	4,233,366	4,228,909	3,915,545	3,583,271			
Income from Islamic banking		1,200,000	4,220,909	0,910,010	5,505,271			
operations	56	1,136,307	715,481	11,397	6,794			
Non-interest income	36	1,836,420	1,812,232	1,690,764	1,618,676			
Net income	20	7,206,093	6,756,622	5,617,706	5,208,741			
Overheads	37	(3,974,672)	(3,527,860)	(3,183,236)	(2,788,995)			
Profit before allowances	57	3,231,421	3,228,762	2,434,470	2,419,746			
Allowance for impairment losses on		0,201,121	5,220,702	2,101,170	2,419,740			
loans, advances and financing	38	(323,477)	(680,234)	(275,433)	(400,486)			
Allowance for losses on other	50	(0=0,111)	(000,251)	(210,100)	(100,100)			
receivables		(3,189)	(189)	(752)	-			
Allowance for commitment and		(-,)	(10))	()				
contingencies		(13,348)	(21,199)	(12,333)	(21,000)			
Write-back of/(allowance for) other		< - y /	(,,-)	()/	(,,)			
impairment losses	39	10,390	(12,531)	219,916	(61,191)			
Profit after allowances		2,901,797	2,514,609	2,365,868	1,937,069			
Share of results of jointly		, - , ·	_, ,, ,	, ,	-,, - , , , , , , , , , , , , , , , , ,			
controlled entity	12	10,449	6,858	-	-			
Share of results of associate	13	60,530	23,602	-	-			
Profit before taxation and zakat		2,972,776	2,545,069	2,365,868	1,937,069			
Taxation and zakat	42	(593,882)	(528,153)	(453,312)	(467,996)			
Profit after taxation and zakat	12	2,378,894	2,016,916	1,912,556	1,469,073			
		2,070,051	2,010,010	1,712,000	1,109,070			
Other comprehensive income:								
Revaluation reserve-financial								
investments available-for-sale		88,123	(39,058)	51,577	(47,097)			
- Net gain from change in fair value		165,048	60,607	91,782	(17,328)			
- Realised gain transferred to					,			
comprehensive income on disposal								
and impairment		(69,978)	(117,092)	(36,090)	(47,830)			
- Income tax effects	9	(5,744)	17,427	(4,115)	18,061			
- Currency translation difference		(1,203)	-	-	-			
Net investment hedge		239,252	18,961	239,252	18,961			
Exchange fluctuation reserve		(253,874)	27,178	(15,321)	17,261			
Other comprehensive income/			<u> </u>	<u> </u>	<u> </u>			
(expense) for the year, net of tax		73,501	7,081	275,508	(10,875)			
				· ·	<u> </u>			
Total comprehensive income for the								
financial year		2,452,395	2,023,997	2,188,064	1,458,198			
Profit attributable to :								
Owners of the Bank		2,370,684	1,993,868	1,912,556	1,469,073			
Minority interests		8,210	23,048	-	-			
		2,378,894	2,016,916	1,912,556	1,469,073			
Total comprehensive income attributable to:								
		2 441 424	2 001 227	2 180 021	1 459 109			
Owners of the Bank		2,441,424	2,001,337	2,188,064	1,458,198			
Minority interests		10,971	22,660	- <u>-</u>	-			
		2,452,395	2,023,997	2,188,064	1,458,198			
Earnings per share attributable to								
ordinary equity holders of the								
Bank - basic (sen)	43	62.98	53.84	50.81	39.67			

(Incorporated in Malaysia)

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

	•	•				Attributa	ble to owners of the Bank									
							Revaluation									
							reserve-									
			Redeemable			Exchange	financial							Perpetual		
		Share	Preference	Share	Statutory	fluctuation	investments	Merger	Capital	Hedging	Regulatory	Retained		preference	Minority	Total
The Group		capital	Shares	premium	reserve	reserve	available-for-sale	deficit	reserve	reserve	reserve	profits	Total	shares	interests	Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010																
- As previously stated		3,764,469	29,740	5,033,633	3,587,568	41,154	92,059	(1,085,928)	735,457	(103,375)	-	4,340,049	16,434,826	200,000	256,040	16,890,866
- Effect of adopting FRS 139 on 1 January 2010	55(i)	-	-	-	-	-	238,431	-	•	-		(409,451)	(171,020)	•	(2,254)	(173,274)
- Change in comparative	55 (iii)	•		-	-	-	(27,798)	-	-	-	-	27,798	-		-	-
As restated	_	3,764,469	29,740	5,033,633	3,587,568	41,154	302,692	(1,085,928)	735,457	(103,375)		3,958,396	16,263,806	200,000	253,786	16,717,592
Profit for the financial year		-	-	-		-	•				-	2,370,684	2,370,684	-	8,210	2,378,894
Other comprehensive income (net of tax)	_	-				(254,853)	86,341	-		239,252	-	-	70,740		2,761	73,501
- financial investments available-for-sale		-	-	-		-	86,341	-	•	•	-	-	86,341	-	1,782	88,123
- net investment hedge		-	-	-		-	-	-	•	239,252	-	-	239,252	-	•	239,252
- currency translation difference		-		-		(254,853)							(254,853)		979	(253,874)
Total comprehensive income for the year		-		-		(254,853)	86,341	-		239,252	-	2,370,684	2,441,424		10,971	2,452,395
Transfer to statutory reserve		-			539,001	-						(539,001)		-		-
Transfer to regulatory reserve Interim and special dividends for the financial year		-		-	-						117,595	(117,595)			-	-
ended 31 December 2010	44	-	-	-		-	-	-	•	•	-	(1,339,083)	(1,339,083)	-	•	(1,339,083)
Dividend paid to minorities		-	-	-		-	-	-	•	•	-	-	-	-	(3,799)	(3,799)
Rights issue of a subsidiary	11 (a)	-	-	-		-					-			-	20,535	20,535
At 31 December 2010		3,764,469	29,740	5,033,633	4,126,569	(213,699)	389,033	(1,085,928)	735,457	135,877	117,595	4,333,401	17,366,147	200,000	281,493	17,847,640

(Incorporated in Malaysia)

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

	←						Attributable to owners of the Bank Revaluation reserve-									
			Redeemable			Exchange	financial						Perpetual			
		Share	Preference	Share	Statutory	fluctuation	investments	Merger	Capital	Hedging	Retained		preference	Minority	Total	
The Group		capital	Shares	premium	reserve	reserve	available-for-sale	deficit	reserve	reserve	profits	Total	shares	interests	Equity	
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009		2,974,009	29,740	4,157,074	3,158,429	(54,418)	131,117	(1,085,928)	735,457	(122,336)	2,939,895	12,863,039	200,000	18,879	13,081,918	
Profit for the financial year		-	-	-	-	-	-	-	-	-	1,993,868	1,993,868	-	23,048	2,016,916	
Other comprehensive income (net of tax)	_	-	-	-	-	27,566	(39,058)	-	-	18,961		7,469		(388)	7,081	
- financial investments available-for-sale		-	-	-	-	-	(39,058)	-	-	-	-	(39,058)	-	-	(39,058)	
- net investment hedge		-	-	-	-	-	-	-	-	18,961	-	18,961	-	-	18,961	
- currency translation difference		-	-	-	-	27,566	-	-	-	-	-	27,566	-	(388)	27,178	
Total comprehensive income for the year		-	-	-	-	27,566	(39,058)	-	-	18,961	1,993,868	2,001,337	-	22,660	2,023,997	
Transfer to statutory reserve Interim dividends for the financial year		-	-	-	429,139	-	-	-	-	-	(429,139)	-	-	-	-	
ended 31 December 2008	44	-	-	-	-	-	-	-	-	-	(150,000)	(150,000)	-	-	(150,000)	
Dividend paid to minorities		-	-	-	-	-	-	-	-	-	-	-	-	(12,825)	(12,825)	
Issue of shares due to rights issue	30,33	123,460	-	876,559	-	-	-	-	-	-	-	1,000,019	-	-	1,000,019	
Conversion of ICULS	30	667,000	-	-	-	-	-	-	-	-	-	667,000	-	-	667,000	
Transfer to retained earnings arising from additional investment in CIMB Thai		-	-	-	-	-	(27,798)	-	-	-	27,798	-	-	-	-	
Acquisition of subsidiary		-	-	-	-	68,006	-	-	-	-	(14,575)	53,431	-	227,326	280,757	
At 31 December 2009		3,764,469	29,740	5,033,633	3,587,568	41,154	64,261	(1,085,928)	735,457	(103,375)	4,367,847	16,434,826	200,000	256,040	16,890,866	

(Incorporated in Malaysia)

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

						Non-distrib	utable				→	Distributable			
							Revaluation								
							reserve-								
			Redeemable			Exchange	financial							Perpetual	
		Share	Preference	Share	Statutory	fluctuation	investments	Merger	Capital	Hedging	Regulatory	Retained		preference	Total
The Bank		capital	Shares	premium	reserve	reserve	available-for-sale	deficit	reserve	reserve	reserve	profits	Total	shares	Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010															
 As previously stated Effect of adopting FRS 139 on 1 January 2010 	55	3,764,469	29,740	5,033,633	3,541,277	(31,212)	34,535 238,431	(1,047,872)	746,852	(103,375)	-	2,660,394 (174,729)	14,628,441 63,702	200,000	14,828,441 63,702
As restated		3,764,469	29,740	5,033,633	3,541,277	(31,212)	272,966	(1,047,872)	746,852	(103,375)		2,485,665	14,692,143	200,000	14,892,143
Profit for the financial year		-				-				-		1,912,556	1,912,556		1,912,556
Other comprehensive income (net of tax)		-				(15,321)	51,577			239,252			275,508		275,508
- financial investments available-for-sale		-				-	51,577				-		51,577		51,577
- net investment hedge		-					-			239,252	-		239,252	-	239,252
- currency translation difference						(15,321)							(15,321)		(15,321)
Total comprehensive income for the year		-				(15,321)	51,577			239,252	-	1,912,556	2,188,064		2,188,064
Transfer to statutory reserve		-			423,192	-					-	(423,192)	-		-
Transfer to regulatory reserve		-				-					110,190	(110,190)	-		-
Interim and special dividends for the financial year ended 31 December 2010	44											(1,339,083)	(1,339,083)		(1,339,083)
At 31 December 2010	_	3,764,469	29,740	5,033,633	3,964,469	(46,533)	324,543	(1,047,872)	746,852	135,877	110,190	2,525,756	15,541,124	200,000	15,741,124

(Incorporated in Malaysia)

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

						Non-distrib	itable					Distributable			
							Revaluation								
							reserve-								
			Redeemable			Exchange	financial							Perpetual	
		Share	Preference	Share	Statutory	fluctuation	investments	Merger	Capital	Hedging	Regulatory	Retained		preference	Total
The Bank		capital	Shares	premium	reserve	reserve	available-for-sale	deficit	reserve	reserve	reserve	profits	Total	shares	Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	_	2,974,009	29,740	4,157,074	3,174,009	(48,473)	81,632	(1,047,872)	746,852	(122,336)	-	1,708,589	11,653,224	200,000	11,853,224
Profit for the financial year		-			-	-	-	-	-	-	-	1,469,073	1,469,073	-	1,469,073
Other comprehensive income (net of tax)	_	-	-	-	-	17,261	(47,097)	-	-	18,961	-	-	(10,875)	-	(10,875)
- financial investments available-for-sale		-	-	-	-	-	(47,097)		-	-		-	(47,097)	-	(47,097)
- net investment hedge		-	-	-	-	-	-		-	18,961		-	18,961	-	18,961
- currency translation difference		-	-	-	-	17,261	-	-	-	-	-	-	17,261	-	17,261
Total comprehensive income for the year		-	-	-	-	17,261	(47,097)		-	18,961		1,469,073	1,458,198	-	1,458,198
Transfer to statutory reserve		-	-	-	367,268	-	-	-	-		-	(367,268)	-	-	-
Interim dividends for the financial year ended 31 December 2008	44				-			-	-	-		(150,000)	(150,000)	-	(150,000)
Issue of shares due to rights issue	30,33	123,460	-	876,559	-	-	-	-	-	-	-	-	1,000,019	-	1,000,019
Conversion of ICULS	30	667,000	-	-	-	-	-	-	-	-	-	-	667,000	-	667,000
At 31 December 2009	_	3,764,469	29,740	5,033,633	3,541,277	(31,212)	34,535	(1,047,872)	746,852	(103,375)	-	2,660,394	14,628,441	200,000	14,828,441

(Incorporated in Malaysia)

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

	The Group		The Bank		
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Cash flows from operating activities					
Profit before taxation and zakat	2,972,776	2,545,069	2,365,868	1,937,069	
Depreciation of property, plant and equipment	212,049	190,798	167,162	143,578	
Amortisation of intangible assets	131,247	117,971	112,575	103,054	
Amortisation of prepaid lease payments	340	458	-	-	
Gain on disposal of property, plant and equipment/				(24.40.0)	
assets held for sale	(178,160)	(20,080)	(145,685)	(24,484)	
Gain on disposal of prepaid lease payments	(511)	(250)	-	-	
Gain on disposal of investment properties	(1,258)	-	-	-	
Loss/(gain) on disposal of foreclosed properties	325	8,120	(459)	-	
Fair value (gain)/loss on investment properties	(8,632)	3,678	(8,632)	3,300	
Property, plant and equipment written off	-	4,273	-	4,226	
Net gain from disposal of financial investments	((0.079)	(117.002)	(2(000)	(47.820)	
available-for-sale	(69,978)	(117,092)	(36,090)	(47,830)	
Net gain from disposal of financial investments held-to-maturity	(104,278)	(24,505)	(104,278)	(2,790)	
Net loss from hedging derivatives	62,569	5,132	61,470	8,162	
Unrealised loss/(gain) from revaluation of financial	02,507	5,152	01,470	0,102	
assets held for trading	39,690	(122,892)	36,275	(95,364)	
Unrealised (gain)/loss from revaluation of	,		,	,	
derivative financial instruments	(42,199)	339,495	(49,211)	337,782	
Unrealised gain on foreign exchange	(472,398)	(197,373)	(456,876)	(154,492)	
Allowances for bad and doubtful debts and financing	629,116	1,047,083	469,914	688,475	
Allowance for/(write-back of) impairment losses					
on securities	(9,838)	8,531	(12,891)	22,191	
Allowance for losses on other receivables	3,189	189	752	-	
Writeback for impairment loss in subsidiaries	-	-	(206,473)	-	
Write-back of impairment loss in					
jointly controlled entity	(552)	-	(552)	-	
Allowance for impairment losses on intangible assets	-	1,955	-	-	
Allowance for impairment losses on prepaid lease payments	_	427	_	_	
Allowance for impairment	-	427	-	_	
losses on property, plant and equipment	-	28,059	-	-	
Interest income on financial investments					
available-for-sale	(310,994)	(313,038)	(300,571)	(287,388)	
Interest income on financial investments					
held-to-maturity	(540,221)	(606,598)	(495,982)	(442,517)	
Interest expense on subordinated obligations	176,838	227,270	205,773	239,706	
Interest expense on redeemable preference shares	42,646	44,140	-	-	
Accretion of discount less amortisation of premium	186,757	(131,797)	201,112	(110,130)	
Gain on disposal of subsidiaries	(15,349)	-	-	-	
Loss on disposal of associate	2,265				
Gain on disposal of certain assets and liabilities of subsidiary	-	(30,000)	-	-	
Dividend income	(47,988)	(42,665)	(109,987)	(204,733)	
Goodwill impairments		4,000		39,000	
Share of profits of jointly controlled entity	(10,449)	(6,858)	_	57,000	
Share of profits of associates	(60,530)	(23,602)	-	-	
r	2,586,472	2,939,898	1,693,214	2,156,815	
	2,300,472	2,737,070	1,075,214	2,130,815	

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

	The Gro	The Bank		
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(Increase)/decrease in operating assets				
Reverse repurchase agreements	756,037	(1,293,181)	381,865	110,314
Deposits and placements with banks and				
other financial institutions	(6,238,795)	3,047,557	(4,149,704)	(6,966,368)
Financial assets held for trading	(789,224)	437,347	(1,822,124)	(3,503,074)
Loans, advances and financing	(14,131,641)	(10,711,990)	(9,162,637)	(383,491)
Amount due from holding company and				
ultimate holding company	17,929	231,228	14,506	232,026
Amount due from subsidiaries	-	-	43,747	69,554
Amount due from related companies	819,968	(907,892)	835,727	(904,170)
Other assets	(501,438)	3,291,974	(359,763)	344,035
Statutory deposits with central banks	(568,298)	1,881,683	(292,040)	1,791,951
Increase/(decrease) in operating liabilities				
Deposits from customers	12,768,352	9,904,338	7,103,158	13,879,652
Deposits and placements of banks and other				
financial institutions	471,489	(1,987,175)	835,257	529,117
Repurchase agreements	(532,010)	565,097	33,087	-
Derivative financial instruments	489,232	119,056	348,844	36,420
Bills and acceptances payable	20,800	949,476	(573,443)	(259,750)
Amount due to Cagamas Berhad	(228,089)	(658,206)	(228,089)	(658,206)
Amount due to holding company and ultimate				
holding company	(55,439)	55,439	-	-
Amount due to subsidiaries	-	-	191,713	(59,472)
Amount due to related companies	(2,959)	(5,722)	16,138	(9,113)
Other liabilities	800,462	(2,359,420)	673,999	222,565
Cash flows generated from operations	(4,317,152)	5,499,507	(4,416,545)	6,628,805
Taxation paid	(388,851)	(171,557)	(306,362)	(97,448)
Net cash (used in)/generated from				
operating activities	(4,706,003)	5,327,950	(4,722,907)	6,531,357

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

		The Group		The Bank			
	Note	2010	2009	2010	2009		
		RM'000	RM'000	RM'000	RM'000		
Cash flows from/(used in) investing activities							
Proceeds from disposal of subsidiaries	53(a)	81,535	54,663	-	-		
Dividend income		47,988	4,062	109,987	166,130		
Investment in subsidiaries		-	-	(503,999)	-		
Investment in associate		-	(245,034)	(53,082)	(245,034)		
Interest income received from financial							
investments available-for-sale		317,890	280,581	292,158	280,218		
Net purchase of financial investments							
available-for-sale		(323,228)	(642,934)	(431,019)	(22,002)		
Interest income received from financial							
investments held-to-maturity		599,044	332,488	534,367	451,995		
Net purchase/reclassification of financial		(608,078)	(1, 166, 402)	(456 449)	(1,070,122)		
investments held-to-maturity Purchase of property, plant and equipment		(199,397)	(1,166,492)	(456,449) (149,852)	(1,979,133)		
Proceeds from disposal of property, plant		(199,397)	(260,924)	(149,032)	(217,852)		
and equipment/assets held for sale		471,930	70,063	224,561	34,629		
Proceeds from disposal of intangible assets		10,278	1,060	45	872		
Proceeds from disposal of prepaid lease payments		733	930	-	795		
Purchase of intangible assets		(151,440)	(228,045)	(128,014)	(215,743)		
Acquisition of subsidiary, net of cash		(101,110)	(512,236)	(120,011)	(972,628)		
Acquisition of associate, net of cash		(53,082)	(312,230)	_	()/2,020)		
Net cash generated from/(used in)		(55,002)					
investing activities		194,173	(2,311,818)	(561,297)	(2,717,753)		
Cash flows from/(used in) financing activities							
Dividends paid		(1,342,882)	(162,825)	(1,339,083)	(150,000)		
Interest expense paid on subordinated obligations		(174,396)	(223,305)	(214,905)	(235,656)		
Interest expense paid on redeemable							
preference shares		(42,646)	(44,140)	-	-		
Proceeds from issuance of subordinated obligations		1,998,188	293,841	1,998,188	-		
		-	443,051	-	-		
Proceeds from issuance of ordinary shares		-	1,000,005	-	1,000,005		
Repayment of subordinated obligations		-	(1,312,350)	-	(1,037,736)		
Net cash generated from/(used in)							
financing activities		438,264	(5,723)	444,200	(423,387)		
Net (decrease)/increase in cash and cash							
equivalents during the financial year		(4,073,566)	3,010,409	(4,840,004)	3,390,217		
Effects of exchange rate differences		(101,543)	46,327	51,506	1,128		
Cash and cash equivalents at beginning of							
financial year		25,023,098	21,966,362	17,699,691	14,308,346		
Cash and cash equivalents at end of financial year	2	20,847,989	25,023,098	12,911,193	17,699,691		
Cash flows from/(used in) financing activities Dividends paid Interest expense paid on subordinated obligations Interest expense paid on redeemable preference shares Proceeds from issuance of subordinated obligations Proceeds from issuance of bonds Proceeds from issuance of ordinary shares Repayment of subordinated obligations Net cash generated from/(used in) financing activities Net (decrease)/increase in cash and cash equivalents during the financial year Effects of exchange rate differences Cash and cash equivalents at beginning of financial year Cash and cash equivalents at end of	2	(1,342,882) (174,396) (42,646) 1,998,188 - - - - - - - - - - - - - - - - - -	(162,825) (223,305) (44,140) 293,841 443,051 1,000,005 (1,312,350) (5,723) 3,010,409 46,327 21,966,362	(1,339,083) (214,905) - 1,998,188 - - - 444,200 (4,840,004) 51,506 17,699,691	(150,000) (235,656) - - 1,000,005 (1,037,736) (423,387) 3,390,217 1,128 14,308,346		

(Incorporated in Malaysia)

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

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

A Basis of preparation

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

The financial statements have been prepared under historical cost convention, as modified by the revaluation of 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 Bank and its wholly-owned subsidiaries, CIMB Islamic Bank Berhad ("CIMB Islamic") and CIMB Bank (L) Limited. 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 the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

•Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"

- •Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- •FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- •FRS 8 "Operating Segments"
- •FRS 101 (revised) "Presentation of Financial Statements"
- •FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments.
- •Amendments to FRS 132 "Financial Instruments: Presentation" and FRS101 (revised) "Presentation of Financial Statements" Puttable financial instruments and obligations arising on liquidation
- •IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- •IC Interpretation 10 "Interim Financial Reporting and Impairment"
- •IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- •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 Bank is set out in Note 55.

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

- 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 for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.
- IC Interpretation 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 Bank will apply this standard from financial years beginning on or after 1 January 2011.
- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)
- The amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.
- Amendment to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. The amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group and the Bank have applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and the Bank.
- IC Interpretation 4 "Determining whether an arrangement contains a lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangement are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.
- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

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

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2012.
- The Amendments to FRS 2 "Share-based payment: Group, cash-settled share based payment transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions", which shall be withdrawn on application of this amendment. The Group and the Bank will apply these standards from financial years beginning on or after 1 January 2011.
- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

The 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 Bank will apply this standard from financial year beginning on or after 1 January 2011.
- Amendments to FRS 138 "Intangible Assets" effective from 1 July 2010 clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The Group and the Bank will apply this standard from financial years beginning on or after 1 January 2011.

Other than the adoption of the Amendments to FRS 2 "Share-based payment: Group, cash-settled share-based payment transaction" which will result in a transfer of RM231,276,144 and RM214,752,705 from the Group's and the Bank's opening retained earnings to option reserve at 1 January 2011 and a charge of RM16,034,464 and RM15,002,017 to the Group's and the Bank's profit and loss for the financial year ending 31 December 2011, the adoption of the other new standards, amendments to published standards and Interpretations are not expected to have a material impact on the financial results of the Group and the Bank.

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries

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

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

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

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

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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 assets, liabilities and contingent liabilities acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities and the fair value of the assets, inabilities and contingent liabilities 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 contain specific guidance to be followed where a transaction falls outside the scope of FRS. This guidance is included in paragraphs 10 to 12 of FRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors. This requires, inter alia, that where FRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United States Financial Accounting Standards Board ("FASB") has issued an accounting standard covering business combinations ("FAS 141") that is similar in a number of respects to FRS 3.

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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.

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.

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(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 profit or loss 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.

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

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

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

(Incorporated in Malaysia)

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

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

Prior to the adoption of FRS 139, interest income and interest expense on financial instruments are recognised based on contractual interest rate. 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.

(Incorporated in Malaysia)

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

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

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 Bank have applied the new policy according to the transitional provision by recognising and measuring the financial instruments as at 1 January 2010 and recording any adjustments to opening retained profits. Comparatives have not been restated. Refer to Note 55 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.

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

(Incorporated in Malaysia)

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

E Sale and repurchase agreements

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

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

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

F Financial assets

(a) Classification

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

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

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

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

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

(Incorporated in Malaysia)

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

F Financial assets (Continued)

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(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.

(Incorporated in Malaysia)

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

F Financial assets (Continued)

(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 and 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 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.

(Incorporated in Malaysia)

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

F Financial assets (Continued)

(d) Reclassification of financial assets

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

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

Change in accounting policy

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

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

The Group and the Bank have applied the new policy according to the transitional provisions by remeasuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 55 for the impact of this change in accounting policy.

(Incorporated in Malaysia)

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

G Financial liabilities

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

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

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

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

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, amount due to Cagamas Berhad, bonds, other borrowings, subordinated obligations, amount due to subsidiaries, amount due to ultimate holding company, amount due to related companies and redeemable preference shares.

(Incorporated in Malaysia)

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

G Financial liabilities (Continued)

Change in accounting policy

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

The Group and the Bank have applied the new policy according to the transitional provisions by remeasuring all financial liabilities, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of current financial year. Comparatives have not been restated. Refer to Note 55 for the impact of this change in accounting policy.

(Incorporated in Malaysia)

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

H Derecognition of financial assets and financial liabilities

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

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

I Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(Incorporated in Malaysia)

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

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

(Incorporated in Malaysia)

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

I Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

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

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on financial investments available-for-sale has been incurred, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and 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 Bank have changed its accounting policy for impairment of loans, advances and financing upon adoption of FRS 139.

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

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

The Group and the Bank have applied the new accounting policy to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or if appropriate, another category of equity, of the current financial year. Refer to Note 55 for the impact of this change in accounting policy.

(Incorporated in Malaysia)

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

J Derivative financial instruments and hedge accounting

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

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

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

(Incorporated in Malaysia)

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

J Derivative financial instruments and hedge accounting (Continued)

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the profit and loss. Amounts accumulated in equity are recycled to the profit and 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 and 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.

(Incorporated in Malaysia)

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

J Derivative financial instruments and hedge accounting (Continued)

(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.

(Incorporated in Malaysia)

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

K Property, plant and equipment

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

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

Leasehold land	Amortised over the period of lease. The remaining period of the lease is 2 to 30 years
Building on freehold land	40 years
Building on leasehold land	40 years or over the balance period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- office equipment	5 years
- furniture and fixtures	10 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter
Computer equipment:	
- servers and hardware	3 - 5 years
- ATM machine	5 years
Computer equipment under lease	3 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years

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

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

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

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

(Incorporated in Malaysia)

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

L Intangible assets

(a) Goodwill

Goodwill arises on business combinations when the cost of acquisition exceeds the fair value of the Bank's share of the identifiable assets, liabilities and contingent liabilities acquired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include the allocated goodwill. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group and the Bank allocate goodwill to each business unit (Note 17).

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.

(Incorporated in Malaysia)

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

L Intangible assets (Continued)

(b) Other intangible assets

Other intangible assets include credit card 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. 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 years
- overdraft	6 years
- trade finance	5 years
Core deposits	8 years
Computer software:	
- core and front-end systems	3 - 15 years
- others	3 years

(Incorporated in Malaysia)

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

M Assets purchased under lease

(a) Finance lease

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

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

(b) **Operating lease**

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

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

Change in accounting policy

Following the adoption of the improvement to FRS 117 "Leases", certain leasehold land in which the Group and the Bank have substantially all the risks and rewards incidental to ownership have been reclassified retrospectively from operating lease to finance lease. Previously, these leasehold land 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 55 for the impact of this change in accounting policy.

(Incorporated in Malaysia)

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

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.

(Incorporated in Malaysia)

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

O Currency translations

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

(Incorporated in Malaysia)

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

O Currency translations (Continued)

(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 statement of financial position presented are translated at the closing rate at the end of the reporting period;
- 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.

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

P 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.

(Incorporated in Malaysia)

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

P Income and deferred taxes (Continued)

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 income 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 fair value re-measurement 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 the deferred gain or loss.

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

Q Share capital

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

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

(Incorporated in Malaysia)

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

R Employee benefits

(a) Short term employee benefits

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

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

(b) **Post employment benefits**

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

Defined contribution plans

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

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

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.

(Incorporated in Malaysia)

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

R Employee benefits (Continued)

(b) **Post employment benefits (Continued)**

Defined benefit plans (continued)

The Group and the Bank 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 balance sheet 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 the profit or loss, 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.

(Incorporated in Malaysia)

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

R Employee benefits (Continued)

(c) Other long term employee benefits

The cost of long term employee benefits (for example, long term service leave) is accrued to match the rendering of the services by the employees concerned using an accounting methodology 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 Bank recognise termination benefits when they are demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) Share-based compensation benefits

The equity compensation benefits of the Group comprise the Management Equity Scheme ('MES').

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

(Incorporated in Malaysia)

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

S Impairment of non-financial assets

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

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

(Incorporated in Malaysia)

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

T Foreclosed properties

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

U Provisions

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

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

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

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

(Incorporated in Malaysia)

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

V Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with FRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

W Zakat

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

X Cash and cash equivalents

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

(Incorporated in Malaysia)

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

Y 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 intrasegment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Change in accounting policy

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

Z 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 costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(Incorporated in Malaysia)

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

AA 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 Bank.

Investment properties 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 and the Bank use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the profit or loss 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.

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.

(Incorporated in Malaysia)

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

1 General information

The Bank is principally engaged in all aspects of commercial banking and in the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 11 in the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

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

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

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

The Bank's principal place of business is at Menara Bumiputra-Commerce, 11, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

2 Cash and short-term funds

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	3,750,832	3,199,190	2,419,693	2,684,424
Money at call and deposit placements maturing within one month	17,097,157 20,847,989	21,823,908 25,023,098	10,491,500 12,911,193	15,015,267 17,699,691

Included in the Bank's and Group's cash and short-term funds is money at call and deposit placements relating to a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB") of RMNil (2009: RM990).

(Incorporated in Malaysia)

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

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	7,721,433	719,286	14,871,467	9,874,403
Licensed investment banks	1,012,515	1,889,775	1,012,515	1,859,875
Bank Negara Malaysia and				
other central banks	301,244	200,300	200,000	200,000
Other financial institutions	606,199	593,235	-	-
	9,641,391	3,402,596	16,083,982	11,934,278

Included in the Bank's deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement with CIMB Islamic. The RPSIA is a contract based on the Mudharabah principle between the Bank and CIMB Islamic to finance a specific business venture where the Bank solely provides capital and the business ventures are managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio and management fees.

As at 31 December 2010, the RPSIA placements amounted to RM8,460 million (2009: RM5,091 million) for a tenure between 1 to 3 months at profit rates from 2.81% to 4.18% (2009: 2.42% to 2.50%) per annum.

(Incorporated in Malaysia)

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

4 Financial assets held for trading

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	360,214	1,018,713	360,214	1,018,713
Cagamas bonds	13,186	28,283	13,186	28,283
Malaysian Government treasury bills	57,779	185,033	57,779	185,033
Other Government securities	2,053,218	862,061	2,053,218	862,061
Bank Negara Malaysia bills	2,597,966	2,779,851	2,597,966	2,779,851
Bank Negara Malaysia negotiable notes	2,226,623	1,887,613	942,801	700,649
Bankers' acceptances and Islamic accepted	740,811	696,623	642,447	641,989
bills Negotiable instruments of deposit	1,778,088	3,002,701	1,140,087	1,673,891
Credit-linked notes	123,158	158,604	123,158	136,482
Commercial papers	163,033	29,982	163,033	29,982
Government Investment Issue	320,534	500,213	105,055	1,627
Government myestment issue	10,434,610	11,149,677	8,220,196	8,058,561
	10,454,010	11,149,077	0,220,170	0,050,501
Quoted securities:				
<u>In Malaysia</u>				
Shares	1,206,475	457,382	1,206,449	456,470
Warrants	5	5	-	-
	1,206,480	457,387	1,206,449	456,470
Outside Malaysia				
Shares	5,200	7,840	-	-
Private debt securities	553	2,696	-	-
Other Government bonds	8,247	41,500	-	-
	14,000	52,036	-	-
Unquoted securities:				
In Malaysia				
Shares	5,948	5,001	5,948	5,001
Private and Islamic debt securities	1,551,084	1,508,728	1,422,402	1,309,247
	1,557,032	1,513,729	1,428,350	1,314,248
Outside Malaysia				
Private and Islamic debt securities	1,246,789	645,250	959,981	322,906
	14,458,911	13,818,079	11,814,976	10,152,185

(Incorporated in Malaysia)

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

5 Financial investments available-for-sale

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted:				
Malaysian Government Securities	208,741	180,895	208,741	180,895
Khazanah bonds	-	34,975	-	-
Government Investment Issue	282,022	360,354	216,496	230,577
Commercial papers	-	19,539	-	-
Cagamas bonds	184,494	275,157	149,071	240,765
	675,257	870,920	574,308	652,237
Quoted securities:				
Outside Malaysia	·			
Shares	5,287	5,830	463	-
Other Government bonds	569,024	469,788	-	-
Unit trusts	310,661	266,525	-	-
Private debt securities	<u> </u>	4,172	-	-
	884,972	746,315	463	-
Unquoted securities:				
In Malaysia				
Private debt securities	6,455,467	5,900,409	6,097,502	5,573,980
Shares	727,228	379,095	719,619	378,520
Bonds funds	12,380	4,111	-	-
Loan stocks	26,624	19,437	26,624	19,437
	7,221,699	6,303,052	6,843,745	5,971,937
Outside Malaysia				
Shares	28,583	28,528	377	875
Private equity funds	49,974	119,786	-	-
Unit trusts	169,226	196,878	69,032	61,669
Private debt securities	176,323	133,367	150,675	105,042
	424,106	478,559	220,084	167,586
	9,206,034	8,398,846	7,638,600	6,791,760
Allowance for impairment losses:				
Private debt securities	(240,443)	(253,390)	(240,215)	(253,112)
Quoted shares	(2,554)	(3,026)	-	-
Unquoted shares	(7,035)	(7,035)	(7,035)	(7,035)
Loan stocks	(14,092)	(6,905)	(14,092)	(6,905)
Unit trusts	(21,892)	(21,654)	-	-
	(286,016)	(292,010)	(261,342)	(267,052)
	8,920,018	8,106,836	7,377,258	6,524,708

(Incorporated in Malaysia)

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

5 Financial investments available-for-sale (Continued)

Securities amounting to RM3,212 million (2009: RM1,822 million) were invested by asset management companies on behalf of the Group and the Bank.

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

	The Group	The Bank
	RM'000	RM'000
At 1 January 2010	292,010	267,052
Allowance made during the financial year	3,640	-
Amount written back in respect of recoveries	(12,891)	(12,891)
Disposal of securities	(9,716)	-
Exchange fluctuation	12,973	7,181
At 31 December 2010	286,016	261,342

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

(Incorporated in Malaysia)

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

6 Financial investments held-to-maturity

	The Group		The B	The Bank	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Money market instruments					
Unquoted:					
Malaysian Government Securities	1,123,977	1,123,977	1,123,977	1,123,977	
Malaysian Government Investment Issue	600,245	-	500,189	-	
Cagamas bonds	254,817	294,817	254,817	294,817	
	1,979,039	1,418,794	1,878,983	1,418,794	
Quoted securities:					
Outside Malaysia					
Structured notes	154,859	342,847	-	-	
Private debt securities	999,621	740,754	-	-	
	1,154,480	1,083,601	-	-	
Unquoted securities:					
In Malaysia					
Shares	-	270	-	-	
Loans stocks	31,814	31,814	-	-	
Islamic commercial paper		6,775	-	-	
Danaharta Urus Sdn Bhd bonds	795,335	929,639	795,335	929,639	
Private debt securities	7,270,838	7,698,001	6,268,969	6,692,180	
	8,097,987	8,666,499	7,064,304	7,621,819	
Outside Malaysia					
Private debt securities	2,036,903	1,499,518	1,956,183	1,418,763	
Accretion of discount net of					
amortisation of premium	279,020	242,894	286,523	242,894	
Less: Allowance for impairment losses	(36,239)	(36,055)		-	
	13,511,190	12,875,251	11,185,993	10,702,270	

Private debt securities amounting to RM865 million (2009: RM864 million) are funded by a RPSIA depositor, as part of an arrangement with CIMB Islamic.

(Incorporated in Malaysia)

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

6 Financial investments held-to-maturity (Continued)

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 impaired loans transferred by CIMB Thai Bank Public Company Limited ("CIMB Thai Bank") to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer the impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. The sharing of gain or losses will be calculated at the end of the agreement.

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

	The Group	The Bank
	RM'000	RM'000
At 1 January	36,055	-
Allowance made during the financial year	(587)	-
Exchange fluctuation	771	-
At 31 December	36,239	-

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

(Incorporated in Malaysia)

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

7 Loans, advances and financing

(i) By type

	The Group		The F	The Bank	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Overdrafts	8,966,676	7,934,860	8,017,494	7,110,689	
Term loans/financing					
- Housing loan/financing	36,155,040	35,941,384	28,921,962	24,788,159	
- Syndicated term loan	6,994,167	7,616,727	5,820,904	3,567,819	
- Other term loans/financing	45,864,091	46,144,537	30,987,988	28,901,592	
- Factoring receivables	20,435	39,169	-	-	
- Lease receivables	29,720	45,355	-	-	
- Hire purchase receivables	11,375,883	14,276,162	5,361,387	9,181,267	
Bills receivable	2,523,053	1,893,087	484,483	183,383	
Trust receipts	1,043,959	810,827	513,515	533,707	
Claim on customers under acceptance credit	3,755,603	4,294,096	3,557,332	4,113,973	
Staff loans	399,310	406,409	371,292	405,075	
Credit card receivables	4,266,422	3,029,562	4,175,950	2,980,589	
Revolving credit	6,418,920	8,459,959	5,330,939	6,597,926	
Share margin financing	652,998	430,368	627,691	407,172	
	128,466,277	131,322,502	94,170,937	88,771,351	
Less: Unearned interest	-	(13,653,593)	-	(1,431,100)	
Gross loans, advances and financing	128,466,277	117,668,909	94,170,937	87,340,251	
Fair value changes arising from fair value					
hedges	44,340	45,028	26,864	18,509	
	128,510,617	117,713,937	94,197,801	87,358,760	
Less: Individual impairment allowance	(1,975,959)	-	(1,527,289)	-	
Less: Portfolio impairment allowance	(2,282,616)	-	(1,853,963)	-	
Less: Specific allowance	-	(2,695,272)	-	(1,644,003)	
Less: General allowance		(1,564,540)	-	(1,258,390)	
Total net loans, advances and financing	124,252,042	113,454,125	90,816,549	84,456,367	

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

- (i) By type (continued)
- (a) Included in the Group's and the Bank's loans, advances and financing balances are RM75,347,000 (2009: RM80,235,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing with RM7,663,278,000 (2009: RM5,468,179,000) and RM3,218,655,000 (2009: RM4,118,179,000) respectively, using interest rate swaps.

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Gross loans hedged	7,663,278	5,468,179	3,218,655	4,118,179
Fair value changes arising from fair value hedges	44,340	45,028	26,864	18,509
	7,707,618	5,513,207	3,245,519	4,136,688

The fair value loss of interest rate swaps of the Group and the Bank as at 31 December 2010 were RM127,755,094 (2009: fair value gain of RM104,052,171) and RM76,134,054 (2009: fair value gain of RM62,493,674) respectively.

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

- (i) By type (continued)
- (c) As part of an arrangement with CIMB Islamic in relation to the RPSIA, the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement (See Note 3), whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances for bad and doubtful financing arising from the RPSIA financing.

As at 31 December 2010, the gross exposure and portfolio impairment allowance/general allowance relating to RPSIA financing are RM7,331 million (2009: RM4,247 million) and RM154.8 million (2009: RM63.7 million) respectively.

There was no individual impairment allowance/specific allowance provided for the RPSIA financing.

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

(ii) By type of customer:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	65,091	123,764	-	-
Domestic non-bank financial institutions				
- others	2,634,068	3,697,005	2,339,548	3,599,009
Domestic business enterprises				
- small medium enterprises	11,965,343	11,111,752	9,581,478	9,990,157
- others	24,978,456	26,908,896	16,788,782	16,102,866
Government and statutory bodies	10,666,029	7,680,833	6,122,203	6,148,279
Individuals	67,403,920	57,535,132	50,348,790	45,789,079
Other domestic entities	2,952,578	4,006,369	1,679,408	359,916
Foreign entities	7,800,792	6,605,158	7,310,728	5,350,945
Gross loans, advances and financing	128,466,277	117,668,909	94,170,937	87,340,251

(iii) By interest rate sensitivity:

2010 2009 2010 2009 RM'000 RM'000 RM'000 RM'000 RM'000 Fixed rate -
Fixed rate - Housing loans 3,530,315 2,324,999 2,540,512 1,678,060 - Hire-purchase receivables 11,391,669 11,872,957 5,350,880 7,736,546
- Housing loans 3,530,315 2,324,999 2,540,512 1,678,060 - Hire-purchase receivables 11,391,669 11,872,957 5,350,880 7,736,546
- Hire-purchase receivables 11,391,669 11,872,957 5,350,880 7,736,546
- Other fixed rate loans 26,244,965 20,460,287 17,274,899 15,405,969
Variable rate
- BLR plus 50,358,559 46,871,214 45,232,876 43,807,106
- Cost-plus 20,198,388 20,948,288 14,532,505 14,281,194
- Other variable rates 16,742,381 15,191,164 9,239,265 4,431,376
Gross loans, advances and financing 128,466,277 117,668,909 94,170,937 87,340,251

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

(iv) By economic purpose:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personal use	4,965,717	4,503,629	2,270,733	2,064,033
Credit card	4,266,418	3,030,000	4,175,950	2,980,589
Purchase of consumer durables	1,216	3,688	1,216	3,667
Construction	3,520,140	3,550,772	2,105,992	2,193,835
Residential property (Housing)	36,716,467	29,839,340	29,426,822	25,241,179
Non-residential property	11,470,480	9,616,125	9,819,022	8,591,312
Purchase of fixed assets other than				
land and building	1,224,935	1,340,343	490,267	440,699
Merger and acquisition	2,620,451	1,737,598	2,524,594	1,737,598
Purchase of securities	6,774,574	9,104,676	6,699,906	5,995,810
Purchase of transport vehicles	11,093,357	11,620,841	5,413,012	7,859,651
Working capital	32,726,109	29,508,661	21,146,836	21,413,296
Other purpose	13,086,413	13,813,236	10,096,587	8,818,582
Gross loans, advances and financing	128,466,277	117,668,909	94,170,937	87,340,251

(v) By geographical distribution:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	108,665,708	102,570,809	84,481,958	82,372,674
Indonesia	828,184	957,992	691,921	213,036
Thailand	9,906,698	8,880,434	47,578	4,670
Singapore	6,666,705	2,943,577	6,666,705	2,943,577
United Kingdom	597,461	444,415	597,461	444,415
Hong Kong	552,120	808,003	552,120	808,003
Other countries	1,249,401	1,063,679	1,133,194	553,876
Gross loans, advances and financing	128,466,277	117,668,909	94,170,937	87,340,251

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

(vi) By residual contractual maturity:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	21,969,698	18,602,963	14,955,084	11,339,896
One year to less than three years	30,034,432	33,085,173	28,054,604	26,652,129
Three years to less than five years	15,095,548	13,615,544	12,155,052	11,088,569
Five years and more	61,366,599	52,365,229	39,006,197	38,259,657
Gross loans, advances and financing	128,466,277	117,668,909	94,170,937	87,340,251

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

	The Group		The B	Bank	
	2010 2009		2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Personal use	135,673	139,234	84,306	69,528	
Credit card	82,095	64,665	79,479	63,016	
Purchase of consumer durables	251	223	251	223	
Construction	1,197,100	298,068	1,032,935	125,800	
Residential property (Housing)	816,457	675,363	706,774	555,191	
Non-residential property	241,794	194,018	225,663	185,673	
Purchased of fixed assets other than land					
and building	76,365	52,666	32,364	7,459	
Purchase of securities	46,579	35,455	8,357	8,676	
Purchase of transport vehicles	318,288	339,556	223,074	262,055	
Working capital	1,705,453	1,486,427	1,466,256	895,384	
Other purpose	438,237	816,813	128,689	123,926	
Gross impaired loans/non-performing loans	5,058,292	4,102,488	3,988,148	2,296,931	

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	4,177,553	2,426,338	3,696,797	2,079,300
Indonesia	84,019	17,125	-	-
Thailand	502,687	1,312,163	-	-
Singapore	61,114	21,534	61,114	21,534
United Kingdom	48,095	33,884	48,095	33,884
Hong Kong	-	90,142	-	90,142
Other countries	184,824	201,302	182,142	72,071
Gross loans, advances and financing	5,058,292	4,102,488	3,988,148	2,296,931

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

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

	The Group		The I	The Bank		
	2010	2009	2010	2009		
	RM'000	RM'000	RM'000	RM'000		
At 1 January						
- as previously reported	4,102,488	5,473,778	2,296,931	5,143,808		
- classified as impaired * net of PCSB's loans						
derecognised, due to adoption of FRS 139	3,130,135	_	2,212,971			
As restated	7,232,623	5,473,778	4,509,902	5,143,808		
Classified as impaired/non-performing during						
the financial vear	3,680,090	3,700,995	3,206,367	2,889,444		
Reclassified as not impaired/performing during						
the financial year	(2,522,586)	(1,954,582)	(2,366,392)	(1,706,141)		
Amount written back in respect of recoveries	(1,089,328)	(889,715)	(852,718)	(738,631)		
Amount written off	(1,013,869)	(1,025,067)	(808,141)	(683,862)		
Arising from acquisition of a subsidiary	-	1,398,003	-	-		
Non-performing loans						
purchased from third party	-	3,852	-	-		
(Sale)/purchase of impaired loans/non-						
performing loans	(145,981)	(2,607,193)	-	(2,607,193)		
Amount transferred from subsidiary	-	-	321,716	-		
Amount transferred to related company	(621,107)	-	-	-		
Disposal of subsidiary	(338,026)	-	-	-		
Exchange fluctuation	(123,524)	2,417	(22,586)	(494)		
At 31 December	5,058,292	4,102,488	3,988,148	2,296,931		
Ratio of gross impaired/non-performing loans						
to total loans, advances and financing	3.94%	3.49%	4.24%	2.63%		

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

(Incorporated in Malaysia)

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

7 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:

gg	The Gro	The Group The B		ank	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Individual impairment allowance					
At 1 January					
- as previously reported	-	-	-	-	
- Adoption of FRS 139	3,370,235 3,370,235		<u>1,856,453</u> <u>1,856,453</u>	<u> </u>	
As restated		-		-	
Net allowance made during the financial year	25,391	-	97,731	-	
Allowance made and charged to	2,431		2,431		
deferred assets Amount written off	(651,755)	-	(463,129)	-	
Disposal of subsidiary	(314,202)	-	(403,127)	-	
Amount transferred to portfolio	(314,202)	-	-	-	
impairment allowance	(5,795)	_	_	-	
Amount transferred from subsidiary	-	_	88,127	-	
Amount transferred to related company	(257 500)		00,127		
	(357,590)	-	-	-	
Unwinding income	(63,538)	-	(45,238) (9,086)	-	
Exchange fluctuation At 31 December	(29,218)			-	
At 51 December	1,975,959	-	1,527,289	-	
	The Gro	up	The Ba	nk	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Portfolio impairment allowance					
At 1 January					
- as previously reported	-	-	-	-	
- Adoption of FRS 139	2,222,029	-	1,754,194	-	
As restated	2,222,029	-	1,754,194	-	
Net allowance made during the					
financial year	603,725	-	372,183	-	
Allowance written back and charged to					
deferred assets	(3,352)	-	(3,352)	-	
Amount written off	(464,059)	-	(345,012)	-	
Amount transferred from individual					
impairment allowance	5,795	-	-	-	
Disposal of subsidiary	(11,298)	-	-	-	
Amount transferred from subsidiary	-	-	119,980	-	
Amount transferred to related company	(28,956)				
Unwinding income	(34,758)	-	(32,925)	-	
Exchange fluctuation	(6,510)	-	(11,105)	-	
At 31 December	2,282,616	-	1,853,963	-	
Portfolio impairment allowance (inclusive of					
regulatory reserve) as % of gross loans,					
advances and financing less individual					
impairment allowance	2.1%	-	2.1%	-	
r					

(Incorporated in Malaysia)

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

7 Loans, advances and financing (Continued)

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

	The G	The Group		Bank
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Specific allowance				
At 1 January				
- as previously reported	2,695,272	3,184,511	1,644,003	3,140,552
- Adoption of FRS 139	(2,695,272)	-	(1,644,003)	-
As restated	-	3,184,511	-	3,140,552
Allowance made during the financial year	-	1,688,817	-	1,311,706
Allowance written back and charged to				
deferred assets	-	(2,880)	-	(2,880)
Amount written back in respect of recoveries	-	(537,217)	-	(445,862)
Amount written off	-	(848,198)	-	(672,137)
Sale of non-performing loans	-	(1,682,837)	-	(1,688,240)
Allowance arising from acquisition of				
a subsidiary	-	880,800	-	-
Amount transferred from general allowance	-	10,183	-	-
Allowance for non-performing loans				
purchased from third party	-	3,440	-	-
Allowance made in relation to jointly				
controlled entity	-	3,009	-	3,009
Exchange fluctuation		(4,356)	-	(2,145)
Balance as at 31 December	-	2,695,272	-	1,644,003
	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000

		1000		1000
General allowance				
At 1 January				
- as previously reported	1,564,540	1,606,498	1,258,390	1,446,535
- Adoption of FRS 139	(1,564,540)	-	(1,258,390)	-
As restated	-	1,606,498	-	1,446,535
Net allowance written back during the				
financial year	-	(120,118)	-	(189,482)
Amount transferred to specific allowance	-	(10,183)	-	-
Allowance arising from acquisition				
a subsidiary	-	88,309	-	-
Exchange fluctuation	-	34	-	1,337
Balance as at 31 December	-	1,564,540	-	1,258,390
General allowance as % of gross loans,				
advances and financing less loans exempted				
from general allowance by BNM and				
specific allowance	-	1.5%	-	1.5%

(Incorporated in Malaysia)

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

8 Other assets

	The Group		oup	The Bank		
	Note	2010	2009	2010	2009	
		RM'000	RM'000	RM'000	RM'000	
Interest receivable		-	178,592	-	207,290	
Deferred assets	(a)	170,961	198,610	170,961	198,610	
Foreclosed properties	(b)	171,675	230,534	2,425	24,911	
Due from brokers and clients		37,305	42,482	-	-	
Due from insurers, brokers and reinsurers		-	4,796	-	-	
Option financing		278,032	238,224	278,032	238,224	
Collateral pledged for derivative						
transactions		531,941	210,761	463,470	210,761	
Amounts receivable from						
non-performing loans sale		-	118,562	-	118,562	
Other debtors, deposits and prepayments		1,291,209	896,589	990,955	609,442	
		2,481,123	2,119,150	1,905,843	1,607,800	

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

(b) Movements in foreclosed properties during the financial year are as follows:

	The Group		The Bank		
	2010 2009		2010	2009	
	RM'000	RM'000	RM'000	RM'000	
At 1 January	230,534	27,495	24,911	27,495	
Arising from acquisition of a subsidiary	-	210,512	-	-	
Acquired during the financial year	23,643	33,140	242	-	
Disposed during the financial year	(67,525)	(40,613)	(22,728)	(2,584)	
Disposal of subsidiary	(15,674)	-	-	-	
Exchange difference	697	-	-	-	
At 31 December	171,675	230,534	2,425	24,911	

(Incorporated in Malaysia)

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

9 Deferred taxation

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

	The Gr	oup	The Bank		
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Deferred tax assets	261,768	440,784	235,071	281,880	
Deferred tax liabilities	(262,787)	(139,337)	(212,975)	_	
	(1,019)	301,447	22,096	281,880	

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

9 Deferred taxation (Continued)

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

		Individual impairment allowance/ Portfolio impairment allowance for doubtful debts and financing	Accelerated tax depreciation	Revaluation reserve- financial investments available-for-sale	Other temporary differences	Intangible assets	Total
The Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets/(liabilities)							
At 1 January 2010							
- as previously reported		345,197	(58,960)	(9,582)	95,587	(70,795)	301,447
- Effects of adopting FRS 139 on 1 January 2010		73,490	-	(79,477)	(7,126)	-	(13,113)
As restated		418,687	(58,960)	(89,059)	88,461	(70,795)	288,334
(Charged)/credited to profit or loss	42	(414,529)	(4,564)	-	101,917	11,427	(305,749)
Under accrual in prior year		-	(79)	-	22,219	-	22,140
Transferred to equity		-	-	(5,744)	-	-	(5,744)
At 31 December 2010		4,158	(63,603)	(94,803)	212,597	(59,368)	(1,019)

The Group	Note	General allowance for doubtful debts and financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2009		373,868	(48,102)	(27,009)	85,382	(79,602)	304,537
(Charged)/credited to profit or loss	42	(28,671)	(12,705)	-	50,511	11,427	20,562
Under accrual in prior year		-	1,847	-	3,107	-	4,954
Arising from acquisition of a subsidiary	53 (b)(i)	-	-	-	(43,413)	(2,620)	(46,033)
Transferred to equity		-	-	17,427	-	-	17,427
At 31 December 2009	_	345,197	(58,960)	(9,582)	95,587	(70,795)	301,447

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

9 Deferred taxation (Continued)

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

		Individual impairment allowance/ Portfolio impairment allowance for doubtful debts and financing	Accelerated tax depreciation	Revaluation reserve- financial investments available-for-sale	· · · · · · · · · · · · · · · · · · ·	Intangible assets	Total
The Bank	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets/(liabilities)							
At 1 January 2010							
- as previously reported		306,166	(58,828)	(9,518)	112,236	(68,176)	281,880
- Effects of adopting FRS 139 on 1 January 2010		62,573	-	(79,477)	(13,517)	-	(30,421)
As restated		368,739	(58,828)	(88,995)	98,719	(68,176)	251,459
(Charged)/credited to profit or loss	42	(368,739)	(4,146)	-	113,466	11,427	(247,992)
Under accrual in prior year		-	(143)	-	22,887	-	22,744
Transferred to equity		-	-	(4,115)	-	-	(4,115)
At 31 December 2010		-	(63,117)	(93,110)	235,072	(56,749)	22,096

The Bank Deferred tax assets/(liabilities)	Note	General allowance for doubtful debts and financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Other temporary differences RM'000	Intangible assets RM'000	Total RM'000
At 1 January 2009		355,144	(47,388)	(27,579)	63,419	(79,603)	263,993
(Charged)/credited to profit or loss	42	(48,978)	(13,287)	-	47,510	11,427	(3,328)
Under accrual in prior year		-	1,847	-	1,307	-	3,154
Transferred to equity		-	-	18,061	-	-	18,061
At 31 December 2009		306,166	(58,828)	(9,518)	112,236	(68,176)	281,880

(Incorporated in Malaysia)

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

10 Statutory deposits with central banks

	The Group		The Ba	nk
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Statutory deposits with				
- Bank Negara Malaysia	511,112	603,379	367,606	430,573
- Other central banks	899,043	238,478	586,417	231,410
	1,410,155	841,857	954,023	661,983

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

11 Investment in subsidiaries

		The Bank		
		2010	2009	
		RM'000	RM'000	
Unquoted shares, at cost				
- ordinary and preference shares	(a)	4,601,433	4,117,770	
- discontinuation of fair value hedge	(b)	(41,100)	(41,100)	
		4,560,333	4,076,670	
Less: Allowance for impairment loss		(33,361)	(260,170)	
		4,526,972	3,816,500	

(Incorporated in Malaysia)

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

11 Investment in subsidiaries (Continued)

(a) Ordinary shares

On 25 August 2010, CIMB Islamic Bank, a subsidiary of the Bank issued 200 million additional new ordinary shares of RM1 each (at par value) amounting to RM200 million, which were fully subscribed by the Bank.

On 21 October 2010, CIMB Thai Bank Public Company Limited ("CIMB Thai"), a 93.15% owned subsidiary of the Bank completed the rights issue of 2,966,533,592 new ordinary shares to its existing shareholders in proportion to their shareholding at the ratio of 2 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 of Rights Shares for THB2,763,348,835.

(b) The Bank had undertaken a net investment hedge on the foreign exchange risk of CIMB Bank (L) Limited using the following hedging instruments:

	Fair value at	Fair value at
	31.12.10	31.12.09
USD200 million subordinated loans	RM616,700,000	RM685,000,000
USD304 million fixed deposits	RM937,569,357	-
USD123 million interbank borrowings	RM379,137,907	-
USD200 million loans	-	RM685,000,000
USD165 million fixed deposits	-	RM566,238,654
USD62 million interbank borrowings	-	RM211,294,953

(Incorporated in Malaysia)

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

11 Investment in subsidiaries (Continued)

(c) The subsidiaries of the Bank are as follows:

		Percentage of equity held:			
		Directly by t		Through sub compar	•
		2010	2009	2010	2009
Name	Principal activities	%	%	%	%
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	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Ltd (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
Bumiputra-Commerce Finance Berhad	Dormant	100	100	-	-
I-Prestige Sdn Bhd [^]	Special purpose vehicle	-	100	-	-
CIMB Trustee Berhad	Trustee services	20	20	40	40
CIMB Trust Limited (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
BBMB Unit Trust Management Bhd [^]	Dormant	-	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-
CIMB (L) Limited (Incorporated in the Federal Territory of Labuan) ^	Dormant	-	100	-	-
Semerak Services Sdn Bhd	Service company	100	100	-	-
BBMB Securities (Holdings) Sdn Bhd [^]	Investment holding company	-	100	-	-
iCIMB (M) Sdn Bhd	Provision of management services and outsourcing	100	100	-	-

(Incorporated in Malaysia)

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

11 Investment in subsidiaries (Continued)

(c) The subsidiaries of the Bank are as follows: (Continued)

Percentage of equity held:

				Through sub	-
		Directly by th		compar	•
Name	Principal activities	2010 %	2009 %	2010 %	2009 %
Bumiputra-Commerce Factoring Berhad ^	Dormant	-	100	-	-
Bumiputra-Commerce Properties Sdn Bhd	Dormant	-	100	-	-
BBMB Futures Sdn Bhd [^]	Dormant	-	-	-	100
BBMB Finance (Hong Kong) Limited (Incorporated in Hong Kong)	Dormant	100	100	-	-
CIMB Islamic Bank Berhad	Islamic banking and related financial services	100	100	-	-
Halyconia Asia Fund Limited (Incorporated in the British Virgin Islands)	Open-ended investment fund	-	-	100	100
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	100
CIMB Mezzanine General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	100
CIMB Islamic Funds DCC Limited (Incorporated in the Federal Territory of Labuan)	Fund company	-	-	-	100
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	100	100	-	-
Southern Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
Southern Nominees (Asing) Sdn Bhd	Nominee services	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
S.B. Properties Sdn Bhd	Property ownership and management	100	100	-	-
Elite Constant Development Sdn Bhd ^	Construction of building	-	-	-	100
BHLB Properties Sdn Bhd	Property ownership and management	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

(Incorporated in Malaysia)

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

11 Investment in subsidiaries (Continued)

(c) The subsidiaries of the Bank are as follows: (Continued)

		Percentage of equity held:			
		Through sub Directly by the Bank compar		-	
		2010	2009	2010	2009
Name	Principal activities	%	%	%	%
BHL Venture Berhad ^	Investment holding	-	100	-	-
BHLB Asset Management Sdn Bhd ^	Investment holding	-	-	-	100
SBB Unit Trust Management Berhad ^	Dormant	-	-	-	100
SFB Auto Berhad	Dormant	100	100	-	-
SFB Development Sdn Bhd	Property investment	100	100	-	-
Seal Line Trading Sdn Bhd	Property investment	-	-	100	100
CIMB Nominees (S) Pte Ltd	Nominee services	100	100	-	-
(Incorporated in Republic of Singapore) $^{\alpha}$					
SBB Capital Corporation	Special purpose vehicle	100	100	-	-
Perdana Visi Hartanah Sdn Bhd	Property investment	100	100	-	-
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
SBB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
SBB Futures Sdn Bhd ^	Investment holding	-	100	-	-
Premier Fidelity Berhad	Dormant	100	100	-	-
CIMB Thai Bank Public Company Limited	Banking	93.15	93.15	-	-
(Incorporated in the Kingdom of Thailand) $^{\alpha}$					
Commerce Returns Berhad ∞	Special purpose vehicle	-	-	-	-
CIMB Bank PLC (Incorporated in Cambodia) $^{\alpha}$	Commercial banking and related financial services	100	-	-	-

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(Incorporated in Malaysia)

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

11 Investment in subsidiaries (Continued)

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

		Percentage of equity held:				
		Thro Directly by the Bank		8	rough subsidiary company	
		2010	2009	2010	2009	
Name	Principal activities	%	%	%	%	
CIMB Securities (Thailand) Company Limited (Incorporated in the Kingdom of Thailand) $^{\alpha}$	Stock and share broking	-	-	99.9	99.9	
BT Insurance Company Limited (Incorporated in the Kingdom of Thailand)	Non-life insurance activities	-	-	-	99.9	
BT Business Consulting Company Limited	Consultancy services	-	-	99.9	99.9	
(Incorporated in the Kingdom of Thailand) $^{\alpha}$						
CIMB-Principal Asset Management Company (formerly known as BT Asset Management	Fund Manager	-	-	-	99.9	
Company Limited)						
(Incorporated in the Kingdom of Thailand) $^{\alpha}$						
BT Leasing Company Limited (formerly known as BT Worldlease Company Limited)	Leasing/hire purchase	-	-	99	99	
(Incorporated in the Kingdom of Thailand) $^{\alpha}$						
Worldlease Company Limited	Hire purchase of					
(Incorporated in the Kingdom of Thailand) $^{\alpha}$	motorcycles	-	-	75	75	
Sathorn Asset Management Company Limited	Asset management	-	-	-	99.9	

(Incorporated in the Kingdom of Thailand) $^{\alpha}$

^ Company has been voluntarily liquidated during the financial year

 α 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 the Group and the special purpose entity indicates that the entity is controlled by the Group

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

(Incorporated in Malaysia)

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

12 Investment in jointly controlled entity

	The Group		
	2010	2009	
	RM'000	RM'000	
Share of net assets of jointly controlled entity	139,849	134,559	
	The Ba	ınk	
	2010	2009	
	RM'000	RM'000	
Unquoted shares, at cost	125,000	125,000	
Less: Allowance for impairment loss	-	(552)	
	125,000	124,448	

The jointly controlled entity, which is incorporated in Malaysia, is as follows:

Name	Principal activities	Percentage of equity held	
		2010	2009
		%	%
Proton Commerce Sdn Bhd	Financing of vehicles	50	50

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 the Bank and the subsequent capital reduction exercise undertaken by BCF in 2006, the BCF PPS were cancelled, and the Bank issued RM200 million PPS to PCSB.

The Group's share of income and expenses of the jointly controlled entity is as follows:

	2010 RM'000	2009 RM'000
Income	59,133	55,047
Expenses	(44,597)	(46,229)
Profit before taxation	14,536	8,818
Taxation	(4,087)	(1,960)
Net profit for the financial year	10,449	6,858

(Incorporated in Malaysia)

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

12 Investment in jointly controlled entity (Continued)

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

	2010	2009
	RM'000	RM'000
Non-current assets	220,271	256,479
Current assets	117,658	86,887
Current liabilities	(80,989)	(58,121)
Long term liabilities	(117,091)	(150,686)
Net assets	139,849	134,559

13 Investment in associate

	The Group		
	2010	2009	
	RM'000	RM'000	
At 1 January	268,636	587,280	
Acquisition of associate	53,082	245,034	
Classified as subsidiary during the financial year	-	(587,280)	
Share of profit	60,530	23,602	
	382,248	268,636	
	The B	ank	
	2010	2009	
	RM'000	RM'000	
Unquoted shares outside Malaysia, at cost	298,116	245,034	

(Incorporated in Malaysia)

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

13 Investment in associate (Continued)

Details of the associates held by the Bank are as follows:

Name of company	of company Principal activity		uity held
		2010	2009
		%	%
Bank of Yingkou Co., Ltd (Incorporated in the People Republic of China)	Banking	19.99	19.99
The South East Asian Strategic Assets Fund LP (Incorporated in the Cayman Islands)	Investing in equity and equity related securities of entities operating in infrastructure, energy and natural resources and their associated industries	31.90	-
SEASAF Power Sdn Bhd	Investment holding	31.90	-
SEASAF Highway Sdn Bhd	Investment holding	31.90	-
SEASAF Education Sdn Bhd	Investment holding	31.90	-
SEASAF Sdn Bhd	Investment holding	31.90	-
SEASAF 1 Resources Pte Ltd (Incorporated in the Republic of Singapore)	Investment holding	31.90	-

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

	2010	2009
	RM'000	RM'000
Interest income	141,166	80,569
Interest expense	(31,987)	(23,684)
Net interest income	109,179	56,885
Non-interest income	21,302	2,184
Net income	130,481	59,069
Overheads	(47,846)	(24,424)
Allowances for losses on loans and advances	(6,625)	(3,202)
Allowance for impairment losses	(450)	(41)
Profit before taxation	75,560	31,402
Taxation	(14,959)	(7,800)
Profit after taxation	60,601	23,602
Minority interest	(71)	-
	60,530	23,602

(Incorporated in Malaysia)

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

13 Investment in associate (Continued)

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

	2010	2009
	RM'000	RM'000
Total assets	4,278,928	2,745,155
Total liabilities	(3,931,032)	(2,539,276)
Net assets	347,896	205,879

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
- holding company	-	18,087	-	14,664
- ultimate holding company	29,193	29,035	340	182
	29,193	47,122	340	14,846
Amount due to: - ultimate holding company	_	(55,439)	-	_

The amounts due from/(to) holding company and ultimate holding company are unsecured, interest free and recallable on demand.

15 Amount due from/(to) subsidiaries

	The Bank		
	2010	2009	
	RM'000	RM'000	
Amount due from subsidiaries	84,317	128,064	
Amount due to subsidiaries	(310,381)	(118,668)	

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

(Incorporated in Malaysia)

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

16 Amount due from/(to) related companies

	The Group		The]	Bank				
	2010		2010 2009		2010		2010	2009
	RM'000	RM'000	RM'000	RM'000				
Amount due from related companies	2,259,363	998,818	2,239,775	994,989				
Amount due to related companies	(6,751)	(9,710)	(841)	(285)				

Included in amount due from related companies is an amount of RM1,671,488,000 due from PCSB. With the adoption of FRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's and the 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.

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

17 Goodwill

	The Group		The Bank		
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Cost					
At 1 January	4,927,701	3,695,075	3,559,075	3,559,075	
Acquisition of interest in subsidiaries					
(Note 53(b)(i))	-	1,199,277	-	-	
Exchange fluctuation	(273)	33,349	-	-	
At 31 December	4,927,428	4,927,701	3,559,075	3,559,075	
Impairment					
At 1 January	(4,000)	-	(4,000)	-	
Impairment charge	-	(4,000)	-	(4,000)	
At 31 December	(4,000)	(4,000)	(4,000)	(4,000)	
Net book value at 31 December	4,923,428	4,923,701	3,555,075	3,555,075	

(Incorporated in Malaysia)

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

17 Goodwill (Continued)

Allocation of goodwill to cash-generating units

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

A segment-level summary of the goodwill allocation is presented below:

	The Group		The Bank	
	2010	2009	2009 2010	2009
	RM'000	RM'000	RM'000	RM'000
Retail Banking	1,101,075	1,101,075	1,101,075	1,101,075
Business Banking	911,000	911,000	911,000	911,000
Corporate Banking	419,000	419,000	419,000	419,000
Islamic Banking	136,000	136,000	-	-
Direct Banking Group	587,000	587,000	587,000	587,000
Treasury	537,000	537,000	537,000	537,000
Foreign Banking operations	1,199,277	1,199,277	-	-
Goodwill	4,890,352	4,890,352	3,555,075	3,555,075
Exchange fluctuation	33,076	33,349	-	-
	4,923,428	4,923,701	3,555,075	3,555,075

(Incorporated in Malaysia)

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

17 Goodwill (Continued)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGUs is determined based on 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 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%) for all cash generating units other than foreign banking operations which has used an estimated growth rate of 2.00%. 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 rates used in determining the recoverable amount of all the CGUs is 8.89% (2009: 7.10%) and 10.43% for the foreign banking operations CGU. The discount rate is pre-tax and reflects the specific risks relating to the CGUs. In prior years, the recoverable amount of the foreign banking operation CGU is determined using fair value less cost to sell, based on observable quoted market prices.

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

Impairment charge

The impairment charge in the Bank during the previous financial year arises from the impairment of trustee services of RM4 million. There was no impairment charge for the financial year ended 31 December 2010.

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

18 Intangible assets

		Customer relationships	Core deposits	Computer software	Licence fee	Total
The Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000
2010						
Cost or valuation						
At 1 January		163,382	264,662	686,849	256	1,115,149
Additions		-	-	151,440	-	151,440
Disposals/write-off		-	-	(46,519)	-	(46,519)
Reclassified from property, plant and						
equipment	20	-	-	2,705	-	2,705
Exchange fluctuation		-	-	(38)	-	(38)
At 31 December		163,382	264,662	794,437	256	1,222,737
Amortisation						
At 1 January		45,289	115,331	381,010	103	541,733
Amortisation during the financial year		16,834	33,213	81,200	-	131,247
Disposals/write-off		-	-	(36,241)	-	(36,241)
Reclassified from property, plant and						
equipment	20	-	-	11,947	-	11,947
Exchange fluctuation		-	-	(13)	-	(13)
At 31 December		62,123	148,544	437,903	103	648,673
Net book value at 31 December 2010		101,259	116,118	356,534	153	574,064

(Incorporated in Malaysia)

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

18 Intangible assets (Continued)

		Customer relationships	Core deposits	Computer software	Licence fee	Total
The Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000
2009						
Cost or valuation						
At 1 January		153,091	263,612	335,819	-	752,522
Acquisition of a subsidiary		10,291	1,050	125,320	256	136,917
Additions		-	-	228,045	-	228,045
Disposals/write-off		-	-	(3,099)	-	(3,099)
Reclassified from property, plant and						
equipment	20	-	-	1,081	-	1,081
Exchange fluctuation		-	-	(317)	-	(317)
At 31 December		163,382	264,662	686,849	256	1,115,149
Amortisation						
At 1 January		31,892	82,379	225,963	-	340,234
Acquisition of a subsidiary		346	-	83,267	-	83,613
Amortisation during the financial year		13,051	32,952	71,865	103	117,971
Impairment		-	-	1,955	-	1,955
Disposals/write-off		-	-	(2,039)	-	(2,039)
Exchange fluctuation			-	(1)	-	(1)
At 31 December		45,289	115,331	381,010	103	541,733
Net book value at 31 December 2009		118,093	149,331	305,839	153	573,416

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Net book value at 31 December 2009

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

Intangible assets (Continued) 18

The Bank	:	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
2010					
Cost or valuation					
At 1 January		153,091	263,612	527,883	944,586
Additions		-	-	128,014	128,014
Reclassified from property, plant and equipment	20	-		14,241	14,241
Disposals/write-off		-	-	(51)	(51)
At 31 December		153,091	263,612	670,087	1,086,790
Amortisation At 1 January	_	44,650	115,330	271,932	431,912
Amortisation during the financial year		12,756	32,950	66,869	112,575
Reclassified from property, plant and equipment	20	<u>-</u>	_	11,947	11,947
Disposals/write-off		-	-	(6)	(6)
At 31 December	-	57,406	148,280	350,742	556,428
Net book value at 31 December 2010		95,685	115,332	319,345	530,362
		Customer relationships	Core deposits	Computer software	Total
		RM'000	RM'000	RM'000	RM'000
The Bank 2009					
Cost or valuation		152 001	0.02 (10	212 120	700.000
At 1 January Additions		153,091	263,612	313,120	729,823
Disposals/write-off		-	-	215,743 (980)	215,743 (980)
At 31 December		153,091	263,612	527,883	944,586
At 51 Detember		155,071	205,012	527,005	744,500
Amortisation		_			
At 1 January		31,892	82,379	214,695	328,966
Amortisation during the financial year		12,758	32,951	57,345	103,054
Disposals/write-off		-	-	(108)	(108)
At 31 December		44,650	115,330	271,932	431,912

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

108,441

148,282

255,951

512,674

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

18 Intangible assets (Continued)

The valuation of customer relationships 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 customer base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10.0%, 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 8.0%-8.4%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation periods of the intangible assets are as follows:

Customer relationships:

 credit card revolving credit overdraft trade finance 	7.5 years2 years4 years3 years
Core deposits	3.5 - 6 years
Computer software - core and front-end systems - others	1 - 15 years 1 year

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

19 Prepaid lease payments

		Long term leasehold land	Short term leasehold land	Total
The Group	Note	RM'000	RM'000	RM'000
2010				
Cost				
At 1 January				
-as previously reported		16,755	10,475	27,230
- effect of adopting FRS 117 improvement		(16,755)	(3,115)	(19,870)
As restated		-	7,360	7,360
Reclassified to property, plant				
and equipment	20	-	(940)	(940)
Disposals/write-off		-	(823)	(823)
Exchange fluctuation			7	7
At 31 December		-	5,604	5,604
Amortisation and impairment				
At 1 January				
-as previously reported		5,453	5,437	10,890
- effect of adopting FRS 117 improvement		(5,453)	(1,906)	(7,359)
As restated		-	3,531	3,531
Amortisation during the financial year		-	340	340
Reclassified to property, plant				
and equipment	20	-	(9)	(9)
Disposals/write-off		-	(601)	(601)
Exchange fluctuation			2	2
At 31 December		-	3,263	3,263
Net book value at 31 December 2010		-	2,341	2,341

(Incorporated in Malaysia)

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

19 Prepaid lease payments (Continued)

		Long term leasehold land	Short term leasehold land	Total
The Group	Note	RM'000	RM'000	RM'000
2009				
Cost				
At 1 January				
-as previously reported		31,858	10,282	42,140
- effect of adopting FRS 117 improvement		(31,858)	(4,897)	(36,755)
As restated		-	5,385	5,385
Acquisition of a subsidiary		-	5,247	5,247
Reclassified to property, plant and				
equipment	20	-	(784)	(784)
Reclassified to non-current assets/				
disposal groups held for sale	54	-	(2,130)	(2,130)
Disposals/write-off		-	(225)	(225)
Exchange fluctuation		-	(133)	(133)
At 31 December			7,360	7,360
Amortisation and impairment				
At 1 January		8,389	4,133	12,522
-as previously reported				
- effect of adopting FRS 117 improvement		(8,389)	(3,169)	(11,558)
As restated		-	964	964
Acquisition of a subsidiary		-	2,580	2,580
Amortisation during the financial year		-	458	458
Impairment		-	427	427
Disposals/write-off		-	(340)	(340)
Reclassified to non-current assets/				
disposal groups held for sale	54	-	(528)	(528)
Exchange fluctuation			(30)	(30)
At 31 December			3,531	3,531
Net book value at 31 December 2009		-	3,829	3,829

Future amortisation of prepaid land lease is as follows:

	201	0	2009			
	Long term	Short term	Long term	Short term		
	leasehold	leasehold	leasehold	leasehold		
	land	land	land	land		
The Group	RM'000	RM'000	RM'000	RM'000		
- Not later than one year	-	340	-	458		
- Later than one year and not later						
than five years	-	1,360	-	1,832		
- More than five years		641	-	1,539		
	-	2,341	-	3,829		

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CIMB Bank Berhad

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

20 Property, plant and equipment

								Renovations,				
						Buildings on	Buildings on	office	Computer		Computer	
			Leasehold	Leasehold		leasehold land	leasehold land	equipment,	equipment		equipment	
			land 50 years	land less than	0	50 years or	less than 50	furniture and	and		and software	
The Group		Freehold land	or more	50 years	freehold land	more	years	fittings	hardware	Motor vehicles	under lease	Total
2010	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January												
- as previously reported		97,534	-	-	367,873	61,414	63,379	854,173	570,180	37,960	60,524	2,113,037
- effect of adopting FRS 117 improvement			16,755	3,115	-	-	-	-	-	-	-	19,870
As restated		97,534	16,755	3,115	367,873	61,414	63,379	854,173	570,180	37,960	60,524	2,132,907
Additions		3,775	-	-	1,505	88	2,195	91,247	86,611	12,076	1,900	199,397
Disposals/write-offs		(21,226)	(7,043)	(1,205)	(4,781)	(2,287)	(556)	(49,842)	(12,671)	(5,667)	(881)	(106,159)
Reclassifications		-	-	-	-	-	-	(12,108)	12,112	(4)	-	-
Reclassified from/(to) intangible assets	18	-	-	-	12,368	-	-	(15,073)	-	-	-	(2,705)
Reclassified from prepaid lease payments	19	-	-	-	-	-	940	-	-	-	-	940
Reclassified to non-current assets				-								
held for sale	54	-	-		-	-	(784)	-	-	-	-	(784)
Exchange fluctuation		(456)	-	(106)	(3,461)	(2,815)	(20)	(802)	(268)	(61)	(426)	(8,415)
At 31 December		79,627	9,712	1,804	373,504	56,400	65,154	867,595	655,964	44,304	61,117	2,215,181

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Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

20 Property, plant and equipment (Continued)

						D 111	D 111	Renovations,	a ,		<i>a i</i>	
			Loogohold	Loogohold		Buildings on leasehold land	Buildings on leasehold land	office	Computer		Computer	
			Leasehold	Leasehold land less than	Buildings on	50 years or	less than 50	equipment, furniture and	equipment and		equipment and software	
The Group		Freehold land	or more		freehold land	more	years	fittings	hardware	Motor vehicles	under lease	Total
2010	Note	RM'000		•	RM'000	RM'000	years RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Note	KIVI UUU	RM'000	RM'000	KIVI UUU	KIVI UUU	KIVI UUU	KIVI UUU	KIVI UUU	KIVI UUU	KIVI UUU	KIVI UUU
Accumulated depreciation												
At 1 January												
- as previously reported		9,008	-	-	111,926	23,569	30,419	470,700	404,369	23,291	43,234	1,116,516
- effect of adopting FRS 117 improvement		-	5,453	1,906	-	-	-	-	-	-	-	7,359
As restated		9,008	5,453	1,906	111,926	23,569	30,419	470,700	404,369	23,291	43,234	1,123,875
Charge for the financial year		-	361	26	7,909	1,206	3,846	97,989	88,540	5,657	6,515	212,049
Disposals/write-off		-	(2,704)	(903)	(2,826)	(952)	(189)	(30,144)	(10,352)	(4,764)	(521)	(53,355)
Reclassifications		-	-	-	-	-	-	(8,369)	8,373	(4)	-	-
Reclassified to intangible assets	18	-	-	-	-	-	-	(11,947)	-	-	-	(11,947)
Reclassified from prepaid lease payments	19			-		-	9	-	-	-	-	9
Reclassified to non-current assets												
held for sale	54	-	-	-	-	-	(427)	-	-	-	-	(427)
Exchange fluctuation		(2)	-	(73)	(904)	(390)	(8)	(492)	(147)	(51)	(111)	(2,178)
At 31 December		9,006	3,110	956	116,105	23,433	33,650	517,737	490,783	24,129	49,117	1,268,026
Net book value at 31 December 2010		70,621	6,602	848	257,399	32,967	31,504	349,858	165,181	20,175	12,000	947,155

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM32,486,275 for the Group and the Bank.

CIMB Bank Berhad

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

20 Property, plant and equipment (Continued)

The Group		Freehold land	Leasehold land 50 years or more	Leasehold land less than 50 years	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Renovations, office equipment, furniture and fittings	Computer equipment and hardware		Computer equipment and software under lease	Total
2009	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January												
- as previously reported		104,999	-		184,641	98,029	15,849	640,037	492,519	35,493	58,412	1,629,979
- effect of adopting FRS 117 improvement		-	31,858	4,897	-	-	-	-	-	-	-	36,755
As restated		104,999	31,858	4,897	184,641	98,029	15,849	640,037	492,519	35,493	58,412	1,666,734
Additions		-	-	-	2,093	14,449	6,149	220,115	9,755	2,950	5,413	260,924
Disposals/write-off		(7,167)	(614)	(1,726)	(44,203)	(343)	(3,214)	(85,810)	(86,538)	(4,295)	(3,630)	(237,540)
Acquisition of a subsidiary		82,595	-	-	440,675	-	43,473	83,199	154,313	3,775	-	808,030
Reclassifications		-	-	-	(90)	-	-	51	1	-	38	-
Reclassified to intangible assets	18	-	-	-	-	-	-	(1,081)	-	-	-	(1,081)
Reclassified from prepaid lease payments	19	-	-	-	-	-	784	-	-	-	-	784
Reclassified to investment properties	21	(14,383)	-	-	(7,150)	(4,310)	-	-	-	-	-	(25,843)
Reclassified to non-current assets												
held for sale	54	(68,510)	(14,489)	-	(208,093)	(46,649)	-	(2,817)	-	-	-	(340,558)
Exchange fluctuation		-	-	(56)	-	238	338	479	130	37	291	1,457
At 31 December		97,534	16,755	3,115	367,873	61,414	63,379	854,173	570,180	37,960	60,524	2,132,907

CIMB Bank Berhad

(Incorporated in Malaysia)

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

20 Property, plant and equipment (Continued)

The Group 2009 Accumulated depreciation	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 fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
At 1 January												
- as previously reported		-	-	-	77,219	43,340	8,107	413,775	302,995	17,950	37,880	901,266
- effect of adopting FRS 117 improvement			8,389	3,169	-	-	-	-	-	-	-	11,558
At 1 January		-	8,389	3,169	77,219	43,340	8,107	413,775	302,995	17,950	37,880	912,824
Charge for the financial year		-	802	72	2,797	2,174	3,301	79,910	87,017	6,765	7,960	190,798
Disposals/write-off		-	(254)	(1,291)	(8,015)	-	(1,179)	(80,024)	(86,224)	(2,805)	(2,704)	(182,496)
Acquisition of a subsidiary		-	-	-	114,929	-	20,092	57,635	99,869	1,354	-	293,879
Impairment:												
- arising from acquisition of a subsidiary		9,008	-	-	26,905	-	-	337	587	-	-	36,837
- disposal		-	-	-	(8,759)	-	-	(9)	(10)	-	-	(8,778)
Reclassifications		-	-	-	-	-	-	(62)	26	-	36	-
Reclassified to investment properties	21	-	-	-	(1,297)	(676)	-	-	-	-	-	(1,973)
Reclassified to non-current assets												
held for sale	54	-	(3,484)	-	(91,853)	(21,400)	-	(1,138)	-	-	-	(117,875)
Exchange fluctuation			-	(44)	-	131	98	276	109	27	62	659
At 31 December		9,008	5,453	1,906	111,926	23,569	30,419	470,700	404,369	23,291	43,234	1,123,875
Net book value at 31 December 2009		88,526	11,302	1,209	255,947	37,845	32,960	383,473	165,811	14,669	17,290	1,009,032

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM22,768,275 for the Group and the Bank.

CIMB Bank Berhad

(Incorporated in Malaysia)

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

20 Property, plant and equipment (Continued)

The Bank		Freehold land	or more	•	freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Renovations, office equipment, furniture and fittings		Motor vehicles	Computer equipment and software under lease	Total
2010	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January												
- as previously reported		16,202	-	-	53,369	51,035	18,709	681,919	443,769	31,587	3,918	1,300,508
- effect of adopting FRS 117 improvement			16,755	3,115	-	-	-	-	-		-	19,870
As restated		16,202	16,755	3,115	53,369	51,035	18,709	681,919	443,769	31,587	3,918	1,320,378
Additions		-	-	-	-	-	48	66,560	74,249	8,964	31	149,852
Disposals/write-off		-	(7,043)	(1,205)	-	(906)	(123)	(8,513)	(3,774)	(3,877)	(16)	(25,457)
Reclassifications		-	-	-	-	-	-	(12,116)	12,120	(4)	-	-
Reclassified to intangible assets	18	-	-	-	-	-	-	(14,241)	-	-	-	(14,241)
Exchange fluctuation			-	(106)	-	(2,334)	(11)	(645)	(209)	(38)	(426)	(3,769)
At 31 December		16,202	9,712	1,804	53,369	47,795	18,623	712,964	526,155	36,632	3,507	1,426,763
Accumulated depreciation												
At 1 January												
- as previously reported		-	-	-	17,041	20,278	6,846	399,464	270,915	20,004	1,474	736,022
- effect of adopting FRS 117 improvement		-	5,453	1,906	-	-	-	-	-	-	-	7,359
As restated		-	5,453	1,906	17,041	20,278	6,846	399,464	270,915	20,004	1,474	743,381
Charge for the financial year		-	361	26	1,348	945	468	80,383	79,045	4,388	198	167,162
Disposals/write off		-	(2,704)	(903)	-	(236)	(92)	(2,676)	(2,185)	(3,711)	(16)	(12,523)
Reclassifications		-	-	-	-	-	-	(8,369)	8,373	(4)	-	-
Reclassified to intangible assets	18	-	-	-	-	-	-	(11,947)	-	-	-	(11,947)
Exchange fluctuation			-	(73)	-	(210)	(8)	(342)	(90)	(31)	(111)	(865)
At 31 December		-	3,110	956	18,389	20,777	7,214	456,513	356,058	20,646	1,545	885,208
Net book value at 31 December 2010		16,202	6,602	848	34,980	27,018	11,409	256,451	170,097	15,986	1,962	541,555

Penovotions

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM32,486,275 for the Group and the Bank.

CIMB Bank Berhad

(Incorporated in Malaysia)

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

20 Property, plant and equipment (Continued)

The Bank 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 fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Cost At 1 January												
- as previously reported		49,707	-	-	110,968	80,028	12,840	610,118	474,207	32,387	4,746	1,375,001
- effect of adopting FRS 117 improvement		-	31,858	4,897	-	-	-	-	-	-	-	36,755
As restated		49,707	31,858	4,897	110,968	80,028	12,840	610,118	474,207	32,387	4,746	1,411,756
Additions		-	-	-	-	14,361	5,939	148,052	48,305	1,143	52	217,852
Disposals/write-off		(7,139)	(614)	(1,726)	(1,657)	(343)	(67)	(76,742)	(78,877)	(1,982)	(1,171)	(170,318)
Reclassified to non-current assets held for sale	54	(26,366)	(14,489)	-	(55,942)	(43,294)	-	-	-	-	-	(140,091)
Exchange fluctuation		-	-	(56)	-	283	(3)	491	134	39	291	1,179
At 31 December		16,202	16,755	3,115	53,369	51,035	18,709	681,919	443,769	31,587	3,918	1,320,378

CIMB Bank Berhad

(Incorporated in Malaysia)

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

20 Property, plant and equipment (Continued)

	Note	Freehold land RM'000	or more	land less than	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 fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
Accumulated depreciation												
At 1 January												
- as previously reported		-	-	-	59,855	38,739	6,533	399,579	287,920	15,861	2,467	810,954
- effect of adopting FRS 117 improvement			8,389	3,169	-	-	-	-	-	-	-	11,558
As restated		-	8,389	3,169	59,855	38,739	6,533	399,579	287,920	15,861	2,467	822,512
Charge for the financial year		-	802	72	1,821	1,847	370	71,523	61,249	5,779	115	143,578
Disposals/write off		-	(254)	(1,291)	(410)	(21)	(55)	(71,926)	(78,367)	(1,666)	(1,170)	(155,160)
Reclassified to non-current assets held for sale	54	-	(3,484)	-	(44,225)	(20,419)	-	-	-	-	-	(68,128)
Exchange fluctuation		-	-	(44)	-	132	(2)	288	113	30	62	579
At 31 December		-	5,453	1,906	17,041	20,278	6,846	399,464	270,915	20,004	1,474	743,381
Net book value at 31 December 2009		16,202	11,302	1,209	36,328	30,757	11,863	282,455	172,854	11,583	2,444	576,997

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM22,595,275 for the Group and the Bank.

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

21 Investment properties

The Group	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Total RM'000
2010						
At 1 January		15,975	4,617	52,800	46,957	120,349
Reclassifications		(228)	228	-	-	-
Reclassified to non-current assets						
held for sale	54	-	-	(46,804)	-	(46,804)
Fair value adjustments		-	-	2,073	6,559	8,632
Disposal		(14,842)	(500)	-	-	(15,342)
Exchange fluctuation		-	209	(5,168)	(659)	(5,618)
At 31 December	-	905	4,554	2,901	52,857	61,217

The Group 2009	Note	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Total RM'000
At 1 January		-	-	44,699	55,476	100,175
Reclassified from property, plant						
and equipment	20	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

(Incorporated in Malaysia)

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

21 Investment properties (Continued)

The Bank	Note	Buildings on short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Total RM'000
2010				
At 1 January		49,900	46,957	96,857
Reclassified to non-current assets				
held for sale	54	(46,804)	-	(46,804)
Fair value adjustments		2,073	6,559	8,632
Exchange fluctuation		(5,169)	(658)	(5,827)
At 31 December		-	52,858	52,858

	Buildings on short term leasehold land	Buildings on long term leasehold land	Total
The Bank	RM'000	RM'000	RM'000
2009			
At 1 January	44,699	55,476	100,175
Fair value adjustments	5,911	(9,211)	(3,300)
Exchange fluctuation	(710)	692	(18)
At 31 December	49,900	46,957	96,857

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:

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

(Incorporated in Malaysia)

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

22 Deposits from customers

(a) By type of deposit

	The G	roup	The Bank		
	2010 2009		2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Demand deposits	34,920,585	30,197,077	30,091,373	26,789,999	
Saving deposits	14,092,199	12,616,669	10,562,489	9,597,651	
Fixed deposits	66,917,400	67,011,173	48,937,747	50,696,236	
Negotiable instruments of deposit	1,930,628	1,544,632	859,859	988,417	
Others	41,779,885	35,502,794	31,101,601	26,377,608	
	159,640,697	146,872,345	121,553,069	114,449,911	

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

	The G	roup	The Bank		
	2010 2009		2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Due within six months	55,751,393	56,237,627	39,228,996	41,273,279	
Six months to less than one year	9,859,396	9,212,618	7,495,459	8,045,128	
One year to less than three years	1,544,333	1,714,533	1,394,158	1,121,268	
Three years to less than five years	1,665,300	1,386,256	1,651,387	1,240,207	
Five years and more	27,606	4,771	27,606	4,771	
	68,848,028	68,555,805	49,797,606	51,684,653	

(b) By type of customer

	The G	The Bank				
	2010	2010 2009		2010 2009 20		2009
	RM'000	RM'000	RM'000	RM'000		
Government and statutory bodies	14,054,491	20,219,428	8,285,269	10,084,788		
Business enterprises	73,592,242	61,805,399	52,673,540	50,062,704		
Individuals	51,863,891	44,755,386	41,842,495	35,238,687		
Others	20,130,073	20,092,132	18,751,765	19,063,732		
	159,640,697	146,872,345	121,553,069	114,449,911		

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

23 Deposits and placements of banks and other financial institutions

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	6,830,585	5,621,151	11,382,428	10,360,758
Licensed finance companies	145,025	101,307	112,363	59,979
Licensed investment banks	2,847,557	5,352,466	2,276,357	4,242,116
Bank Negara Malaysia	1,598,400	365,000	1,598,400	365,000
Other financial institutions	3,230,868	2,741,022	3,099,106	2,605,544
	14,652,435	14,180,946	18,468,654	17,633,397

The Bank 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 a	and The Bank
	2010 20	
	RM'000	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 values of interest rate swaps as at 31 December 2010 were RM13,843,746 (2009: RM35,953,565).

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

24 Derivative financial instruments, commitments and contingencies

(i) Derivative financial instruments

The following tables summarise the contractual 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 the end of the reporting period, and do not represent amounts at risk.

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

		The Gro	-		The Ba	
	Principal	Fair val Assets	ues Liabilities	Principal	Fair val Assets	ues Liabilities
At 31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forward	10,295,460	159,844	(154,852)	8,546,302	152,256	(102,140)
Currency swaps	34,680,313	515,786	(488,225)	31,027,117	457,444	(446,027)
Currency option	2,675,764	1,929	(5,891)	2,539,282	1,906	(5,842)
Cross currency interest rate swaps	16,047,393	687,934	(736,030)	15,375,452	649,282	(740,073)
	63,698,930	1,365,493	(1,384,998)	57,488,153	1,260,888	(1,294,082)
Interest rate derivatives						
Interest rate swaps	181,322,125	1,698,397	(1,323,655)	161,336,017	1,511,081	(1,168,420)
Interest rate futures	13,746,090	18,185	(15,428)	13,746,090	18,185	(15,428)
Interest rate options	750,000	7,179	(3,602)	750,000	7,179	(3,602)
-	195,818,215	1,723,761	(1,342,685)	175,832,107	1,536,445	(1,187,450)
Equity related derivatives						
Equity swaps	273,717	1,777	(51,329)	273,717	1,777	(51,329)
Equity options	10,545,684	223,081	(606,369)	8,326,139	216,503	(600,027)
Index futures	9,089	-	(137)	9,089	-	(137)
	10,828,490	224,858	(657,835)	8,608,945	218,280	(651,493)
Commodity related derivatives						
Commodity swaps	60,480	4,085	-	60,480	4,085	-
Commodity future	60,553	1	(3,653)	60,553	1	(3,653)
Commodity options	104,840	15,028	(15,028)	104,840	15,028	(15,028)
	225,873	19,114	(18,681)	225,873	19,114	(18,681)
Credit related contract						
Credit default swaps	1,366,348	29,138	(56,883)	1,366,348	29,138	(56,883)
Hedging derivatives						
Cross currency interest rate swaps	218,378	-	(43,342)	-	-	-
Interest rate swaps	12,412,998	138,527	(206,716)	16,752,811	198,669	(215,226)
Total derivatives assets/(liabilities)	284,569,232	3,500,891	(3,711,140)	260,274,237	3,262,534	(3,423,815)

(Incorporated in Malaysia)

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

24 Derivative financial instruments, commitments and contingencies (Continued)

(i) Derivative financial instruments (continued)

		The Gro Fair val	•		The Ba Fair val	
At 31 December 2009	Principal RM'000	Fair vai Assets RM'000	ues Liabilities RM'000	Principal RM'000	Assets RM'000	ues Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forward	10,594,076	63,687	(116,660)	7,522,561	55,589	(108,723)
Currency swaps	33,048,786	167,904	(238,702)	31,878,930	161,837	(228,260)
Currency spot						
Currency option	1,383,714	5,018	(4,537)	1,383,714	5,018	(4,537)
Cross currency interest rate swaps	17,139,468	500,600	(345,448)	15,821,588	468,853	(333,916)
•	62,166,044	737,209	(705,347)	56,606,793	691,297	(675,436)
Interest rate derivatives						
Interest rate swaps	148,823,859	1,975,599	(1,626,041)	134,200,816	1,783,373	(1,558,902)
Interest rate futures	16,702,600	30,334	(25,774)	16,702,600	30,334	(25,774)
Interest rate options	3,130,000	11,854	(4,920)	3,130,000	11,854	(4,920)
	168,656,459	2,017,787	(1,656,735)	154,033,416	1,825,561	(1,589,596)
Equity related derivatives						
Equity options	11,975,449	528,843	(856,920)	8,991,160	424,075	(752,152)
Commodity related derivatives						
Commodity futures	690,261	70,562	(66,429)	690,261	70,562	(66,429)
Commodity options	31,672	842	(13)	31,672	842	(13)
	721,933	71,404	(66,442)	721,933	71,404	(66,442)
Credit related contract						
Credit default swaps	397,879	2,062	(651)	397,879	2,062	(651)
Hedging derivatives						
Interest rate swaps	8,628,728	147,657	(176,843)	9,978,728	189,215	(176,844)
Total derivatives assets/(liabilities)	252,546,492	3,504,962	(3,462,938)	230,729,909	3.203.614	(3,261,121)
Total derivatives assets/(fladifities)	232,340,492	5,504,902	(3,402,938)	230,729,909	3,203,014	(3,201,121)

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

24 Derivative financial instruments, commitments and contingencies (Continued)

(i) Derivative financial instruments (continued)

Fair value hedge

Fair value hedges are used by the Group and the Bank to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank uses interest rate swaps to hedge against interest rate risk of loans, subordinated obligations and negotiable instruments of deposit issued. 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 profit or loss. If the hedge relationship is terminated, the cumulative adjustment to the carrying amount of the hedged item is amortised in the profit or loss 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 profit or loss immediately. For the financial year ended 31 December 2010, the Group and the Bank has derecognised fair value hedged item of RM3,715,293 due to redemption of negotiable instruments of deposit. The Group and the Bank has amortised the cumulative fair value loss of RM30,038,040 and fair value gain of RM137,486 due to redesignation of negotiable instruments of deposits and subordinated obligations.

Included in the net non-interest income (Note 36) is the net losses arising from fair value hedges during the year as follows:

The Group 2010	The Bank 2010
RM'000	RM'000
Loss on hedging instruments(42,417)Loss on the hedged items attributable to the hedged risk(8,222)	(36,299) (16,230)

Net investment hedge

Foreign exchange swaps and non derivative financial liabilities are used to hedge the Group and the Bank'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 profit or loss during the year for the Group and the Bank of RM6,766,962 and RM2,899,374 respectively. No amounts were withdrawn from equity during the financial year as there were no disposal of foreign operations.

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

24 Derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies

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

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

The commitments and contingencies constitute the following:

	The Group		The Bank	
	2010	2009	2010	2009
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
Credit-related				
Direct credit substitutes	2,147,004	1,695,289	1,880,066	1,386,270
Transaction-related contingent items	4,338,700	4,634,554	3,158,201	3,657,150
Short-term self-liquidating trade-related				
contingencies	3,511,093	3,761,011	3,228,857	3,356,089
Obligations under underwriting agreement	235,000	250,000	235,000	250,000
Irrevocable commitments to extend credit :				
- maturity not exceeding one year	33,360,091	34,545,466	31,228,089	32,336,000
- maturity exceeding one year	6,778,212	5,948,048	5,366,611	4,495,174
Forward asset purchase	3,084	52,478	3,084	52,478
Miscellaneous commitments and contingencies	5,908,957	6,210,077 #	1,195,586	4,343,817 #
Total credit-related commitments and contingencies	56,282,141	57,096,923	46,295,494	49,876,978

(Incorporated in Malaysia)

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

24 Derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies (Continued)

	The G	roup	The Bank		
	2010	2009	2010	2009	
	Principal	Principal	Principal	Principal	
	RM'000	RM'000	RM'000	RM'000	
Treasury-related					
Foreign exchange related contracts :					
- less than one year	45,578,346	53,042,013	43,923,081	51,223,368	
- one year to less than 5 years	10,326,952	4,368,956	10,184,529	4,050,389	
- five years and above	3,353,629	1,333,036	3,380,543	1,333,036	
	59,258,927	58,744,005	57,488,153	56,606,793	
Interest rate related contracts :					
- less than one year	55,274,126	91,152,067	55,007,853	91,396,954	
- one year to less than 5 years	103,488,444	63,956,743	101,633,153	61,667,342	
- five years and above	23,566,421	9,592,814	36,668,534	10,982,098	
	182,328,991	164,701,624	193,309,540	164,046,394	
Equity related contracts:					
- less than one year	3,614,590	4,941,677	2,976,850	3,307,970	
- one year to less than 5 years	5,121,016	6,163,741	4,045,536	5,031,764	
- five years and above	2,092,883	870,031	1,586,558	651,426	
	10,828,490	11,975,449	8,608,944	8,991,160	
Other treasury related contracts	31,285,226	16,039,852	-	-	
Total treasury-related commitments and contingencies	283,701,633	251,460,930	259,406,637	229,644,347	
	339,983,774	308,557,853	305,702,131	279,521,325	

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.

The 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.

In 2009, included in miscellaneous commitment and contingencies was a commitment by the Bank to place an additional RM2,250 million with CIMB Islamic in relation to the RPSIA arrangement.

(Incorporated in Malaysia)

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

25 Other liabilities

	The Group		սթ	The Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Interest payable			502 722		475 075
		-	503,733	-	475,975
Due to brokers and clients		39,412	42,860	-	-
Accrued employee benefits	(a)	10,224	10,980	10,127	10,980
Post employment benefit obligations	(b)	153,537	161,150	56,607	62,746
Sundry creditors		589,489	309,822	400,125	273,322
Expenditure payable		970,770	437,740	930,818	431,734
Amount due to special purpose vehicle of					
jointly controlled entity		-	314,360	-	314,360
Insurance fund - general insurance business		-	14,574	-	-
Allowance for commitments and contingencies	(c)	49,208	36,952	33,333	21,000
Provision for legal claims		137,415	212,121	110,563	186,692
Credit card expenditure payable		195,688	99,383	194,244	98,854
Call deposit borrowing		281,833	210,761	281,833	210,761
Others		1,209,886	794,910	713,396	377,394
		3,637,462	3,149,346	2,731,046	2,463,818

(Incorporated in Malaysia)

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

25 Other liabilities (Continued)

(a) Accrued employee benefits

This refers to the accruals for short term employee benefits for leave entitlement. Under their employment contract, employees can earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. Accruals are made for the estimate of liability for unutilised annual leave.

(b) **Post employment benefit obligations**

		The Group		The Bank	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Defined contribution plan – EPF	(i)	15,296	11,332	15,296	11,326
Defined benefit plans	(ii)	138,241	149,818	41,311	51,420
		153,537	161,150	56,607	62,746

(i) Defined contribution plan of the Bank and the Group

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

(ii) Defined benefit plans of the Bank and the Group

CIMB Bank and CIMB Thai Bank operate final salary defined benefit plans for employees, the assets of which are held in separate trustee - administered funds. The latest actuarial valuation of the plans was carried out as at 31 December 2010.

(Incorporated in Malaysia)

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

25 Other liabilities (Continued)

(b) **Post employment benefit obligations (continued)**

(ii) Defined benefit plans of the Bank and the Group (continued)

The amounts recognised in the statements of financial position in respect of defined benefit plans are determined as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Present value of funded obligations	182,436	186,191	182,436	186,191
Present value of unfunded obligations	96,930	98,398	-	-
Fair value of plan assets	(114,679)	(104,644)	(114,679)	(104,644)
Unrecognised actuarial loss	(26,446)	(30,127)	(26,446)	(30,127)
Liability	138,241	149,818	41,311	51,420

The amount recognised in the profit or loss in respect of defined benefit plans are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current service cost	18,576	18,061	12,442	11,927
Interest cost	14,437	13,861	12,094	11,134
Expected return on plan assets	(5,870)	(4,775)	(5,870)	(4,775)
Curtailment (gain)/loss /				
amortisation of unrecognised loss	(15,862)	1,548	(15,862)	1,548
Total included in personnel costs (Note 37)	11,281	28,695	2,804	19,834
amortisation of unrecognised loss		,		,

The actual return on plan assets of the Group and the Bank were RM8,420,164 (2009: RM14,256,741).

(Incorporated in Malaysia)

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

25 Other liabilities (Continued)

(b) **Post employment benefit obligation (continued)**

(ii) Defined benefit plans of the Bank and the Group (continued)

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	284,589	170,709	186,191	170,709
Arising from acquisition of subsidiary	-	89,420	-	-
Current services costs	18,576	18,061	12,442	11,927
Interest costs	14,437	13,861	12,094	11,134
Actuarial losses	2,478	-	2,478	-
Benefits paid	(12,219)	(10,477)	(12,219)	(7,579)
Exchange fluctuation	(9,945)	3,015	-	-
Curtailments	(18,550)	-	(18,550)	-
At 31 December	279,366	284,589	182,436	186,191

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	104,644	83,622	104,644	83,622
Expected return on plan assets	5,870	4,775	5,870	4,775
Actuarial gain	2,550	9,482	2,550	9,482
Employer contributions	7,357	11,402	7,357	11,402
Benefits paid	(5,742)	(4,637)	(5,742)	(4,637)
At 31 December	114,679	104,644	114,679	104,644

To develop the expected long-term rate of return on assets assumption, the Bank 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.

(Incorporated in Malaysia)

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

25 Other liabilities (Continued)

(b) **Post employment benefit obligation (continued)**

(ii) Defined benefit plans of the Bank and the Group (continued)

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

	The Group		The Bank	
	2010	2009	2010	2009
	%	%	%	%
Discount rates	3.00 - 6.60	3.00 - 6.60	6.60	6.60
Expected return on plan assets	5.45	5.45	5.45	5.45
Future salary increases	4.00 - 6.00	4.00 - 6.00 A	6.00	6.00 ^

^ The Bank included a special 8.00% revision for employees in Grade 34, 35 and 36 who are entitled to salary revisions under the Association of Bank Officers in Malaysia and CIMB Executive Staff Union collective agreements for the year 2009 only.

The expected contribution to post employment benefits plan for the financial year ended 31 December 2011 is RMNil (2010: RM20,000,000) to both the Group and the Bank.

	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000
The Group	KIVI 000	KIVI 000	KWI 000		KWI UUU
As at 31 December					
Present value of defined benefit obligation	279,366	284,589	170,709	142,191	136,444
Fair value of plan assets	(114,679)	(104,644)	(83,622)	(89,696)	(70,198)
Deficit	164,687	179,945	87,087	52,495	66,246
Experience adjustments on					
plan liabilities	2,478	-	31,827	2,650	8,232
Experience adjustments on plan assets	2,550	9,482	(21,007)	8,458	(774)
The Bank					
As at 31 December					
Present value of defined benefit obligation	182,436	186,191	170,709	142,191	134,584
Fair value of plan assets	(114,679)	(104,644)	(83,622)	(89,696)	(68,717)
Deficit	67,757	81,547	87,087	52,495	65,867
Experience adjustments on					
plan liabilities	2,478	-	31,827	2,650	8,036
Experience adjustments on plan assets	2,550	9,482	(21,007)	(8,458)	(771)

(Incorporated in Malaysia)

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

25 Other liabilities (Continued)

(c) Allowance for commitments and contingencies

Movement in the allowance for commitments and contingencies are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	36,952	-	21,000	-
Allowance made during the financial year	13,348	21,199	12,333	21,000
Allowance arising from acquisition of subsidiary	-	15,738	-	-
Disposal of subsidiary	(598)	-	-	-
Exchange fluctuation	(494)	15	-	-
At 31 December	49,208	36,952	33,333	21,000

26 Bonds

During the previous financial year, CIMB Bank (L) Limited, a wholly-owned subsidiary of CIMB Bank, has issued a 2 year senior unsecured USD 140 million bonds guaranteed by CIMB Group Holdings Berhad. The USD 140 million bonds were issued at par on 17 April 2009 and mature on 15 April 2011. The USD140 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.

(Incorporated in Malaysia)

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

27 Other borrowings

	The Group		
	2010	2009	
	RM'000	RM'000	
Term loan- USD300 million	925,050	1,027,500	
Other borrowing, at cost	1,092,750	1,092,750	
Exchange difference	(167,700)	(65,250)	
	925,050	1,027,500	

In 2006, CIMB Bank (L) Limited secured a term loan facility amounting to USD300 million which will mature on 22 June 2011. It bears a floating interest rate of LIBOR+0.19% per annum and is secured by a corporate guarantee issued by the Bank.

28 Subordinated obligations

		The Group		The Ba	ink
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Subordinated loans - USD200 million	(a)	-	-	706,879	751,437
Subordinated bonds - RM1.5 billion	(b)	1,506,341	1,516,786	1,506,341	1,516,786
Subordinated bonds - RM1.0 billion	(c)	1,000,000	1,000,000	1,000,000	1,000,000
Subordinated bonds - RM1.0 billion	(d)	947,673	931,582	947,673	931,582
Subordinated notes - USD50 million	(e)	158,387	171,424	-	-
Subordinated notes - USD40 million	(f)	126,237	137,138	-	-
Subordinated notes - THB544 million	(g)	55,932	55,945	-	-
Subordinated notes - THB120 million	(h)	10,308	9,660	-	-
Subordinated Sukuk - RM300 million	(i)	295,203	284,181	-	-
Subordinated notes - RM1 billion	(j)	999,414	-	999,414	-
Subordinated notes - RM1 billion	(j)	998,774	-	998,774	-
		6,098,269	4,106,716	6,159,081	4,199,805

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

(a) The USD200 million 6.62% subordinated loans of the Bank were obtained from SBB Capital Corporation ("SCC") from the net proceeds that SCC raised through the issuance of SCC Preference Shares. The loans bear interest at a rate of 6.62% per annum payable semi-annually in arrears on 2 May and 2 November up to and including 2 November 2015. Thereafter, interest 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. The subordinated loans will mature on 2 November 2055. The USD200 million subordinated loans qualify as Tier-1 Capital for the purpose of the RWCR computation.

The Bank has undertaken fair value hedge on the interest rate risk of the USD200 million subordinated loans using interest rate swaps.

	The Bank		
	2010 20		
	RM'000	RM'000	
Subordinated notes, 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	

The fair value gain of interest rate swaps as at 31 December 2010 were RM91,504,709 (2009: RM78,314,282).

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

(b) The RM1.5 billion 10-year subordinated bonds ("the RM1.5 billion Bonds") were issued by the 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.

The 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.

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

	The Group and The Bank		
	2010 20		
	RM'000	RM'000	
Subordinated notes, 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).

(c) The RM1.0 billion subordinated bonds ("the RM1.0 billion Bonds") were issued at par on 7 October 2008 under the Innovative Tier-1 Capital Securities Programme 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 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%.

The 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.

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

- (d) The RM1.0 billion subordinated bonds ("the Bonds") is part of the Non-Innovative Tier 1 Stapled Securities Issuance Programme which was approved by the Securities Commission on 17 December 2008. Under the programme, the 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 the Bank; and
 - (ii) Subordinated Notes issued by Commerce Returns Berhad, a wholly-owned subsidiary of the 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, the 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.

The 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 and The Bank		
	2010 20		
	RM'000	RM'000	
Subordinated notes, 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 RM 55,049,856 (2009: RM71,803,319).

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

(e) 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.

(f) 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

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

- (g) 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") has 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.
- (h) On 31 August 2009, BT Securities Company Limited, a subsidiary of CIMB Thai Bank, issued 120,000 unit 5-year Unsecured Zero-Coupon Subordinated Debentures ("the THB120 million Notes") at a price of THB783.5262 per unit. The THB120 million Notes bear no interest.

The THB120 million Notes will mature on 31 August 2014.

(i) 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 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.

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

(j) The 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.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts (maturity of 10 years) and RM800 million of the RM1.0 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 and The Bank		
	2010 20		
	RM'000	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 were RM3,113,966 (2009: RMNil).

(Incorporated in Malaysia)

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

28 Subordinated obligations (Continued)

Subordinated debts with maturity of 15 years

	The Group and The Bank		
	2010 20		
	RM'000	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 were RM8,039,903 (2009: RMNil).

(Incorporated in Malaysia)

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

29 Redeemable preference shares

(a)

	The Group	
	2010	2009
	RM'000	RM'000
Authorised		
Redeemable preference shares of USD0.01 each		
At 1 January/31December	8	8
	The Gro	սր
	2010	2009
	RM'000	RM'000
Issued and fully paid		
Redeemable preference shares of USD0.01 each		
Non-cumulative guaranteed preference shares	706,879	751,437
	The Gro	oup
	2010	2009
	RM'000	RM'000
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

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 the 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 Bank Negara Malaysia, 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.

(Incorporated in Malaysia)

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

29 Redeemable preference shares (Continued)

(iv) The SCC Preference Shares are guaranteed by the Bank on a subordinated basis. If the SCC Preference shares have not been redeemed in full on or prior to 2 November 2055, the Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by the Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatorily 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)

	The Group and The Bank		
	2010	2009	
	RM'000	RM'000	
Authorised			
Redeemable preference shares of RM0.01 each			
At 1 January/31December	50,000	50,000	
	The Group and 7	The Bank	
	2010	2009	
	RM'000	RM'000	
Issued and fully paid			
Redeemable preference shares of RM0.01 each			
Redeemable preference shares (equity)	29,740	29,740	

(Incorporated in Malaysia)

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

29 Redeemable preference shares (Continued)

On 30 January 2008, the Bank issued 2,974,009,486 RPS of nominal value RM0.01 each to the Bank's minority shareholders and to CIMB Group at an issue price of RM1.00 each, which was approved by the shareholders via an Extraordinary General Meeting on the same date.

The main features of the RPS are as follows:

- (i) The RPS will rank equal in all respects with each other and senior to ordinary shares.
- (ii) The RPS will be fully paid-up upon issue and allotment.
- (ii) The RPS will not carry any fixed dividend but ranks the most senior in terms of dividend distribution.
- (iii) The RPS will not carry any voting rights.
- (iv) The RPS will only be redeemable, subject to BNM's approval, at the option of the Bank.
- (v) The RPS will not be convertible.
- (vi) The RPS will not be earmarked to any particular assets or banking activities.
- (vii) The RPS will not represent any fixed charge on the earnings of the Bank.

(Incorporated in Malaysia)

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

30 Ordinary share capital

	The Group and The Bank		
	2010	2009	
	RM'000	RM'000	
Authorised			
Ordinary shares of RM1.00 each:			
At 1 January/31 December	7,000,000	7,000,000	
	The Group and		
	2010	2009	
	RM'000	RM'000	
Issued and fully paid			
Ordinary shares of RM1.00 each:			
At 1 January	3,764,469	2,974,009	
Issued during the financial year	-	123,460	
Conversion of ICULS	<u> </u>	667,000	
At 31 December	3,764,469	3,764,469	

31 Perpetual preference shares

	The Group and The Bank		
	2010	2009	
	RM'000	RM'000	
Authorised			
Perpetual preference shares of RM1.00 each:			
At 1 January/31 December	500,000	500,000	
	The Group and	The Bank	
	2010	2009	
	RM'000	RM'000	
Issued and fully paid			
Perpetual preference shares of RM1.00 each:			
At 1 January/31 December	200,000	200,000	
	200,000	200,000	

The main features of the PPS are as follows:

- (a) The PPS have no right to dividends.
- (b) In the event of liquidation, dissolution or winding-up of the 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 the Bank.
- (c) The PPS rank pari passu in all aspects among themselves.
- (d) The 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.

(Incorporated in Malaysia)

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

32 Reserves

- (a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.
- (b) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). Companies with Section 108 tax credit balance are given an option to move to single tier system immediately or allowed to use Section 108 credit balance for purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during the transitional period of 6 years until 31 December 2013. As at 31 December 2010, the Bank has sufficient credit in the Section 108 balance to pay franked dividends of RM1,533,304,000 (2009: 2,504,991,000) and sufficient tax exempt account balances of RM10,742,000 (2009: 367,439,000) to pay tax exempt dividends.
- (c) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiaries and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (d) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the 'pooling-of-interests'/merger accounting method in financial year 2006.
- (e) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

(Incorporated in Malaysia)

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

32 Reserves (Continued)

- (f) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (g) Hedging reserve arise from net investment hedge activities undertaken by the Bank 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.
- (h) Regulatory reserve 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.

33 Share premium

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Relating to				
- Ordinary shares	5,033,633	5,033,633	5,033,633	5,033,633
At 1 January	5,033,633	4,157,074	5,033,633	4,157,074
Issued during the financial year	-	876,559	-	876,559
At 31 December	5,033,633	5,033,633	5,033,633	5,033,633

(Incorporated in Malaysia)

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

34 Interest income

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income other than recoveries	5,101,964	5,275,275	4,435,559	4,451,354
- recoveries from impaired/non-performing				
loans and advances	11,591	240,700	-	231,055
- unwinding income^	117,118	-	96,709	-
Money at call and deposits with financial				
institutions	379,253	295,361	662,144	396,531
Reverse repurchase agreements	73,735	111,861	62,442	69,898
Financial assets held for trading	146,889	143,404	129,263	130,836
Financial investments available-for- sale	310,994	313,038	300,571	287,388
Financial investments held-to-maturity	540,221	606,598	495,982	442,517
Others	34,192	255	35,805	44
	6,715,957	6,986,492	6,218,475	6,009,623
Net accretion of discount less amortisation of				
premium	186,757	131,747	201,112	110,130
Net interest suspended	-	(159,691)	-	(141,970)
	6,902,714	6,958,548	6,419,587	5,977,783

^ Unwinding income is interest income earned on impaired financial assets

35 Interest expense

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other				
financial institutions	104,848	124,744	111,980	105,627
Deposits from other customers	2,161,147	2,098,004	2,036,919	1,817,620
Repurchase agreements	569	947	192	45
Loans sold to Cagamas	8,974	26,575	8,974	26,575
Negotiable certificates of deposits	152,066	133,456	136,522	133,084
ICULS	3,682	71,855	3,682	71,855
Redeemable preference shares	42,646	44,140	-	-
Subordinated obligations	176,838	227,270	205,773	239,706
Others	18,578	2,648	-	-
	2,669,348	2,729,639	2,504,042	2,394,512

(Incorporated in Malaysia)

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

36 Net-non-interest income

	The Group		The H	The Bank	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Net fee and commission income					
Commissions	137,887	144,423	133,376	135,648	
Fee on loans and advances	314,103	352,247	286,672	299,765	
Service charges and fees	210,552	199,045	160,452	156,914	
Guarantee fees	48,624	56,775	38,593	48,492	
Other fee income	373,491	261,413	340,078	231,406	
Fee and commission income	1,084,657	1,013,903	959,171	872,225	
Fee and commission expense	(224,535)	(186,178)	(224,535)	(186,178)	
Net fee and commission income	860,122	827,725	734,636	686,047	
Gross dividend income from:					
In Malaysia					
Subsidiaries	-	-	82,744	178,341	
Financial assets held for trading	16,794	15,035	16,794	14,961	
Financial investments available-for- sale	10,449	11,431	10,449	11,431	
Financial investments held-to-maturity	77	-	-	-	
	27,320	26,466	109,987	204,733	
Outside Malaysia					
Financial assets held for trading	121	22	-	-	
Financial investments available-for- sale	20,547	16,177	-	-	
	20,668	16,199	-	-	
Net gain/(loss) arising from financial assets					
held for trading	(1.020	124.040	41 (11	115.004	
- realised	41,232	124,048	41,611	115,824	
- unrealised	(39,690)	122,892	(36,275)	95,364	
	1,542	246,940	5,336	211,188	
Net loss arising from hedging					
derivatives	(62,569)	(5,132)	(61,470)	(8,162)	
Net gain/(loss) arising from derivative					
financial instruments					
- realised	(116,059)	502,997	(43,333)	536,481	
- unrealised	42,199	(339,495)	49,211	(337,782)	
	(73,860)	163,502	5,878	198,699	
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(Incorporated in Malaysia)

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

36 Net non-interest income (Continued)

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Net gain from sale of financial investments available-for-sale	69,978	117,092	36,090	47,830
Net gain from sale of financial investments held-to-maturity	104,278	24,505	104,278	2,790
Brokerage income	24,269	15,839	-	-
Other non-interest income				
Foreign exchange gain	534,544	237,807	510,873	194,487
Rental income	17,676	17,481	11,790	10,708
Gain on disposal of property, plant and				
equipment/assets held for sale	178,160	20,080	145,685	24,484
Gain on disposal of investment properties	1,258	-	-	-
(Loss)/gain on disposal of foreclosed properties	(325)	(8,120)	459	-
Gain on disposal of leased assets	511	250	-	-
Gain on disposal of subsidiaries	15,349	-	-	-
Gain on disposal of certain assets and liabilities				
of subsidiary	-	30,000	-	-
Gain on disposal of associate	2,265	-	-	-
Gain from insurance business	11,607	12,403	-	-
Gain/(loss) on revaluation of investment properties	8,632	(3,678)	8,632	(3,300)
Capital gain from capital repayment of subsidiary	-	-	4,956	-
Gain on disposal of impaired loans	10,721	-	-	-
Others	84,274	72,873	73,634	49,172
	864,672	379,096	756,029	275,551
	1,836,420	1,812,232	1,690,764	1,618,676

(Incorporated in Malaysia)

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

37 Overheads

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	1,601,854	1,349,982	1,277,007	1,074,749
- Pension cost (defined contribution plan)	139,042	125,023	128,326	115,338
- Pension cost (defined benefit plan) (Note 25(b)(ii))	11,281	28,695	2,804	19,834
- Termination benefits	-	(748)	-	(405)
- Overtime	17,840	20,355	12,439	13,816
- Staff incentives and other staff payments	111,829	115,687	109,027	102,863
- Medical expenses	57,390	46,088	52,351	41,524
- Others	177,332	137,663	73,629	51,640
	2,116,568	1,822,745	1,655,583	1,419,359
Establishment costs				
- Depreciation of property, plant and equipment	212,049	190,798	167,162	143,578
- Amortisation of prepaid lease payments	340	458	-	-
- Impairment of prepaid lease payments	-	427	-	-
- Rental	186,571	165,960	145,185	125,041
- Repairs and maintenance	191,631	140,435	173,184	121,150
- Outsourced services	143,228	145,176	256,191	246,524
- Security expenses	90,233	77,257	101,189	85,833
- Utility expenses	42,221	45,775	33,685	36,094
- Others	70,600	83,839	19,774	41,378
	936,873	850,125	896,370	799,598
Marketing expenses				
- Sales commission	19,629	44,362	3,559	3,226
- Advertisement	143,806	101,694	129,865	85,994
- Legal fees reversed	-	(8,449)	-	(8,449)
- Others	82,738	22,467	59,184	9,631
	246,173	160,074	192,608	90,402
Administration and general expenses				
- Communication	53,440	41,113	47,048	33,759
- Consultancy and professional fees	46,090	55,054	38,047	47,786
- Legal expenses	54,648	63,588	45,928	56,662
- Stationery	41,385	51,169	32,700	40,029
- Amortisation of intangible assets	131,247	117,971	112,575	103,054
- Impairment of intangible assets	-	1,955	-	-
- Postages	42,908	36,593	39,126	32,732
- Administrative travelling and vehicle expenses	32,156	25,234	22,138	16,713
- Incidental expenses on banking operations	59,070	72,437	38,907	42,452
- Insurance	71,398	74,153	31,047	12,115
- Others	142,716	155,649	31,159	94,334
	675,058	694,916	438,675	479,636
	3,974,672	3,527,860	3,183,236	2,788,995

(Incorporated in Malaysia)

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

37 Overheads (Continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (excluding				
benefits-in-kind) (Note 41)	5,070	3,505	4,700	3,177
Hire of equipment	4,605	4,712	3,529	4,160
Lease rental	3,890	1,618	3,890	1,618
PwC Malaysia (audit)				
- statutory audit	2,282	1,795	1,927	1,423
- limited review	933	625	853	550
- other audit related	455	595	380	495
PwC Malaysia (non audit)	819	859	699	246
Other member firms of PWC International				
Limited (audit)				
- statutory audit	1,135	423	540	416
- limited review	288	-	-	-
- other audit related	421	-	-	-
Other member firms of PWC International				
Limited (non audit)	142	421	61	121
Property, plant and equipment written-off	200	4,273	200	4,226

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

(Incorporated in Malaysia)

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

38 Allowances for impairment losses on loans, advances and financing

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing				
Made during the financial year				
- Individual impairment allowance	25,391	-	97,731	-
- Specific allowance	-	1,151,600	-	865,844
Made during the financial year				
- Portfolio impairment allowance	603,725	-	372,183	-
Written back during the financial year				
- General allowance	-	(120,118)	-	(189,482)
Impaired loans and financing/bad debts on loans and financing				
- recovered	(336,322)	(366,849)	(195,828)	(287,989)
- written off	30,683	15,601	1,347	12,113
	323,477	680,234	275,433	400,486

During the financial year ended 31 December 2009, the Group and the Bank 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 for the Group and RM98,341,650 made for the Bank.

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

(Incorporated in Malaysia)

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

39 (Write-back of)/allowance for other impairment losses

		The Group		The Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale					
- made during the financial year		3,640	1,592	- [-
- written back during the financial year		(12,891)	(17,767)	(12,891)	(17,767)
		(9,251)	(16,175)	(12,891)	(17,767)
Financial investments held-to-maturity					
- made during the financial year		-	53,954	-	46,825
- written back during the financial year		(587)	(29,248)	-	(6,867)
		(587)	24,706	-	39,958
Goodwill					
- made during the financial year	(a)	-	4,000	-	39,000
Subsidiaries					
- written back during the financial year	(b)	-	-	(206,473)	-
Jointly controlled entity					
- written back during the financial year		(552)		(552)	-
		(10,390)	12,531	(219,916)	61,191

- (a) During the previous financial year, the Bank impaired the goodwill allocated to BHLB Trustee amounting to RM4 million and goodwill allocated to SIBB amounting to RM35 million.
- (b) The write-back of allowance for impairment losses on the Bank's certain subsidiaries was due to the recoverable amounts were higher than the cost of investment of these subsidiaries.

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances

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

Related parties

CIMB Group Holdings Berhad CIMB Group Sdn Bhd Subsidiaries of the Bank as disclosed in Note 11 CIMB Investment Bank Berhad SBB Berhad PT Bank CIMB Niaga Tbk and Group Proton Commerce Sdn Bhd Commerce International Group Berhad and Group Commerce Asset Ventures Sdn Bhd and Group Commerce Asset Realty Sdn Bhd Commerce MGI Sdn Bhd Key management personnel

Relationship

Ultimate holding company Holding company Subsidiaries Subsidiary of holding company Subsidiary of ultimate holding company Subsidiary of holding company Jointly controlled entity Subsidiary of holding company Subsidiary of holding company Subsidiary of ultimate holding company Subsidiary of ultimate holding company Subsidiary of ultimate holding company 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 Bank either directly or indirectly. The key management personnel of the Group and the Bank include all the Directors of the Bank and employees of the Bank who make certain critical decisions in relation to the strategic direction of the Bank.

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances (Continued)

(b) Related party transactions

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

Interest on deposits and placements with financial institutions $60,544$ $291,122$ $66,284$ - Interest on loans, advances and financing $-21,166$ - 88 Interest on subordinated bonds and financing $3,576$ - $5,123$ - Others $5,126$ $57,384$ $10,991$ 1 Expenditure Interest on deposits from customers and repurchase agreement $9,340$ - 698 Interest on deposits and placements of banks and other financial institutions $-20,560$ $40,504$ - Interest on subordinated bonds Interest on subordinated bonds $-72,000$ $147,383$ - Interest on ICULS $-3,682$ - 2009 Income Interest on deposits and placements with financial institutions $81,170$ $107,683$ $25,755$ - Interest on loans, advances and financing $-18,282$ - 130 Others 75 $64,499$ - Expenditure Interest on deposits from customers and repurchase agreement $11,177$ - 192 99 Interest on deposits from customers and repurchase agreement $11,177$ - 192 99 Interest on deposits and placements of banks and other financial institutions $-17,140$ $33,614$ - Interest on ICULS $25,902$ - Rental of premises $1,485$ - Others 75 $176,552$ 17 -	2010 Income	Holding & Ultimate Holding Company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
financial institutions $60,544$ $291,122$ $66,284$ -Interest on loans, advances- $21,166$ - 88 Interest on subordinated bonds3,576- $5,123$ -Others $5,126$ $57,384$ $10,991$ 1Expenditure 698 Interest on deposits from customers and repurchase agreement9,340 698 Interest on deposits and placements of banks and other financial institutions-20,560 $40,504$ -Interest on subordinated bonds $3,682$ -Interest on subordinated bonds $3,682$ -Interest on ICULS $3,682$ -Colors-44,812145,085-Interest on loans, advances18,282-and financing-18,282-130Others7564,499Expenditure1300Interest on deposits from customers and repurchase agreement-11,177-19299Interest on deposits from customers and repurchase agreement-17,14033,614-Interest on deposits from customers and repurchase agreementInterest on deposits from customers and repurchase agreementInterest on deposits from customers and repurchase agreementInterest on dep					
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Rental of premises 1,485		25,902	-	-	-
		,	-	-	-
			176,552	17	-

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances (Continued)

(c) Related party balances

	Holding &			
	Ultimate		Other	Key
	Holding		related	management
	Company	Subsidiaries	companies	personnel
2010	RM'000	RM'000	RM'000	- RM'000
Amounts due from				
Current accounts, deposits and placements				
with banks and other financial institutions	-	9,756,248	1,134,101	-
Loans, advances and financing	1,139,040	171,069	228,925	3,114
Derivatives	-	91,137	-	-
Investments securities	79,238	261,670	24,715	
Others	-	184,444	2,754	-
Amounts due to				
Deposits from customers and repurchase agreement	112,690	131,984	1,859,591	76,000
Deposits and placements of banks and other	112,090	151,904	1,057,571	70,000
financial institutions	501,760	5,426,642	517,752	-
Derivatives	201,700	28,335	• • • • •	
Subordinated debt	_	-	5,398,057	
Others	3,697	65,362	45,617	_
Ollers	3,077	05,502	43,017	-
Commitment and contingencies				
Cross currency interest rate swaps	-	198,559	-	-
Foreign exchange related contracts	-	-	10	-
Equity related cotracts	-	-	45	-
Interest rate related contracts	-	6,225,214	-	-
2009				
Amounts due from				
Current accounts, deposits and placements				
with banks and other financial institutions	-	7,749,495	2,668,648	-
Loans, advances and financing	1,875,131	655,456	45,113	4,265
Derivatives	-	74,306	-	-
Others	83	168,384	16,861	-
Amounts due to				
Deposits from customers and repurchase agreement	35,597	112,375	3,910,140	18,083
Deposits and placements of banks and other				
financial institutions	622,424	4,540,545	1,044,799	-
Derivatives	85,243	33,587	-	-
Subordinated obligations	-	-	60,347	-
Others	103,744	209,913	413,941	12
Commitment and contingencies				
Commitment and contingencies Foreign exchange related contracts	-	241,387	-	-

Other related party balances are unsecured, non-interest bearing and has no fixed repayment terms.

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances (Continued)

(c) Related party balances (continued)

Other than the disclosure above, during the previous financial year, CIMB Investment Bank had transferred their investment in CIMB Principal Institutional Bond Fund amounting to RM583,505,000 to the Bank.

(d) Key management personnel

Key management compensation

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	85,338	57,814	52,497	38,793
Share options balance of ultimate holding company	Unit 19,703,060	Unit 14,636,200	Unit 8,889,920	Unit 10,890,000

Included in the above is the Executive Directors' compensation which is disclosed in Note 43. The share options are granted on the same terms and condition as those offered to other employees of the Group and the Bank.

There were no loans, advances and financing granted to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances / specific allowances were required in 2010 and 2009 for loans, advances and financing made to the key management personnel.

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances (Continued)

(e) Management Equity Scheme ("MES")

The MES were granted to eligible senior management of the Bank as part of the performance linked compensation scheme by a substantial shareholder of CIMB Group. The scheme was initially launched in 1 March 2004 at CIMB Group level and in November 2007, both the Nomination and Remuneration Committee of CIMB Group approved amendments to the terms which provides for the inclusion of the senior management of CIMB Group in the MES.

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

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

Subsequent to the bonus issue undertaken by CIMB Group during the current financial year, the number of entitlements had increased by 16,238,463 units and 15,151,906 units for the Group and the Bank respectively. The reference price was revised from RM3.48 each to RM1.74 each effective 24 May 2010.

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

	The Group		The Bank	
	2010	2009	2010	2009
	'000	'000	'000	'000'
Number of options:				
- Granted during the financial year (units)	8,125	824	7,472	770
- As at 31 December (units)	25,988	1,201	23,996	386

(Incorporated in Malaysia)

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

40 Significant related party transactions and balances (Continued)

(f) Credit transactions and exposures with connected parties

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties Percentage of outstanding credit exposures to connected parties as a proportion of total	14,793,893	6,921,854	14,112,120	6,508,435
credit exposures Percentage of outstanding credit exposures with	7.3%	4.7%	8.3%	5.2%
connected parties which is non-performing or in default	0.0%	0.0%	0.0%	0.0%

(Incorporated in Malaysia)

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

41 Directors' remuneration

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

Non-Executive Directors

Tan Sri Dato'Seri Haidar bin Mohamed Nor Dato' Sri Mohamed Nazir bin Abdul Razak Tan Sri G.K. Rama Iyer Dato' Zainal Abidin bin Putih Dato' Seri Yeap Leong Huat Dato' Dr. Mohamad Zawawi bin Ismail Datuk Dr. Syed Muhamad bin Syed Abdul Kadir Dato' Mohd Shukri bin Hussin

Executive Directors

Dato' Dr. Gan Wee Beng Dato' Sulaiman bin Mohd Tahir

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

	The Group		The Ban	k
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- Salary and other remuneration	1,555	1,353	1,555	1,353
- Bonus	2,163	668	2,163	668
- Benefits-in-kind	443	168	443	168
Non-Executive Directors				
- Fees	286	294	190	204
- Other remuneration	1,066	1,190	792	952
- Benefits-in-kind	41	51	35	42
	5,554	3,724	5,178	3,387

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

(Incorporated in Malaysia)

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

41 Directors' remuneration (Continued)

The functions and responsibilities of the CEO are carried out on a Group basis.

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

	The Gro	up	The Ba	nk
	2010	2009	2010	2009
	Number of	Number of	Number of	Number of
	directors	directors	directors	directors
Executive Directors				
RM50,001 - RM200,000	-	1	-	1
RM450,001 - RM700,000	-	1	-	1
RM700,001 - RM750,000	-	-	-	-
RM750,001 - RM1,500,000	-	1	-	1
RM1,500,001 - RM2,500,000	2	-	2	-
	The Group		The Bank	
	2010	2009	2010	2009
	Number of	Number of	Number of	Number of
	directors	directors	directors	directors
Non-Executive Directors				
RM50,000 and below	2	2	2	2
RM50,001 - RM100,000	-	-	1	-
RM100,001 - RM150,000	2	1	1	2
RM150,001 - RM200,000	1	2	3	2
RM200,001 - RM250,000	1	1	-	1
RM250,001 - RM300,000	-	-	1	-
RM300,001 - RM350,000	1	1	-	1
RM400,001 - RM550,000	1	1	<u> </u>	-

(Incorporated in Malaysia)

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

42 Taxation and zakat

	The Gro	up	The Ba	nk
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	302,762	550,008	221,491	476,238
- Foreign tax	(5,910)	12,617	(6,817)	6,972
Deferred taxation (Note 9)	305,749	(20,562)	247,992	3,328
Over accrual in prior years	(8,719)	(20,331)	(9,354)	(18,542)
	593,882	521,732	453,312	467,996
Zakat	-	6,421	-	-
—	593,882	528,153	453,312	467,996
Reconciliation between tax expense and				
the Malaysian tax rate				
Profit before taxation and zakat	2,972,776	2,545,069	2,365,868	1,937,069
Tax calculated at a rate of 25% (2009: 25%) - different tax rates in Labuan and	743,194	636,267	591,467	484,267
other countries	(111,020)	(55,011)	(78,214)	16,355
- expenses not deductible for tax purposes	109,760	65,844	48,184	56,516
- income not subject to tax	(102,310)	(102,635)	(98,771)	(70,600)
- utilisation of previously unrecognised				
tax losses	(37,023)	(2,402)	-	-
- over accrual in prior years	(8,719)	(20,331)	(9,354)	(18,542)
Tax expense	593,882	521,732	453,312	467,996

(Incorporated in Malaysia)

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

43 Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM2,370,684,000 (2009: RM1,993,868,000). For the Bank, the basic earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM1,912,556,000 (2009: RM1,469,073,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 3,764,469,000 (2009: 3,703,249,000) is used for the computation.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2010 and 31 December 2009.

(Incorporated in Malaysia)

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

44 Dividends

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

		2010			2009	
Dividends recognised as distributions to equity holders:	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000
<u>Interim dividend</u> Per redeemable preference shares Per redeemable preference shares - tax exempt	4.11 8.32	3.08 8.32	91,688 247,395	-	-	-
<u>Special dividend</u> Per redeemable preference shares Per redeemable preference shares - tax exempt	39.45 4.04	29.59 4.04	880,000 120,000	-	-	-
Interim special dividend Per redeemable preference shares	55.92	45.03	1,339,083	6.72 6.72	<u>5.04</u> 5.04	150,000 150,000

The Directors have proposed a second interim gross dividend of approximately 26.94 sen per share less 25% income tax on 2,974,009,486 Redeemable Preference Shares of RM0.01 each, amounting to RM600,903,000. The second interim dividend was approved by the Board of Directors in a resolution dated 28 January 2011.

The Directors do not recommend the payment of any final dividend on ordinary shares or redeemable preference shares for the financial year ended 31 December 2010.

(Incorporated in Malaysia)

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

45 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable longterm commitments, net of sub-leases, is as follows:

	The Gro	oup	The Bar	ık
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Within one year	100,231	102,814	98,735	101,318
One year to less than five years	157,010	158,406	150,579	152,125
Five years and more	142,139	173,577	134,900	164,693

46 Capital commitments

	The Gro	oup	The Bar	nk
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
- authorised and contracted for	164,080	65,768	164,080	65,768
- authorised but not contracted for	1,026,003	647,298	1,022,434	633,982
At 31 December	1,190,083	713,066	1,186,514	699,750

These capital commitments are for acquisition of property, plant and equipment of RM721,670,000 (2009: RM245,746,000) and for computer software of RM468,413,000 (2009: RM467,320,000).

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

47 Capital adequacy

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

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

The capital adequacy ratios of the 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 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 capital adequacy ratio of CIMB Thai Bank remained unchanged based on guidelines issued by Bank of Thailand where 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 computed based on National Bank of Cambodia's requirements.

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

The comparative capital adequacy ratios for CIMB Bank and CIMB Islamic Bank for 31 December 2009 is based on Bank Negara Malaysia Guidelines on Risk Weighted Capital Adequacy Farmenwotk 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 and the Bank as at 31 December 2010. The Group and the Bank 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.

(Incorporated in Malaysia)

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

47 Capital adequacy (Continued)

31 December 2010

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

	The Group	The Bank*
Before deducting proposed dividends		
Core capital ratio	11.89%	14.47%
Risk-weighted capital ratio	15.37%	15.36%
After deducting proposed dividends		
Core capital ratio	11.42%	13.90%
Risk-weighted capital ratio	14.89%	14.80%

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

	The Group	The Bank*
	RM'000	RM'000
Credit risk	104,892,665	87,236,173
Market risk	9,658,308	9,176,183
Large exposure risk requirements	360,424	360,424
Operational risk	11,242,737	9,604,531
Total risk-weighted assets	126,154,134	106,377,311

(Incorporated in Malaysia)

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

47 Capital adequacy (Continued)

31 December 2010 (Continued)

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

	The Group RM'000	The Bank* RM'000
Tier I		
Paid-up capital	3,764,469	3,764,469
Perpetual preference shares	200,000	200,000
Non-innovative Tier I Capital	1,000,000	1,000,000
Innovative Tier I Capital	1,616,700	1,616,700
Other reserves	13,085,117	12,385,045
Minority interest	260,586	-
Less:		
Deferred tax assets	-	(22,096)
Goodwill	(4,923,428)	(3,555,075)
Total Tier I capital	15,003,444	15,389,043
Tier II capital		
Subordinated notes	3,936,919	3,500,000
Redeemable preference shares	29,740	29,740
Regulatory reserve	117,595	110,190
Portfolio impairment allowance ^	381,876	221,940
Surplus of total eligible provision over expected loss		
under the IRB approach	409,200	404,989
Total eligible Tier II capital	4,875,330	4,266,859
Less:		
Investment in subsidiaries	(175,352)	(2,998,050)
Securitisation exposures subject to deductions^^	(70,116)	(70,116)
Investment in associates	(245,134)	(245,134)
Holding of other banking institutions' capital instruments	(2,842)	(2,842)
Total Eligible Tier II capital	4,381,886	950,717
Total capital base	19,385,330	16,339,760

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

47 Capital adequacy (Continued)

31 December 2010 (Continued)

- (c) Components of Tier I and Tier II capitals for the financial year ended 31 December 2010 are as follows (Continued):
 - ^ The capital base of the Group and the Bank as at 31 December 2010 has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM495,950,492 and RM476,240,986 respectively.
 - In the previous financial year, the 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.

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

47 Capital adequacy (Continued)

31 December 2010 (Continued)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	CIMB Islamic	CIMB Thai	CIMB Bank
	Bank**	Bank***	PLC****
Core capital ratio	13.24%	9.04%	N/A
Risk-weighted capital ratio	17.21%	14.69%	636.20%

- * Includes the operations of CIMB Bank (L) Limited.
- ** The capital adequacy ratios of CIMB Islamic Bank are computed in accordance with BNM Guidelines on Risk Weighted Capital Adequacy Framework: Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.
- *** The capital adequacy ratios of CIMB Thai is based on Bank of Thailand requirements and are computed in accordance with Standardised Approach (SA approach). The approach for Credit Risk and Market Risk is Standardised Approach (SA) while Operational Risk is based on Basic Indicator Approach.
- **** The amount presented here is the Solvency Ratio of CIMB Bank PLC, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank PLC's net worth divided by its risk-weighted assets.

CIMB Bank Berhad

(Incorporated in Malaysia)

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

47 Capital adequacy (Continued)

<u>31 December 2009</u>

(f) The capital adequacy ratios of CIMB Bank, CIMB Islamic Bank and CIMB Thai Bank are as follows:

		CIMB	CIMB Thai
	The Bank*	Islamic Bank	Bank**
	2009	2009	2009
	RM'000	RM'000	RM'000
Tier I capital	14,874,153	690,239	640,167
Eligible Tier II capital	2,868,642	458,004	640,167
	17,742,795	1,148,243	1,280,334
Less:			
Investment in subsidiaries and holding of other banking institution's capital	(2,618,131)	-	-
Capital base	15,124,664	1,148,243	1,280,334
Core capital ratio	14.81%	6.82%	6.00%
Risk-weighted capital ratio	15.06%	11.34%	11.99%

CIMB Bank Berhad

(Incorporated in Malaysia)

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

47 Capital adequacy (Continued)

31 December 2009 (Continued)

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

	The Bank*	CIMB Islamic Bank	CIMB Thai Bank**
	RM'000	RM'000	RM'000
Tier I capital			
Paid-up share capital	3,764,466	550,000	685,791
Perpetual preference shares	200,000	70,000	-
Non-innovative Tier I capital	1,000,000	-	-
Innovative Tier I capital	1,685,000	-	-
Other reserves	12,061,642	250,864	(45,624)
	18,711,108	870,864	640,167
Less:			
Deferred tax assets	(281,880)	(44,625)	-
Goodwill	(3,555,075)	(136,000)	-
Total Tier I capital	14,874,153	690,239	640,167
Tier II capital			
Subordinated notes	1,500,000	300,000	568,134
Redeemable preference shares	29,740	-	1,693
Revaluation reserve	-	-	47,118
General allowance for bad and doubtful			
debts and financing	1,338,902	158,004	23,222
Total Eligible Tier II capital	2,868,642	458,004	640,167
Add/(less):			
(i) Investment in subsidiaries	(2,287,602)	-	-
(ii) Investment in joint venture [^]	(72,608)	-	-
(iii) Investment in associate	(245,034)	-	-
(iv) Holding of other banking institutions' capital instruments	(12,887)	-	-
	15,124,664	1,148,243	1,280,334

CIMB Bank Berhad

(Incorporated in Malaysia)

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

47 Capital adequacy (Continued)

31 December 2009 (Continued)

(h) Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	The Ba	nnk * Risk-weighted	CIMB Islan	nic Bank Risk-	CIMB Tha	i Bank** Risk-weighted
	Principal RM'000	RM'000	Principal RM'000	weighted RM'000	Principal RM'000	RM'000
		KIM 000		KIVI 000		KM 000
0%	30,359,481	-	6,554,422	-	5,174,033	-
10%	24,173	2,417	-	-	-	-
20%	21,909,123	4,381,825	2,070,774	414,155	822,660	164,532
35%	-	-	-	-	1,064,206	372,472
50%	22,437,082	11,218,541	3,068,223	1,534,112	358,716	179,358
75%	-	-	-	-	1,690,677	1,268,008
100%#	79,804,879	79,804,879	7,628,648	7,628,648	7,181,200	7,181,200
150%				-	360,587	540,881
Total risk-weighted assets for credit risks	154,534,738	95,407,662	19,322,067	9,576,915	16,652,079	9,706,451
Risk-weighted assets for market risk	4,834,636	4,834,636	548,828	548,828	123,231	123,231
Risk-weighted assets for large exposure						
risk requirements	193,983	193,983	-	-	848,117	848,117
Total risk-weighted assets	159,563,357	100,436,281	19,870,895	10,125,743	17,623,427	10,677,799

* Includes the operations of CIMB Bank (L) Limited and CIMB (L) Limited.

** Computation is based on Bank of Thailand requirements

In accordance with a circular by Bank Negara Malaysia ("BNM") dated 25 April 2006, the Bank is 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 BNM guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent ('PSIA Guidelines'), the credit and market risks on the assets funded by the PSIA are included in the risk weighted capital ('RWCR') calculation, where a 100% risk weight is assigned.

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

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

48 Significant events during the financial year

(a) 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"), 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 53(a)(i) for the effects of the disposal on the Financial Statements of the Group.

(b) Issuance of additional new ordinary shares by CIMB Islamic

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 the Bank.

(d) CIMB Thai Rights Issue

CIMB Thai 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.

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

CIMB Thai had on 15 March 2010 entered into a sale and purchase agreement with Ayudhya Insurance Public Company Limited ("SPA") for the divestment 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 Divestment of BTI was completed on 4 November 2010.

See Note 53(a)(ii) for the effects of the disposal on the financial statements of the Group.

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

48 Significant events during the financial year (Continued)

(d) Issuance of RM2.0 billion Subordinated Debt

The 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.

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

The Restructuring of Good Bank-Bad Bank of CIMB Thai entailed the following transactions:

1. 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

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

48 Significant events during the financial year (Continued)

- (e) Restructuring of the Non-Performing Asset Division of CIMB Thai ("Restructuring) (Continued)
 - 2. 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.

See Note 53(a)(iii) for the effects of the disposal on the financial statements of the Group.

49 Subsequent events after the financial year

a) Issuance of up to USD1.0 billion or its equivalent Multi-Currency Euro Medium Term Note Programme ("EMTN Programme")

On 28 January 2011, the 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.

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

50 Critical accounting estimates and judgements in applying accounting policies

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

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

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

(b) Impairment losses on loans, advances and financing

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impirment 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.

(c) Goodwill impairment

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

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

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

(c) Goodwill impairment (continued)

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

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

(d) Intangible assets

The Group's and the Bank'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 judgment by the Bank's management. At each balance sheet 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 based 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.

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

51 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.

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

51 Segment reporting (Continued)

(i) 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.

Treasury

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

Corporate and Investment Banking

Corporate and Investment Banking comprise Investment Banking, Corporate Banking, Regional Banking, Equity Derivatives and Equity Investment and Trading.

Investment Banking advises on issuance of equity and equity-linked products management services. 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 Derivatives 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 Banking

Retail Banking focuses on innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, share financing, credit card and hire purchase), remittance services, deposit collection, private banking and retail equity services.

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

51 Segment reporting (Continued)

(i) **Business segment reporting (continued)**

Commercial Banking

Commercial Banking is responsible for offering products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises ("SMEs") and mid-sized corporations. Its products include credit facilities (loans, banker's acceptances, revolving credit, leasing, factoring, hire purchase), remittance services and deposit collection.

Foreign Banking Operations

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

Support and others

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

CIMB Bank Berhad

(Incorporated in Malaysia)

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

51 Segment reporting (Continued)

(i) **Business segment reporting (continued)**

2010 Group	Treasury RM'000	Corporate and Investment Banking RM'000	Retail Banking RM'000	Commercial Banking RM'000	Foreign Banking Operations RM'000	Support and others RM'000	Total RM'000
Net interest income							
- external	(54,870)	1,153,908	2,233,713	349,839	513,481	37,295	4,233,366
- inter-segment	675,271	(502,530)	(391,369)	259,058	(7)	(40,423)	-
	620,401	651,378	1,842,344	608,897	513,474	(3,128)	4,233,366
Islamic banking income	475,112	109,664	488,150	63,381	-	-	1,136,307
Non-interest income	600,236	383,091	494,160	97,419	203,565	57,949	1,836,420
	1,695,749	1,144,133	2,824,654	769,697	717,039	54,821	7,206,093
Overheads	(357,560)	(458,900)	(2,056,482)	(511,054)	(542,975)	(47,701)	(3,974,672)
of which: Depreciation of property, plant							
and equipment	3,535	1,641	21,015	8,502	33,401	143,955	212,049
Amortisation of prepaid lease payments	-	-	-	-	318	22	340
Amortisation of intangible assets	3,046	2,968	18,778	476	13,044	92,935	131,247
Profit before allowances Allowance for impairment losses on	1,338,189	685,233	768,172	258,643	174,064	7,120	3,231,421
loans, advances and financing	-	203,466	(298,274)	(120,811)	(107,858)	-	(323,477)
Allowance for losses on other receivables	-	(234)	-	-	(2,437)	(518)	(3,189)
Write-back of/(allowances for) other impairment losses	12,077	835	-	-	(3,641)	1,119	10,390
Allowance for commitment and contingencies	-	-	-	(12,601)	(1,016)	269	(13,348)
Segment results	1,350,266	889,300	469,898	125,231	59,112	7,990	2,901,797
Share of results of jointly controlled entity	-	-	10,449	-	-	-	10,449
Share of results of associate	15,651	-	-	-	44,879	-	60,530
Taxation and zakat							(593,882)
Net profit after taxation and zakat							2,378,894

CIMB Bank Berhad

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

51 Segment reporting (Continued)

(i) **Business segment reporting (continued)**

2010 Group	Treasury RM'000	Corporate and Investment Banking RM'000	Retail Banking RM'000	Commercial Banking RM'000	Foreign Banking Operations RM'000	Support and others RM'000	Total RM'000
Segment assets Unallocated assets Total assets	68,182,678	44,615,869	65,976,959	12,140,087	15,140,150	1,795	206,057,538 5,851,078 211,908,616
Segment liabilities Unallocated liabilities Total liabilities	87,488,313	19,201,835	46,799,263	23,868,623	13,258,712	706,881 	191,323,627 2,737,349 194,060,976
Other segment items Capital expenditure Investment in jointly controlled entity Investment in associate	6,653 - 68,634	4,801 - -	40,133 139,849 -	4,149 - -	54,453 - 313,614	240,648 - -	350,837 139,849 382,248

(Incorporated in Malaysia)

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

51 Segment reporting (Continued)

(i) **Primary reporting – business segments (continued)**

2009 <u>Group</u>	Treasury RM'000	Corporate and Investment Banking RM'000	Retail Banking RM'000	Commercial Banking RM'000		Support and others RM'000	Total RM'000
Net interest income							
- external	(194,088)	1,301,383	2,225,497	424,578	472,069	(530)	4,228,909
- inter-segment	1,088,538	(761,986)	(473,356)	176,082	-	(29,278)	-
	894,450	539,397	1,752,141	600,660	472,069	(29,808)	4,228,909
Islamic banking income	(7,879)	208,769	480,884	33,707	-	-	715,481
Non-interest income	714,740	309,424	405,393	111,023	231,880	39,772	1,812,232
	1,601,311	1,057,590	2,638,418	745,390	703,949	9,964	6,756,622
Overheads	(276,409)	(342,163)	(1,789,072)	(564,882)	(519,510)	(35,824)	(3,527,860)
of which:							
Depreciation of property, plant							
and equipment	2,080	1,015	13,347	9,523	25,536	139,297	190,798
Amortisation of prepaid lease payments	-	-	-	-	332	126	458
Amortisation of intangible assets	3,004	2,511	10,128	422	8,484	93,422	117,971
Profit/(loss) before allowances	1,324,902	715,427	849,346	180,508	184,439	(25,860)	3,228,762
Allowance for impairment losses on							
loans, advances and financing	-	(289,833)	(309,340)	(1,148)	(74,202)	(5,711)	(680,234)
Allowance for losses on other receivables	-	-	-	-	-	(189)	(189)
Write-back of/(allowances for) other impairment losses	(30,138)	17,767		-	(1,592)	1,432	(12,531)
Allowance for commitment and contingencies	(30,138)	(21,000)	-	-	(1,392)	1,432	(12,331) (21,199)
Segment results	1,294,764	422,361	540,006	179,360		(30,328)	2,514,609
Share of results of jointly controlled entity	1,294,704	422,301	6,858	179,500	108,440	(30,328)	6,858
Share of results of associate	-	-	0,858	-	23,602	-	23,602
Taxation and zakat	-	-	-	-	23,002	-	(528,153)
Net profit after taxation and zakat						-	2,016,916
Ter point uner unation and zana						-	_,
Segment assets	67,910,168	40,644,048	56,552,386	12,152,220	14,641,780	60,910	191,961,512
Unallocated assets	,	,	,	,,	, ,	,	4,055,471
Total assets						-	196,016,983
						-	
Segment liabilities	85,730,642	17,756,591	39,520,360	20,558,739	12,284,084	751,448	176,601,864
Unallocated liabilities							2,524,253
Total liabilities						_	179,126,117
Other segment items							
Capital expenditure	9,390	6,331	41,038	8,240	40,007	383,963	488,969
Investment in jointly controlled entity	9,390	6,331		8,240	40,007	282,903	,
Investment in associate	-	-	134,559	-	- 268,636	-	134,559 268,636
investment in associate	-	_	_		200,000		200,000

(Incorporated in Malaysia)

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

51 Segment reporting (Continued)

(i) Business segment reporting (continued)

Basis of pricing for inter-segment transfers:

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

(ii) Geographic segment reporting

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Cambodia, Singapore, United Kingdom and Hong Kong. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia, no other individual country contributed more than 10% of the net interest income and of total assets.

			2010		
		Total			
	Net interest	non-current	Total	Total	Capital
	income	assets	assets	liabilities	expenditure
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
Malaysia	3,620,318	7,742,199	180,353,339	164,173,376	283,758
Overseas operations	613,048	757,308	31,555,277	29,887,600	67,079
	4,233,366	8,499,507	211,908,616	194,060,976	350,837

			2009		
		Total			
	Net interest	non-current	Total	Total	Capital
	income	assets	assets	liabilities	expenditure
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
Malaysia	3,676,298	7,743,182	172,745,791	157,079,218	416,463
Overseas operations	552,611	659,868	23,271,192	22,046,899	72,506
	4,228,909	8,403,050	196,016,983	179,126,117	488,969

(Incorporated in Malaysia)

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

52 Financial Risk Management

(a) Financial risk management objectives and policies

Risk management is an integral component of the Group's business, operations and decisionmaking 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 (EWRM) 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:

	GOVER	NANCE	
ECONOMIC CAPITAL FRAMEWORK	ζ	C. FRAME	ULATORY APITAL WORK – RISK TED ASSETS
RISK MANAGEMENT LIMITS & CONTROLS		NALYSIS & ORTING	STRESS TESTING

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (Continued)

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

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

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

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

(Incorporated in Malaysia)

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

52 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 groupwide 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.

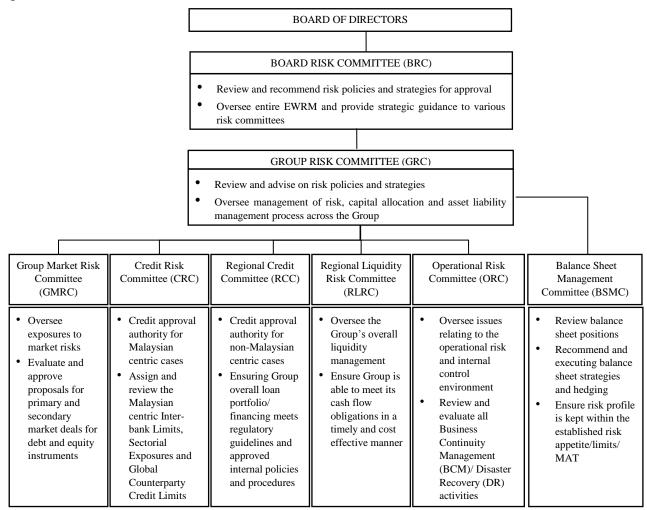
(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



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.

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

52 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.

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

(e) Group Risk Management (Continued)

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/financings 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.

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.1 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 visà-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.

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

Credit Risk Management (Continued)

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. 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 utilization 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 summarized and reported to GRC and BRC on a monthly basis.

Credit Risk Mitigation

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

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.1 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.

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

Concentrations within risk mitigation

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

Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)

CCR limits are established at the individual counterparty level and approved by 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 Annexe (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.

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

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

The following table represents credit risk exposure to the Group and the Bank as at 31 December 2010 (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 Bank would have to pay if the guarantees were called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

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

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

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

52 Financial Risk Management (Continued)

- 52.1 Credit risk (Continued)
- 52.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements) (Continued)

	The Group	The Bank
Items recognised in the statements of financial position	RM'000	RM'000
Cash and short-term funds	18,675,985	11,021,118
Reverse repurchase agreements	3,504,914	2,475,591
Deposits and placements with banks and other		
financial institutions	9,641,391	16,083,982
Financial assets held for trading		
- Money market instruments	10,434,610	8,220,196
- Quoted securities	8,805	-
- Unquoted securities	2,797,873	2,382,383
Financial investments available-for-sale		
- Money market instruments	675,257	574,308
- Quoted securities	569,024	-
- Unquoted securities	6,466,233	6,020,494
Financial investments held-to-maturity		
- Money market instruments	1,979,014	1,878,974
- Quoted securities	1,154,480	-
- Unquoted securities	10,377,696	9,307,019
Derivative financial instruments		
- Trading derivatives	3,362,364	3,063,865
- Hedging derivatives	138,527	198,669
Loans, advances and financing		
- Overdrafts	8,609,176	7,684,754
- Term loans/financing	97,664,007	69,033,575
- Bills receivable	2,471,839	473,785
- Trust receipts	935,609	418,584
- Claim on customers under acceptance credit	3,443,963	3,261,827
- Credit card receivables	4,175,531	4,088,894
- Revolving credit	6,309,355	5,231,383
- Share margin financing	642,562	623,747
Other assets	1,690,108	1,606,529
Amount due from holding company and ultimate	, ,	, ,
holding company	29,193	340
Amount due from subsidiaries	-	84,317
Amount due from related companies	2,259,363	2,239,775
	198,016,879	155,974,109
Items not recognized in the statements of financial position	170,010,077	155,774,107
<u>Items not recognised in the statements of financial position</u> Financial guarantees	1,222,556	898,403
Credit related commitments and contingencies	46,051,277	41,385,026
	47,273,833	41,383,020
-	, -,	/ /
Total maximum credit risk exposures	245,290,712	198,257,538

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.2 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 Groun

					The Group				
	Malaania	Indonesia	Thailand	Cinconono	United States	United Kingdom	Hong Kong	Others	Total
	Malaysia RM'000	Indonesia RM'000	I nailand RM'000	Singapore RM'000	United States RM'000	RM'000	RM'000	RM'000	I otal RM'000
Items recognised in the statements of									
financial position									
Cash and short-term funds	15,123,994	9,465	53,561	448,954	1,169,759	131,962	1,194,725	543,565	18,675,985
Reverse repurchase agreements	2,387,528	-	1,014,376	12,074	-	90,936	-	-	3,504,914
Deposits and placements with banks and other									
financial institutions	4,943,653	138,758	60,687	1,562,265	241,259	624,583	898,840	1,171,346	9,641,391
Financial assets held for trading									
- Money market instruments	8,380,084	6,763	-	2,047,763	-	-	-	-	10,434,610
- Quoted securities	5	-	8,800	-	-	-	-	-	8,805
- Unquoted securities	1,774,091	76,018	247,444	604,601	22,531	42,962	-	30,226	2,797,873
Financial investments available-for-sale									
- Money market instruments	675,257	-	-	-	-	-	-	-	675,257
- Quoted securities	-	-	569,024	-	-	-	-	-	569,024
- Unquoted securities	6,265,583	140,160	-	15,257	-	-	-	45,233	6,466,233
Financial investments held-to-maturity									
- Money market instruments	1,979,014	-	-	-	-	-	-	-	1,979,014
- Quoted securities	-	-	943,124	-	-	-	-	211,356	1,154,480
- Unquoted securities	8,624,840	3,532	333,445	914,984	-	24,052	108,193	368,650	10,377,696
Derivative financial instruments									
- Trading derivatives	1,396,727	4,085	65,381	504,976	840,315	125,028	57,124	368,728	3,362,364
- Hedging derivatives	11,136	-	-	93,167	34,224	-	-	-	138,527
Loans, advances and financing									
- Overdrafts	7,832,399	3,082	616,970	100,508	3,106	1,903	6,198	45,010	8,609,176
- Term loans/financing	83,234,997	726,625	6,338,019	5,668,805	47,150	201,390	267,651	1,179,370	97,664,007
- Bills receivable	412,951	-	1,995,818	63,070	-	-	-	-	2,471,839
- Trust receipts	407,200	34,843	445,135	48,431	-	-	-	-	935,609
- Claim on customers under acceptance credit	3,438,535	-	5,142	286	-	-	-	-	3,443,963
 Credit card receivables 	3,885,531	-	-	290,000	-	-	-	-	4,175,531
- Revolving credit	5,461,931	61,826	51,401	468,556	-	174,793	57,142	33,706	6,309,355
- Share margin financing	623,747	-	18,815	-	-	-	-	-	642,562
Other assets	1,524,245	2,699	57,749	53,749	17,380	30,847	1,752	1,687	1,690,108
Amount due from holding company and ultimate									
holding company	29,193	-	-	-	-	-	-	-	29,193
Amount due from related companies	2,242,830	16,318	-	25	-	-	-	190	2,259,363
	160,655,471	1,224,174	12,824,891	12,897,471	2,375,724	1,448,456	2,591,625	3,999,067	198,016,879
Items not recognised in the statements of									
financial position									
Financial guarantees	1,079,017	-	93,996	188	-	49,340	-	15	1,222,556
Credit related commitments and contingencies	41,551,059	45,382	1,003,400	2,879,636	-	37,294	13	534,493	46,051,277
Total credit exposures	203,285,547	1,269,556	13,922,287	15,777,295	2,375,724	1,535,090	2,591,638	4,533,575	245,290,712
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(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.2 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	e Bank United			
	Malaysia	Indonesia	Singapore	United States	Kingdom	Hong Kong	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Items recognised in the statements of								
<u>financial position</u> Cash and short-term funds	8,811,635	9,461	421,724	211,348	69,874	957,167	539,909	11 021 110
	2,387,528	9,401	421,724 12,074	211,548	69,874 75,989	957,107	539,909	11,021,118
Reverse repurchase agreements	2,387,528	-	12,074	-	/5,989	-	-	2,475,591
Deposits and placements with banks and other	12 001 070	120 750	1,068,826	241 250	624 592	969 005	1.061.472	16 002 002
financial institutions	12,081,079	138,758	1,068,826	241,259	624,583	868,005	1,061,472	16,083,982
Financial assets held for trading		(= ()						
- Money market instruments	6,165,670	6,763	2,047,763	-	-	-	-	8,220,196
- Unquoted securities	1,644,017	44,351	563,418	22,524	24,179	-	83,894	2,382,383
Financial investments available-for-sale								
 Money market instruments 	574,308	-	-	-	-	-	-	574,308
- Unquoted securities	5,869,819	90,186	15,257	-	-	-	45,232	6,020,494
Financial investments held-to-maturity								
 Money market instruments 	1,878,974	-	-	-	-	-	-	1,878,974
- Unquoted securities	7,887,607	3,532	914,984	-	24,052	108,193	368,651	9,307,019
Derivative financial instruments								
- Trading derivatives	1,292,212	4,085	513,295	744,848	94,652	56,087	358,686	3,063,865
- Hedging derivatives	71,278	-	93,167	34,224	-	-	-	198,669
Loans, advances and financing								
- Overdrafts	7,520,467	3,082	100,508	3,106	1,903	6,198	49,490	7,684,754
- Term loans/financing	61,096,644	636,674	5,668,805	47,150	201,390	267,651	1,115,261	69,033,575
- Bills receivable	410,715	· -	63,070	-	-	-	-	473,785
- Trust receipts	350,734	19,419	48,431	-	-	-	-	418,584
- Claim on customers under acceptance credit	3,261,541		286	-	-	-	-	3,261,827
- Credit card receivables	3,798,894	-	290,000	-	-	-	-	4,088,894
- Revolving credit	4,469,973	32,746	468,556	-	174,793	57,142	28,173	5,231,383
- Share margin financing	623,747			-	-		-0,170	623,747
Other assets	1,518,796	2,456	50,938	301	30.839	1,386	1.813	1,606,529
Amount due from holding company and ultimate	1,210,770	2,420	20,750	501	50,055	1,500	1,010	1,000,527
holding company	240							
	340	-	-	-	-	-	-	340
Amount due from subsidiaries	79,686	-	-	-	-	-	4,631	84,317
Amount due from related companies	2,235,200	4,359	25	1 204 740	1 222 254		191	2,239,775
	134,030,864	995,872	12,341,127	1,304,760	1,322,254	2,321,829	3,657,403	155,974,109
Items not recognised in the statements of								
financial position								
Financial guarantees	848,860	-	188	-	49,340	-	15	898,403
Credit related commitments and contingencies	37,914,628	28,254	2,879,636	-	37,294	13	525,201	41,385,026
Total credit exposures	172,794,352	1,024,126	15,220,951	1,304,760	1,408,888	2,321,842	4,182,619	198,257,538

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

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

(b) Industry sectors

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

						The Group					
			Deposits and placements	Financial	Financial investments	Financial investments	Derivative financial		Loans,		
		Reverse	with banks and	assets held	available-for-	held-to-			advances and	Other financial	
	Cash and short	repurchase	other financial	for trading	sale	maturity	Trading	Hedging	financing	*	Total credit
	term funds	agreements	institutions	(i)	(i)	(i)	derivatives	derivatives	(ii)	assets	exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	154,034	104,970	5,076	-	2,430,329	86	2,694,495
Mining and quarrying	-	-	-	-	-	-	11,239	-	297,379	-	308,618
Manufacturing	-	-	-	274,547	250,323	64,036	26,109	-	8,568,815	-	9,183,830
Electricity, gas and water	-	-		211,104	1,094,253	346,642	36,851	-	1,344,300	5,904	3,039,054
Construction	-	1,558		136,430	1,024,162	274,593	16,592	-	3,824,359	576	5,278,270
Transport, storage and communications	-	26,230		220,163	692,098	2,756,916	183,724	-	4,894,724	8,143	8,781,998
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	6,452,126	1,182,179	9,340,147	3,799,324	1,908,113	5,154,119	3,020,125	138,527	15,140,925	3,467,828	49,603,413
Real estate	-	-	-	200,603	181,106	-	54	-	3,772,222	52	4,154,037
<u>Others</u>											
Purchase of landed property											
- Residential	-	-	-	-	-	-	-	-	35,960,663	-	35,960,663
- Non-residential	-	-	-	-	-	-	-	-	6,438,078	-	6,438,078
General commerce	-	-	-	23,855	56,919	4,639	8,590	-	2,638,115	5,421	2,737,539
Government and government agencies	12,204,981	2,231,110	301,244	8,075,664	2,000,491	4,733,023	1,663	-	-	178,106	29,726,282
Purchase of securities	-	-	-	-	-	-	40,915	-	4,202,536	40,781	4,284,232
Purchase of transport vehicles	-	-	-	-	-	-	-	-	10,770,761	-	10,770,761
Consumption credit	-	47,290	-	-	66,207	-	-	-	9,101,823	-	9,215,320
Others	18,878	16,547	-	299,598	282,808	72,252	11,426	-	3,454,956	271,767	4,428,232
	18,675,985	3,504,914	9,641,391	13,241,288	7,710,514	13,511,190	3,362,364	138,527	124,252,042	3,978,664	198,016,879

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

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

					The Gro	սք					
	Financ	ial assets held for trad	ing	Financial i	nvestments available-fo	or-sale	Financia	Financial investments held-to-maturity			
	Money market			Money market			Money market			Total credit	
	instruments	Quoted securities	Unquoted securities	instruments	Quoted securities U	-	instruments	Quoted securities	Unquoted securities	exposures	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Agriculture	-	-	-	-	-	154,034	-	-	104,970	259,004	
Manufacturing	88,826	205	185,516	-	-	250,323	-	-	64,036	588,906	
Electricity, gas and water	115,394	-	95,710	-		1,094,253	-		346,642	1,651,999	
Construction	-	-	136,430	-	-	1,024,162	-	-	274,593	1,435,185	
Transport, storage and communications	-	-	220,163	-	-	692,098	-	-	2,756,916	3,669,177	
Finance, insurance, real estate business:											
Finance, insurance and business services	2,609,090	348	1,189,886	184,494	-	1,723,619	254,891	211,356	4,687,872	10,861,556	
Real estate	18,039	-	182,564	-	-	181,106	-	-	-	381,709	
Others											
General commerce	-	-	23,855	-	-	56,919	-	-	4,639	85,413	
Government and government agencies	7,603,261	8,252	464,151	490,763	569,024	940,704	1,724,123	943,124	2,065,776	14,809,178	
Consumption credit	-	-	-	-	-	66,207	-	-	-	66,207	
Others	-	-	299,598	-	-	282,808	-	-	72,252	654,658	
	10,434,610	8,805	2,797,873	675,257	569,024	6,466,233	1,979,014	1,154,480	10,377,696	34,462,992	

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.2 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	Term loans/ financing	Bills receivable	Trust receipts	Claim on customers under acceptance credit	Credit card receivables	Revolving credit	Share margin financing	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	129,829	1,559,336	5,366	3,778	147,709	-	584,311	-	2,430,329
Mining and quarrying	26,120	181,804	3,002	2,779	8,389	-	75,285	-	297,379
Manufacturing	643,728	3,430,402	1,359,777	349,768	1,882,364	-	902,776	-	8,568,815
Electricity, gas and water	13,390	1,305,337	9,704	4,422	3,478	-	7,969	-	1,344,300
Construction	553,161	2,459,050	51,441	61,156	124,057	-	575,494	-	3,824,359
Transport, storage and communications	182,704	4,360,199	18,070	10,344	11,905	-	311,502	-	4,894,724
Education and health	180,904	7,619,559	23,207	2,313	74,714	-	85,764	-	7,986,461
Trade and hospitality	820,642	1,193,666	37,188	170,456	1,078,428	-	125,216	-	3,425,596
Finance, insurance, real estate business:									
Finance, insurance and business services	432,857	12,052,412	118,510	19,602	39,007	-	2,478,537	-	15,140,925
Real estate	209,781	3,064,974	32,628	359	682	-	463,798	-	3,772,222
Others									
Purchase of landed property									
- Residential	134,904	35,811,481	-	-	-	-	14,278	-	35,960,663
- Non-residential	3,059,286	3,374,427	-	-	-	-	4,365	-	6,438,078
General commerce	259,617	1,127,437	714,449	294,639	62,116	-	179,857	-	2,638,115
Purchase of securities	18,389	3,446,516	-	-	-	-	95,069	642,562	4,202,536
Purchase of transport vehicles	-	10,770,761	-	-	-	-	-	-	10,770,761
Consumption credit	1,816,458	2,972,827	5,279	76	-	4,175,531	131,652	-	9,101,823
Others	127,406	2,933,819	93,218	15,917	11,114	-	273,482	-	3,454,956
	8,609,176	97,664,007	2,471,839	935,609	3,443,963	4,175,531	6,309,355	642,562	124,252,042

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)

52.1.2 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 positions as at 31 December 2010, based on the industry sectors of the counterparty are as follows:

Image: series of the						The Dunit						
Cash and show term funds agreementsother financial institutionsother financial institutionsApplicitution			n	placements		investments	investments	Derivative financial	instruments			
Last of the partial of the partial of the manner of the		Cook and shout						Tuadina	Hadaina		Other financial	Tetel and Re
RM'000RM'000RM'000RM'000RM'000RM'000RM'000RM'000RM'000RM'000RM'000RM'000 $Agriculture$ 138,927164,5704,424-1,197,87,73-253,026Maning and quarying11,239-6,61,037-253,026Maning and quarying11,239-6,63,0549-253,026Maning and quarying210,014346,64228,904-6,57,114,61263,03Construction-1,588-2126,273956,663265,76816,584-3,354,988-4,72,11,81Tansport, storage and communications<			•		0					0		
Agiculture			8									
Mining and quarying - - - - 11,239 - 241,787 - 253,026 Manifacturing - - 274,342 250,323 64,036 20,487 - 609,746 - 63,20,549 Electricity, gas water - 1558 - 265,050 106,145 346,642 29,04 - 609,746 5.115 2,227,512 Construction - 1,558 - 162,627 956,663 266,724 169,142 - 3,345,988 - 4,721,848 Transport, storage and communications - 6.0 - - - - 7,341,350 - 7,341,350 Education and health - - - - - - - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - 7,341,350 - - - - - -<		RM'000	RM'000	RM'000	RM'000				RM'000		RM'000	
Manufacturing - - - 274,342 250,323 64,066 20,487 - 5,711,361 - 6,320,549 Electricity, gas and water - - 205,060 1,061,145 346,642 28,004 - 609,746 5,115 2,257,512 Construction - 15,88 - 126,287 9956,663 25,768 165,84 - 609,743,188 3,887 7,211,848 Transport, storage and communications 26,230 - - - - - 7,21 - 7,211,810 3,345,88 3,887 7,211,810 Trade and hospitality - - - - - - 3,425,96 4,410,76	0	-	-	-	-	138,927	104,970	· · · · ·	-		-	
Electricity, gas and water <td></td> <td>-</td> <td>-</td> <td>-</td> <td></td> <td></td> <td>-</td> <td>· · · · ·</td> <td>-</td> <td>,</td> <td>-</td> <td>,</td>		-	-	-			-	· · · · ·	-	,	-	,
Construction1,558126,287956,663265,76816,584 \cdot 3,354,988 \cdot 4,721,848Traport, storage and communications26,230 \cdot 188,013 $672,496$ $2,266,724$ $169,142$ \cdot $3,945,318$ $3,967$ $7,741,130$ Education and health \cdot \cdot \cdot \cdot \cdot \cdot $7,341,350$ \cdot $7,341,350$ Trade and hospitality \cdot \cdot \cdot \cdot \cdot \cdot $3,425,596$ \cdot $3,425,596$ Trade and business services $5,681,27$ $152,856$ $15,883,982$ $2,814,363$ $1,737,827$ $4,449,671$ $2,754,976$ $198,669$ $8,664,388$ $3,558,223$ $4,5596,202$ Real estate \cdot $152,856$ $15,883,982$ $2,814,363$ $1,707,787$ $4,449,671$ $2,754,976$ $198,669$ $8,664,388$ $3,558,223$ $4,5596,202$ Real estate \cdot $152,856$ $15,883,982$ $2,814,363$ $1,707,77,787$ $4,449,671$ $2,754,976$ $198,669$ $8,664,388$ $3,558,223$ $4,5596,202$ Purchase of landed propery \cdot \cdot \cdot \cdot \cdot \cdot $2,8,68,751$ $ 2,8,68,751$ $ 2,8,68,751$ $ -$		-	-		· · · · · ·	,	,	· · · · ·	-	· · ·		, ,
Transport, storage and communications26,23026,230188,013672,4962,266,724169,1423,945,3183,8877,271,810Education and health <td< td=""><td>Electricity, gas and water</td><td>-</td><td>-</td><td>-</td><td>205,960</td><td>1,061,145</td><td>346,642</td><td>28,904</td><td>-</td><td>609,746</td><td>5,115</td><td>2,257,512</td></td<>	Electricity, gas and water	-	-	-	205,960	1,061,145	346,642	28,904	-	609,746	5,115	2,257,512
Education and health - - - - - - 7,341,350 7,341,350 Trade and hospitality - - - - - - 3,425,596 3,425,596 Finance, insurance, real estate business: - - - - - 3,425,596 3,425,596 Finance, insurance and business services 5,681,247 152,856 15,883,982 2,814,363 1,737,827 4,449,671 2,754,976 198,669 8,664,388 3,558,223 45,896,202 Real estate - - - 200,603 170,977 - - 3,292,889 - 3,664,469 Purchase of landed property - - - - - 28,868,751 - 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 72,8471 6,489,299 72,8471 6,869,29 72,8471 72,8471 6,869,29 72,84,71 6,869,29 72,84,71 6,869,29 72,84,71 72,84,71 6,869,29 72,84,71 9,28,68,751		-	1,558	-	126,287	956,663		16,584	-	3,354,988		4,721,848
Trade and hospitality ·	Transport, storage and communications	-	26,230	-	188,013	672,496	2,266,724	169,142	-	3,945,318	3,887	7,271,810
Finance, insurance, real estate business: Finance, insurance and business services 5,681,247 152,856 15,883,982 2,814,363 1,737,827 4,449,671 2,754,976 198,669 8,664,388 3,558,223 45,896,020 Real estate - - 200,603 170,977 - - - 3,664,469 Others - - 200,603 170,977 - - - 3,664,469 Others - - - - - - 3,664,368 3,558,223 45,896,020 Purchase of landed property - - - - - 28,868,751 - 28,868,751 - 28,868,751 - 28,868,751 - 28,868,751 - 28,868,751 - 6441,776 - - - - - 712,871 - 48,41,776 - - - - - 712,871 - 712,871 - 712,871 - 712,871 - 42,24,636 - - 170,961 19,280,607 - - 170,961 19,280,607	Education and health	-		-	-	-		-	-	7,341,350		7,341,350
Finance, insurance and business services 5,681,247 152,856 15,883,982 2,814,363 1,737,827 4,449,671 2,754,976 198,669 8,664,388 3,558,223 45,896,202 Real estate - - 200,603 170,977 - - 3,252,889 - 3,664,469 Others - - - - - - 3,258,223 3,664,369 Purchase of landed property - - - - - - 28,868,751 - 28,868,751 Non-residential - - - - - - - 28,868,751 28,868,751 Governmerce - - - - - - 28,868,751 28,868,751 28,868,751 Governmerce - - - - - - 28,461,776 28,461,776 28,461,776 28,461,776 28,461,776 28,461,776 28,461,776 28,451,776 3,613,203 1,663 - 170,961	Trade and hospitality	-		-	-	-		-	-	3,425,596		3,425,596
Real estate - - 200,603 170,977 - - - 3,292,889 - 3,664,469 Others. Purchase of landed property - - - 3,292,889 - 3,664,469 Purchase of landed property - - - - - 3,292,889 - 3,664,469 Purchase of landed property - - - - - 28,868,751	Finance, insurance, real estate business:											
Others Purchase of landed property - Residential - - - 28,868,751 28,868,751 28,868,751 6,441,776 - Non-residential - - - - 6,441,776 6,441,776 General commerce - - 23,855 25,778 4,639 5,270 668,929 - 728,471 Government agencies 5,339,871 2,231,110 200,000 6,469,557 1,254,242 3,613,203 1,663 - 170,961 19,280,607 Purchase of securities - - - - 40,915 4,183,721 4,246,636 Purchase of transport vehicles - - - - 4,246,636 Purchase of transport vehicles - - - - 6,527,617 4,639,799 4,539,799 4,538,711 - 4,246,636 Others - - - - - 6,527,617 - 6,527,617 - 6,527,617 - 6,527,617 <td>Finance, insurance and business services</td> <td>5,681,247</td> <td>152,856</td> <td>15,883,982</td> <td>2,814,363</td> <td>1,737,827</td> <td>4,449,671</td> <td>2,754,976</td> <td>198,669</td> <td>8,664,388</td> <td>3,558,223</td> <td>45,896,202</td>	Finance, insurance and business services	5,681,247	152,856	15,883,982	2,814,363	1,737,827	4,449,671	2,754,976	198,669	8,664,388	3,558,223	45,896,202
Purchase of landed property - Residential - - - - - 28,868,751 28,868,751 - 28,868,751 - 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,441,776 6,78,471 6,78,471 6,78,471 6,78,471 6,78,471 6,78,471 6,78,471 9,98,69,571 9,915 1,663 - 170,961 19,280,607 1,78,471 24,80,69,571 1,242,423 3,613,203 1,663 - 1,70,961 19,280,607 1,78,471 4,240,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,245,606 1,920,900 4,950,999 3,913,903 1,920,900 4,950,999 3,913,903 1,920,900 4,950,999 3,913,903 1,920,900 4,950,999 3,913,903 1,920,900 4,950,999 3,913,903 1,920,900 4,950,999 3,913,913 1,923,914,913 1,920,	Real estate	-	-	-	200,603	170,977	-	-	-	3,292,889	-	3,664,469
- Residential - - - - 28,868,751 28,868,751 - Non-residential - - - - 6,441,776 6,441,776 General commerce - - - - 6,641,776 6,441,776 Government and government agencies 5,339,871 2,231,10 200,000 6,469,557 1,254,242 3,613,203 1,663 - 170,961 19,280,607 Purchase of securities - - - 40,915 4,183,721 4,254,636 Purchase of transport vehicles - - - - 40,915 4,4959,799 4,254,636 Consumption credit 47,290 - 66,207 - - 6,274,617 6,388,114 Others - 16,547 299,599 260,217 70,340 10,261 1,63,661 192,775 2,483,400	<u>Others</u>											
- Non-residential - - - - - - - - - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 6,441,776 - 728,471 Government and government agencies 5,339,871 2,231,110 200,000 6,469,557 1,254,242 3,613,203 1,663 - - 170,961 19,280,607 - 4,183,721 - 4,224,636 - - 19,280,607 - - 4,183,721 - 4,224,636 - - 10,961 4,183,721 - 4,224,636 - - 4,224,636 - - 4,224,636 - - 4,295,999 - - - - 4,246,396 - - 4,295,999 - - - - 4,294,636 - - 4,295,999 - - - - - - - 4,295,999 - - - - - - - - <	Purchase of landed property											
General commerce - - 23,855 25,778 4,639 5,270 - 668,929 - 728,471 Government and government agencies 5,339,871 2,231,110 200,000 6,469,557 1,254,242 3,613,203 1,663 - - 170,961 19,280,607 Purchase of securities - - - 40,915 - 4,183,721 - 4,245,636 Purchase of transport vehicles - - - - - 4,0915 - 4,959,799 4,245,636 Consumption credit - 47,290 - - - - - - 4,959,799 4,959,799 4,959,799 4,959,799 4,959,799 - 6,328,114 - 6,328,114 - 6,336,61 192,775 2,483,400 - 4,83,401 - 1,633,661 192,775 2,483,400 - 4,83,401 - 1,633,661 192,775 2,483,400 - - - 1,633,661 192,775 2,	- Residential	-	-	-	-	-	-	-	-	28,868,751	-	28,868,751
Government and government agencies 5,339,871 2,231,10 200,000 6,469,557 1,254,242 3,613,203 1,663 - 170,961 19,280,607 Purchase of securities - - - 40,915 - 4,183,721 4,245,636 Purchase of transport vehicles - - - - 4,959,799 4,245,979 Consumption credit - 47,290 - - - 6,6207 - 6,627,617 6,838,114 Others - 16,547 299,599 260,217 70,340 10,261 1,633,661 192,775 2,483,400	- Non-residential	-	-	-	-	-	-	-	-	6,441,776	-	6,441,776
Purchase of securities - - 40,915 - 4,183,721 - 4,224,636 Purchase of transport vehicles - - - - - 4,959,799 - 4,959,799 Consumption credit - 47,290 - 66,207 - - 6,274,617 - 6,388,114 Others - 16,547 299,599 260,217 70,340 10,261 - 1,633,661 192,775 2,483,400	General commerce	-	-	-	23,855	25,778	4,639	5,270	-	668,929	-	728,471
Purchase of transport vehicles 4,59,799 4,959,799 4,959,799 Consumption credit 47,290 66,207 6,274,617 6,388,114 Others 16,547 299,599 260,217 70,340 10,261 1,633,661 192,775 2,483,400	Government and government agencies	5,339,871	2,231,110	200,000	6,469,557	1,254,242	3,613,203	1,663	-	-	170,961	19,280,607
Consumption credit - 47,290 - - 66,207 - - 6,274,617 - 6,388,114 Others - 16,547 - 299,599 260,217 70,340 10,261 - 1,633,661 192,775 2,483,400	Purchase of securities	-	-	-	-	-	-	40,915	-	4,183,721	-	4,224,636
Others 16,547 299,599 260,217 70,340 10,261 1,633,661 192,775 2,483,400	Purchase of transport vehicles	-		-	-	-		-	-	4,959,799		4,959,799
	Consumption credit	-	47,290	-	-	66,207		-	-	6,274,617		6,388,114
11,021,118 2,475,591 16,083,982 10,602,579 6,594,802 11,185,993 3,063,865 198,669 90,816,549 3,930,961 155,974,109	Others		16,547	-	299,599	260,217	70,340	10,261	-	1,633,661	192,775	2,483,400
		11,021,118	2,475,591	16,083,982	10,602,579	6,594,802	11,185,993	3,063,865	198,669	90,816,549	3,930,961	155,974,109

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.2 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

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

				The Bank			
	Financial held for t		Financial in available-		Financial in held-to-n		
	Money market		Money market		Money market	Total credit	
	instruments	Unquoted securities	instruments	Unquoted securities	instruments	Unquoted securities	exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	138,927	-	104,970	243,897
Manufacturing	88,826	185,516	-	250,323	-	64,036	588,701
Electricity, gas and water	115,395	90,565	-	1,061,145	-	346,642	1,613,747
Construction	-	126,287	-	956,663	-	265,768	1,348,718
Transport, storage and communications	-	188,013	-	672,496	-	2,266,724	3,127,233
Finance, insurance, real estate business:							
Finance, insurance and business services	1,872,724	941,639	149,071	1,588,756	254,891	4,194,780	9,001,861
Real estate	18,039	182,564	-	170,977	-	-	371,580
<u>Others</u>							
General commerce	-	23,855	-	25,778	-	4,639	54,272
Government and government agencies	6,125,212	344,345	425,237	829,005	1,624,083	1,989,120	11,337,002
Consumption credit	-	-	-	66,207	-	-	66,207
Others	-	299,599	-	260,217	-	70,340	630,156
	8,220,196	2,382,383	574,308	6,020,494	1,878,974	9,307,019	28,383,374

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.2 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:

					Claim on customers				
		Term loans/		Trust	under acceptance	Credit card		Share margin	
	Overdrafts	financing	Bills receivable	receipts	credit	receivables	Revolving credit	financing	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	106,490	725,691	1,824	3,778	143,110	-	216,979	-	1,197,872
Mining and quarrying	22,522	137,473	3,002	1,285	8,389	-	69,116	-	241,787
Manufacturing	442,671	2,151,608	361,661	126,123	1,778,934	-	850,364	-	5,711,361
Electricity, gas and water	6,897	587,093	-	4,309	3,478	-	7,969	-	609,746
Construction	472,352	2,128,151	12,599	56,077	115,379	-	570,430	-	3,354,988
Transport, storage and communications	156,268	3,566,738	966	9,620	10,549	-	201,177	-	3,945,318
Education and health	166,367	6,995,281	23,207	2,313	73,827	-	80,355	-	7,341,350
Trade and hospitality	820,642	1,193,666	37,188	170,456	1,078,428	-	125,216	-	3,425,596
Finance, insurance, real estate business:									
Finance, insurance and business services	335,948	5,887,954	7,805	19,602	38,093	-	2,374,986	-	8,664,388
Real estate	193,076	2,634,974	-	359	682	-	463,798	-	3,292,889
<u>Others</u>									
Purchase of landed property									
- Residential	134,904	28,719,569	-	-	-	-	14,278	-	28,868,751
- Non-residential	3,059,286	3,378,125	-	-	-	-	4,365	-	6,441,776
General commerce	19,291	551,228	21,368	19,054	-	-	57,988	-	668,929
Purchase of securities	18,389	3,446,516	-	-	-	-	95,069	623,747	4,183,721
Purchase of transport vehicles	-	4,959,799	-	-	-	-	-	-	4,959,799
Consumption credit	1,685,169	420,227	-	76	-	4,088,894	80,251	-	6,274,617
Others	44,482	1,549,482	4,165	5,532	10,958	-	19,042	-	1,633,661
	7,684,754	69,033,575	473,785	418,584	3,261,827	4,088,894	5,231,383	623,747	90,816,549

The Bank

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)

52.1.2 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 not recognised in the statements of financial positions as at 31 December 2010, based on the industry sectors of the counterparty are as follows:

		The Group		The Bank
	Financial	Credit related commitments and	Financial	Credit related commitments and
	guarantees	contingencies	guarantees	contingencies
	RM'000	RM'000	RM'000	RM'000
Agriculture	8,408	1,101,966	8,408	849,915
Mining and quarrying	38,060	662,078	31,129	654,213
Manufacturing	340,381	4,700,460	323,872	4,278,199
Electricity, gas and water	27,396	1,089,122	27,396	271,433
Construction	233,139	3,363,214	212,065	3,001,749
Transport, storage and communications	57,558	869,922	55,414	619,232
Education and health	45,491	1,961,952	45,196	1,904,882
Trade and hospitality	115,126	4,677,732	115,126	4,677,732
Finance, insurance, real estate business:				
Finance, insurance and business services	117,982	4,194,827	36,935	3,260,549
Real estate	46,875	1,135,275	-	964,929
Others				
Purchase of landed property				
- Residential	-	298,291	-	298,291
General commerce	51,677	995,598	39,716	524,897
Purchase of transport vehicles	-	197,724	-	· -
Consumption credit	-	669,766	-	115,886
Others	140,463	20,133,350	3,146	19,963,119
	1,222,556	46,051,277	898,403	41,385,026

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.3 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) Loan, advances and financing

Loans, advances and financing as at 31 December 2010 are summarised as follows:

		The Grou	р	
	Neither past due nor impaired	Past due but not impaired	Impaired	
	(i)	(ii)	(iii)	Total
	RM'000	RM'000	RM'000	RM'000
Overdrafts	7,058,144	1,488,036	452,190	8,998,370
Term loans/financing	86,498,484	10,439,362	3,877,152	100,814,998
Bills receivable	2,447,898	35,994	39,615	2,523,507
Trust receipts	901,861	18,919	128,888	1,049,668
Claim on customers under acceptance credit	3,347,895	60,550	369,613	3,778,058
Credit card receivables	4,083,217	101,303	88,144	4,272,664
Revolving credit	6,313,630	9,023	97,515	6,420,168
Share margin financing	648,009	-	5,175	653,184
Total	111,299,138	12,153,187	5,058,292	128,510,617
Less: Impairment allowances				(4,258,575) *
Total net amount				124,252,042

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)

(a) Loan, advances and financing (Continued)

Loans, advances and financing as at 31 December 2010 are summarised as follows (Continued):

		The Bank	κ.	
	Neither past due	Past due but		
	nor impaired	not impaired	Impaired	
	(i)	(ii)	(iii)	Total
	RM'000	RM'000	RM'000	RM'000
Overdrafts	6,233,466	1,395,523	420,199	8,049,188
Term loans/financing	59,594,061	8,901,536	2,926,812	71,422,409
Bills receivable	475,882	1,570	7,485	484,937
Trust receipts	385,392	15,946	117,886	519,224
Claim on customers under acceptance credit	3,179,013	51,170	349,604	3,579,787
Credit card receivables	3,995,169	101,303	85,720	4,182,192
Revolving credit	5,251,790	2,684	77,713	5,332,187
Share margin financing	625,148	-	2,729	627,877
Total	79,739,921	10,469,732	3,988,148	94,197,801
Less: Impairment allowances				(3,381,252) *
Total net amount				90,816,549

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- **52.1.3** Credit quality of financial assets (Continued)
- (a) Loan, advances and financing (Continued)

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

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

	The Group			The Bank				
	Good	Satisfactory	No rating	Total	Good	Satisfactory	No rating	Total
2010	RM'000							
Overdrafts	1,880,997	195,654	4,981,493	7,058,144	1,385,985	117,666	4,729,815	6,233,466
Term loans/financing	25,683,188	1,919,623	58,895,673	86,498,484	20,108,902	798,681	38,686,478	59,594,061
Bills receivable	2,093,534	112,989	241,375	2,447,898	413,703	1,094	61,085	475,882
Trust receipts	655,214	44,387	202,260	901,861	238,478	22,357	124,557	385,392
Claim on customers under acceptance credit	2,707,803	73,599	566,493	3,347,895	2,538,921	73,599	566,493	3,179,013
Credit card receivables	-	-	4,083,217	4,083,217	-	-	3,995,169	3,995,169
Revolving credit	5,844,393	111,252	357,985	6,313,630	4,890,895	80,573	280,322	5,251,790
Share margin financing	-	-	648,009	648,009		-	625,148	625,148
Total	38,865,129	2,457,504	69,976,505	111,299,138	29,576,884	1,093,970	49,069,067	79,739,921

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)
- (a) Loan, advances and financing (Continued)
- (i) Loans, advances and financing that are "neither past due nor impaired" (Continued)

Credit quality descriptions can be summarised as follows:

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

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)
- (a) Loans, advances and financing (Continued)

(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.

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- **52.1.3** Credit quality of financial assets (Continued)
- (a) Loans, advances and financing (Continued)
- (ii) Loans, advances and financing that are "past due but not impaired" (Continued)

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			The Bank			
		>1 to 3			>1 to 3		
	Up to 1 month	months	Total	Up to 1 month	months	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Overdrafts	1,208,117	279,919	1,488,036	1,127,576	267,947	1,395,523	
Term loans/financing	7,147,048	3,292,314	10,439,362	6,101,842	2,799,694	8,901,536	
Bills receivable	35,994	-	35,994	1,570	-	1,570	
Trust receipts	12,762	6,157	18,919	11,053	4,893	15,946	
Claim on customers under acceptance credit	43,898	16,652	60,550	37,879	13,291	51,170	
Credit card receivables	61,860	39,443	101,303	61,861	39,442	101,303	
Revolving credit	3,563	5,460	9,023	2,280	404	2,684	
Total	8,513,242	3,639,945	12,153,187	7,344,061	3,125,671	10,469,732	

The Group and the Bank do 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.

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

52 Financial Risk Management (Continued)

- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)

(a) Loan, advances and financing (Continued)

(iii) Impaired loans, advances and financing

	The Group RM'000	The Bank RM'000
Total gross impaired loans	5,058,292	3,988,148
Less: Impairment allowances	(3,064,480)	(2,495,528)
Total net impaired loans	1,993,812	1,492,620
Fair value of collateral	6,551,409	5,516,660

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

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)

(b) Financial assets held for trading and financial investments

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity as at 31 December 2010 are summarised as follows:

builling up follows.						
		The Group			The Bank	
	Neither past due nor impaired			Neither past due nor impaired		
	(i)	Impaired	Total	(i)	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading						
 Money market instruments 	10,434,610	-	10,434,610	8,220,196	-	8,220,196
- Quoted securities	8,805	-	8,805	-	-	-
- Unquoted securities	2,797,873	-	2,797,873	2,382,383	-	2,382,383
Financial investments available-for-sale						
- Money market instruments	675,257	-	675,257	574,308	-	574,308
- Quoted securities	569,024	-	569,024	-	-	-
- Unquoted securities	6,290,365	430,403	6,720,768	5,844,626	430,175	6,274,801
Financial investments held-to-maturity						
- Money market instruments	1,979,014	-	1,979,014	1,878,974	-	1,878,974
- Quoted securities	1,154,480	-	1,154,480	-	-	-
- Unquoted securities	10,299,129	114,806	10,413,935	9,307,019	-	9,307,019
Total	34,208,557	545,209	34,753,766	28,207,506	430,175	28,637,681
Less: Impairment allowance			(290,774) *			(254,307) *
Total net amount		_	34,462,992			28,383,374

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

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2010.

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

- 52 Financial Risk Management (Continued)
- 52.1 Credit risk (Continued)
- 52.1.3 Credit quality of financial assets (Continued)
- (b) Financial assets held for trading and financial investments (Continued)

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

The table below presents an analysis of financial assets held for trading and financial investments that are "neither past due nor impaired", based on ratings by major credit rating agencies as at 31 December 2010:

	-		The Group					The Bank		
		Investment	Non investment				Investment	Non investment		
	Sovereign	grade	grade			Sovereign	grade	grade		
	(no rating)	(AAA to BBB-)	(BB+ and below)	No rating	Total	(no rating) (AAA to BBB-)	(BB+ and below)	No rating	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets held for trading										
- Money market instruments	8,046,419	2,265,032	-	123,159	10,434,610	6,129,789	1,967,248	-	123,159	8,220,196
- Quoted securities	8,247	553	-	5	8,805	-	-	-	-	-
- Unquoted securities	231,610	1,990,632	48,086	527,545	2,797,873	231,610	1,883,033	6,791	260,949	2,382,383
Financial investments available-for-sale										
- Money market instruments	526,186	149,071	-	-	675,257	425,237	149,071	-	-	574,308
- Quoted securities	569,024	-	-	-	569,024	-	-	-	-	-
- Unquoted securities	1,269,748	4,776,893	90,186	153,538	6,290,365	1,248,397	4,373,121	90,186	132,922	5,844,626
Financial investments held-to-maturity										
- Money market instruments	1,724,124	254,890	-	-	1,979,014	1,624,084	254,890	-	-	1,878,974
- Quoted securities	999,621	154,859	-	-	1,154,480	-	-	-	-	-
- Unquoted securities	2,454,026	6,258,659	55,670	1,530,774	10,299,129	1,989,119	6,220,163	55,670	1,042,067	9,307,019
Total	15,829,005	15,850,589	193,942	2,335,021	34,208,557	11,648,236	14,847,526	152,647	1,559,097	28,207,506

The securities with no ratings mainly consist of government securities, credit-linked notes and private debt securities.

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.3 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets

An analysis of the credit quality of the Group's and the Bank's other credit risk financial assets as at 31 December 2010 that are "neither past due nor impaired" are set out below:

			The Group					The Bank		
		Investment	Non investment					Non investment		
	Sovereign	grade	grade			Sovereign	Investment grade	grade		
	(no rating)	(AAA to BBB-)	(BB+ and below)	No rating	Total	(no rating)	(AAA to BBB-)	(BB+ and below)	No rating	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	12,505,482	5,683,305	-	487,198	18,675,985	5,539,978	4,996,707	-	484,433	11,021,118
Reverse repurchase agreements	2,931,503	573,411	-	-	3,504,914	2,225,292	250,299	-	-	2,475,591
Deposits and placements with banks and										
other financial institutions	707,443	8,595,661	-	338,287	9,641,391	-	15,920,669	-	163,313	16,083,982
Other assets	252,633	185,158	4,446	1,247,871	1,690,108	226,773	156,614	4,309	1,218,833	1,606,529
Derivative financial instruments	20,780	3,099,615	83,894	296,602	3,500,891	20,171	2,861,681	83,077	297,605	3,262,534
Amount due from holding company and										
ultimate holding company	-	-	-	29,193	29,193	-	-	-	340	340
Amount due from subsidiaries	-	-	-	-	-		44,180	-	40,137	84,317
Amount due from related companies	-	21,144	-	2,238,219	2,259,363	-	21,144	-	2,218,631	2,239,775
Total	16,417,841	18,158,294	88,340	4,637,370	39,301,845	8,012,214	24,251,294	87,386	4,423,292	36,774,186

There were no other credit risk financial assets that are "past due but not impaired" or "impaired" as at 31 December 2010.

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

52 Financial Risk Management (Continued)

52.1 Credit risk (Continued)

52.1.4 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 and the Bank that would otherwise be past due or impaired whose terms have been renegotiated amounted to RM1,395,375,000 and RM1,054,315,000 respectively.

52.1.5 Repossessed collateral

The Group and the Bank obtained assets by taking possession of collateral held as security as follows:

	The Group Carrying amount	The Bank Carrying amount
Nature of assets	RM'000	RM'000
Industrial and residential properties and development land	180,510	11,181

Repossessed collaterals are sold as soon as practicable. The Group and the Bank do not utilise the repossessed collaterals for its business use.

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

52 Financial Risk Management (Continued)

52.2 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 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 52.2.1.

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.

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

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

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

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

RMO also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. 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.

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.1 CaR

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

	The Group	The Bank
	RM'000	RM'000
CaR		
Foreign exchange risk	5,961	5,422
Interest rate risk	10,257	7,848
Equity risk	2,063	2,063
Total	18,281	15,333
Total shareholders fund	17,336,407	15,511,384
Percentage over shareholders funds	0.11%	0.10%

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

- 52 Financial Risk Management (Continued)
- 52.2 Market risk (Continued)

52.2.2 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 tables below summarise the Group's and the Bank'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.

		te The Group								
	Note	•								
		Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	> 1 - 5	Over 5	Non-interest		
		month	months	months	months	years	years	sensitive	Trading book	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets										
Cash and short-term funds		17,161,269	-	-	-	-	-	3,686,720		20,847,989
Reverse repurchase agreements		2,591,567	851,901	405	-	-	-	61,041	-	3,504,914
Deposits and placements with banks and other										
financial institutions		-	5,816,762	2,670,056	822,423	-	138,758	193,392	-	9,641,391
Financial assets held for trading		-	-	-	-	-	-	-	14,458,911	14,458,911
Financial investments available-for-sale	(i)	217,492	426,928	170,975	555,717	3,328,473	2,917,079	1,303,354	-	8,920,018
Financial investments held-to-maturity	(i)	192,304	536,841	402,283	1,348,940	7,152,367	3,876,494	1,961	-	13,511,190
Derivative financial instruments										
- Trading derivatives		-	-	-	-	-	-	-	3,362,364	3,362,364
- Hedging derivatives		2,991	-	1,343	5,384	117,673	11,136	-	-	138,527
Loans, advances and financing	(i)	82,531,691	7,252,058	4,940,690	1,449,206	10,378,272	17,700,125	-	-	124,252,042
Other assets		-	-	81,756	-	256,219	111,018	1,241,115	-	1,690,108
Amount due from holding company and										
ultimate holding company		-	-	-	-	-	-	29,193	-	29,193
Amount due from related companies		-	-	-	-	-	-	2,259,363	-	2,259,363
Total financial assets		102,697,314	14,884,490	8,267,508	4,181,670	21,233,004	24,754,610	8,776,139	17,821,275	202,616,010

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

			The	e Group					
	◀		Non-ti	rading book —		→			
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	92,937,174	20,769,564	7,814,166	10,102,015	5,077,466	924,176	22,016,136	-	159,640,697
Deposits and placements of banks and other									
financial institutions	6,385,763	3,169,590	2,194,444	1,444,094	1,216,014	185,010	57,520	-	14,652,435
Repurchase agreements	-	33,087	-	-	-	-	-	-	33,087
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	3,461,082	3,461,082
- Hedging derivatives	-	-	-	-	55,306	194,752	-	-	250,058
Bills and acceptances payable	1,674,226	1,349,914	406,086	158,657	-	-	488,728	-	4,077,611
Amount due to Cagamas Berhad	-	45,416	62,107	-	-	-	-	-	107,523
Amount due to related companies	-	-	-	-	-	-	6,751	-	6,751
Other liabilities	-	-	-	-	-	-	3,041,365	-	3,041,365
Other borrowings	925,050	-	-	-	-	-	-	-	925,050
Subordinated obligations	-	-	-	-	2,516,063	3,526,274	55,932	-	6,098,269
Bonds	-	-	382,527	-	-	-	41,455	-	423,982
Redeemable preference shares	-	-	-	-	706,879	-	-	-	706,879
Total financial liabilities	101,922,213	25,367,571	10,859,330	11,704,766	9,571,728	4,830,212	25,707,887	3,461,082	193,424,789
Net interest sensitivity gap for items recognised		(10, 100, 004)							
in the statement of finanical position	775,101	(10,483,081)	(2,591,822)	(7,523,096)	11,661,276	19,924,398	_	14,360,193	
Net interest sensitives gap for items not recognised in the statements of financial position									
Financial guarantees	-	-	-	-	-	-	1,222,556	-	1,222,556
Credit related commitments and contingencies		-	-	-	-	-	46,051,277	-	46,051,277
Treasury related commitments and contingencies (hedging)	600,000	-	300,000	65,611	3,665,765	8,000,000	-	-	12,631,376
	600,000	-	300,000	65,611	3,665,765	8,000,000	47,273,833	-	59,905,209

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

- 52 Financial Risk Management (Continued)
- 52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

(i) The interest rate risk for financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing of the Group are further analysed by classes of financial assets as follows:

			The	Group				
	◀		Non-tra	ding book 🛛 🗌		>		
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5	Non-interest	
	month	months	months	months	years	years	sensitive	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale								
- Money market instruments	-	-	-	27,427	289,212	358,618	-	675,257
- Quoted securities	48,277	102,565	30,657	87,455	300,071	-	291,501	860,526
- Unquoted securities	169,215	324,363	140,318	440,835	2,739,190	2,558,461	1,011,853	7,384,235
Financial investments held-to-maturity								
- Money market instruments	-	-	-	149,979	1,829,035	-	-	1,979,014
- Quoted securities	-	-	102,703	520,738	515,233	15,806	-	1,154,480
- Unquoted securities	192,304	536,841	299,580	678,223	4,808,098	3,860,689	1,961	10,377,696
Loans, advances and financing								
- Overdrafts	8,609,176	-	-	-	-	-	-	8,609,176
- Term loans/financing	60,457,356	4,295,341	3,949,464	884,977	10,376,744	17,700,125	-	97,664,007
- Bills receivable	1,163,443	685,448	245,352	377,596	-	-	-	2,471,839
- Trust receipts	441,054	162,050	149,644	181,333	1,528	-	-	935,609
- Claim on customers under acceptance credit	1,304,709	1,549,351	586,984	2,919	-	-	-	3,443,963
- Credit card receivables	4,161,242	7,870	6,419	-	-	-	-	4,175,531
- Revolving credit	5,752,149	551,998	2,827	2,381	-	-	-	6,309,355
- Share margin financing	642,562	-	-	-	-	-	-	642,562
Total	82,941,487	8,215,827	5,513,948	3,353,863	20,859,111	24,493,699	1,305,315	146,683,250

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

				The						
	Note			Non-tra	ding book					
		Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	> 1 - 5	Over 5	Non-interest		
		month	months	months	months	years	years	sensitive	Trading book	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets										
Cash and short-term funds		10,636,001	-	-	-	-	-	2,275,192	-	12,911,193
Reverse repurchase agreements		1,577,192	851,901	405	-	-	-	46,093	-	2,475,591
Deposits and placements with banks and other										
financial institutions		-	8,934,436	1,526,721	5,360,967	-	138,758	123,100	-	16,083,982
Financial assets held for trading		-	-	-	-	-	-	-	11,814,976	11,814,976
Financial investments available-for-sale	(i)	169,215	319,330	130,460	458,194	2,852,156	2,659,371	788,532	-	7,377,258
Financial investments held-to-maturity	(i)	192,304	299,014	299,580	313,920	6,513,416	3,565,808	1,951	-	11,185,993
Derivative financial instruments										
- Trading derivatives		-	-	-	-	-	-	-	3,063,865	3,063,865
- Hedging derivatives		2,992	-	1,343	5,384	117,673	71,277	-		198,669
Loans, advances and financing	(i)	66,423,966	3,748,096	1,281,299	379,763	8,119,079	10,864,346	-	-	90,816,549
Other assets		-	-	81,756	-	256,219	111,018	1,157,536	-	1,606,529
Amount due from holding company and ultimate										
holding company		-	-	-	-	-	-	340	-	340
Amount due from subsidiaries		-	-	-	-	-	-	84,317	-	84,317
Amount due from related companies		-	-	-	-	-	-	2,239,775	-	2,239,775
Total financial assets		79,001,670	14,152,777	3,321,564	6,518,228	17,858,543	17,410,578	6,716,836	14,878,841	159,859,037

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

				ne Bank					
	Up to 1	> 1 - 3	Non-t > 3 - 6	rading book > 6 - 12	>1-5	Over 5	Non-interest		
	month	months	months	months	years	years	sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities									
Deposits from customers	70,811,728	12,147,209	5,697,324	7,636,253	3,401,307	395,910	21,463,338	-	121,553,069
Deposits and placements of banks and other									
financial institutions	8,883,802	5,210,410	1,696,456	1,443,925	1,049,051	185,010	-	-	18,468,654
Repurchase agreements	-	33,087		-	-	-	-	-	33,087
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	3,208,589	3,208,589
- Hedging derivatives	-	-	-	-	11,963	203,263	-	-	215,226
Bills and acceptances payable	613,886	902,580	273,847	-	-	-	462,409	-	2,252,722
Amount due to Cagamas Berhad	-	45,416	62,107	-	-	-	-	-	107,523
Amount due to subsidiaries	-	-	-	-	-	-	310,381	-	310,381
Amount due to related company	-		-	-	-	-	841	-	841
Other liabilities	-		-	-	-	-	2,530,544	-	2,530,544
Subordinated obligations	-	-	-	-	3,212,634	2,946,447	-	-	6,159,081
Total financial liabilities	80.309.416	18,338,702	7,729,734	9,080,178	7,674,955	3,730,630	24,767,513	3,208,589	154,839,717
	00,000,110	10,000,702	.,,	3,000,170	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0,100,000	21,707,010	0,200,005	10 1,003,111
Net interest sensitivity gap for items recognised in the statement of finanical position	(1,307,746)	(4,185,925)	(4,408,170)	(2,561,950)	10,183,588	13,679,948	_	11,670,252	
<u>Net interest sensitives gap for items not recognised</u> in the statements of financial position									
Financial guarantees	-	-	-	-	-	-	898,403	-	898,403
Credit related commitments and contingencies		-	-			-	41,385,026	-	41,385,026
Treasury related commitments and contingencies (hedging)	600,000	-	300,000	65,611	3,387,200	12,400,000	-		16,752,811
	600,000	-	300,000	65,611	3,387,200	12,400,000	42,283,429	-	59,036,240

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

- 52 Financial Risk Management (Continued)
- 52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

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

	The Bank									
	<			ding book ——		→				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5	Non-interest			
	month	months	months	months	years	years	sensitive	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial investments available-for-sale										
- Money market instruments	-	-	-	22,383	243,486	308,439	-	574,308		
- Quoted securities	-	-	-	-	-	-	463	463		
- Unquoted securities	169,215	319,330	130,460	435,811	2,608,670	2,350,933	788,068	6,802,487		
Financial investments held-to-maturity										
- Money market instruments	-	-	-	149,979	1,728,995	-	-	1,878,974		
- Unquoted securities	192,304	299,014	299,580	163,941	4,784,421	3,565,808	1,951	9,307,019		
Loans, advances and financing										
- Overdrafts	7,684,754	-	-	-	-	-	-	7,684,754		
- Term loans/financing	47,037,187	2,147,261	510,521	355,181	8,119,079	10,864,346	-	69,033,575		
- Bills receivable	190,737	98,416	167,362	17,270	-	-	-	473,785		
- Trust receipts	367,082	18,593	28,516	4,393	-	-	-	418,584		
- Claim on customers under acceptance credit	1,244,308	1,446,119	568,481	2,919	-	-	-	3,261,827		
- Credit card receivables	4,074,605	7,870	6,419	-	-	-	-	4,088,894		
- Revolving credit	5,201,546	29,837	-	-	-	-	-	5,231,383		
- Share margin financing	623,747	-	-	-	-	-	-	623,747		
Total	66,785,485	4,366,440	1,711,339	1,151,877	17,484,651	17,089,526	790,482	109,379,800		

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

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

	The Gr	oup	The Bank				
	+ 100 basis point RM'000	-100 basis point RM'000	+ 100 basis point RM'000	-100 basis point RM'000			
Impact to profit (after tax)	(104,507)	104,507	(76,296)	76,296			

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 and the Bank's banking book to movement in interest rates:

	The Gr	oup	The Bank				
	+100 basis point	-100 basis point	+100 basis point	-100 basis point			
	RM'000	RM'000	RM'000	RM'000			
Impact to revaluation reserve-financial							
investments available-for-sale	(296,819)	296,819	(264,162)	264,162			

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

(c) Sensitivity of reserves (Continued)

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserve 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 and the Bank would take to mitigate the impact of this interest rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective interest movements.

52.2.4 Foreign exchange risk

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

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

(a) Foreign exchange risk

The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank as at 31 December 2010.

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

	The Group										
					LICE		GDD	1017	0.1	Total non-	<i>a</i>
	MYR	IDR	THB	SGD	USD	AUD	GBP	JPY	Others	MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Items recognised in the statements of financial											
position											
Financial assets											
Cash and short-term funds	14,886,946	13,744	305,406	64,120	4,496,843	237,292	40,420	136,274	666,944	5,961,043	20,847,989
Reverse repurchase agreements	2,380,468	-	1,014,376	10,901	99,169	-	-	-	-	1,124,446	3,504,914
Deposits and placements with banks and other											
financial institutions	4,520,651	-	60,687	-	3,974,689	125,661	383,508	-	576,195	5,120,740	9,641,391
Financial assets held for trading											
- Money market instruments	8,250,199	-	-	2,061,253	123,158	-	-	-	-	2,184,411	10,434,610
- Quoted securities	856,015	-	13,904	66,202	258,821	3,126	-	195	22,217	364,465	1,220,480
- Unquoted securities	1,411,214	44,531	-	551,839	796,237	-	-	-	-	1,392,607	2,803,821
Financial investments available-for-sale											
- Money market instruments	675,257	-	-	-	-	-	-	-	-	-	675,257
- Quoted securities	-	-	860,063	463	-	-	-	-	-	860,526	860,526
- Unquoted securities	6,828,054	90,186	27,424	775	291,153	-	-	-	146,643	556,181	7,384,235
Financial investments held-to-maturity											
- Money market instruments	1,979,014	-	-	-	-	-	-	-	-	-	1,979,014
- Quoted securities	-	-	999,621	-	154,859	-	-	-	-	1,154,480	1,154,480
- Unquoted securities	8,932,692	-	76,641	759,550	608,813	-	-	-	-	1,445,004	10,377,696
Derivative financial instruments											
- Trading derivatives	2,374,122	-	182,447	17,852	749,445	8	297	1,515	36,678	988,242	3,362,364
- Hedging derivatives	47,023	-	-	-	91,504	-	-	-	-	91,504	138,527
Loans, advances and financing											
- Overdrafts	7,906,986	-	612,490	89,700	-	-	-	-	-	702,190	8,609,176
- Term loans/financing	82,064,460	-	6,198,864	4,444,400	4,197,952	172,917	72,489	179,643	333,282	15,599,547	97,664,007
- Bills receivable	412,951	-	1,860,582	64,260	128,985	-	563	883	3,615	2,058,888	2,471,839
- Trust receipts	405,709	-	189,779	12,230	311,408	-	1,939	5,496	9,048	529,900	935,609
- Claim on customers under acceptance credit	3,438,535	-	5,142	286	-	-	-	-	-	5,428	3,443,963
- Credit card receivables	3,885,531	-	-	290,000	-	-	-	-	-	290,000	4,175,531
- Revolving credit	4,726,893	-	51,401	463,757	886,307	-	175,114	-	5,883	1,582,462	6,309,355
- Share margin financing	623,747	-	18,815	-	-	-	-	-	-	18,815	642,562
Other assets	1,189,165	2,573	58,624	63,942	360,458	1,307	4,655	253	9,131	500,943	1,690,108
Amount due from holding company and											
ultimate holding company	29,193	-	-	-	-	-	-	-	-	-	29,193
Amount due from related companies	2,244,646	11,942	-	453	2,322	-	-	-	-	14,717	2,259,363
	160,069,471	162,976	12,536,266	8,961,983	17,532,123	540,311	678,985	324,259	1,809,636	42,546,539	202,616,010

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

					Т	he Group					
										Total non-	
	MYR	IDR	THB	SGD	USD	AUD	GBP	JPY	Others	MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fianancial liabilities											
Deposits from customers	127,137,684	20	9,653,079	7,669,357	12,972,435	350,830	365,064	159,852	1,332,376	32,503,013	159,640,697
Deposits and placements of banks and other											
financial institutions	7,487,361	-	210,436	1,922,053	4,442,748	138,861	354,879	1,712	94,385	7,165,074	14,652,435
Repurchase agreements	-	-	-	-	33,087	-	-		-	33,087	33,087
Derivatives financial instruments											
- Trading derivatives	2,502,906	-	131,617	53,796	713,721	1,545	70	200	57,227	958,176	3,461,082
- Hedging derivatives	204,090	-	2,626	-	43,342	-	-		-	45,968	250,058
Bills and acceptances payable	2,231,859	-	1,824,890	20,053	809	-	-		-	1,845,752	4,077,611
Amount due to Cagamas Berhad	107,523	-		-		-	-		-	-	107,523
Amount due to related companies	449	-		-	6,302	-	-		-	6,302	6,751
Other liabilities	2,553,815	6	197,794	113,902	163,837	2,449	3,563	717	5,283	487,551	3,041,366
Other borrowings	-	-		-	925,050	-	-		-	925,050	925,050
Bonds	-	-		-	423,982	-	-			423,982	423,982
Subordinated notes	5,747,405	-	66,240	-	284,624	-	-		-	350,864	6,098,269
Redeemable preference shares	706,879	-	-		-	-	-	-	-	-	706,879
	148,679,971	26	12,086,682	9,779,161	20,009,937	493,685	723,576	162,481	1,489,271	44,744,819	193,424,790
Items not recognised in the statements of											
financial position	0 40 47									201 5	
Financial guarantees	840,971	1,405	92,367	25	68,161	563	49,340	-	169,724	<i>´</i>	1,222,556
Credit related commitments and contingencies	36,855,638	44,539	775,643	2,142,432	5,107,624	159,235	228,348	140,995	596,823	9,195,639	46,051,277
	37,696,609	45,944	868,010	2,142,457	5,175,785	159,798	277,688	140,995	766,547	9,577,224	47,273,833

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

	The Bank										
	MYR	IDR	тнв	SGD	USD	AUD	GBP	JPY	Others	Total non- MYR	Grand total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	GD1 RM'000	IT 1 RM'000	RM'000	RM'000	RM'000
	KIVI 000	KWI 000	KWI 000	KWI 000	KIVI UUU	KWI 000	KWI 000	KWI 000	KNI 000	KNI 000	KWI 000
Items recognised in the statements of financial											
position											
Financial assets											
Cash and short-term funds	9,453,889	13,620	3,674	57,093	2,327,399	233,174	38,559	132,525	651,260	3,457,304	12,911,193
Reverse repurchase agreements	2,380,469	-	-	10,901	84,221	-	-	-	-	95,122	2,475,591
Deposits and placements with banks and other											
financial institutions	11,479,429	-	-	-	3,520,552	125,661	383,508	-	574,832	4,604,553	16,083,982
Financial assets held for trading											
- Money market instruments	6,035,785	-	-	2,061,253	123,158	-	-	-	-	2,184,411	8,220,196
- Quoted securities	855,984	-	-	66,202	258,819	3,126	-	195	22,123	350,465	1,206,449
- Unquoted securities	1,282,532	44,531	-	551,839	509,429	-	-	-	-	1,105,799	2,388,331
Financial investments available-for-sale											
 Money market instruments 	574,308	-	-	-	-	-	-	-	-	-	574,308
- Quoted securities	-	-	-	463	-	-	-	•	-	463	463
- Unquoted securities	6,458,392	90,186	-	230	107,096	-	-	-	146,583	344,095	6,802,487
Financial investments held-to-maturity											
- Money market instruments	1,878,974	-	-	-	-	-	-	-	-	-	1,878,974
- Unquoted securities	7,919,721	-	-	759,550	627,748	-	-	-	-	1,387,298	9,307,019
Derivative financial instruments											
- Trading derivatives	2,234,571	-	26,391	17,741	764,679	8	297	891	19,287	829,294	3,063,865
- Hedging derivatives	107,163	-	-	-	91,506	-	-		-	91,506	198,669
Loans, advances and financing											
- Overdrafts	7,595,054	-	-	89,700	-	-	-		-	89,700	7,684,754
- Term loans/financing	60,483,774	-	-	4,444,400	3,357,617	172,917	72,489	179,643	322,735	8,549,801	69,033,575
- Bills receivable	410,715	-		63,070	-	-	-	-	-	63,070	473,785
- Trust receipts	350,738	-	-	12,230	49,964	-	-	2,751	2,901	67,846	418,584
- Claim on customers under acceptance credit	3,261,541			286	-	-	-	-	-	286	3,261,827
- Credit card receivables	3,798,894	-	-	290,000		-	-	-	-	290,000	4,088,894
- Revolving credit	4,400,805			463,757	185,824	-	175,114	-	5,883	830,578	5,231,383
- Share margin financing	623,747	-	-	-	-	-	-		-	-	623,747
Other assets	1,145,453	2,573		63,875	379,323	1,300	4,648	228	9,129	461,076	1,606,529
Amount due from holding company and		,		,	,	,	,		ĺ.		. ,
ultimate holding company	340	-	-	-	-	-	-	-	-	-	340
Amount due from subsidiaries	83,169	-	-	-	1,148	-	-	-	-	1,148	84,317
Amount due from related companies	2,237,369			453	1,953	-	-	-	-	2,406	2,239,775
-	135,052,816	150,910	30,065	8,953,043	12,390,436	536,186	674,615	316,233	1,754,733	24,806,221	159,859,037

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

					Т	he Bank					
	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
Fianancial liabilities											
Deposits from customers	104,656,114	-	2,285	7,204,811	7,520,904	350,375	342,210	159,372	1,316,998	16,896,955	121,553,069
Deposits and placements of banks and other financial institutions	7,212,208	-	-	1,922,053	8,772,343	138,547	353,049	-	70,454	11,256,446	18,468,654
Repurchase agreements	-	-	-	-	33,087	-	-	-	-	33,087	33,087
Derivatives financial instruments											
- Trading derivatives	2,366,432	-	29,075	53,739	724,021	1,545	70	179	33,528	842,157	3,208,589
- Hedging derivatives	215,226	-	-	-	-	-	-	-	-	-	215,226
Bills and acceptances payable	2,231,860	-	-	20,053	809	-	-	-	-	20,862	2,252,722
Amount due to Cagamas Berhad	107,523	-	-	-	-	-	-	-	-	-	107,523
Amount due to subsidiaries	310,381	-	-	-	-	-	-	-	-	-	310,381
Amount due to related companies	833	-	8		-	-	-	-	-	8	841
Other liabilities	2,330,870	6	866	113,861	72,986	2,421	3,561	717	5,256	199,674	2,530,544
Subordinated notes	5,452,202	-			706,879	-	-	-	-	706,879	6,159,081
	124,883,649	6	32,234	9,314,517	17,831,029	492,888	698,890	160,268	1,426,236	29,956,068	154,839,717
Items not recognised in the statements of financial position											
Financial guarantees	669,804	1,405	-	25	7,869	563	49,340	-	169,397	228,599	898,403
Credit related commitments and contingencies	33,653,227	44,539	454	2,141,901	4,452,323	159,156	228,348	131,912	573,166	7,731,799	41,385,026
	34,323,031	45,944	454	2,141,926	4,460,192	159,719	277,688	131,912	742,563	7,960,398	42,283,429

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

52 Financial Risk Management (Continued)

52.2 Market risk (Continued)

52.2.4 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

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

	The Gr	oup	The Bar	ık
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit (after tax)	(1,095)	1,095	(1,199)	1,199
Impact to reserves	(20,475)	20,475	(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.

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk

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

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

Risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the RLRC. 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 and the local regulatory requirements. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

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

CIMB Bank Berhad

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

52.3.1 Contractual maturity of assets and liabilities

The table below analyses assets and liabilities of the Group and the Bank as at 31 December 2010 based on the remaining period to the contractual maturity date in accordance with the requirements of BNM GP8:

auto in accordance with the requirements of Drain				The Group				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5	No-specific	
	month	months	months	months	years	years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	20,847,989	-	-	-	-	-	-	20,847,989
Reverse repurchase agreements	2,652,608	851,901	405	-	-	-	-	3,504,914
Deposits and placements with banks and other financial institutions	3,903,914	1,850,711	2,681,942	822,123	243,943	138,758	-	9,641,391
Financial assets held for trading	5,968,163	4,056,707	319,612	576,079	1,629,804	690,918	1,217,628	14,458,911
Financial investments available-for-sale	212,919	426,929	170,975	545,508	3,346,918	3,007,265	1,209,504	8,920,018
Financial investments held-to-maturity	13,538	84,996	172,794	1,420,757	7,824,147	3,994,958	-	13,511,190
Derivative financial instruments	430,537	202,148	253,038	231,265	1,602,520	781,383	-	3,500,891
Loans, advances and financing	28,536,557	5,087,392	3,870,339	4,312,674	26,016,409	56,428,671	-	124,252,042
Other assets	2,032,115	-	81,771	-	256,219	111,018	-	2,481,123
Tax recoverable	2,084	-	-	-	-	-	-	2,084
Statutory deposits with central banks	-	-	-	-	-	-	1,410,155	1,410,155
Investment in jointly controlled entity	-	-	-	-	-	-	139,849	139,849
Investment in associate	-	-	-	-	-	-	382,248	382,248
Amount due from holding company and ultimate holding company	29,193	-	-	-	-	-	-	29,193
Amount due from related companies	2,259,363	-	-	-	-	-	-	2,259,363
Goodwill	-	-	-	-	-	-	4,923,428	4,923,428
Intangible assets	-	-	-	-	-	-	574,064	574,064
Prepaid lease payments	-	-	-	-	-	-	2,341	2,341
Property, plant and equipment	-	-	-	-	-	-	947,155	947,155
Investment properties	-	-	-	-	-	-	61,217	61,217
Non-current assets/disposal groups held for sale	100	46,904	-	-	-	-	12,046	59,050
Total assets	66,889,080	12,607,688	7,550,876	7,908,406	40,919,960	65,152,971	10,879,635	211,908,616

CIMB Bank Berhad

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

				The Group				
	Up to 1	>1-3	> 3 - 6	> 6 - 12	>1-5	Over 5	No-specific	
	month	months	months	months	years	years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	114,953,444	20,769,429	7,814,167	10,102,016	5,077,465	924,176	-	159,640,697
Deposits and placements of banks and other financial institutions	6,199,405	3,169,590	2,194,443	1,444,031	1,459,956	185,010	-	14,652,435
Repurchase agreements	-	33,087	-	-	-	-	-	33,087
Derivative financial instruments	831,009	207,462	314,458	262,568	1,497,669	597,974	-	3,711,140
Bills and acceptances payable	2,162,954	1,349,914	406,086	158,657	-	-	-	4,077,611
Amount due to Cagamas Berhad	-	45,416	62,107	-	-	-	-	107,523
Amount due to related companies	6,751	-	-	-	-	-	-	6,751
Other liabilities	3,637,462	-	-	-	-	-	-	3,637,462
Deferred taxation	-	-	-	-	-	-	1,019	1,019
Provision for taxation and zakat	39,071	-	-	-	-	-	-	39,071
Bonds	-	-	423,982	-	-	-	-	423,982
Other borrowings	-	-	925,050	-	-	-	-	925,050
Subordinated obligations	55,932	-	-	-	2,516,062	3,526,275	-	6,098,269
Redeemable preference shares		-	-	-	706,879	-	-	706,879
Total liabilities	127,886,028	25,574,898	12,140,293	11,967,272	11,258,031	5,233,435	1,019	194,060,976
Net liquidity gap	(60,996,948)	(12,967,210)	(4,589,417)	(4,058,866)	29,661,929	59,919,536	10,878,616	

CIMB Bank Berhad

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

				The Bank				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5	No-specific	
	month	months	months	months	years	years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	12,911,193	-	-	-	-	-	-	12,911,193
Reverse repurchase agreements	1,623,285	851,901	405	-	-	-	-	2,475,591
Deposits and placements with banks and other financial institutions	3,658,448	5,399,088	1,526,721	5,360,967	-	138,758	-	16,083,982
Financial assets held for trading	5,241,183	2,917,207	103,255	367,275	1,319,635	654,024	1,212,397	11,814,976
Financial investments available-for-sale	85,105	319,330	130,460	447,985	2,862,364	2,749,558	782,456	7,377,258
Financial investments held-to-maturity	13,539	84,996	70,091	385,737	6,947,369	3,684,261	- ·	11,185,993
Derivative financial instruments	420,424	176,902	210,063	184,266	1,441,667	829,212	-	3,262,534
Loans, advances and financing	26,957,716	3,427,897	2,152,220	2,118,275	21,389,343	34,771,098	-	90,816,549
Other assets	1,456,835	-	81,771	-	256,219	111,018	-	1,905,843
Deferred taxation	-		-	-	-	-	22,096	22,096
Statutory deposits with central banks	-		-	-	-	-	954,023	954,023
Investment in subsidiaries	-	-	-	-	-	-	4,526,972	4,526,972
Investment in jointly controlled entity	-		-	-	-	-	125,000	125,000
Investment in associate	-		-	-	-	-	298,116	298,116
Amount due from holding company and ultimate holding company	340		-	-	-	-	-	340
Amount due from subsidiaries	84,317		-	-	-	-	-	84,317
Amount due from related companies	2,239,775	-	-	-	-	-	-	2,239,775
Goodwill	-,,	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	530,362	530,362
Property, plant and equipment	-	-	-	-	-	-	541,555	541,555
Investment properties	-	-	-	-	-	-	52,858	52,858
Non-current assets/disposal groups held for sale	100	46,904	-	-	-	-	11,610	58,614
Total assets	54,692,260	13,224,225	4,274,986	8,864,505	34,216,597	42,937,929	12,612,520	170,823,022

CIMB Bank Berhad

(Incorporated in Malaysia)

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

52 Financial Risk Management (Continued)

52.3 Liquidity risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

				The Bank				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5	No-specific	
	month	months	months	months	years	years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	92,275,066	12,147,209	5,697,324	7,636,253	3,401,307	395,910	-	121,553,069
Deposits and placements of banks and other financial institutions	8,883,801	4,966,467	1,696,456	1,443,925	1,292,994	185,011	-	18,468,654
Repurchase agreements	-	33,087	-	-	-	-	-	33,087
Derivative financial instruments	824,225	170,900	287,993	212,651	1,324,639	603,407	-	3,423,815
Bills and acceptances payable	1,076,295	902,580	273,847	-	-	-	-	2,252,722
Amount due to Cagamas Berhad	-	45,416	62,107	-	-	-	-	107,523
Amount due to subsidiaries	310,381	-	-	-	-	-	-	310,381
Amount due to related companies	841	-	-	-	-	-	-	841
Other liabilities	2,731,046	-	-	-	-	-	-	2,731,046
Provision for taxation and zakat	41,679	-	-	-	-	-	-	41,679
Subordinated obligations	-	-	-	-	3,212,633	2,946,448	-	6,159,081
Total liabilities	106,143,334	18,265,659	8,017,727	9,292,829	9,231,573	4,130,776	-	155,081,898
Net liquidity gap	(51,451,074)	(5,041,434)	(3,742,741)	(428,324)	24,985,024	38,807,153	12,612,520	

CIMB Bank Berhad

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)

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

				The Group				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	> 1 - 5	Over 5		
	month	months	months	months	years	years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	115,028,803	20,872,249	7,932,660	10,252,827	7,826,843	982,472	-	162,895,854
Deposits and placements of banks and other financial institutions	6,227,522	3,199,267	2,218,062	1,470,775	2,491,729	201,850	-	15,809,205
Repurchase agreements		33,325	-	-	-	-	-	33,325
Bills and acceptances payable	2,167,144	1,357,032	410,720	158,657	-	-	-	4,093,553
Amount due to Cagamas Berhad	452	46,137	62,647	-	-	-	-	109,236
Amount due to related companies	6,751	-	-	-	-	-	-	6,751
Other liabilities	3,041,365	-	-	-	-	-	-	3,041,365
Bonds	-	-	437,112	-	-	-	-	437,112
Other borrowings	359	718	926,127	-	-	-	-	927,204
Subordinated obligations	55,932	45,525	115,000	174,428	3,702,902	4,345,344	-	8,439,131
Redeemable preference shares	-	-	20,187	20,187	869,170	-	-	909,544
	126,528,328	25,554,253	12,122,515	12,076,874	14,890,644	5,529,666	-	196,702,280
Items not recognised in the statements of								
financial position								
Financial guarantees	288,927	133,433	199,316	286,273	221,452	93,155	-	1,222,556
Credit related commitments and contingencies	36,451,085	1,687,556	517,371	742,860	1,743,005	4,909,400	-	46,051,277
	36,740,012	1,820,989	716,687	1,029,133	1,964,457	5,002,555	-	47,273,833

CIMB Bank Berhad

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)

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

Non-derivative financial liabilities (Continued)

				The Bank				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5		
	month	months	months	months	years	years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	92,305,766	12,199,185	5,764,126	7,794,099	5,909,666	400,533	-	124,373,375
Deposits and placements of banks and other financial institutions	8,908,825	4,981,984	1,715,909	1,470,668	1,341,844	201,850	-	18,621,080
Repurchase agreements	-	33,325	-	-	-	-	-	33,325
Bills and acceptances payable	1,077,214	906,742	276,083	-	-	-	-	2,260,039
Amount due to Cagamas Berhad	452	46,137	62,647	-	-	-	-	109,236
Amount due to subsidiairies	310,381	-	-	-	-	-	-	310,381
Amount due to related companies	841	-	-	-	-	-	-	841
Other liabilities	2,530,543	-	-	-	-	-	-	2,530,543
Subordinated obligations	-	36,750	135,187	171,937	4,440,175	3,603,447	-	8,387,496
	105,134,022	18,204,123	7,953,952	9,436,704	11,691,685	4,205,830	-	156,626,316
Items not recognised in the statements of								
financial position								
Financial guarantees	68,592	75,590	163,546	280,966	216,554	93,155	-	898,403
Credit related commitments and contingencies	33,849,810	1,538,775	376,292	391,269	1,166,407	4,062,473	-	41,385,026
	33,918,402	1,614,365	539,838	672,235	1,382,961	4,155,628	-	42,283,429

CIMB Bank Berhad

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)
- 52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

The table below analyses the Group's and the Bank's 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	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	40,162	831	21,005	6,653	44,896	23,875	38,479	175,901
- Interest rate derivatives	231,481	97,029	133,464	(149,688)	423,935	220,411	15,028	971,660
- Equity related derivatives	11,448	79,491	81,679	264,486	23,875	164,733	49,114	674,826
- Credit related contractss	-	466	416	572	4,113	36,354	(74)	41,847
Hedging derivatives								
- Interest rate derivatives	23,653	(9,188)	27,300	41,217	353,056	281,163		717,201
	306,744	168,629	263,864	163,240	849,875	726,536	102,547	2,581,435

CIMB Bank Berhad

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

				The Bank				
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	38,362	831	4,372	5,127	32,743	-	38,479	119,914
- Interest rate derivatives	197,316	86,595	127,537	(150,613)	150,965	119,508	15,028	546,336
- Equity related derivatives	11,448	79,491	81,679	264,486	23,875	164,733	42,772	668,484
- Credit related contractss	-	466	416	572	4,113	36,354	(74)	41,847
Hedging derivatives								
- Interest rate derivatives	11,759	1,958	4,579	17,796	142,004	109,461	-	287,557
	258,885	169,341	218,583	137,368	353,700	430,056	96,205	1,664,138

CIMB Bank Berhad

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)
- 52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

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

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

				The Group				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	> 1 - 5	Over 5		
	month	months	months	months	years	years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	12,656,491	8,238,582	6,284,829	3,742,671	5,583,979	1,602,872	-	38,109,424
- Inflow	(12,465,855)	(8,008,779)	(5,985,676)	(3,492,530)	(5,002,670)	(1,486,522)	-	(36,442,032)
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	230,780	299,153	251,416	587,665	116,350	-	1,676,000

CIMB Bank Berhad

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

- 52 Financial Risk Management (Continued)
- 52.3 Liquidity risk (Continued)

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

Derivative financial liabilities (Continued)

				The Bank				
	Up to 1	> 1 - 3	> 3 - 6	> 6 - 12	>1-5	Over 5		T (1
	month	months	months	months	years	years	No-specific maturity	Total
	RM'000	RM'000						
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	9,829,826	3,839,192	4,502,507	2,652,958	5,351,672	1,549,014	-	27,725,169
- Inflow	(9,643,246)	(3,630,807)	(4,202,618)	(2,421,271)	(4,771,675)	(1,432,094)	-	(26,101,711)
	186,580	208,385	299,889	231,687	579,997	116,920	-	1,623,458

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

52 Financial Risk Management (Continued)

52.4 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.

52.4.1 Financial instruments not measured at fair value

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

		The Bank 2010		
Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	
9,641,391 13,511,190 124,252,042 2,481,123	9,740,053 13,636,547 122,725,755 2,412,220	16,083,982 11,185,993 90,816,549 1,905,843	16,176,197 11,277,247 88,312,062 1,836,940	
159,640,697	159,428,493	121,553,069	121,477,702	
14,652,435 423,982 6,098,269	14,678,718 424,962 6,057,116	18,468,654 - 6,159,081	18,468,654 - 6,029,149	
	201 Carrying amount RM'000 9,641,391 13,511,190 124,252,042 2,481,123 159,640,697 14,652,435 423,982	amount RM'000 Fair value RM'000 9,641,391 9,740,053 13,511,190 13,636,547 124,252,042 122,725,755 2,481,123 2,412,220 159,640,697 159,428,493 14,652,435 14,678,718 423,982 424,962	2010 2011 Carrying amount Fair value RM'000 Carrying amount RM'000 9,641,391 9,740,053 16,083,982 13,511,190 13,636,547 11,185,993 124,252,042 122,725,755 90,816,549 2,481,123 2,412,220 1,905,843 159,640,697 159,428,493 121,553,069 14,652,435 14,678,718 18,468,654 423,982 424,962 -	

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

52 Financial Risk Management (Continued)

52.4 Fair value of financial instruments (Continued)

52.4.1 Financial instruments not measured at fair value (Continued)

The carrying amount of the financial assets at the statements 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 the maturity date.

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 Bank establish 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.

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

52 Financial Risk Management (Continued)

52.4 Fair value of financial instruments (Continued)

52.4.1 Financial instruments not measured at fair value (Continued)

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.

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

- 52 Financial Risk Management (Continued)
- 52.4 Fair value of financial instruments (Continued)

52.4.1 Financial instruments not measured at fair value (Continued)

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

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

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair values. 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 more than six months, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Bills and acceptances payable

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

(Incorporated in Malaysia)

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

- 52 Financial Risk Management (Continued)
- 52.4 Fair value of financial instruments (Continued)

52.4.1 Financial instruments not measured at fair value (Continued)

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.

Bonds, subordinated obligations and other borrowings

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

The estimated fair values of other borrowings with maturities of less than six months or with floating interest rates approximates the carrying values. For other borrowings 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.

Redeemable preference shares

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

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.

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

53 Business combinations

(a) 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	(1,101)
Other assets	(2,209)
Property, plant and equipment	(685)
Intangible assets	(299)
Other liabilities	1,222
Identifiable net assets disposed	(3,072)
Net disposal proceeds	25,181
Gain on disposal before and after tax	22,109
The net cash flow on disposal was determined as follows:	

Total proceeds from disposal - cash consideraton	25,181
Cash and cash equivalents fo subsidiary disposed	(1,101)
	24.080

(Incorporated in Malaysia)

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

53 **Business combinations**

(a) Disposals during the financial year (Continued)

(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 consideraton	40,691
Cash and cash equivalents fo subsidiary disposed	(6,169)
	34,522

(Incorporated in Malaysia)

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

53 Business combinations

(a) Disposals during the financial year (Continued)

(iii) Disposal of Sathorn Asset Management Company Limited ("STAMC")

On 28 December 2010, CIMB Thai disposed its 99.99% of its equity interest in STAMC 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), THB229,149,954.00 (approximately RM23,465,184 based on exchange rate of RM10.2401:THB100 as at 28 December 2010).

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	(1,012)
Deposits and placements with banks and other financial institutions	(592)
Financial investments available-for-sale	(9,808)
Loans and advances	(7,063)
Other assets	(18,143)
Other liabilities	3,816
Identifiable net assets disposed	(32,802)
Net disposal proceeds	23,944
Loss on disposal before and after tax	(8,858)
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal - cash consideraton	23,944
Cash and cash equivalents fo subsidiary disposed	(1,012)
	22,932

(Incorporated in Malaysia)

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

53 **Business combinations (Continued)**

(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 RM401,219,000 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%.

The assets and liabilities arising from the additional investment and subsequent rights issue representing an equity interest of 51.02% are shown on the next page.

(Incorporated in Malaysia)

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

53 Business combinations (Continued)

- (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")

	Acquirees's carrying amount at date of acquisition RM'000	Generally Accepted Accounting Principles adjustments RM'000	Fair value adjustments RM'000	Acquirees' 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
Purchase consideration satisfied via cash				972,628
Less: Cash and cash equivalents acquired			_	(460,392)
Cash outflow on acquisition			_	512,236
			-	

(Incorporated in Malaysia)

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

- 53 **Business combinations** (Continued)
- (b) Acquisitions during the prior financial year are as follows: (Continued)
- (i) Additional investment in CIMB Thai Bank Public Company Limited (formerly known as BankThai Public Company Limited ("CIMB Thai Bank") (continued)

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.

(Incorporated in Malaysia)

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

53 **Business combinations (Continued)**

(c) 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 HLG Capital 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 others 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.

(Incorporated in Malaysia)

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

53 **Business combinations (Continued)**

- (c) Disposals during the prior financial year
- (ii) Disposal of Southeast Asia Special Asset Management Berhad (formerly known as Common Forge Berhad) ("SEASAM") to CIMBG

On 1 December 2009, the Bank disposed its 100% equity interest in SEASAM to CIMBG for a cash consideration of RM100.

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

	2009
	RM'000
Loans, advances and financing	(917,150)
Other assets	(9,152)
Other liabilities	2,132
Amount due to holding company	928,181
Identifiable net assets disposed	4,011
Net disposal proceeds	
Gain on disposal before and after tax	4,011

(Incorporated in Malaysia)

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

54 Non-current assets/disposal groups held for sale

		The Group		The Bank	
	Note	2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Non-current assets held for sale:					
- foreclosed properties		8,835	1,939	8,756	1,939
- prepaid lease payments	19	-	1,602	-	-
- property plant and equipment		3,411	222,683	3,054	71,963
- investment properties	21	46,804	-	46,804	-
Total non-current assets held for sale		59,050	226,224	58,614	73,902

Foreclosed properties, property, plant and equipment and investment properties of the Group and the Bank 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.

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives

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

- Leasehold land
- Financial assets
- Impairment of financial assets

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

	As at 31 December 2009 RM'000	Effects of adopting FRS 139 RM'000	Adjusted as at 1 January 2010 RM'000
<u>Group</u>			
Assets			
Loans, advances and financing			
- impaired loans, advances and financing	4,102,488	3,130,135	7,232,623
- individual impairment allowance	-	(3,370,235)	(3,370,235)
- portfolio impairment allowance	-	(2,222,029)	(2,222,029)
- specific allowance	(2,695,272)	2,695,272	-
- general allowance	(1,564,540)	1,564,540	-
Equity			
Retained profits	4,340,049	(409,451)	3,930,598
Revaluation reserve - financial investments			
available-for-sale	92,059	238,431	330,490
Minority interests	256,040	(2,254)	253,786
Bank			
Assets			
Loans, advances and financing			
- impaired loans, advances and financing	2,296,931	2,212,971	4,509,902
- individual impairment allowance	-	(1,856,453)	(1,856,453)
- portfolio impairment allowance	-	(1,754,194)	(1,754,194)
- specific allowance	(1,644,003)	1,644,003	-
- general allowance	(1,258,390)	1,258,390	-
Deferred taxation	281,880	(30,421)	251,459
<u>Equity</u>			
Retained profits	2,660,394	(174,729)	2,485,665
Revaluation reserve - financial investments			
available-for-sale	34,535	238,431	272,966

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

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

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

Group

	Increase/(decrease) to balances as at 31 December 2010 Effects of adopting FRS 139 RM'000
Assets	
Loans, advances and financing	(1,477,977)
Financial investments available-for-sale	23,196
Deposits and placements with banks	123,101
Other assets	(123,101)
Amount due from related companies	1,755,081
Deferred taxation	(395,813)
Liabilities	
Deposits from customers	399,082
Other liabilities	(309,082)
Provision for taxation and zakat	(350,248)
Equity	
Revaluation reserve - financial investments available-for-sale	17,397

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

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

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

Bank

	Increase/(decrease) to balances as at 31 December 2010 Effects of adopting FRS 139 RM'000
Assets	
Loans and advances	(1,495,933)
Financial investments available-for-sale	23,196
Deposits and placements with banks	123,101
Other assets	(123,101)
Amount due from related companies	1,755,081
Deferred taxation	(342,771)
Liabilities	
Deposits from customers	244,651
Other liabilities	(154,651)
Provision for taxation and zakat	(300,511)
Equity	
Revaluation reserve - financial investments available-for-sale	17,397

The effects of the adoption of FRS 139 on loan impairment for the current financial year is not disclosed by the Group and the Bank as it is not practicable to do so.

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

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

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

Increase/(decrease) for the financial year ended 31 December 2010

	2010
	Effects of adopting
Group	FRS 139
	RM'000
Interest income	187,104
Taxation	(46,776)
	Increase/(decrease) for the financial year ended 31 December 2010 Effects of adopting
Bank	FRS 139
	RM'000
Interest income	169,148
Taxation	(42,287)

The effects of the adoption of FRS 139 on loan impairment for the current financial year is not disclosed by the Group and the Bank as it is not practicable to do so.

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

(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	29,618	(25,197)	4,421
Property, plant and equipment	728,713	25,197	753,910

	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 Property, plant and equipment	16,340 996,521	(12,511) 12,511	3,829 1,009,032

Increase/(decrease) to balances as at 31 December 2010

	Effects of adopting FRS 117 RM'000
Assets	
Prepaid lease payments	(7,450)
Property, plant and equipment	7,450

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

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

Impact on the Bank's statements of financial position:

	Balances as at 31 December 2008		
	Effects of adopting		
	As previously reported	FRS 117	As restated
	RM'000	RM'000	RM'000
Assets			
Prepaid lease payments	25,197	(25,197)	-
Property, plant and equipment	564,047	25,197	589,244

Balances as at 31 December 2009

	Effects of adopting		
	As previously reported	FRS 117	As restated
	RM'000	RM'000	RM'000
Assets			
Prepaid lease payments	12,511	(12,511)	-
Property, plant and equipment	564,486	12,511	576,997

Increase/(decrease) to balances as at 31 December 2010

	Effects of adopting FRS 117 RM'000
Assets	
Prepaid lease payments	(7,450)
Property, plant and equipment	7,450

(Incorporated in Malaysia)

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

55 Changes in accounting policies and comparatives (Continued)

(iii) The following comparatives were restated to conform with the current year's financial year's presentation. There was no impact to the financial performance and ratios in relation to the financial year ended 31 December 2009.

Group	Balances as at 31 December 2009				
	As previously reported RM'000	Reclassification RM'000	As restated RM'000		
Assets					
Financial investments available-for-sale	8,080,319	26,517	8,106,836	(a)	
Loans, advances and financing	113,480,642	(26,517)	113,454,125	(a)	
Reserves					
Revaluation reserve - financial investments available-for-sale	92,059	(27,798)	64,261		
Retained profits	4,340,049	27,798	4,367,847	(b)	

- (a) 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.
- (b) The reclassification was in relation to the transfer of revaluation reserve financial investments available-for-sale of CIMB Thai Bank to retained profits of the Group, upon the Bank's acquiring additional interest in CIMB Thai Bank in 2009.

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2010

		The Group		The Group The Ba		The Bar	Bank	
	Note	2010	2009	2010	2009			
		RM'000	RM'000	RM'000	RM'000			
Assets								
Cash and short-term funds	(a)	7,840,258	5,342,372	153,473	484,261			
Deposits and placements with banks and								
other financial institutions	(b)	1,053,053	1,485,276	550,177	493,001			
Financial assets held for trading	(c)	2,549,533	3,491,709	201,640	207,415			
Financial investments available-for-sale	(d)	455,962	542,277	-	-			
Financial investments held-to-maturity	(e)	1,328,746	1,011,378	235,111	-			
Islamic derivative financial instruments	(f)	157,901	263,732	7,213	6,044			
Financing, advances and other loans	(g)	22,764,498	16,454,805	339,921	213,664			
Other assets	(h)	334,828	111,877	737	3,841			
Deferred taxation	(i)	5,589	44,625	-	-			
Amount due from holding company		591,695	-	-	-			
Amount due from related company		48,767	-	47,939	-			
Statutory deposits with Bank								
Negara Malaysia	(j)	143,406	172,806	-	-			
Goodwill	(k)	136,000	136,000	-	-			
Intangible assets	(1)	4,287	3,676	-	-			
Property, plant and equipment	(m)	1,862	2,625		-			
Total assets		37,416,385	29,063,158	1,536,211	1,408,226			
Liabilities								
Deposits from customers	(n)	23,479,669	18,184,606	637,441	525,463			
Deposits and placements of banks and								
other financial institutions	(0)	10,769,939	9,086,271	566,899	805,577			
Islamic derivative financial instruments	(f)	199,199	159,357	-	1,321			
Other liabilities	(q)	643,911	292,691	266,750	69,649			
Amount due to holding company		184,519	24,183	-	-			
Amount due to related company		-	6,425	-	147			
Provision for taxation and zakat	(r)	11,228	17,034	-	-			
Subordinated Sukuk	(p)	300,000	300,000	-	-			
Total liabilities		35,588,465	28,070,567	1,471,090	1,402,157			
T								
Equity	<i>.</i>							
Ordinary share capital	(s)	750,000	550,000	-	-			
Perpetual preference shares	(t)	70,000	70,000	-	-			
Reserves	(u)	1,007,920	372,591	65,121	6,069			
Total equity	_	1,827,920	992,591	65,121	6,069			
Total equity and liabilities		37,416,385	29,063,158	1,536,211	1,408,226			
Commitment and contingencies	(f)	18,266,504	13,661,181	389,122	301,761			

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

		The Gro	The Group		The Bank	
	Note	2010	2009	2010	2009	
		RM'000	RM'000	RM'000	RM'000	
Income derived from investment of						
depositors' funds and others	(v)	1,413,376	884,431	14,970	17,954	
Net income derived from investment of						
shareholders' funds	(w)	184,461	130,844	1,500	-	
(Allowance for)/writeback of allowances						
for impairment losses	(x)	(47,798)	(277,383)	49,797	-	
Writeback of other impairment losses		-	164	-	-	
Total distributable income	_	1,550,039	738,056	66,267	17,954	
Income attributable to depositors	(y)	(461,530)	(299,794)	(5,073)	(11,160)	
Total net income		1,088,509	438,262	61,194	6,794	
Personnel expenses	(z)	(116,369)	(97,863)	-	(263)	
Other overheads and expenditures	(aa)	(112,901)	(116,988)	-	(73)	
Profit before taxation and zakat		859,239	223,411	61,194	6,458	
Taxation	(ac)	(102,047)	(40,668)	-	(307)	
Zakat		-	(6,421)	-	-	
Profit after taxation and zakat	_	757,192	176,322	61,194	6,151	
Revaluation reserve of financial investments available-for-sale - Net gain from change in fair value - Realised gain transferred to comprehensive income on disposal and impairment - Income tax effects	(i)	4,227 6,386 (530) (1,629)	1,913 4,485 (1,934) (638)		- - -	
Exchange fluctuation reserve	(1)	10,411	2,068	(2,141)	393	
Other comprehensive income for		10,411	2,000	(2,141)	575	
the year, net of tax		14,638	3,981	(2,141)	393	
Total comprehensive income for the						
year	_	771,830	180,303	59,053	6,544	
Total net income Add: Allowances for /(writeback of) impairment losses on		1,088,509	438,262	61,194	6,794	
financing, advances and other loans		47,798	277,383	(49,797)	-	
Less: Writeback of other impairment losses		-	(164)	-	-	
-		1,136,307	715,481	11,397	6,794	

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

56 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	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Group								
At 1 January 2010								
- as previously reported	550,000	70,000	137,717	(1,242)	194	-	235,922	992,591
- effect of adopting FRS 139 on 1 January 2010	-	-	-	-	-	-	(136,501)	(136,501)
As restated	550,000	70,000	137,717	(1,242)	194	-	99,421	856,090
Profit for the financial year	-	-	-	-	-	-	757,192	757,192
Other comprehensive income, net of tax	-	-	-	10,411	4,227	-	-	14,638
- financial investments available-for-sale	-	-	-	-	4,227	-	-	4,227
- currency translation difference	-	-	-	10,411	-	-	-	10,411
Total comprehensive income for the year	-	-	-	10,411	4,227	-	757,192	771,830
Issuance of shares	200,000	-	-	-	-	-	-	200,000
Transfer to statutory reserve	-	-	150,886	-	-	-	(150,886)	-
Transfer to regulatory reserve	-	-	-	-	-	7,405	(7,405)	<u> </u>
At 31 December 2010	750,000	70,000	288,603	9,169	4,421	7,405	698,322	1,827,920

Company No: 13491-P

CIMB Bank Berhad

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

Statements of Changes in Equity for the financial year ended 31 December 2009

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained profits RM'000	Total RM'000
The Group							
At 1 January 2009	550,000	70,000	75,846	(3,310)	(1,719)	121,471	812,288
Profit for the financial year	-	-	-	-	-	176,322	176,322
Other comprehensive income, net of tax	-	-	-	2,068	1,913	-	3,981
- financial investments available-for-sale	-	-	-	-	1,913	-	1,913
- Currency translation difference	-	-	-	2,068	-	-	2,068
Total comprehensive income for the year	-	-	-	2,068	1,913	176,322	180,303
Transfer to statutory reserve	-	-	61,871	-	-	(61,871)	-
At 31 December 2009	550,000	70,000	137,717	(1,242)	194	235,922	992,591

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

	<u>Non-</u> <u>distributable</u> Exchange fluctuation reserves RM'000	<u>Distributable</u> Retained profits RM'000	Total RM'000
The Bank At 1 January 2010	(33)	6,102	6,069
Profit for the financial year	-	61,194	61,194
Currency translation difference	(2,141)	-	(2,141)
At 31 December 2010	(2,174)	67,296	65,122
	<u>Non-</u> distributable Exchange fluctuation reserves RM'000	<u>Distributable</u> Retained profits RM'000	Total RM'000
At 1 January 2009	<u>distributable</u> Exchange fluctuation reserves	Retained profits	
At 1 January 2009 Profit for the financial year	distributable Exchange fluctuation reserves RM'000	Retained profits RM'000	RM'000
-	distributable Exchange fluctuation reserves RM'000	Retained profits RM'000 (49)	RM'000 (475)

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

	The Group		The Bar	ık
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows (used in)/from operating activities				
Profit before taxation and zakat	859,239	223,411	61,194	6,458
Adjustments for:				
Depreciation of property, plant and equipment	1,139	1,479	-	-
Amortisation of intangible assets	3,030	3,581	-	-
Net gain from disposal of financial				
investments available-for-sale	(530)	(1,934)	-	-
Net loss from sale of financial assets held for trading	-	416	-	-
Unrealised loss/(gain) on Islamic derivative				
financial instruments	147,031	80,889	-	-
Allowance for bad and doubtful debts and financing	68,699	262,788	49,797	-
Unrealised loss from revaluation of financial				
assets held for trading	(247)	-	(1,240)	-
Accretion of discount less amortisation of premium	(28,839)	(44,058)	-	-
Profit income from financial investments available-for-sale	(20,371)	(24,828)	-	-
Profit income from financial investments held-to-maturity	(56,602)	(53,974)	-	-
(Writeback of)/allowance for other impairment loss	-	(164)	-	-
Bad debt written off		36		-
	972,549	447,642	109,751	6,458
(Increase) / decrease in operating assets				
Deposits and placements with banks and				
other financial institutions	432,223	(773,287)	(57,176)	(115,427)
Financial assets held for trading	942,423	(610,069)	7,015	(207,415)
Financing, advances and other loans	(6,530,007)	(10,457,903)	(176,054)	(145,396)
Other assets	(295,224)	(14,436)	(64,056)	(1,839)
Amount due from holding company	(591,695)	-	-	-
Amount due from related company	(48,767)	-	(47,939)	147
Statutory deposits with Bank Negara Malaysia	29,400	96,418	-	-
Increase / (decrease) in operating liabilities	5,295,063	4 200 044	111,978	234,088
Deposits from customers	5,295,005	4,200,044	111,978	254,088
Deposits and placements of banks and other financial institutions	1,683,668	5,429,435	(238,678)	649,577
Islamic derivative financial instruments	(1,358)	35,653	(2,490)	(2,374)
Bills and acceptances payable	(1,550)	(5,258)	(2,4)0)	(2,374)
Amount due to holding company	160,336	124,805		_
Amount due to related companies	(6,425)	2,415	(147)	-
Other liabilities	351,219	(9,734)	197,101	66,442
Cash flows (used in)/generated from operations	2,393,405	(1,534,275)	(160,695)	484.261
Taxation and zakat paid			(100,075)	707,201
-	(55,332)	(57,025)	(160 605)	494.261
Cash flows generated from/(used in) operating activities	2,338,073	(1,591,300)	(160,695)	484,261

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

		The Group	The Bank		
	Note	2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Cash flows from / (used in) investing					
activities					
Net (purchase)/proceeds from financial					
investments held-to-maturity		(313,064)	186,842	(235,111)	-
Net proceeds of financial investments					
available-for-sale		120,912	118,644	-	-
Profit income from financial investments					
held-to-maturity		52,298	55,279	-	-
Profit income from financial investments					
available-for-sale		20,999	25,326	-	-
Purchase of property, plant and equipment		(1,208)	(1,330)	-	-
Purchase of intangible assets		(2,809)	(214)		-
Net cash generated (used in)/from					
investing activities		(122,872)	384,547	(235,111)	-
Cash flows from financing activities					
Issuance of sukuk		-	300,000	-	-
Issuance of share capital		200,000		<u> </u>	<u> </u>
Net cash generated from financing activities		200,000	300,000	<u> </u>	
Net increase/(decrease) in					
cash and cash equivalents		2,415,201	(906,753)	(395,806)	484,261
Cash and cash equivalents at		2,413,201	()00,755)	(5)5,000)	101,201
beginning of financial year		5,342,372	6,249,125	484,261	-
Effect of exchange rate changes		82,685	-	65,018	-
Cash and cash equivalents					
at end of financial year		7,840,258	5,342,372	153,473	484,261
2 ····	_				
Cash and cash equivalents comprise:					
Cash and short-term funds	(a)	7,840,258	5,342,372	153,473	484,261
		<u> </u>	<u> </u>	·	

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(a) Cash and short-term funds

	The Group		The Bank				
	2010 2009	2010 2009	2010 2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000			
Cash and balances with banks and other financial institutions	73,353	55,817	-	-			
Money at call and deposit placements maturing within one month	7,766,905	5,286,555	153,473	484,261			
	7,840,258	5,342,372	153,473	484,261			

(b) Deposits and placements with banks and other financial institutions

	The Grou	The Bank		
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	503,053	918,376	550,177	493,001
Licensed investment banks	-	29,900	-	-
Other financial institutions	550,000	537,000	-	-
	1,053,053	1,485,276	550,177	493,001

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(c) Financial assets held for trading

	The Grou	The Bank		
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	194,227	498,587	-	-
Bank Negara Malaysia negotiable notes	1,283,822	1,186,923	-	-
Islamic negotiable instruments of deposits	638,001	1,328,917	-	-
Islamic accepted bills	98,364	54,634	-	-
	2,214,414	3,069,061		-
Quoted securities				
Outside Malaysia				
Sukuk	96,185	-	96,185	-
Unquoted securities				
In Malaysia				
Private debt securities	133,479	215,233	-	-
Outside Malaysia				
Islamic debt securities	105,455	207,415	105,455	207,415
	2,549,533	3,491,709	201,640	207,415

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(d) Financial investments available-for-sale

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Unquoted				
Government Investment Issues	65,526	129,778	-	-
Islamic Cagamas bonds	35,423	34,392	-	-
Islamic commercial papers	-	19,538	-	-
Khazanah bonds	-	34,975	-	-
	100,949	218,683	-	-
Unquoted securities				
In Malaysia				
Private debt securities	354,435	323,019	-	-
Placement with Islamic Banking and		,		
Finance Institute Malaysia	575	575	-	-
Outside Malaysia				
Private equity funds	3	-	-	-
	455,962	542,277	-	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(e) Financial investments held-to-maturity

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Unquoted securities				
In Malaysia				
Government Investment Issues	100,056	-	-	-
Islamic commercial papers	-	6,775	-	-
Private debt securities	1,001,081	1,010,812	-	-
Outside Malaysia				
Private debt securities	235,111	-	235,111	-
Amortisation of premium				
less accretion of discounts	(7,502)	(6,209)	-	
	1,328,746	1,011,378	235,111	-

Private debt securities amounting to RM865 million (2009: RM864 million) are funded by a Restricted Profit Sharing Investment Account ('RPSIA') depositor, as part of an arrangement between CIMB Islamic and the Bank.

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

56 The operations of Islamic Banking (Continued)

(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 the end of the reporting period, and do not represent amounts at risk.

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

]	The Group			The Bank	
		Fair va			Fair va	
At 31 December 2010	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forward	33,825	42	(460)	-	-	-
Currency swaps	2,010,317	15,448	(20,753)	389,122	7,213	-
Currency spot	245	1	-	-	-	-
Cross currency profit rate swaps	88,549	2,653	(2,653)	-	-	-
	2,132,936	18,144	(23,866)	389,122	7,213	-
Profit rate derivatives						
Islamic profit rate swaps	5,799,537	122,279	(108,850)	-	-	-
Equity related derivatives						
Equity options	2,219,544	6,342	(6,342)	-	-	-
Hadaina daniwatiwas						
<u>Hedging derivatives</u>						
Islamic profit rate swaps	4,400,000	11,136	(60,141)	-	-	-
Total derivative assets/(liabilities)	14,552,017	157,901	(199,199)	389,122	7,213	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

(i) Islamic derivative financial instruments (Continued)

	,	The Group			The Bank	
		Fair val	lues		Fair val	ues
	Principal	Assets	Liabilities	Principal	Assets	Liabilities
At 31 December 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forward	542,757	1,982	(479)	-	-	-
Currency swaps	1,471,617	12,111	(11,763)	301,761	6,044	(1,321)
Cross currency profit rate swaps	89,703	201	(201)	-	-	-
	2,104,077	14,294	(12,443)	301,761	6,044	(1,321)
Profit rate derivatives						
Islamic profit rate swaps	3,405,868	144,670	(587)	-	-	-
Equity related derivatives						
Equity options	2,984,288	104,768	(104,768)	-	-	-
Hedging derivatives						
Islamic profit rate swaps	1,350,000	-	(41,559)	-	-	-
Total derivative assets/(liabilities)	9,844,233	263,732	(159,357)	301,761	6,044	(1,321)
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(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

(ii) Commitments and contingencies

In the normal course of business, the Group and the Bank entered 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. The commitments and contingencies constitute the following:

	The Gr	oup	The Bank	
	2010	2009	2010	2009
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	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 not exceeding one year	1,782,407	2,010,593	-	-
- maturity exceeding one year	1,411,601	1,386,942	-	-
Miscellaneous commitments and				
contingencies	91,231	23,788	-	-
Total credit-related commitments				
and contingencies	3,714,487	3,816,948		-
Treasury related				
Foreign exchange related contracts:				
- less than one year	2,044,387	2,014,374	389,122	301,761
- one year to less than five years	88,549	89,703	-	_
Profit rate related contracts:	,	,		
- less than one year	377,279	-	-	
- one year to less than five years	4,315,158	3,405,868	-	-
- five years and above	5,507,100	1,350,000	-	-
Equity related contracts:	, ,	, ,		
- less than one year	637,740	1,633,706	-	-
- one year to less than five years	1,075,479	1,131,977	-	-
- five years and above	506,325	218,605	-	
2		- ,		-
Total treasury-related commitments	14,552,017	9,844,233	389,122	301,761
and contingencies				
	18,266,504	13,661,181	389,122	301,761

In 2009, the commitment and contingencies exposure to RPSIA financing were RM2,250 million. As at 31 December 2010, there were no commitment and contingencies exposure to RPSIA.

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans

(i) By type:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash line	322,529	241,179	-	-
Term financing				
- Housing financing	5,532,014	9,950,056	-	24,652
- Syndicated term financing	579,701	797,833	198,715	189,884
- Hire purchase receivables	5,234,598	4,436,748	-	-
- Other term financing	10,660,036	12,369,381	141,206	-
Credit card receivables	90,472	48,973	-	-
Bills receivable	2,235	1,625	-	-
Islamic trust receipts	59,091	29,827	-	-
Claim on customers under acceptance credit	191,657	173,893	-	-
Revolving credits	407,330	845,716	-	-
Other financing	11	72	-	-
	23,079,674	28,895,303	339,921	214,536
Less: Unearned income	-	(12,093,880)	-	(872)
Gross financing, advances and other loans	23,079,674	16,801,423	339,921	213,664
Fair value changes arising from fair value hedges	17,997	26,519	-	-
	23,097,671	16,827,942	339,921	213,664
Less: Individual impairment allowance	(92,683)	-	-	-
Less: Specific allowance	-	(212,890)	-	-
	23,004,988	16,615,052	339,921	213,664
Less: Portfolio impairment allowance	(240,490)	-	-	-
Less: General allowance		(160,247)		-
	22,764,498	16,454,805	339,921	213,664

a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM4,400 million (2009: RM1,350 million) financing using Islamic profit rate swaps.

	The Group		
	2010	2009	
	RM'000	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: RM RM41.6 million).

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

b) Included in financing, advances and other loans of the Group 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 portfolio impairment allowance/general allowance relating to this RPSIA is RM154.8 million (2009: RM63.7 million).

(ii) By contract:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Bai'-Bithaman Ajil (deferred payment sale)	10,320,341	7,195,630	-	-
Murabahah (cost-plus)	643,825	2,919,713	339,921	213,664
Ijarah Muntahiyyah Bittamlik/AITAB (lease ended with ownership)	5,979,854	4,210,366	-	-
Bai' al-'inah (sales and buy back)	5,827,671	49,176	-	-
Others	307,983	2,426,538	-	-
	23,079,674	16,801,423	339,921	213,664

(iii) By type of customer:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	213,028	51,355	-	-
Domestic business enterprises				
- small medium enterprises	1,267,220	617,749	-	-
- others	3,131,681	5,366,716	-	-
Government and statutory bodies	4,539,837	1,527,492	-	-
Individuals	13,353,200	8,764,262	-	-
Other domestic entities	34,246	17,802	28,779	-
Foreign entities	540,462	456,047	311,142	213,664
	23,079,674	16,801,423	339,921	213,664

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

(iv) By profit rate sensitivity:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- House financing	417,942	308,792	-	-
- Hire-purchase receivables	5,234,598	3,577,319	-	-
- Other financing	8,024,882	722,184	-	-
Variable rate				
- House financing	5,114,072	3,047,836	-	-
- Others	4,288,180	9,145,292	339,921	213,664
	23,079,674	16,801,423	339,921	213,664

(v) By economic purposes:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personal use	1,710,557	1,417,727	-	-
Credit card	90,472	48,973	-	-
Purchase of consumer durables	-	21	-	-
Residential property	5,579,762	3,394,765	-	-
Non residential property	1,651,458	1,005,163	-	-
Purchase of fixed assets other than land				
and building	391,915	317,848	-	-
Construction	759,803	258,358	-	-
Purchase of securities	20,606	2,515,992	-	-
Purchase of transport vehicles	5,234,598	3,577,816	-	-
Working capital	7,160,532	3,990,858	121,498	213,664
Other purpose	479,971	273,902	218,423	-
	23,079,674	16,801,423	339,921	213,664

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

(vi) By geographical distribution:

	The Gro	The Group		k
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,739,753	16,587,759	-	-
Other countries	339,921	213,664	339,921	213,664
	23,079,674	16,801,423	339,921	213,664

(vii) Impaired financing/non-performing financing by economic purposes:

	The Group		The Ban	The Bank	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Personal use	17,165	15,846	-	-	
Credit card	2,616	1,211	-	-	
Residential property	85,002	56,379	-	-	
Non residential property	16,131	8,345	-	-	
Purchase of fixed assets other than land					
and building	1,738	1,620	-	-	
Construction	1,584	-	-		
Purchase of securities	19,364	18,670	-	-	
Purchase of transport vehicles	86,560	42,779	-	-	
Working capital	101,590	164,231	-	-	
Other purpose	4,129	48,034	-	-	
	335,879	357,115	-	-	

(viii) Impaired financing/non-performing financing by geographical distribution:

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	335,879	357,115	-	-
	335,879	357,115	-	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January				
- as previously reported	357,115	201,468	-	-
- classified as impaired due to adoption of FRS 139*	139,996	-	-	-
As restated	497,111	201,468	-	-
Classified as impaired/non-performing during				
the financial year	337,853	376,283	258	-
Reclassified as not impaired/performing during				
the financial year	(166,596)	(90,353)	(92,883)	-
Amount written back in respect of recoveries	(121,592)	(34,424)	-	-
Amount written off	(84,077)	(95,859)	-	-
Sale of impaired financing	(105,739)	-	-	-
Amount transferred from subsidiary	-	-	92,625	-
Exchange fluctuation	(21,081)	-	-	-
At 31 December	335,879	357,115	-	-
Ratio of gross impaired/non-performing financing, advances and other loans to total				
financing, advances and other loans	1.46%	2.13%	-	-

* Represents restatement of income-in-suspense and financing previously classified as performing under GP3 but considered impaired under FRS 139

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

(xii) Movements in allowance for bad and doubtful financing:

	The Group		The Bank		
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Individual impairment allowance					
At 1 January					
- as previously reported	-	-	-	-	
- effect of adoption of FRS 139	268,587	-	-	-	
As restated	268,587			-	
Amount written back in respect of recoveries	(94,191)	-	(49,797)	-	
Amount written off	(74,076)	-	-	-	
Unwinding income	(2,622)	-	-	-	
Amount transferred from subsidiary	-	-	47,578	-	
Exchange fluctuation	(5,015)	-	2,219	-	
At 31 December	92,683			-	
At 1 January - as previously reported	-	-	-	-	
- effect of adoption of FRS 139	261,029				
As restated	261,029	-	-	-	
Allowance made during the financial year	162,884	-	-	-	
Amount written off	(61,605)	-	-	-	
Unwinding income	(1,838)	-	-	-	
Transfer to intercompany	(119,980)		<u> </u>	-	
At 31 December	240,490	-		-	
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing,					
advances and other loans (excluding RPSIA					
	2.23%				

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(g) Financing, advances and other loans (Continued)

(xii) Movements in allowance for bad and doubtful financing (Continued):

	The Group		The Ban	k
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Specific allowance				
At 1 January				
- as previously reported	212,890	99,374	-	-
- effect of adoption of FRS 139	(212,890)	-	-	-
As restated	-	99,374		-
Allowance made during the financial year	-	236,951	-	-
Amount written back in respect of recoveries	-	(25,785)	-	-
Amount written off	-	(95,616)	-	-
Exchange fluctuation	-	(2,034)	-	-
At 31 December		212,890		-
General allowance At 1 January				
- as previously reported	160,247	80,615	-	1,181
- effect of adoption of FRS 139	(160,247)		<u> </u>	-
As restated	-	80,615	-	1,181
Net allowance made during the financial year	-	80,813	-	-
Allowance transferred to conventional operations	-	(1,181)	-	(1,181)
At 31 December		160,247	-	-
General allowance as % of gross financing, advances and other loans (excluding RPSIA financing and financing exempted from general				
allowance by BNM) less specific allowance	<u> </u>	1.48%	-	0.00%

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(h) Other assets

	The Group		The Bank		
	2010 2009		2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Income receivable	-	18,472	-	1,856	
Deposits and prepayments	308	315	-	-	
Clearing accounts	212,214	55,920	-	-	
Collateral pledged for derivative					
transactions	68,470	-	-	-	
Sundry debtors	53,836	37,170	737	1,985	
	334,828	111,877	737	3,841	

(i) 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 offset and shown in the statements of financial position:

	The Group		The Bank	
	2010	2009	2010	2009
	RM' 000	RM' 000	RM' 000	RM' 000
Deferred tax assets	8,092	45,602	-	-
Deferred tax liabilities	(2,503)	(977)	-	-
	5,589	44,625	-	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(i) **Deferred taxation (continued)**

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

The Group Deferred tax assets	Note	Portfolio impairment allowance / General allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserves - financial investments available-for- sale RM'000	Other temporary differences RM'000	Total RM'000
2010 At 1 January 2010 - as previously reported - effect of adoption of FRS139 As restated (Credited)/charged to profit or loss Under/(over) provision in prior year Transferred to equity At 31 December 2010	(ac) (ac)	37,928 8,613 46,541 (46,541)	(912) (912) 39 64 (809)	(65) (65) (1,629) (1,694)	7,674 6,501 14,175 (5,377) (706) - - - -	44,625 15,114 59,739 (51,879) (642) (1,629) 5,589
2009 At 1 January 2009 Charged to profit or loss Underprovision in prior year Transferred to equity At 31 December 2009	(ac) (ac)	17,637 20,291 	(1,543) 631 - - (912)	573 - (638) (65)	4,702 2,665 307 - 7,674	21,369 23,587 307 (638) 44,625

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(i) Deferred taxation (continued)

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

The Bank Deferred tax assets	Note	Portfolio impairment allowance / General allowance for bad and doubtful financing RM'000	Total RM'000
<u>2010</u> At 1 January/31 December		-	-
2009 At 1 January Charged to profit or loss At 31 December	(ac)	307 (307)	307 (307)

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(j) Statutory deposits with Bank Negara Malaysia

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

(k) Goodwill

	The Grou	ıp
	2010	2009
	RM'000	RM'000
Cost		
At 1 January/31 December	136,000	136,000

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

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2011 financial budgets approved by management, 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 discount rate is 8.89% (2009: 7.10%) which reflects the specific risks relating to the CGU.

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

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(l) Intangible assets

	The Group		
	2010	2009	
	RM'000	RM'000	
Computer software			
Cost			
At 1 January	12,338	11,043	
Additions	2,809	214	
Reclassified from property,			
plant and equipment (Note m)	832	1,081	
At 31 December	15,979	12,338	
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 remaining amortisation period of the intangible assets are as follows:

Computer software	
- core and front-end systems	3-15 years
- others	3 years

The above intangible assets include computer software under construction at cost of RM479,000 (2009: RM Nil).

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(m) Property, plant and equipment

The Group 2010	Renovations, office equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	7,000	21	302	7,323
Additions	657	-	551	1,208
Reclassifications	8	(8)	-	-
Reclassified to intangible assets (Note l)	(832)	-	-	(832)
At 31 December	6,833	13	853	7,699
Depreciation				
At 1 January	4,507	13	178	4,698
Charge for the financial year	987	4	148	1,139
Reclassifications	4	(4)		-
At 31 December	5,498	13	326	5,837
Net book value at 31 December	1,335	-	527	1,862

The Group 2009	Renovations, office equipment, furniture and fittings RM'000	Computer equipments RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	6,751	21	302	7,074
Additions	1,330	-	-	1,330
Reclassified to intangible assets (Note l)	(1,081)	-	-	(1,081)
At 31 December	7,000	21	302	7,323
Depreciation				
At 1 January	3,092	9	118	3,219
Charge for the financial year	1,415	4	60	1,479
At 31 December	4,507	13	178	4,698
Net book value at 31 December	2,493	8	124	2,625

The above property, plant and equipment include renovations and computer equipment and software under construction at cost of RM Nil (2009: RM173,000).

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(n) Deposits from customers

(i) By type of deposits

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Non-Mudharabah				
Demand deposits	2,973,411	985,490	2,045	819
Savings deposits	701,147	510,379	-	-
General investment deposits	634,517	-	634,517	-
Fixed return investment account	5,127,333	2,964,472	879	524,644
Islamic negotiable instruments of deposit	1,033,019	523,089	-	-
Commodity Murabahah	69,379	17,125	-	-
Others	25,191	7,366	-	-
	10,563,997	5,007,921	637,441	525,463
<u>Mudharabah</u>				
Demand deposits	1,497,380	2,155,363	-	-
Savings deposits	289,034	204,066	-	-
General investment deposits (inclusive of				
Special General investment deposits of				
RM7,561,472,000 (2009: RM7,425,800,000))	8,776,494	9,158,674	-	-
Specific investment deposit	2,352,764	1,658,582	-	-
	12,915,672	13,176,685	-	-
	23,479,669	18,184,606	637,441	525,463

(ii) By type of customer

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,739,644	4,071,897	53,898	-
Business enterprises	12,631,767	10,529,314	1,615	1,065
Individuals	3,622,835	2,518,194	48,863	771
Others	1,485,423	1,065,201	533,065	523,627
	23,479,669	18,184,606	637,441	525,463

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(o) Deposits and placements of banks and other financial institutions

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed Islamic banks	394,625	50,000	-	-
Licensed banks	9,692,225	7,891,835	505,259	785,571
Licensed investment banks	571,200	1,110,350	-	-
Other financial institutions	111,889	34,086	61,640	20,006
	10,769,939	9,086,271	566,899	805,577

(p) 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, the 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 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.

(q) Other liabilities

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income payable		51,028	-	1,154
Clearing accounts	327,463	80,732	-	-
Accruals and other payables	25,165	78,746	38	-
Others	291,283	82,185	266,712	68,495
	643,911	292,691	266,750	69,649

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(r) **Provision for taxation and zakat**

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Taxation	5,281	10,613	-	-
Zakat	5,947	6,421		-
	11,228	17,034		-

(s) Ordinary share capital

	The Grou	ւթ
	2010	2009
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January / 31 December	900,000	900,000
Jaguad and fully noid		
Issued and fully paid		
Ordinary shares of RM1.00 each:	550 000	550,000
At 1 January	550,000	550,000
Issued during the financial year	200,000	-
At 31 December	750,000	550,000
(t) Perpetual preference shares		
	The Grou	р
	2010	2009
	RM'000	RM'000
Authorised		
Perpetual preference shares of RM1.00 each:		
At 1 January / 31 December	100,000	100,000

Issued and fully paid Perpetual preference shares of RM1.00 each: At 1 January / 31 December

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

70,000

70,000

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

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(t) Perpetual preference shares (continued)

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

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

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

- (u) Reserves
- (a) The statutory reserves are maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividends.
- (b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (c) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment financing assessment methodology with the adoption of FRS 139 beginning 1 January 2010.

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(v) Income derived from investment of depositors' funds and others

	The Group		The Bank					
	2010	2010	2010	2010	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000				
Income derived from investment of:								
(i) General investment deposits	589,426	456,540	14,970	3,617				
(ii) Specific investment deposits	436,896	183,138	-	-				
(iii) Other deposits	387,054	244,753	-	14,337				
	1,413,376	884,431	14,970	17,954				

(i) Income derived from investment of general investment deposits

$\begin{array}{c c c c c c c c c c c c c c c c c c c $		The Group		The Bank	
Financing, advances and other loans - income other than recoveries $446,732$ $337,462$ $3,757$ - unwinding income^A $2,870$ - 107 - income other than recoveries $2,870$ - 107 - incancial assets held for trading $15,185$ $5,911$ $4,240$ - Financial investments available-for-sale $11,526$ $15,494$ - - Financial investments held-to-maturity $7,510$ $6,838$ $1,308$ - Money at call and deposits with financial institutions $78,509$ $56,486$ 8333 $3,617$ Accretion of discount less amortisation of premium $78,509$ $56,486$ 8333 $3,617$ Accretion of discount less amortisation of premium $16,374$ $27,772$ - - Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income - - - - - - - valised $1,358$ $1,787$ $2,073$ - - - varealised 676 (201) $1,212$ - <th></th> <th>2010</th> <th>2009</th> <th>2010</th> <th>2009</th>		2010	2009	2010	2009
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		RM'000	RM'000	RM'000	RM'000
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Financing, advances and other loans				
Financial assets held for trading15,1855,9114,240-Financial investments available-for-sale11,52615,494Financial investments held-to-maturity7,5106,8381,308-Money at call and deposits with financial institutions78,50956,4868333,617Accretion of discount less amortisation of premium78,50956,4868333,617Accretion of discount less amortisation of premium16,37427,772Total finance income and hibah578,706449,96310,2453,617Other operating income1,3581,7872,073 realised1,3581,7872,073 unrealised676(201)1,212 Net gain from sale of financial investments available-for-sale2871,195 Net loss from foreign exchange transactions(353)(3,295)(1,335) Net loss from foreign exchange transactions Net loss from foreign exchange	- income other than recoveries	446,732	337,462	3,757	-
Financial investments available-for-sale11,526 $15,494$ Financial investments held-to-maturity7,510 $6,838$ $1,308$ -Money at call and deposits with financial institutions78,509 $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium78,509 $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium16,374 $27,772$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income Net gain/(loss) from financial assets held for trading realised $1,358$ $1,787$ $2,073$ unrealised676(201) $1,212$ Net gain from sale of financial investments available-for-sale 287 $1,195$ Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ Net loss from foreign exchange transactions $3,852$ $7,091$ $2,775$ -	- unwinding income^	2,870	-	107	-
Financial investments held-to-maturity Money at call and deposits with financial institutions7,510 $6,838$ $1,308$ $-$ Money at call and deposits with financial institutions78,509 $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium $78,509$ $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium $16,374$ $27,772$ $ -$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income $ -$ - Net gain/(loss) from financial assets held for trading -realised $1,358$ $1,787$ $2,073$ $-$ - unrealised 676 (201) $1,212$ $-$ - Net gain from sale of financial investments available-for-sale 287 $1,195$ $-$ - Net loss from foreign exchange transactions (100) $ -$ - Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ $-$ - Fee and commission income $8,852$ $7,091$ $2,775$ $-$	Financial assets held for trading	15,185	5,911	4,240	-
Money at call and deposits with financial institutions $78,509$ $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium $16,374$ $27,772$ $ -$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income - Net gain/(loss) from financial assets held for trading -realised $1,358$ $1,787$ $2,073$ $-$ - unrealised 676 (201) $1,212$ $-$ - Net gain from sale of financial investments available-for-sale 287 $1,195$ $-$ - Net loss from foreign exchange transactions (100) $ -$ - Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ - Fee and commission income $8,852$ $7,091$ $2,775$ $-$	Financial investments available-for-sale	11,526	15,494	-	-
institutions $78,509$ $56,486$ 833 $3,617$ Accretion of discount less amortisation of premium $16,374$ $27,772$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income $16,374$ $27,772$ Net gain/(loss) from financial assets held for trading -realised $1,358$ $1,787$ $2,073$ Unrealised 676 (201) $1,212$ Net gain from sale of financial investments available-for-sale 287 $1,195$ Net loss from foreign exchange transactions (100) Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ - Fee and commission income $8,852$ $7,091$ $2,775$ -	Financial investments held-to-maturity	7,510	6,838	1,308	-
Secretion of discount less amortisation of premium $562,332$ $422,191$ $10,245$ $3,617$ Accretion of discount less amortisation of premium $16,374$ $27,772$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income $1,358$ $1,787$ $2,073$ realised $1,358$ $1,787$ $2,073$ unrealised 676 (201) $1,212$ 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 loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ - Fee and commission income $8,852$ $7,091$ $2,775$ -	Money at call and deposits with financial				
Accretion of discount less amortisation of premium $16,374$ $27,772$ $ -$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income - Net gain/(loss) from financial assets held for trading -realised $1,358$ $1,787$ $2,073$ $-$ - unrealised 676 (201) $1,212$ $-$ - 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 loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ $-$ Fee and commission income $8,852$ $7,091$ $2,775$ $-$	institutions	78,509	56,486	833	3,617
premium $16,374$ $27,772$ Total finance income and hibah $578,706$ $449,963$ $10,245$ $3,617$ Other operating income- Net gain/(loss) from financial assets held for trading -realised $1,358$ $1,787$ $2,073$ unrealised 676 (201) $1,212$ 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 loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ -Fee and commission income $8,852$ $7,091$ $2,775$ -		562,332	422,191	10,245	3,617
Total finance income and hibah $\overline{578,706}$ $449,963$ $\overline{10,245}$ $3,617$ Other operating income - Net gain/(loss) from financial assets held for trading - realised $1,358$ $1,787$ $2,073$ $-$ - unrealised $1,358$ $1,787$ $2,073$ $-$ - Net gain from sale of financial investments available-for-sale 676 (201) $1,212$ $-$ - Net loss from sale of financial investments held-to-maturity 287 $1,195$ $ -$ - Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ $-$ Fee and commission income $8,852$ $7,091$ $2,775$ $-$	Accretion of discount less amortisation of				
Other operating income- Net gain/(loss) from financial assets held for trading -realised- Inrealised- unrealised- Unrealised- Net gain from sale of financial investments available-for-sale- Net loss from sale of financial investments held-to-maturity- Net loss from foreign exchange transactions- Net loss from foreign exchange transactions- Net loss from foreign exchange transactions- State- Net loss from foreign exchange transactions- Net loss from foreign exchange transactions- State- Net loss from foreign exchange transactions- Net loss from foreign exchange transactio	premium	16,374	27,772	-	-
- Net gain/(loss) from financial assets held for trading -realised 1,358 1,787 2,073 - -unrealised 676 (201) 1,212 - - 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 loss from foreign exchange - transactions (353) (3,295) (1,335) - Fee and commission income 8,852 7,091 2,775 -	Total finance income and hibah	578,706	449,963	10,245	3,617
held for trading -realised1,3581,7872,073 unrealised676 (201) $1,212$ Net gain from sale of financial investments available-for-sale287 $1,195$ Net loss from sale of financial investments held-to-maturity (100) Net loss from foreign exchange transactions (353) $(3,295)$ $(1,335)$ -Fee and commission income $8,852$ $7,091$ $2,775$ -	Other operating income				
-realised 1,358 1,787 2,073 - -unrealised 676 (201) 1,212 - - 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 loss from foreign exchange transactions (353) (3,295) (1,335) - Fee and commission income 8,852 7,091 2,775 -	- Net gain/(loss) from financial assets				
-unrealised676(201)1,212 Net gain from sale of financial investments available-for-sale2871,195 Net loss from sale of financial investments held-to-maturity(100) Net loss from foreign exchange transactions(353)(3,295)(1,335) Fee and commission income8,8527,0912,775-	held for trading				
- 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 loss from foreign exchange transactions (353) (3,295) (1,335) Fee and commission income 8,852 7,091 2,775 -	-realised	1,358	1,787	2,073	-
available-for-sale 287 1,195 - - - Net loss from sale of financial investments (100) - - - - Net loss from foreign exchange (353) (3,295) (1,335) - - Net loss from foreign exchange 1,868 (514) 1,950 - Fee and commission income 8,852 7,091 2,775 -	-unrealised	676	(201)	1,212	-
- Net loss from sale of financial investments held-to-maturity (100) - Net loss from foreign exchange transactions (353) (3,295) (1,335) 	- Net gain from sale of financial investments				
held-to-maturity (100) - - - - Net loss from foreign exchange transactions (353) (3,295) (1,335) - 1,868 (514) 1,950 - - Fee and commission income 8,852 7,091 2,775 -	available-for-sale	287	1,195	-	-
- Net loss from foreign exchange transactions (353) (3,295) (1,335) 1,868 (514) 1,950 - Fee and commission income 8,852 7,091 2,775 -	- Net loss from sale of financial investments				
transactions (353) (3,295) (1,335) 1,868 (514) 1,950 - Fee and commission income 8,852 7,091 2,775 -	held-to-maturity	(100)	-	-	-
1,868 (514) 1,950 - Fee and commission income 8,852 7,091 2,775 -	- Net loss from foreign exchange				-
Fee and commission income 8,852 7,091 2,775 -	transactions	(353)	(3,295)	(1,335)	
		1,868	(514)	1,950	-
589,426 456,540 14,970 3,617	Fee and commission income	8,852	7,091	2,775	-
		589,426	456,540	14,970	3,617

^ Unwinding income is income earned on impaired financial assets

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(v) Income derived from investment of depositors' funds and others (continued)

(ii) Income derived from specific investment deposits

	The Group		The Bank	
	2010	2009	2010	2009
	RM' 000	RM' 000	RM' 000	RM' 000
Financing, advances and other loans				
- income other than recoveries	349,922	105,619	-	-
Money at call and deposit with 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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other loans				
- income other than recoveries	303,848	189,674	-	14,337
- 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	4,274	3,486	-	-
Money at call and deposits with financial				
institutions	50,263	25,840	-	-
	375,811	230,204		14,337
Accretion of discount less amortisation of				
premium	11,226	13,773	-	-
Total finance income and hibah	387,037	243,977	-	14,337
Other operating income				
- Net (loss)/gain from financial assets				
held for trading				
-realised	(487)	976	-	-
-unrealised	(409)	(196)	-	-
- Net gain from sale of financial investments				
available-for-sale	218	635	-	-
- Net loss from sale of financial investments				
held-to-maturity	(70)	-	-	-
- Net loss from foreign exchange				
transactions	(1,130)	(1,885)	-	-
	(1,878)	(470)	-	-
Fee and commission income	1,895	1,246	-	-
	387,054	244,753	-	14,337

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(w) Net income derived from investment of shareholders' funds

Financing, advances and other loans - income other than recoveries - unwinding income^ Financial assets held for trading Financial investments available-for-sale Financial investments held-to-maturity Money at call and deposits with financial institutions	2010 RM'000 90,336 192 948 879 501 6,500 99,356 1,239 100,595	2009 RM'000 47,799 514 1,395 617 4,732 55,057 2,513 57,570	2010 RM'000 79 - 99 - 30 1,039 1,247	2009 RM'000 - - - - - - -
 income other than recoveries unwinding income^ Financial assets held for trading Financial investments available-for-sale Financial investments held-to-maturity 	90,336 192 948 879 501 6,500 99,356 1,239	47,799 514 1,395 617 4,732 55,057 2,513	79 - 99 - 30 1,039	RM' 000 - - - - - - -
 income other than recoveries unwinding income^ Financial assets held for trading Financial investments available-for-sale Financial investments held-to-maturity 	192 948 879 501 6,500 99,356 1,239	514 1,395 617 4,732 55,057 2,513	99 	- - - - -
 - unwinding income^ Financial assets held for trading Financial investments available-for-sale Financial investments held-to-maturity 	192 948 879 501 6,500 99,356 1,239	514 1,395 617 4,732 55,057 2,513	99 	- - - - -
Financial assets held for trading Financial investments available-for-sale Financial investments held-to-maturity	948 879 501 6,500 99,356 1,239	1,395 617 4,732 55,057 2,513	30 1,039	- - - -
Financial investments available-for-sale Financial investments held-to-maturity	879 501 6,500 99,356 1,239	1,395 617 4,732 55,057 2,513	30 1,039	- - - - -
Financial investments held-to-maturity	501 6,500 99,356 1,239	617 4,732 55,057 2,513	1,039	- - - -
-	6,500 99,356 1,239	4,732 55,057 2,513	1,039	- - -
Money at call and deposits with financial institutions	99,356 1,239	55,057 2,513		
—	1,239	2,513	1,247	-
			-	
Accretion of discount less amortisation of premium	100,595	57 570		=
Total finance income and hibah		51,510	1,247	-
Other operating income				
- Net (loss)/gain from financial assets held for				
trading				
- Realised	(5)	157	48	-
- Unrealised	(20)	(19)	28	-
- Net gain from sale of financial investments				
available-for-sale	25	104	-	-
- Net loss from sale of financial investments				
held-to-maturity	(7)	-	-	_
- Net gain/(loss) from derivative financial instruments	(7)			
- Realised	165,725	79,633	-	_
- Unrealised	(147,031)	(80,889)	-	_
- Net loss from foreign exchange transactions	(187)	(291)	(49)	-
- Net loss from hedging derivatives		(1,625)		-
	18,500	(2,930)	27	-
Fee and commission income	57,935	66,631	226	-
Fee and commission expense	(1,430)	(636)	-	-
Net fee and commission expense	56,505	65,995	226	-
Sundry income	8,861	10,209	-	-
-	184,461	130,844	1,500	-

^ Unwinding income is income earned on impaired financial assets

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

56 The operations of Islamic Banking (Continued)

(x) Allowances for impairment losses on financing, advances and other loans

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
(i) Individual impairment allowance				
- written back during the financial year	(94,191)	-	(49,797)	-
(ii) Specific allowance				
- made during the financial year	-	211,166	-	-
(iii) Portfolio impairment allowance				
- made during the financial year	162,884	-	-	-
(iv) General allowance				
- written back during the financial year	-	80,813	-	-
Bad debts on financing:				
- recovered	(20,900)	(14,631)	-	-
- written off	5	35	-	-
	47,798	277,383	(49,797)	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(y) Income attributable to depositors

The Group		The Bank	
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000
287,656	185,574	933	-
121,016	65,857	2,117	3,469
27,133	16,516	170	-
8,220	27,095	1,853	7,691
17,505	4,752	-	-
461,530	299,794	5,073	11,160
	2010 RM'000 287,656 121,016 27,133 8,220 17,505	2010 2009 RM'000 RM'000 287,656 185,574 121,016 65,857 27,133 16,516 8,220 27,095 17,505 4,752	2010 2009 2010 RM'000 RM'000 RM'000 287,656 185,574 933 121,016 65,857 2,117 27,133 16,516 170 8,220 27,095 1,853 17,505 4,752 -

(z) Personnel expenses

	The Group		The Bank		
	2010	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	
Wages and salaries	10,109	8,518	-	-	
Allowances and bonuses	14,690	10,113	-	263	
Personnel expenses charged by					
CIMB Bank Berhad	60,337	57,219	-	-	
Staff incentive	4,645	5,195	-	-	
Other staff related costs	26,588	16,818	-	-	
	116,369	97,863	-	263	

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM306,750 (2009: RM196,472).

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(aa) Other overheads and expenditures

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	1,122	1,282	-	-
Depreciation of property, plant and equipment	1,139	1,479	-	-
Repairs and maintenance	2,661	1,870	-	
Overheads charged by CIMB Bank Berhad	34,385	27,041	-	-
EDP expenses	1,204	2,211	-	-
Takaful/insurance	12	668	-	-
Others	4,463	1,269	-	-
Promotion				
Advertisement and publicity	4,819	13,182	-	-
Promotion costs charged by CIMB Bank Berhad	1,089	6,498	-	-
Others	19,567	26,096	-	73
General expenses				
Auditor's remuneration - statutory audit	94	94	-	-
Amortisation of intangible assets	3,030	3,581	-	-
General expenses charged by CIMB Bank Berhad	17,085	15,106	-	-
Legal and professional fees	2,133	1,585	-	-
Communication	170	1,499	-	-
Incidental expenses on banking operations	1,761	3,431	-	-
Others	18,167	10,096	-	-
	112,901	116,988	-	73

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

(ab) Significant related party transactions and balances

The related parties of, and their relationship with the Group and Bank, are disclosed in Note 40.

2010 Income	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Profit income on deposits and placements with banks and other financial institution	168	1,993	_
Profit income on financial investments held-to-	100	1,555	
maturity	1,010	-	-
Profit income on financing, advances and other loans			2
Expenditure			
Profit expense on deposits and placements of			
banks and other financial institution	290,521	26,431	-
Profit expense on deposits from customers	-	141	-
Profit expense on subordinated Sukuk	17,447	58	-
Outsourced back-office processing	113,721	41,513	-
Security services	<u> </u>	47	-
Amounts due from			
Current accounts, deposits and placements			
with banks and other financial institutions	77,088	33,500	-
Profit income on deposits and placements with			
banks and other financial institution	32	326	-
Financial investments held-to-maturity	20,075	-	-
Profit income on financial investments held-to- maturity	89	-	-
Financing, advances and other loans	-	-	4
Amounts due to			
Deposits from customers	-	213,626	1,773
Deposits and placements of banks and other financial institutions	10,108,954	621,449	-
Profit expense on deposits from customers	-	75	-
Profit expense on deposits and placements of banks and other financial institution	126,696	1,408	<u>-</u>
Others		-,	2
Subordinated Sukuk	299,000	1,000	-
Profit expense on subordinated Sukuk	4,690	16	-
Outsourced back-office processing	7,349	282	-

(Incorporated in Malaysia)

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

56 The operations of Islamic Banking (Continued)

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

	Parent company	Other related companies	Key management personnel
2009	RM'000	RM'000	RM' 000
Income			
Profit income on deposits and placements with			
banks and other financial institution	1,823	2,119	-
Expenditure			-
Profit expense on deposits and placements of			
banks and other financial institution	104,664	15,528	-
Profit expense on deposits from customers	-	38	2
Profit expense on others	4,735	16	-
Outsourced back-office processing	105,863	15,882	-
Security services		66	-
Amounts due from			
Current accounts, deposits and placements			
with banks and other financial institutions	102,750	88,712	-
Profit income on deposits and placements with			
banks and other financial institution	16	44	-
Amounts due to			
Deposits from customers	-	256,665	1,089
Deposits and placements of banks and other financial institutions	6,870,808	1,301,623	-
Profit expense on deposits from customers	-	32	-
Profit expense on deposits and placements of			
banks and other financial institution	16,894	2,620	-
Subordinated Sukuk	299,000	1,000	-
Profit expense on subordinated Sukuk	4,735	16	-
Outsourced back-office processing	9,892	1,395	-

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Key management compensation and credit transaction and exposures with connected parties are disclosed in Note 40.

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

56 The operations of Islamic Banking (Continued)

(ac) Taxation

(i) Tax expense for the financial year

	The Group		The Bank	
	2010	2010 2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Taxation based on the profit for the				
financial year:				
- Malaysian income tax	47,386	63,948	-	-
Deferred taxation (Note i)	51,879	(23,587)	-	-
Under provision in prior year	2,782	307	-	307
	102,047	40,668	-	307

(ii) Numerical reconciliation of income tax expense

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	859,239	223,411	61,194	6,458
Tax calculated at tax rate of 25%	214,810	55,853	15,299	1,615
- effect of different tax rates in other countries	(24,445)	16,294	(12,554)	(1,615)
- income not subject to tax	(91,790)	(32,300)	(2,745)	-
- expenses not deductible for tax purposes	690	514	-	-
Under accrual in prior year	2,782	307	-	307
	102,047	40,668	-	307

(Incorporated in Malaysia)

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

57 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.